



OPCOM HOLDINGS BERHAD

(Company No: 322661-W)

QUARTERLY INTERIM FINANCIAL REPORT

For the Quarter Ended 31 December 2017

The Directors are pleased to announce the following:-

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2017

	Individual Quarter		Cumulative Quarter		
	Note	Current Year Quarter 31/12/2017 RM'000	Preceding Year Corresponding Quarter 31/12/2016 RM'000	Current Year To Date 31/12/2017 RM'000	Preceding Year To Date 31/12/2016 RM'000
Revenue		27,481	21,103	72,622	71,002
Cost of sales		(23,742)	(17,282)	(62,470)	(55,165)
Gross profit		3,739	3,821	10,152	15,837
Other operating income		14	1,114	131	2,333
Administrative expenses		(1,642)	(2,294)	(7,205)	(7,420)
Distribution costs		(799)	(93)	(2,212)	(2,357)
Other operating expenses		(867)	(2,233)	(2,290)	(3,481)
Finance costs		(21)	(36)	(108)	(85)
Operating profit/(loss)		424	279	(1,532)	4,827
Interest income		144	207	572	599
Share of results of equity-accounted associates		41	444	961	1,232
Profit before tax		609	930	1	6,658
Income tax expense		(501)	(424)	(1,070)	(1,930)
Profit/(Loss) for the period	B13	108	506	(1,069)	4,728
Other comprehensive (expenses)/ income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss:-</i>					
Translation differences		(1,036)	2,002	(2,254)	3,215
(Loss)/profit and total comprehensive (expenses)/income for the period		(928)	2,508	(3,323)	7,943



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Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2017 (continued)

	Individual Quarter		Cumulative Quarter		
	Note	Current Year Quarter 31/12/2017 RM'000	Preceding Year Corresponding Quarter 31/12/2016 RM'000	Current Year To Date 31/12/2017 RM'000	Preceding Year To Date 31/12/2016 RM'000
Profit/ (Loss) for the period attributable to:-					
Owners of the Company		586	1,283	431	5,592
Non-controlling interest		(478)	(777)	(1,500)	(864)
		<u>108</u>	<u>506</u>	<u>(1,069)</u>	<u>4,728</u>
Total comprehensive (expenses)/ income attributable to:-					
Owners of the Company		(450)	3,285	(1,823)	8,807
Non-controlling interest		(478)	(777)	(1,500)	(864)
		<u>(928)</u>	<u>2,508</u>	<u>(3,323)</u>	<u>7,943</u>
Earnings per share attributable to owners of the Company:-					
Basic (sen)	B11	<u>0.36</u>	<u>0.80</u>	<u>0.27</u>	<u>3.47</u>
Diluted (sen)	B11	<u>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 2017.



OPCOM HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Note	As At Financial Period Ended 31/12/2017 RM'000	As At Preceding Financial Year Ended 31/03/2017 RM'000
Non-current assets			
Property, plant and equipment	A9	40,854	42,272
Investment in associates		15,622	16,575
Deferred tax assets		31	31
		<u>56,507</u>	<u>58,878</u>
Current assets			
Inventories		12,999	9,983
Trade and other receivables		35,340	25,488
Current tax assets		1,166	919
Cash and cash equivalents		23,243	36,610
		<u>72,748</u>	<u>73,000</u>
TOTAL ASSETS		<u>129,255</u>	<u>131,878</u>
Equity			
Share capital		32,250	32,250
Reserves		2,024	4,278
Retained earnings		49,331	52,125
		<u>83,605</u>	<u>88,653</u>
Non-controlling interest		<u>10,270</u>	<u>11,670</u>
Total equity		<u>93,875</u>	<u>100,323</u>
Non-current liabilities			
Deferred tax liabilities		1,764	1,714
Long term borrowings		30	71
		<u>1,794</u>	<u>1,785</u>
Current liabilities			
Trade and other payables		31,404	25,578
Provisions		106	134
Bank borrowings		2,076	3,947
Current tax liabilities		-	111
		<u>33,586</u>	<u>29,770</u>
Total liabilities		<u>35,380</u>	<u>31,555</u>
TOTAL EQUITY AND LIABILITIES		<u>129,255</u>	<u>131,878</u>

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 2017.



