

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

- (a) 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 2017. 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 2017.

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 2017 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- Amendments to MFRS 107 “Statement of Cash Flows” – Disclosure Initiative
- Amendments to MFRS 112 “Income taxes” - Recognition of deferred tax assets for unrealised losses

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 January 2018
- MFRS 9 “Financial instruments”
 - MFRS 15 “Revenue from contracts with customers”
 - IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
- (ii) Financial year beginning on/after 1 January 2019
- MFRS 16 “Leases”
 - IC Interpretation 23 “Uncertainty over Income Tax Treatments”

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.

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.

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A3. Comments about Seasonal or Cyclical Factors

One of the products category that the Group manufactures and sells is finstock (both bare and coated). This products are 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 quarter ended 30 September 2017, the Company did not issue or repay any debt or equity securities.

A7. Dividends paid

The final special single-tier dividend of 20.5 sen per share (“Special Dividend”) in respect of the financial year ended 31 March 2017, which was approved by the shareholders at the Fifty-Sixth Annual General Meeting of the Company on 22 June 2017, was paid to shareholders on 13 July 2017.

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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 September 2017 RM'000	Year-To-Date 30 September 2017 RM'000
Malaysia	26,779	63,360
Thailand	19,811	37,872
India	20,653	38,405
Asia (excluding Malaysia, Thailand and India)	4,879	10,345
Europe	8,229	18,193
Middle East	5,104	10,222
Others	1,074	3,335
Total	<u>86,529</u>	<u>181,732</u>

Revenue in the Malaysia segment included sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas which amounted to RM1.3 million for the current quarter and RM6.5 million year-to-date ended 30 September 2017.

Total Assets	RM'000
As at 30 September 2017	227,870

A9. Valuation of Property, Plant and Equipment

There were no changes in the valuation of property, plant and equipment for the current 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 September 2017 RM'000
- Contracted	9,046
- Not Contracted	14,755
Total Capital Commitment	<u>23,801</u>

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

Except for those in Note B7, there were no material events subsequent to the end of the period under review up to the date of this announcement that have not been disclosed in this quarterly financial statements.

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A12. Changes in the composition of the Group

On 8 November 2017, the Company incorporated a wholly-owned subsidiary known as SCLand Development Sdn. Bhd. with an issued share capital of RM1.00 comprising one (1) ordinary share. Its intended principal activities are property holding and development.

On 15 November 2017, SCLand Development Sdn. Bhd. incorporated a wholly-owned subsidiary known as EM HUB SDN. BHD. with an issued share capital of RM1.00 comprising one (1) ordinary share. Its intended principal activities are property holding and construction.

Other than the above, there were no changes to the Group's composition during the quarter under review.

A13. Changes in contingent liabilities or contingent assets

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

A14. Related party disclosures

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

	Group	
	Quarter ended 30 September 2017	Year-to-date 30 September 2017
	RM'000	RM'000
Sales of Finished Goods	784	2,165

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favorable to the related party than those generally available to the public and are not detrimental to minority shareholders.

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

B1. Review of Group Performance

	Individual Quarter (2 nd Quarter)		Change %	Cumulative Quarters		Change %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year-To-Date	Preceding Year Corresponding Period	
	30 September 2017	30 September 2016		30 September 2017	30 September 2016	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	86,529	77,200	12	181,732	151,069	20
Profit Before Interest and Tax	4,595	2,552	80	9,875	4,832	104
Profit Before Tax	4,102	2,544	61	9,382	4,817	95

Financial review of second quarter ended 30 September 2017 (“Q2 FP2017”) vs second quarter ended 30 September 2016 (“Q2 FY2017”)

The Group recorded a revenue of RM86.5 million in Q2 FP2017 which was RM9.3 million higher than its preceding year's corresponding quarter. With the Group's pricing strategy of maintaining its selling prices amid intense competition, the higher revenue was achieved despite shipment volumes being marginally lower in Q2 FP2017. The increased base metal costs and the weaker ringgit contributed to this revenue growth.

Base metal costs which comprise of aluminium prices quoted on the London Metal Exchange and transport premium, increased by 19% in Q2 FP2017 vs Q2 FY2017 whilst the Ringgit vis-a-vis the USD currency weakened 6% for the same period. Export sales portion for the Group represented approximately 69% of the total shipment volume.

The Group registered a profit before tax of RM4.1 million for Q2 FP2017; an improvement of 61% or RM1.6 million compared to the corresponding quarter last year which recorded a profit before tax of RM2.5 million.

The comparatively better profitability performance was largely attributable to the higher contribution attained from the revenue increase and cost-effective procurement of raw materials net of marginal increases in selected costs. These increases were mainly from wages and salaries related costs, repairs & maintenance of machineries and interest costs which were being offset partially by a lower depreciation charge for the quarter, lesser costs of external rerolls to supplement in-house production capacity and lower telecommunication costs.

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B1. Review of Group Performance (continued)

Financial review of Year-To-Date ended 30 September 2017 (“YTD FP2017”) vs Year-To-Date ended 30 September 2016 (“YTD FY2017”)

For the YTD FP2017, the Group recorded a revenue of RM181.7 million; an increase of RM30.6 million compared to the RM151.1 million recorded in the corresponding period of last year. The increase was derived from the higher shipment volumes, increased base metal costs and the weakened ringgit.

