



OPCOM HOLDINGS BERHAD
(Company No: 322661-W)

QUARTERLY INTERIM FINANCIAL REPORT
For the Quarter Ended 31 December 2019

The Directors are pleased to announce the following:-

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2019

	Individual Quarter		Cumulative Quarter		
	Note	Current Year Quarter 31/12/2019 RM'000	Preceding Year Corresponding Quarter 31/12/2018 RM'000	Current Year To Date 31/12/2019 RM'000	Preceding Year To Date 31/12/2018 RM'000
Revenue		10,725	16,952	33,894	58,728
Cost of sales		(9,248)	(17,537)	(30,452)	(53,547)
Gross profit/(loss)		1,477	(585)	3,442	5,181
Other operating income		59	600	237	1,310
Administrative expenses		(1,716)	(1,174)	(5,792)	(5,740)
Distribution costs		(250)	(355)	(926)	(1,543)
Other operating expenses		(54)	(487)	(208)	(649)
Finance costs		(40)	(144)	(104)	(330)
Operating loss		(524)	(2,145)	(3,351)	(1,771)
Interest income		162	211	450	548
Share of results of equity-accounted associates		(237)	19	317	1,165
Loss before tax		(599)	(1,915)	(2,584)	(58)
Income tax expenses/(recovery)	B5	(98)	40	(201)	(766)
Loss for the period	B12	(697)	(1,875)	(2,785)	(824)
Other comprehensive (expense)/ income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss:-</i>					
Translation differences		(888)	(25)	16	2,466
(Loss)/profit and total comprehensive (expenses)/income for the period		(1,585)	(1,900)	(2,769)	1,642



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(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2019 RM'000	Preceding Year Corresponding Quarter 31/12/2018 RM'000	Current Year To Date 31/12/2019 RM'000	Preceding Year To Date 31/12/2018 RM'000
(Loss)/profit for the period attributable to:-				
Owners of the Company	(438)	(1,283)	(1,951)	606
Non-controlling interest	(259)	(592)	(834)	(1,430)
	<u>(697)</u>	<u>(1,875)</u>	<u>(2,785)</u>	<u>(824)</u>
Total comprehensive (expenses)/income attributable to:-				
Owners of the Company	(1,326)	(1,308)	(1,935)	3,072
Non-controlling interest	(259)	(592)	(834)	(1,430)
	<u>(1,585)</u>	<u>(1,900)</u>	<u>(2,769)</u>	<u>1,642</u>
(Loss)/Earnings per share attributable to owners of the Company:-				
Basic (sen)	<u>B11 (0.27)</u>	<u>(0.80)</u>	<u>(1.21)</u>	<u>0.38</u>
Diluted (sen)	<u>B11 Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019.



OPCOM HOLDINGS BERHAD
(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2019

	Note	As At Financial Period Ended 31/12/2019 RM'000	(Audited) As At Preceding Financial Year Ended 31/03/2019 RM'000
Non-current assets			
Property, plant and equipment	A9	42,229	44,515
Investment in associates		18,426	18,782
		60,655	63,297
Current assets			
Inventories		16,040	15,999
Trade and other receivables		15,819	18,411
Current tax assets		743	1,785
Cash and cash equivalents		17,840	16,401
		50,442	52,596
TOTAL ASSETS		111,097	115,893
Equity			
Share capital		32,250	32,250
Reserves		2,371	2,355
Retained earnings		52,070	54,021
		86,691	88,626
Non-controlling interest		7,980	8,814
Total equity		94,671	97,440
Non-current liabilities			
Deferred tax liabilities		676	690
Amount owing to corporate shareholder of a subsidiary		8,063	8,063
		8,739	8,753
Current liabilities			
Trade and other payables		4,798	7,036
Provisions		-	6
Bank borrowings		2,778	2,429
Current tax liabilities		111	229
		7,687	9,700
Total liabilities		16,426	18,453
TOTAL EQUITY AND LIABILITIES		111,097	115,893

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019.