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(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 December 2017

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 at 1 April 2017	32,250	3	4,275	52,125	88,653	11,670	100,323
(Loss)/Profit and total comprehensive (expenses)/ income for the period	-	-	(2,254)	431	(1,823)	(1,500)	(3,323)
Issuance of shares to non-controlling interests	-	-	-	-	-	100	100
Dividend paid	-	-	-	(3,225)	(3,225)	-	(3,225)
Balance at 31 December 2017	32,250	3	2,021	49,331	83,605	10,270	93,875
Balance at 1 April 2016	32,250	3	1,462	48,153	81,868	12,944	94,812
Profit/(Loss) and total comprehensive income/ (expense) for the period	-	-	3,215	5,592	8,807	(864)	7,943
Dividend paid	-	-	-	(3,225)	(3,225)	-	(3,225)
Balance at 31 December 2016	32,250	3	4,677	50,520	87,450	12,080	99,530

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 2017.



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2017

	Current Financial Period Ended 31/12/2017 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2016 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES		
Profit before tax	1	6,658
Adjustments for:-		
Depreciation	2,382	2,289
Interest Income	(572)	(599)
Other Non-cash items	(579)	573
Other Non-operating items	(83)	(1,232)
Operating profit before working capital changes	<u>1,149</u>	<u>7,689</u>
Changes in working capital:-		
Inventories	(3,959)	(3,243)
Trade and other receivables	(7,215)	(1,388)
Trade and other payables	4,272	2,207
Provisions	28	54
Cash for operations	<u>(5,725)</u>	<u>5,319</u>
Tax paid	(1,385)	(2,250)
Liquidated damages paid	(21)	-
Net cash (used in)/generated from operating activities	<u>(7,131)</u>	<u>3,069</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,978)	(5,383)
Proceeds from disposal of property, plant and equipment	657	23
Interest received	572	589
Subscription of shares by NCI in a subsidiary	100	-
Net cash used in investing activities	<u>(649)</u>	<u>(4,771)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(3,225)	(3,225)
(Repayment)/Proceeds from bank borrowings	(1,666)	1,360
Finance costs paid	(108)	(85)
Net cash used in financing activities	<u>(4,999)</u>	<u>(1,950)</u>
Net decrease in cash and cash equivalents	(12,779)	(3,652)
Effect of exchange rate fluctuations on cash held	(588)	1,133
Cash and cash equivalents at beginning of financial period	36,610	40,158
Cash and cash equivalents at end of financial period	<u>23,243</u>	<u>37,639</u>



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 December 2017 (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 31/12/2017 RM'000	Preceding Financial Year Corresponding Period Ended 31/12/2016 RM'000
Deposits placed with licensed banks	12,717	23,750
Cash and bank balances	10,526	13,889
	<u>23,243</u>	<u>37,639</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 2017.



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Notes on the Quarterly Interim Financial Report - 31 December 2017

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 2017 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 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2017 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 1 April 2017.

The adoption of these Amendments to MFRSs does not have any material impact on the financial statements of the Group.

A2. Audit Report

The Audit Report of the Group's annual financial statements for the financial year ended 31 March 2017 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 2016 : Nil).



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Notes on the Quarterly Interim Financial Report - 31 December 2017

A8. Segmental Reporting

The Group operates wholly in Malaysia.

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

31 December 2017

<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	55,934	16,636	52	72,622
Segmental profit:				
Operating profit/(loss) for reportable segments	2,784	(1,245)	(2,963)	(1,424)
Interest income				572
Finance costs				(108)
Share of results of associated companies				961
Profit before tax				1
Income tax expense				(1,070)
Loss after tax				(1,069)

31 December 2016

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	Consolidated RM'000
Segment revenue:				
Revenue from external customers	63,940	7,010	52	71,002
Segmental profit:				
Operating profit/(loss) for reportable segments	8,328	(606)	(2,810)	4,912
Interest income				599
Finance costs				(85)
Share of results of associated companies				1,232
Profit before tax				6,658
Income tax expense				(1,930)
Profit after tax				4,728



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Notes on the Quarterly Interim Financial Report - 31 December 2017

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 2017 amounted to RM33.72 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 31/12/2017 RM'000	Preceding Year Corresponding Quarter 31/12/2016 RM'000	Current Year To Date 31/12/2017 RM'000	Preceding Year To Date 31/12/2016 RM'000
A related company in which substantial shareholders of the Company and a Director of a subsidiary have interests:-				
Purchase of accessories	-	204	93	3,293
Business development commission	322	687	965	1,046
Plant and machineries rental	150	105	150	105
Capital equipment, project management and engineering works	-	2,960	-	2,960
Associate of a subsidiary of the Company:-				
Sale of industrial materials	3,067	3,762	8,551	12,928
Sale of thixotropic gel	4,440	327	14,130	587
Purchase of raw materials	2,803	578	6,403	578



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

B1. Review of Performance

The Group registered revenue of RM27.5 million and profit before tax of RM0.6 million in current quarter as compared to revenue RM21.1 million and profit before tax of RM0.9 million in the preceding year's corresponding quarter. The increase of revenue in current quarter were mainly due to increase in the supply of thixotropic gel, trading of industrial materials and engineering services. Key factors for the operating gain were mainly attributable to higher sales revenue for the company's products and services in the quarter.

