

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 March 2016. The explanatory notes attached to the 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 year ended 31 March 2016.

The significant accounting policies and methods of computation adopted in the preparation of this interim financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 31 March 2016 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- Amendments to MFRS 116 “Property, plant and equipment”
- Amendments to MFRS 138 “Intangible assets”

The application of the standards and amendments to the standards do not have a material impact to the financial statements of the Group and the Company.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following financial years:

- (i) Financial year beginning on/after 1 April 2017
- Amendments to MFRS 107 “Statement of cash flows” - Disclosure initiative
 - Amendments to MFRS 112 “Income taxes” - Recognition of deferred tax assets for unrealised losses
- (ii) Financial year beginning on/after 1 April 2018
- MFRS 9 “Financial instruments”
 - MFRS 15 “Revenue from contracts with customers”
- (iii) Financial year beginning on/after 1 April 2019
- MFRS 16 “Leases”

The Management is in the process of assessing the impact of the above standards and amendments to published standards on the financial statements of the Group and the Company in the year of initial application.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

A2. Audit Report of the preceding annual Financial Statements

The audit report of the Group’s preceding annual Financial Statements was not subject to any qualification.

A3. Comments about Seasonal or Cyclical Factors

One of the products that the Group manufactures and sells is finstock (both bare and coated). This product is supplied to air conditioner manufacturers, in which sector demand is subject to seasonal changes.

A4. Unusual items affecting assets, liabilities, equity, net income, or cash flow

During the quarter under review, there were no unusual items affecting the assets, liabilities, equity, net income or cash flow of the Group.

A5. Material changes in estimates

There were no significant changes in estimates that have had a material effect on the financial year-to-date results.

A6. Debt and Equity Securities

The Company did not do any share buy-back during the quarter under review. There was therefore no movement on the 2,079,000 treasury shares held by the Company during the quarter under review.

In the same quarter, the Company did not issue or repay any debt or equity securities.

A7. Dividends paid

There was no dividend paid during the quarter under review.

A8. Segmental information

The Group is solely involved in the manufacturing of aluminium products and operates within Malaysia. Revenues are based on the regions in which the customers are located which are as follows:

	Revenue	
	Quarter Ended 30 Sept 2016 RM'000	Year To Date 30 Sept 2016 RM'000
Malaysia	21,820	47,029
Thailand	24,220	44,670
India	13,337	26,809
Asia (excluding Malaysia, Thailand and India)	3,107	5,888
Europe	7,078	13,601
Middle East	6,197	9,585
Others	1,441	3,487
Total	<u>77,200</u>	<u>151,069</u>

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

A8. Segmental information (continued)

Revenue in the Malaysia segment included sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas amounted to RM2.8 million for the current quarter and RM6.6 million for the year to date ended 30 September 2016.

Total Assets	RM'000
As at 30 September 2016	203,014

A9. Valuation of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment for the current financial quarter under review.

A10. Capital Commitments

Authorised capital expenditure for property, plant and equipment not provided for in the financial statements were as follows:

	Group
	30 Sept 2016
	RM'000
- Contracted	963
- Not Contracted	489
Total Capital Commitment	<u>1,452</u>

A11. Material events subsequent to the end of the interim period

On 18 August, 2016, the Board of Directors of the Company (“Board”) received a press notice from AmInvestment Bank Berhad (“AmInvestment Bank”) on behalf of Towerpack Sdn. Bhd. (“Towerpack” or “the Offeror”) notifying that Towerpack had on even date entered into a conditional share sale and purchase agreement (“SPA”) with Novelis Inc. to acquire 78,234,054 ordinary shares of RM1.00 each in ALCOM (“ALCOM Share”), representing 59.16% equity interest in ALCOM for a purchase consideration of RM47,722,772.94 or RM0.61 per ALCOM Share (“Share Acquisition”). Upon completion of the Share Acquisition, in accordance with Section 218(2) of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of Part B of the Rules on Take-Overs, Mergers and Compulsory Acquisitions, Towerpack is required to extend an unconditional mandatory take-over offer to acquire all the remaining ALCOM Shares (excluding treasury shares) not already owned by Towerpack, the ultimate offeror and persons acting in concert with the ultimate offeror (“Offer Shares”) for a cash offer price of RM0.61 per Offer Share (“Offer”).

