

# ANNUAL REPORT 2014



OPCOM HOLDINGS BERHAD 322661-W  
(INCORPORATED IN MALAYSIA)

- Preserving Values,  
Expanding Reach



# CONTENT

02	Our Vision, Mission & Values
04	Corporate Information
05	Corporate Structure
06	Group Financial Highlights
08	2014 Financial Calendar
10	Chairman's Statement
18	Board of Directors' Profiles
22	Senior Management Profiles
26	Corporate Governance Statement
37	Statement on Risk Management & Internal Control
40	Audit Committee Report
45	Financial Statements
106	Statement by Directors
107	Statutory Declaration
108	Independent Auditors' Report
110	List of Property
111	Analysis of Shareholdings
113	Notice of Annual General Meeting
121	Notice of Nomination of Auditors
	Proxy Form

# VISION

An affordable broadband infrastructure for all Malaysians

# MISSION

To deliver high quality and well-engineered products, supported by timely delivery and excellent customer service.

To provide the means and resources to promote equality, learning and growth initiatives aimed at the development of our employees to attain their true potential in order to sustain the future human resource needs of the organisation.

To diversify and venture into other businesses which support the long term growth of the Group.





# VALUES

It is a set of principles that capture the spirit, philosophy and daily activity of OPCOM Holdings Berhad and its subsidiaries.

## **Superior Quality**

Everything that OPCOM does or provides for internal and external stakeholders will be exceptionally recognised for superior quality based on world class standards.

## **Value**

All our activities are geared towards creating value for the organisation.

## **Attitude**

We believe that promoting and cultivating a positive outlook with forward looking attitude are essential in achieving our goals.

## **Challenge**

We have, with the strong leadership of our management team over the years, managed to build up a healthy and successful working relationship for and with our employees. Our teams of highly motivated and committed employees have been able to realise their true potential in offering our customers the best products at the most competitive prices.

## **Commitment**

We are committed to our promises to clients and employees and their families.

## **Community**

OPCOM is a responsible corporate citizen towards creating significant national, economic and social impacts in ways that make a meaningful difference to people's lives.



---

## Board of Directors

---

### **Tan Sri Mokhzani Mahathir**

Chairman

Non-Independent Non-Executive Director

### **Chhoa Kwang Hua**

Executive Director

### **Lt. Jen. (B) Dato' Seri Panglima**

**Zaini Bin Hj. Mohd Said**

Independent Non-Executive Director

### **Abdul Jabbar Bin Abdul Majid**

Independent Non-Executive Director

### **Sven Janne Sjöden**

Independent Non-Executive Director

### **Chan Bee Lean**

Independent Non-Executive Director

---

## Audit Committee

---

### **Chairman**

Lt. Jen. (B) Dato' Seri Panglima

Zaini Bin Hj. Mohd Said

### **Members**

Sven Janne Sjöden

Chan Bee Lean

---

## Nominating & Remuneration Committee

---

### **Chairman**

Abdul Jabbar Bin Abdul Majid

### **Members**

Lt. Jen. (B) Dato' Seri Panglima

Zaini Bin Hj. Mohd Said

Sven Janne Sjöden

---

## Registrar

---

Symphony Share Registrars Sdn. Bhd. (378993-D)

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Tel : 03 - 7841 8000

Fax : 03 - 7841 8151

---

## Auditors

---

KPMG (AF 0758)

Level 10, KPMG Tower

8 First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

Tel : 03 - 7721 3388

Fax : 03 - 7721 3399

---

## Principal Bankers

---

AmBank (M) Berhad (8515-D)

Ground Floor

No. 7 & 9, Jalan Solaris 1

Solaris Mont' Kiara

50480 Kuala Lumpur

Tel : 03 - 6203 7920

Fax : 03 - 6203 7930

RHB Bank Berhad (6171-M)

B2-08 & B2-09, Ground Floor

Plaza Damas 3

Jalan Sri Hartamas 1

50480 Kuala Lumpur

Tel : 03 - 6203 4237

Fax : 03 - 2300 2409

# CORPORATE INFORMATION

---

## Company Secretaries

---

Seow Fei San (MAICSA 7009732)

Loh Lai Ling (MAICSA 7015412)