OPCOM HOLDINGS BERHAD

(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 December 2019

Group	<i>Non-Distributable</i>		<i>Distributable</i>		Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Translation reserve RM'000	Retained earnings RM'000			
Balance as at 1 April 2019	32,250	3	2,352	54,021	88,626	8,814	97,440
(Loss)/Profit and total comprehensive (expenses)/ income for the period	-	-	16	(1,951)	(1,935)	(834)	(2,769)
Balance as at 31 December 2019	<u>32,250</u>	<u>3</u>	<u>2,368</u>	<u>52,070</u>	<u>86,691</u>	<u>7,980</u>	<u>94,671</u>
Balance as at 1 April 2018	32,250	3	352	55,584	88,189	10,521	98,710
Profit/(Loss) and total comprehensive income/ (expenses) for the period	-	-	2,466	606	3,072	(1,430)	1,642
Dividend paid	-	-	-	(2,016)	(2,016)	-	(2,016)
Balance as at 31 December 2018	<u>32,250</u>	<u>3</u>	<u>2,818</u>	<u>54,174</u>	<u>89,245</u>	<u>9,091</u>	<u>98,336</u>

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019.



OPCOM HOLDINGS BERHAD
(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2019

	Current Financial Period Ended 31/12/2019 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Loss before tax	(2,584)	(58)
Adjustments for:-		
Depreciation	2,429	2,442
Interest Income	(450)	(548)
Other Non-cash items	157	(233)
Other Non-operating items	(214)	(1,069)
Operating (loss)/profit before working capital changes	<u>(662)</u>	<u>534</u>
Changes in working capital:-		
Inventories	55	(6,399)
Trade and other receivables	2,833	13,978
Trade and other payables	(2,307)	(14,465)
Cash for operations	<u>(81)</u>	<u>(6,352)</u>
Tax refunded/(paid)	719	(1,108)
Net cash from/(for) operating activities	<u>638</u>	<u>(7,460)</u>
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(202)	(5,041)
Proceeds from disposal of property, plant and equipment	46	-
Interest received	450	548
Dividend received	704	692
Net cash from/(for) investing activities	<u>998</u>	<u>(3,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(2,016)
Proceeds from bank borrowings	317	4,670
Repayment of hire-purchase	(21)	(30)
Finance costs paid	(104)	(330)
Net cash from financing activities	<u>192</u>	<u>2,294</u>
Net increase/(decrease) in cash and cash equivalents	1,828	(8,967)
Effect of exchange rate fluctuations on cash held	(389)	366
Cash and cash equivalents at beginning of financial period	<u>16,401</u>	<u>22,077</u>
Cash and cash equivalents at end of financial period	<u>17,840</u>	<u>13,476</u>



OPCOM HOLDINGS BERHAD
(Company No: 322661-W)

**Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2019
(continued)**

Cash and cash equivalents included in the Statement of Cash Flows comprise of the following amounts in Statement of Financial Position:-

	Current Financial Period Ended 31/12/2019 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2018 RM'000
Deposits placed with licensed banks	10,293	8,406
Cash and bank balances	<u>7,547</u>	<u>5,070</u>
	<u>17,840</u>	<u>13,476</u>
	-	

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2019.



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRSs”) 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

These condensed consolidated interim financial statements for the current quarter have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group as at and for the financial year ended 31 March 2019 which was prepared in accordance with the MFRSs. The explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2019.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2019 except for the adoption of those new Malaysian Financial Reporting Standards ("MFRS") and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning 01 April 2019.

The adoption of the new standards, amendments and interpretation to published standards does not have any material impact on the financial statements of the Group for the financial period beginning on 01 April 2019 upon their initial application.

A2. Audit Report

The Audit Report of the Group's annual financial statements for the financial year ended 31 March 2019 was not subject to any audit qualification.

A3. Seasonality of Interim Operations

The fiber optic cables, engineering services and thixotropic gel markets are observed to be seasonal in nature and dependent on the general economic and business environment. Given its experience in these markets, the Group is well positioned to ameliorate any seasonal fluctuation of demand for its products.

A4. Unusual Items

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flows other than those disclosed elsewhere in these notes.

A5. Changes in Estimates

There were no changes in the estimates of amounts reported that have a material effect in the current quarter.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

A7. Dividends Paid

There were no dividends paid during the current quarter (31 December 2018: Nil)



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

A8. Segmental Reporting

The Group operates wholly in Malaysia.