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

- a) Manufacturing - Total manufacturing revenue increased by 31.0% as compared to preceding year's corresponding quarter. Revenue from our fiber optic cable was increased by 13.6% and thixotropic gel business registered a strong growth with sales RM4.7 million and growth rate approximately 170.5%.
- b) Trading and Engineering Services - The increase in revenue by 28.0% in current quarter as compared to preceding year's corresponding quarter was due to increase in both trading of industrial materials and engineering services work.
- c) Other Operations - The revenue contribution in current quarter was consistent with preceding year's corresponding quarter.

B2. Variation of Results Against the Immediate Preceding Quarter

The Group's revenue increased to RM27.5 million in current quarter as compared to the immediate preceding quarter of RM22.7 million. The Group registered a profit before tax of RM0.6 million in the current quarter as compared to loss before tax of RM1.2 million in the immediate preceding quarter. The higher sales contribution were from trading of industrial materials and engineering services.

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

- a) Manufacturing - Total revenue increased by 9.8% in current quarter. It was due to the increase in the supply of fiber optic cables and thixotropic gel by 5.5% and 27.3% respectively during the quarter.
- b) Trading and Engineering Services - The increase in revenue by 75.9% in current quarter was due to increase in revenue of both trading of industrial materials and engineering services.
- c) Other Operations - The revenue contribution in current quarter was consistent with immediate preceding quarter.

B3. Prospects

The Group's profit margin continues to be under pressure from increasing raw materials cost, challenging business environment and limitations in passing increased cost to its customers in the short term. The Group has diversified its business operations to include manufacturing of thixotropic gels, engineered plastic materials and engineering services which had contributed to the Group's future business prospects.

The Board is of the opinion that the remaining quarter till the financial year end will be challenging and management is doing its utmost to improve the overall cost structure of the Group.



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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	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Tax expense	494	346	1,000	1,845
Deferred taxation	7	78	70	85
	<u>501</u>	<u>424</u>	<u>1,070</u>	<u>1,930</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 subsidiaries in a loss position and non-deductible expense.

B6. Status of corporate proposals as at 13 February 2018

(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 13 February 2018.

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
		31/12/2017 RM'000	31/12/2016 RM'000
<u>Current</u>			
- Foreign currency trade facilities	USD	2,030	5,257
- Hire purchase	MYR	46	-
		<u>2,076</u>	<u>5,257</u>
<u>Non-current</u>			
- Hire purchase	MYR	30	-
Total		<u>2,106</u>	<u>5,257</u>

B8. Derivative Financial Instruments

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

	Quarter Ended		Financial Period Ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Loss from foreign currency hedging contracts	-	-	-	112
	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>



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B9. Material litigation as at 13 February 2018

(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 13 February 2018, being the latest practicable date.

B10. Dividends

The Company did not declare dividends during the current quarter (31 December 2016 : Nil).

Total net dividends declared for the current financial period ended is 2.00 sen per ordinary share (31 December 2016: 2.00 sen per ordinary share).

B11. Earnings Per Share

	Quarter Ended		Financial Period Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit for the period attributable to owners of the Company (RM'000)	586	1,283	431	5,592
Weighted average number of ordinary shares in issue ('000)	161,250	161,250	161,250	161,250
Basic earnings per share (sen)	0.36	0.80	0.27	3.47

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

B12. Realised and Unrealised Retained Profits

The breakdown of retained profits of the Group as at end of current financial period and end of preceding financial year into realised and unrealised profits or losses are as follows:-

	As at 31/12/2017 RM'000	As at 31/03/2017 RM'000
Total retained profits		
i) Company and its subsidiaries		
- realised	53,801	57,589
- unrealised	(931)	(633)
	52,870	56,956
ii) Associated companies		
- realised	2,755	2,564
	55,625	59,520
iii) Less : Consolidation adjustments	(6,294)	(7,395)
Group total retained profits as per unaudited consolidated accounts	49,331	52,125

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities ACE Market Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.



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B13. Profit for the Period

	Quarter Ended		Financial Period Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting:-				
Interest income	144	207	572	599
Other income	14	71	113	109
Foreign exchange gain	464	1,043	2,318	2,224
and after charging:-				
Depreciation	804	876	2,382	2,289
Provision for/write off of inventories	222	44	695	193
Loss on derivatives	-	-	-	112
Foreign exchange loss	568	1,577	3,370	2,239

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 2017 (31 December 2016: Nil).