---

## Registered Office

---

802, 8th Floor, Block C

Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Tel : 03 - 7803 1126

Fax : 03 - 7806 1387

---

## Stock Exchange Listing

---

ACE Market

Bursa Malaysia Securities Berhad

---

## Website

---

[www.opcom.com.my](http://www.opcom.com.my)

# CORPORATE STRUCTURE

## 70%

**OPCOM CABLES SDN. BHD.**  
(Company No. 322687-T)

Manufacturer of fiber optic  
cables, systems and accessories



## 100%

**OPCOM NIAGA SDN. BHD.**  
(Company No. 442938-M)

General trading of fiber  
and other cable production  
materials and provision of  
engineering services



## 100%

**OPCOM SHARED SERVICES SDN. BHD.**  
(Company No. 665562-M)

Provision of human resources  
management services

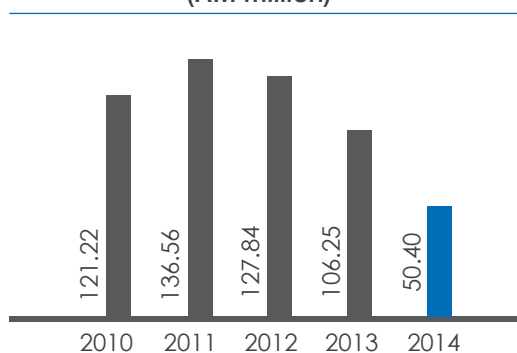
# GROUP FINANCIAL HIGHLIGHTS

5-year financial track record

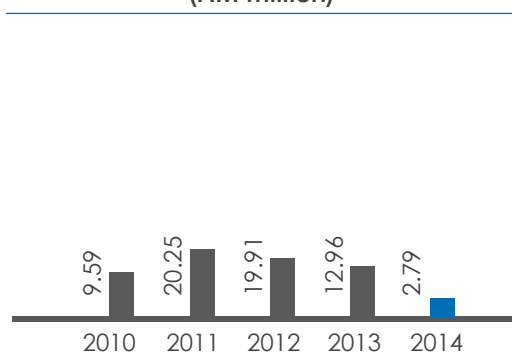
	Financial Year Ended 31 March				
	2010	2011	2012	2013	2014
<b>Operating Results (RM Million)</b>					
Revenue	121.22	136.56	127.84	106.25	50.40
Profit before taxation	16.24	37.31	35.67	22.10	3.37
Net profit attributable to owners of the Company	9.59	20.25	19.91	12.96	2.79
<b>Key Financial Position Data (RM Million)</b>					
Property, plant and equipment	34.97	32.93	38.52	37.18	38.33
Total assets	128.22	160.24	152.97	140.44	122.60
Share capital	25.80	25.80	25.80	25.80	25.80
Shareholders' funds	72.74	87.19	80.69	77.52	72.57
<b>Share Information Per share (sen)</b>					
Basic earnings	7.43	15.70	15.43	10.04	2.16
Net assets	56.39	67.59	62.55	60.09	56.26
Net dividend	4.24	4.50	24.50	12.50	6.00
<b>Financial Ratios (%)</b>					
Return on total assets	9.92	17.22	17.27	11.97	2.16
Return on shareholders' equity	13.18	23.23	24.68	16.71	3.85



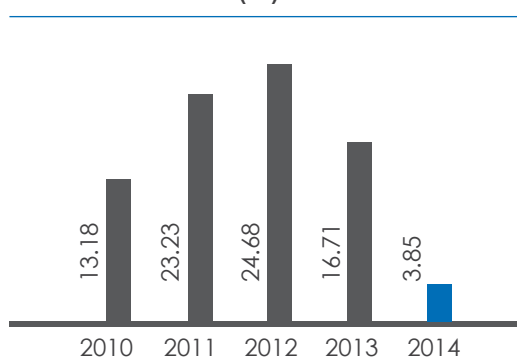
**Revenue**  
(RM million)