The Group’s YTD FP2017 profit before tax achievement was RM9.4 million as compared to the profit before tax of RM4.8 million recorded in YTD FY2017. This significant improvement was mainly due to the strong shipment performance achieved in the first quarter of FP2017 with focus on the increase in the higher value product portfolio and cost-effective procurement of raw materials. This result was achieved despite increased costs mainly in wages and salaries related costs, higher repairs & maintenance of machineries and higher interest costs. These were offset partially by lower depreciation charge and lower telecommunication costs.

B2. Financial review of the second quarter ended 30 September 2017 (“Q2 FP2017”) compared with the immediate preceding quarter ended 30 June 2017 (“Q1 FP2017”)

	Current Year Quarter	Immediate Preceding Quarter	Change (%)
	30 September 2017	30 June 2017	
	RM' 000	RM' 000	
Revenue	86,529	95,203	-9
Profit Before Interest and Tax	4,595	5,280	-13
Profit Before Tax	4,102	5,280	-22

The Group’s revenue declined by 9% in Q2 FP2017 compared to its Q1 FP2017 revenue of RM95.2 million due to the corresponding lower shipment resulting from the seasonal contraction of orders.

The lower revenue was the main factor for the lower profit before tax by RM1.2 million that was attained for Q2 FP2017 although the contribution percentage in Q2 FP2017 was marginally better compared to Q1 FP2017 resulting mainly from being more cost-effective procurement of raw materials and lower costs of external rerolls to supplement in-house production capacity. In addition, legal and professional fees were lower as the Group incurred these costs in Q1 FP2017 for the capital reduction exercise. These were partially offset by higher wages and salaries related costs and repairs & maintenance of machineries.

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B3. Commentary on Prospects

The Group has achieved a commendable performance for the first half of the financial period amid the acute competition. Going forward, the increasing global uncertainties may impact the Group, as a major portion of the Group's products are exported.

Against this uncertainty, the Group will continue to be focussed and receptive to sustain its performance by defending its existing position whilst exploring potential new markets to acquire new high value product portfolio customers. Simultaneously, the Group will continue its ongoing operational improvement initiatives and cost reduction focus.

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 September 2017 RM'000	Year-To-Date 30 September 2017 RM'000
Interest income	(277)	(531)
Other income	(21)	(24)
Interest expense	493	493
Depreciation and amortization	2,108	4,309
Provision for and write-off inventories	62	175
Foreign exchange (gain)/loss		
- Realised	191	325
- Unrealised	105	98
Net fair value (gain)/loss on Derivatives	(343)	(270)

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B6. Taxation

	Quarter ended		Year-To-Date	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Current Tax - current year	(2,005)	(1,138)	(3,625)	(1,853)
Deferred Taxation - Origination and reversal of temporary differences	460	353	829	(52)
	(1,545)	(785)	(2,796)	(1,905)

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 and reversal of deferred taxation after adjustment on temporary differences during the period under review.

B7. Status of Corporate Proposals

On 12 April 2017, Alcom made an announcement on a proposal to undertake a capital reduction and repayment to the shareholders of Alcom of up to RM42,985,871.36 on the basis of RM0.32 for each ordinary share in Alcom held, via a reduction of the share capital of Alcom pursuant to Section 116 of the Companies Act, 2016 (“Capital Repayment”).

The Capital Repayment to entitled shareholders of Alcom was effected and completed on 11 September 2017 via eCash Payment or cheques. With the distribution, the Capital Repayment has been completed on 11 September 2017.

B8. Group borrowings

The Group's borrowings as at 30 September 2017 were as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u> Term Loan	69,432	-	69,432

As at 30 September 2017, the Group has a secured term loan of RM69.432 million which was utilized to finance the Special Dividend and Capital Repayment to shareholders which were paid in July 2017 and September 2017 respectively. The tenure of the term loan is for a period of up to 12 years and is secured by the Company's leasehold industrial land.

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B9. Derivative Financial Instruments

As at 30 September 2017, 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	10,902	10,901
- Receivable	39,524	39,145

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

No dividend has been declared for the current quarter under review.

B12. Earnings Per Share

	Quarter ended 30 September 2017	Quarter ended 30 September 2016	Year-To-Date 30 September 2017	Year-To-Date 30 September 2016
Net Profit attributable to shareholders (RM'000)	2,557	1,759	6,586	2,912
Weighted average number of ordinary shares in issue (000)	132,252	132,252	132,252	132,252
Basic earnings per share (sen)	1.93	1.33	4.98	2.20

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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:

	As at 30 September 2017	
	Group RM'000	Company RM'000
Total retained profits before consolidated adjustments		
- Realised	25,450	(623)
- Unrealised	5,626	5,013
Total Retained Profits as per consolidated accounts	31,076	4,390
Less: Consolidation adjustments	(15,465)	-
Total Retained Profits as per Financial Statements:	15,611	4,390

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 30 November 2017.

BY ORDER OF THE BOARD
30 November 2017