The Group's segmental report for the financial year are as follows:-

31 December 2019

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	The Group RM'000
Segment revenue:				
Revenue from external customers	26,588	7,206	100	33,894
Segmental (loss)/profit:				
Operating (loss)/profit for reportable segments	(1,977)	1,807	(3,077)	(3,247)
Interest income				450
Finance costs				(104)
Share of results of associated companies				317
Loss before tax				(2,584)
Income tax expense				(201)
Loss after tax				(2,785)

31 December 2018

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	The Group RM'000
Segment revenue:				
Revenue from external customers	46,817	11,824	87	58,728
Segmental profit/(loss):				
Operating (loss)/profit for reportable segments	(2,904)	4,443	(2,980)	(1,441)
Interest income				548
Finance costs				(330)
Share of results of associated companies				1,165
Loss before tax				(58)
Income tax expense				(766)
Loss after tax				(824)



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuation on its property, plant and equipment.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of current quarter that have not been reflected in the financial statements for the current quarter.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

A12. Changes in Contingent Assets or Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2019 amounted to RM40.73 million which are in respect of corporate guarantees given to licensed banks for the banking facilities granted to subsidiaries and guarantee of obligations of a subsidiary to a supplier.

A13. Significant Related Party Transactions

The significant related party transactions during the current quarter and financial period ended are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2019 RM'000	Preceding Year	Current Year To Date 31/12/2019 RM'000	Preceding Year
		Corresponding		To Date
		Quarter		31/12/2018 RM'000
Related companies in which substantial shareholders of the Company and a Director of a subsidiary have interests:-				
Purchase of accessories	-	-	220	86
Business development commission	35	88	120	445
Ribonning services fee	60	41	300	131
Purchase of raw materials	367	-	367	-
Supply of goods & services	3	-	3	-
Rental income	22	-	66	-
Associate of a subsidiary of the Company:-				
Sale of industrial materials	16	1,432	702	4,574
Sale of thixotropic gel	3,324	4,892	12,467	15,414
Purchase of raw materials	542	33	859	944



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD REQUIREMENTS

B1. Review of Performance

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31/12/2019 RM'000	Preceding Year Quarter 31/12/2018 RM'000	Changes +/- (%)	Current Year To Date 31/12/2019 RM'000	Preceding Year To Date 31/12/2018 RM'000	Changes +/- (%)
Revenue	10,725	16,952	-36.7%	33,894	58,728	-42.3%
Operating loss	(524)	(2,145)	75.6%	(3,351)	(1,771)	-89.2%
Loss before interest and tax	(761)	(2,126)	64.2%	(3,034)	(606)	-400.7%
Loss before tax	(599)	(1,915)	68.7%	(2,584)	(58)	-4355.2%
Loss for the period	(697)	(1,875)	62.8%	(2,785)	(824)	-238.0%
(Loss)/Profit for the period attributable to Owners of the Company	(438)	(1,283)	65.9%	(1,951)	606	-421.9%

The Group registered revenue of RM10.7 million and loss before tax of RM599 thousand in the current quarter as compared to revenue of RM16.9 million and a loss before tax of RM1.9 million in the preceding year's corresponding quarter. The decreased of 36.7% of revenue in the current quarter as compared to preceding year's corresponding quarter was mainly due to significant decreased in the fiber optic cable manufacturing.

Performance of the respective operating business segments in the current quarter compared to the preceding year's corresponding quarter are as follows:-

- Manufacturing - Total manufacturing revenue decreased by 53.4% as compared to preceding year's corresponding quarter. Revenue of the fiber optic cable decreased by 73.5% but thixotropic gel increased by 4.4%.
- Trading and Engineering Services - The revenue had increased by 28% in current quarter as compared to preceding year's corresponding quarter.
- Other Operations - The revenue decreased 34.6% as compared to preceding year's corresponding quarter due to the back-charge of rental incurred for preceding year from a related party.