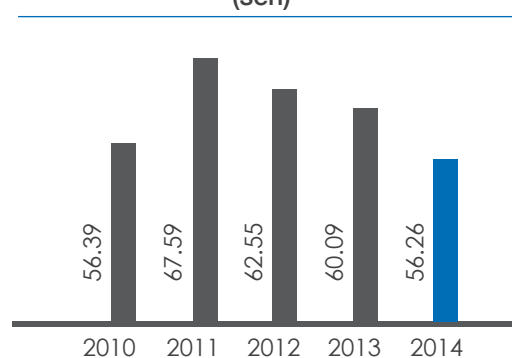
**Net Profit Attributable to Owners of The Company**  
(RM million)



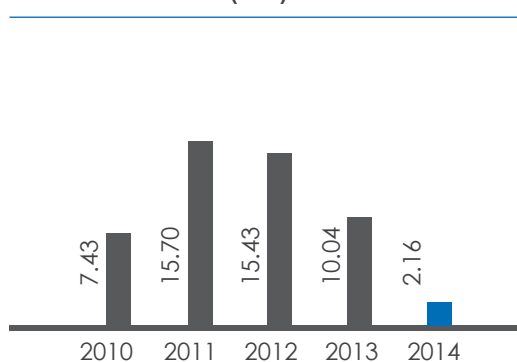
**Return on Shareholders' Equity**  
(%)



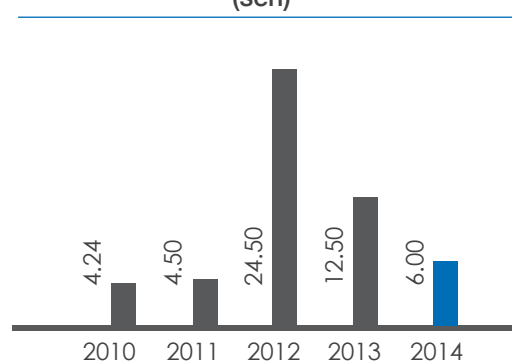
**Net Assets Per Share**  
(sen)



**Basic Earnings Per Share**  
(sen)



**Net Dividend Per Share**  
(sen)



# 2014 FINANCIAL CALENDAR

**11 September 2013**

18th Annual General meeting held at Tropicana Golf & Country Resort, Petaling Jaya, Selangor Darul Ehsan.

**20 September 2013**

Special interim dividend payment of 6.00 sen per ordinary share, under single tier system in respect of the financial year ended 31 March 2014.

**25 July 2013**

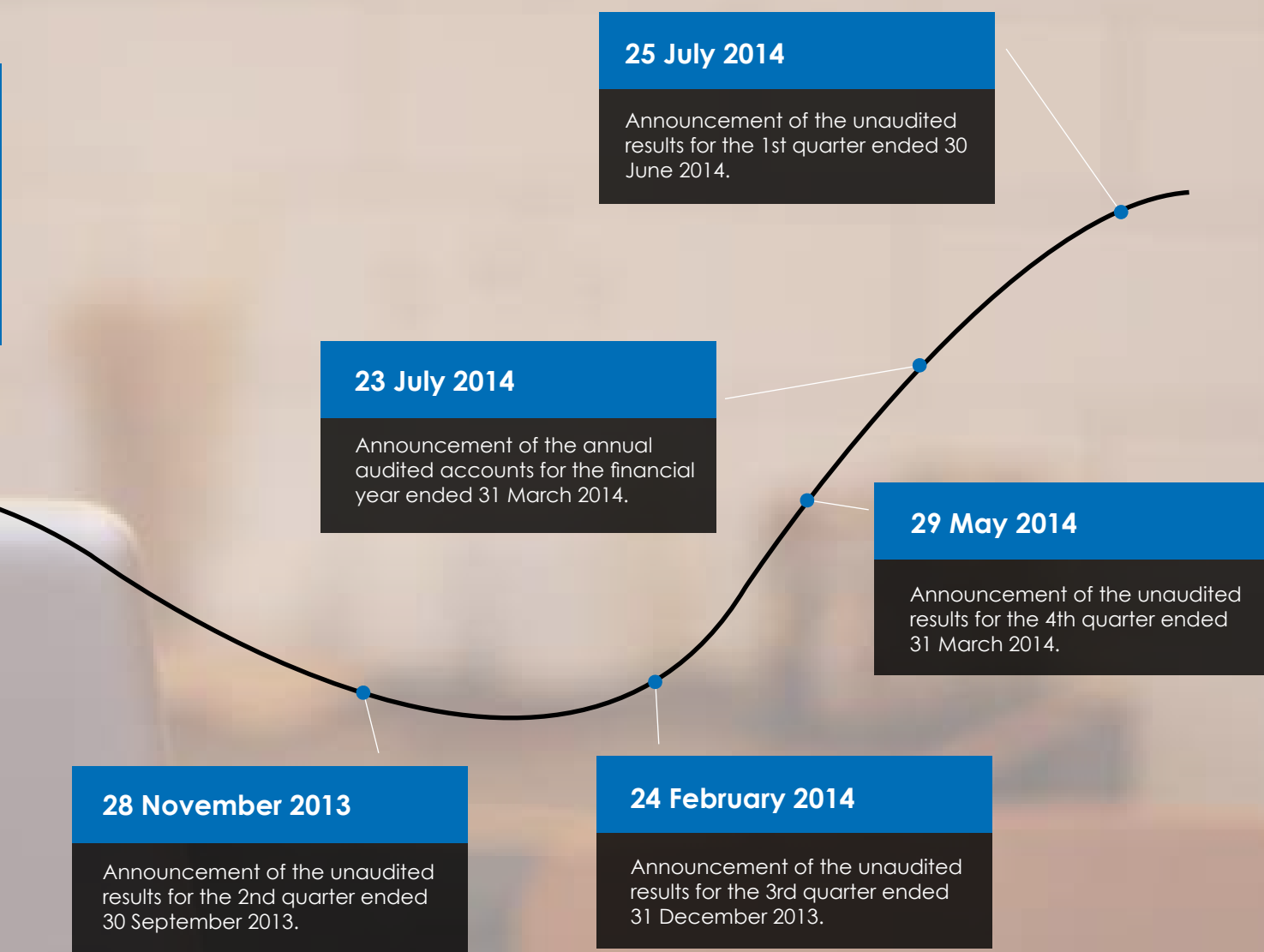
Announcement of the unaudited results for the 1st quarter ended 30 June 2013.

