

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 9-month period ended 31 December 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 period ended 31 December 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 period ended 31 December 2017 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

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 except as follow:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards.

The Group and the Company have concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

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

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

A1. Basis of preparation (continued)

(ii) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

On the date of initial application, MFRS 9 did not affect the classification and measurement of financial assets and financial liabilities.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments. With the assessment, there is no adjustment on the allowance for impairment on financial assets.

The Group and the Company concluded that there is no material impact upon the initial application to the financial statements of current period and prior period.

(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 year:

(i) Financial year beginning on/after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

A1. Basis of preparation (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

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’ category that the Group manufactures and sells is finstock (both bare fin and coated fin). These products are supplied to air conditioning manufacturers, in which the sector demand is subject to seasonal fluctuations.

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.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

As at 31 March 2018, a total of 1,000,000 shares were held as treasury shares and carried at cost.

A7. Dividends paid

No dividend has been paid during the quarter under review.

A8. Segmental information

The Group which operates in Malaysia was involved in 2 segments, principally:-

- 1) manufacturing of aluminium products
- 2) property holding, development and construction

The following revenues for the manufacturing segment and are based on the regions in which the customers are located :-

	Revenue	
	Quarter Ended 31 March 2018 RM'000	Year-To-Date 31 March 2018 RM'000
Malaysia	27,293	27,293
Thailand	25,440	25,440
India	24,266	24,266
Asia (excluding Malaysia, Thailand and India)	3,333	3,333
Europe	9,809	9,809
Middle East	10,019	10,019
Others	880	880
Total	101,040	101,040

Included in the revenue line of the Malaysia location above is sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas which amounted to RM5.3 million for the current quarter and year-to-date ended 31 March 2018.

There were no revenues for the property related segment as it was still in its developmental phase.

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.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

A10. Capital Commitments

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

	Group
	31 March 2018
	RM'000
- Contracted	98,333
- Not Contracted	13,247
Total Capital Commitment	<u>115,580</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.

A12. Changes in the composition of the Group

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

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities as at 31 March 2018 are as follows:

	Group	
	Quarter ended 31 March 2018	Year-to-date 31 March 2018
	RM'000	RM'000
<u>Unsecured contingent liabilities</u>		
Corporate guarantee provided to secure banking facility granted to subsidiary	328	328

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 31 March 2018	Year-to-date 31 March 2018
	RM'000	RM'000
Sales of Finished Goods	292	292

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.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

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

B1. Review of Group Performance

Financial review of first quarter ended 31 March 2018 (“Q1 FY2018”)

	Individual Quarter (1 st Quarter)		Change %*	Cumulative Quarters		Change %*
	Current Year Quarter	Preceding Year Corresponding Quarter*		Current Year-To-Date	Preceding Year Corresponding Period*	
	31 March 2018	31 March 2017		31 March 2018	31 March 2017	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	101,040	N/A	N/A	101,040	N/A	N/A
Profit Before Interest and Tax	1,710	N/A	N/A	1,710	N/A	N/A
Profit Before Tax	724	N/A	N/A	724	N/A	N/A

**Due to the change in financial year end from 31 March to 31 December, there is no commentary on the comparative figures to be included in the financial review as no comparative figures are available.*

The Group recorded a revenue of RM101.04 million in the quarter under review with export sales constituting approximately 73% of the total revenue which is denominated in the US dollar (“USD”) currency. This revenue was in its entirety from the manufacturing segment as the property segment was still in its developmental phase.

The Group continued with its strategy of maintaining selling prices and was consistent with its product mix; Coated Fin product contributed to 56% of the total shipment volume with the other categories of products accounting for the remaining 44%.

During the quarter under review, *base metal costs* which comprise of aluminium prices quoted on the London Metal Exchange and transport premium, increased approximately by 4% offset by a corresponding strengthening of the Ringgit vis-a-vis the USD currency.

The Group registered a profit before tax of RM 0.72 million for Q1 FY2018 as contribution was squeezed due mainly in to a metal price lag* impact and usage of external rerolls to supplement in-house production capacity. In addition, this result was net of the property segment expenses totaling RM0.77 million which were mainly related to promotional pre-development expenses and staff costs.