B2. Variation of Results Against the Immediate Preceding Quarter

	Current Quarter 31/12/2019 RM'000	Immediate Preceding Quarter 30/09/2019 RM'000	Changes +/- (%)
Revenue	10,725	11,307	-5.1%
Operating loss	(524)	(921)	43.1%
Loss before interest and tax	(761)	(878)	13.3%
Loss before tax	(599)	(742)	19.3%
Loss for the period	(697)	(778)	10.4%
Loss for the period attributable to Owners of the Company	(438)	(622)	29.6%

The Group's revenue decreased to RM10.7 million in the current quarter as compared to the immediate preceding quarter of RM11.3 million. The Group registered a loss before tax of RM599 thousand in the current quarter as compared to loss before tax of RM742 thousand in the immediate preceding quarter. The decrease in revenue by 5.1% in current quarter was mainly due to the lower supply of fiber optic cable.

Performance of the respective operating business segments in the current quarter compared to the immediate preceding quarter are as follows:-

- Manufacturing - Total revenue decreased by 13% in current quarter. The decreased in revenue was due to 37% decreased of fiber optic cable sales set-off with 20% increased of the thixotropic gel sales.
- Trading and Engineering Services - The increase in revenue by 8.9% in current quarter was due to a significant 127.8% increase in engineering services but diluted by a 41.8% of industrial materials trading sales.
- Other Operations - The revenue contribution in current quarter was consistent with immediate preceding quarter.



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

B3. Prospects

The telecommunications industry is expected to remain very challenging throughout 2020 domestically and globally, this had caused demand to be low.

The Board is of the view that the operating performance of the Group for the remaining quarter still remain challenging, and the Group is consistently conducting review of its current businesses in light of this industry background with a view to develop appropriate business strategies to address such challenges.

B4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast and profit guarantee in any public document.

B5. Income Tax Expense

	Quarter Ended		Financial Period Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Tax expense/(income)	104	(66)	215	676
Deferred taxation	(6)	26	(14)	90
	<u>98</u>	<u>(40)</u>	<u>201</u>	<u>766</u>

The effective tax rate of the Group for current quarter and year-to-date of reporting period is higher than the statutory tax rate was due to certain subsidiaries in loss position and non-deductible expense of the holding company. The losses had diluted the Group profit which cannot be off-set against consolidated tax liability of other subsidiaries.

B6. Status of corporate proposals as at 26 February 2020

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

There was no corporate proposal announced but not completed as at 26 February 2020.

B7. Group Borrowings and Debt Securities

The Group's borrowings are unsecured, the details of the borrowings at the end of the reporting period are as follows:-

	Currency Denomination	As at	As at
		31/12/2019	31/12/2018
		RM'000	RM'000
<u>Current</u>			
- Foreign currency trade facilities	USD	2,778	8,685
- Hire purchase	MYR	-	32
		<u>2,778</u>	<u>8,717</u>

B8. Derivative Financial Instruments

The Group has not entered into any forward exchange contracts to manage the foreign currency exposures. There were no forward exchange contracts as at end of the reporting period.

B9. Material litigation as at 26 February 2020

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

The Group has no outstanding material litigation as at 26 February 2020, being the latest practicable date.



OPCOM HOLDINGS BERHAD

(Company No : 322661-W)

Notes on the Quarterly Interim Financial Report - 31 December 2019

B10. Dividends

The Company did not declare dividends during the current quarter (31 December 2018: Nil).

B11. (Loss)/Earnings Per Share

	Quarter Ended		Financial Period Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
(Loss)/Profit for the period attributable to owners of the Company (RM'000)	(438)	(1,283)	(1,951)	606
Weighted average number of ordinary shares in issue ('000)	161,250	161,250	161,250	161,250
Basic (loss)/earnings per share (sen)	(0.27)	(0.80)	(1.21)	0.38

Note: Computation of diluted earnings for share is not applicable as there are no outstanding shares to be issued.

B12. Loss for the Period

	Quarter Ended		Financial Period Ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Loss for the period is arrived at after crediting:-				
Interest income	162	211	450	548
Other income	80	88	217	150
Foreign exchange gain	76	2,346	239	3,000
and after charging:-				
Depreciation	712	845	2,429	2,442
Foreign exchange loss	63	-	170	296

There were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets or exceptional items for current quarter and financial period ended 31 December 2019 (31 December 2018: Nil).