**19 July 2013**

Announcement of the annual audited accounts for the financial year ended 31 March 2013.

**29 May 2013**

Announcement of the unaudited results for the 4th quarter ended 31 March 2013.



“ Dear Shareholders,

On behalf of your Board of Directors, it is my pleasure and privilege to present the Annual Report of OPCOM Holdings Berhad for the financial year ended 31 March 2014. ”

## CHAIRMAN'S STATEMENT





# CHAIRMAN'S STATEMENT (cont'd)

## Financial Performance

The financial year 2014 was a challenging year for OPCOM Holdings Berhad ("OPCOM" or "Company"). The competition in the fiber optic cables and accessories supply market was more intense as the number of industry suppliers has increased. The RM1.8 billion program for Highspeed Broadband Phase Two ("HSBB2") announced by the Malaysian government in the 2013 budget has yet to take off.

The country's deployment of fiber optic cables and accessories was slower compared to prior years. We faced intense competition fighting for market share. Furthermore, the industry continued to face competition from foreign suppliers bidding and taking up some local supply contracts.

OPCOM and its subsidiaries ("OPCOM Group" or "Group") did not perform as well in financial year 2014 compared to prior years but managed to pull through the year and recorded revenue of RM50.4 million and profit after tax of RM2.8 million. The Group recorded an Earnings Per Share of 2.2 sen for the financial year ended 31 March 2014 compared to 10.0 sen in the preceding financial year.

We are staying focus on our business and realigning our processes to tighten product and operational costs. We strive to deliver our products and services to meet every customer demands.

## Dividends

For the financial year ended 31 March 2014, the amount of dividends declared and paid by the Group was a special interim dividend of 6.0 sen per ordinary share, under the single tier system, totaling RM7,740,000, which was declared on 26 August 2013 in respect of the financial year ended 31 March 2014 and paid on 20 September 2013.

Since OPCOM's listing in 2003, we have declared and paid out approximately RM89.2 million of dividends to our shareholders. OPCOM will take a balanced approach to dividend payout, balancing between paying a return to shareholders and fulfilling the Group's working capital requirement. The Group's ongoing business growth will require us to fund our capital expenditure program, working capital requirement and potential strategic initiatives with internally generated cash flows.