On 25 August 2016, the Board resolved to appoint Mercury Securities Sdn Bhd (“Mercury Securities”) as the Independent Adviser to advise on the Offer.

On 15 September 2016, the Board received a notice of unconditional take-over offer from AmInvestment Bank, on behalf of Towerpack, notifying that the SPA for the Share Acquisition had become unconditional on even date and that Towerpack will undertake the Offer. A copy of the Notice was dispatched to the shareholders of the Company on 22 September 2016.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

A11. Material events subsequent to the end of the interim period (continued)

On 30 September 2016, the Board was informed that pursuant to the terms of the SPA, the Share Acquisition was completed on even date.

On 6 October 2016, AmInvestment Bank issued the Offer document together with the accompanying Form of Acceptance and Transfer to the shareholders of the Company, on behalf of Towerpack.

On 17 October 2016, the Company issued the Independent Advice Circular containing, amongst others, the Independent Advice Letter by Mercury Securities in relation to the Offer, to its shareholders.

On 27 October 2016, the Company announced the receipt of a press notice from AmInvestment Bank, on behalf of the Offeror, that the Offer had closed at 5.00 p.m. (Malaysian time) on even date and the details of the level of acceptances of the Offer are set out in the said press notice.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group as at the date of this report.

A13. Changes in contingent liabilities or contingent assets

The Group had no contingent liabilities or contingent assets as at end of the quarter.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

B1. Review of Group Performance

Second quarter ended 30 September 2016 (“Q2 FY2017”) vs second quarter ended 30 September 2015 (“Q2 FY2016”)

The Group’s revenue achievement for the quarter under review (Q2 FY2017) was RM77.2 million which represented a 26% growth over the corresponding quarter of the preceding year (Q2 FY2016) in which revenue was RM 61.1 million. This increase was achieved despite that aluminium prices on the London Metal Exchange (“LME”) & Main Japanese Port (“MJP”) transport premiums were much lower in Q2 FY2017 compared to Q2 FY2016.

The revenue growth was in tandem with the increased shipment volumes with bulk of the increase derived from the higher Coated Fin product category which is the one of the high value product offerings by the Group.

The Group registered a pre-tax profit of RM2.5 million for Q2 FY2017 as compared to a pre-tax loss of RM1.5 million in Q2 FY2016. The comparatively better profitability performance was largely attributable to the higher contribution generated from a favorable sales mix for the increased shipment volume offset partially by higher costs incurred which were related directly to the divestment by Novelis Inc. of its major stake in the Company. These costs included the engagement of professional services in relation to this divestment. In addition, provision for warranty claims for roofing sales was introduced in Q2 FY2017.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

B1. Review of Group Performance (continued)

Cash reserve at the end of Q2 FY2017 stood at RM54.0 million as compared to RM47.6 million at the end of Q2 FY2016.

Year-to-date ended 30 September 2016 (“YTD FY2017”) vs year-to-date ended 30 September 2015 (“YTD FY2016”)

For the YTD FY2017, the Group recorded a revenue of RM151.1 million compared to RM130.0 million in the corresponding period YTD FY2016. This was despite the lower LME & MJP, which on a per metric tonne, was approximately 20% lower on average for the 6 months of YTD FY2017 vs YTD FY2016.

This increased revenue was largely derived from the higher shipment volumes achieved mainly for the Coated Fin product category which was in line with the Group’s product portfolio strategy.

The Group’s YTD FY2017 pre-tax profit achievement was RM4.8 million as compared to the pre-tax loss of RM1.2 million recorded in YTD FY2016. This significant improvement was mainly due to the strong shipment performance with focus on the increase in the higher value product portfolio. This result was achieved despite increased costs in repairs & maintenance of machinery and higher costs incurred which were related directly to the divestment by Novelis Inc. of its major stake in the Company. These costs included the engagement of professional services in relation to this divestment. In addition, there was higher provision for customer complaints with the introduction of warranty claims for roofing in FY2017 as well as a reversal of provision for quality claim no longer required in YTD FY2016.

B2. Material Changes in Profit before Taxation for the Quarter of Q2 FY2017 as Compared With the Immediate Preceding Quarter ended 30 June 2016 (“Q1 FY2017”)

The Group recorded a pre-tax profit of RM2.5 million for the current quarter under review (Q2 FY2017) as compared to a pre-tax profit of RM2.3 million registered in the immediate preceding quarter (“Q1 FY2017”).

Although shipment volumes in both the comparative quarters were at similar levels, a higher pre-tax result was achieved as a result of a more favourable product mix in Q2 FY2017 but this was offset partially by higher costs incurred which were related directly to the divestment by Novelis Inc. of its major stake in the Company. These costs included the engagement of professional services in relation to this divestment. In addition, provision for warranty claims for roofing sales was introduced in Q2 FY2017.

B3. Commentary on Prospects

Despite the weak global growth experienced in the first 2 quarters of FY2017, the Group’s financial performance for the first 2 quarters has been commendable.

Going forward, notwithstanding the lingering weakness in aggregate demand in developed economies which remains a drag on global growth, the Group will continue to maintain its strategy to focus on optimizing its products’ sales mix whilst aggressively exploring potential new markets for its core products.

At the same time, improvement initiatives and cost reduction measures will continue to be implemented within the Group.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit for the Period

Profit for the period is arrived at after charging/(crediting):

	Quarter ended 30 Sept 2016 RM'000	Year-To-Date 30 Sept 2016 RM'000
Interest income	312	599
Other income	49	67
Interest expenses	8	15
Depreciation and amortization	2,746	5,737
Provision for and write-off inventories	13	181
Foreign exchange (gain)/loss		
- Realised	(173)	(618)
- Unrealised	(425)	(1,237)
Net fair value (gain)/loss on Derivatives	550	1,613

B6. Taxation

	Quarter ended		Year-To-Date	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Current Tax				
- current year	(1,138)	(52)	(1,853)	(136)
- under/(over) provision	-	-	-	-
Deferred Taxation				
- Origination and reversal of temporary differences	353	523	(52)	388
	(785)	(471)	(1,905)	252

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate due to non-deductibility of certain expenses.

B7. Status of Corporate Proposals

Not applicable.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

B8. Group borrowings

As at quarter ending 30 September 2016, the Group had no bank borrowings.

B9. Derivative Financial Instruments

As at 30 September 2016, total contract value and fair value of the Group's outstanding forward foreign exchange contracts stood as follows:

Types of Derivatives (Foreign Exchange Contracts)	Contract/Notional Value RM'000	Fair Value RM'000
Less than 1 year		
- Payable	6,821	6,810
- Receivable	40,014	40,480

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

Not applicable. No dividend has been declared for the current period under review.

B12. Earnings Per Share

	Quarter ended 30 Sept 2016	Quarter ended 30 Sept 2015	Year-To- Date 30 Sept 2016	Year-To- Date 30 Sept 2015
Net Profit/(Loss) attributable to shareholders (RM'000)	1,759	(1,000)	2,912	(964)
Weighted average number of ordinary shares in issue (000)	132,252	132,252	132,252	132,252
Basic earnings/(loss) per share (sen)	1.33	(0.76)	2.20	(0.73)

B13. Realised and Unrealised Profit and Losses Disclosure

The determination of Realised and Unrealised Profits or Losses is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to BMSB Listing Requirements, as issued by the Malaysian Institute of Accountants and at the directive of BMSB:

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 September 2016

B13. Realised and Unrealised Profit and Losses Disclosure (continued)

	As at 30 Sept 2016	
	Group RM'000	Company RM'000
Total retained profits before consolidated adjustments		
- Realised	47,788	17,935
- Unrealised	(5,169)	(4,264)
Total Retained Profits as per consolidated accounts	42,619	13,671
Less: Consolidation adjustments	(15,257)	-
Total Retained Profits as per Financial Statements:	27,362	13,671

B14. Authorization of Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors passed on 22 November 2016.

BY ORDER OF THE BOARD
22 November 2016