## CHAIRMAN'S STATEMENT (cont'd)



### Industry Outlook and Prospects

The market demand for fiber optic cables is stable and we expect continuous demand from customers for our cables. The demand included the anticipated roll-out of HSBB2 which is designed to increase broadband speed to households across the country, 10mbps in the cities and 4mbps - 10mbps in the suburban areas. In October 2013, the Malaysian government announced a RM5.8 billion allocation in the 2013 budget. Of the total RM5.8 billion, RM1.8 billion was to be allocated for HSBB2 and the remaining for roll-out of other projects including RM1.6 billion for broadband to rural areas and RM0.9 billion undersea cables access to East Malaysia in the next three (3) years by expanding coverage of fiber-based technology.

According to Malaysian Communications and Multimedia Commission ("MCMC") Quarter 1, 2014 report, current broadband penetration rate was 67.3%, which is below the 75.0% target set by the MCMC to be attained by year 2015. The growth in year 2014 was seen in the broadband category and majority of these subscriptions were wired as opposed

to wireless. The industry growth and country's demand for fiber optic cables will continue to increase at gradual rate as we have seen from statistics report.

Telekom Malaysia Berhad and other telecommunications service providers in the country continue to sustain the build-out of its Fiber-to-the-Office and Fiber-to-the-Home ("FTTH") access networks and with further content proliferation, FTTH is increasingly perceived as the more reliable and efficient alternative to deliver TV services into the home especially in major metropolitan areas. Furthermore, the continued broadband demand from progressing cities in east Malaysia and the East Coast adds positively to the industry demand growth.

### Research and Development ("R&D")

During the financial year, we saw positive results from our R&D efforts. We have commercial release of a number of our new products which gained favourable response from the customers in the marketplace. The Company introduced new types of ducts, accessories and related products.

# CHAIRMAN'S STATEMENT (cont'd)

OPCOM works closely with its customers to jointly design new fiber optic cable systems to meet requirement for new application or specification. Customers are going for lower cost products. We run product trials and re-designs to deliver products at lower price to our customer and help customers grow their telecommunications networks in a cost efficient manner. OPCOM continues to invest in process and product R&D.

## Corporate Governance

Statement on Risk Management and Internal Control presented in this Annual Report affirms OPCOM Board of Directors commitment in ensuring compliance with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance which is a crucial and fundamental requirement in the course of discharging our duties to protect and enhance shareholder value as well as the financial position and performance of OPCOM Group.

There were no sanctions and/or penalties imposed on OPCOM and its subsidiaries and their directors by any relevant regulatory bodies for the financial year ended 31 March 2014.

## Corporate Social Responsibility

OPCOM is committed to shouldering its social responsibilities through its primary business as we believe that responsible business leads to sustainable results.

We are committed to manufacture and deliver our products in ways that are both environmentally sustainable and socially responsible. OPCOM plant and operations adopt innovative ways to reduce our environmental impact and waste while ensuring the quality and value for our customers and stakeholders.

We impact positively on society and local communities where we live and work through corporate philanthropy, employee giving and volunteerism, and corporate contribution of time and expertise.

As part of OPCOM's commitment to educating the younger generations, OPCOM invites students to a seminar and visit at its plant in Shah Alam every year. This year we invited Electronic & Electrical Engineering students from Politeknik Sultan Mirzan Zainal Abidin, Dungun, Terengganu to our plant for an introduction to fiber optic technology and telecommunication.



## CHAIRMAN'S STATEMENT (cont'd)



During the financial year, OPCOM hosted Hari Raya Open House for more than 100 children from Institut Taufiq Islami, Klang, Selangor Darul Ehsan, with contributions of cash and products to the children. The Company held health talks and campaigns at its premise which were to create health and wellbeing awareness among its employees. A blood donation drive was jointly organised with University Malaya Medical Centre in the year. Besides, there were recycling and energy saving programs.

Last but not least, I like to extend my gratitude to my fellow board members for their invaluable commitment and services.

**Tan Sri Mokhzani Mahathir**  
**Chairman**

### Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to thank our customers, business partners and associates for their trust and confidence in us. Our heartfelt appreciation goes to our shareholders for their continued support in OPCOM.

I would like to also thank the employees in the Group for their contribution, dedication and hard work to drive the Group forward.