**metal price lag refers to timing differences experienced on the pass through of changing aluminium prices based on the price we pay for aluminium and the price we charge our customers after the aluminium is processed.*

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

B2. Financial review of the first quarter ended 31 March 2018 (“Q1 FY2018”) compared with the immediate preceding quarter ended 31 December 2017 (“Q3 FP2017”)

	Current Year Quarter 31 March 2018	Immediate Preceding Quarter 31 December 2017	Change (%)
	RM' 000	RM' 000	
Revenue	101,040	103,373	-2
Profit Before Interest and Tax	1,710	4,956	-65
Profit Before Tax	724	4,021	-82

The Group’s revenue declined marginally by RM2.33 million in Q1 FY2018 as compared to Q3 FP2017 resulting from a small drop in shipment volume. The coated fin and bare fin product categories which were mainly destined for export markets registered higher shipment volumes which were offset by lower volumes in the other product categories. However, the strengthened ringgit vis-à-vis the USD currency impacted the revenue as the export shipment volume increased by 4%.

The Group recorded a profit before tax of RM0.72 million; lower than the immediate preceding quarter’s achievement of RM4.02 million. This decline was mainly due to a lower contribution attained, increased provision for advertising & promotion and higher finished materials scrapped. In addition, legal and professional fees was higher, which were incurred in the engagement of professional services for the on-going corporate proposal of the Group. These were partially offset by lower repairs and maintenance costs.

Contribution was lower due mainly in to a metal price lag* impact and increased usage of external rolls to supplement in-house production capacity. Metal price lag was a loss in Q1 FY2018 compared to a gain in Q3 FP2017.

In addition, the property segment expenses totaling RM0.77 million were incurred in Q1 FY2018. These were mainly related to promotional pre-development expenses and staff costs.

**metal price lag refers to timing differences experienced on the pass through of changing aluminium prices based on the price we pay for aluminium and the price we charge our customers after the aluminium is processed.*

B3. Commentary on Prospects

There is a global upswing of growth across the US and Eurozone as well as in the emerging markets. However, any further escalation in trade conflict between China and US may create global uncertainties and impact the Group, as a significant portion of the Group’s products are exported. Against this geopolitical uncertainty, the Group is committed to remain resilient and sustain its performance by re-examining its product mix to improve margins in selected market segments whilst exploring and capturing new markets. At the same time, the continued operational focus will continue to be a priority for the Group.

B4. Variance of actual profit from forecast profit

Not applicable.

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

B5. Profit for the Period

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

	Quarter ended 31 March 2018 RM'000	Year-To-Date 31 March 2018 RM'000
Interest income	(44)	(44)
Other income	(43)	(43)
Interest expense	986	986
Depreciation and amortization	2,065	2,065
Allowance for inventory writedown	162	162
Foreign exchange (gain)/loss		
- Realised	111	111
- Unrealised	(250)	(250)
Net fair value (gain)/loss on derivatives	73	73
Gain on disposal of property, plant and equipment	(18)	(18)

B6. Taxation

	Quarter ended		Year-To-Date	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	(461)	N/A	(461)	N/A
Deferred Taxation				
- Origination and reversal of temporary differences	(75)	N/A	(75)	N/A
	(536)	N/A	(536)	N/A

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

B7. Status of Corporate Proposals

On 2 January 2018, the Company announced the following proposals (“Announcement”):

- i) proposed acquisition by EM Hub Sdn. Bhd., a wholly-owned indirect subsidiary of the Company, of a parcel of vacant leasehold industrial land held under the land title no. H.S.(D) 242971 PT10568 and H.S.(D) 242972 PT10570, both in Pekan Baru Sungai Buloh, District of Petaling, State of Selangor from Seleksi Megah Sdn. Bhd., a wholly-owned subsidiary of Paramount Corporation Berhad, at a total cash consideration of RM92,129,400;
- ii) proposed diversification of the principal activities of the Company and its subsidiaries to include property development activities; and

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

B7. Status of Corporate Proposals (continued)

iii) proposed internal reorganisation by way of a members’ scheme of arrangement under Section 366 of the Companies Act 2016 (“Act”) comprising the following:

- (a) proposed share exchange of up to 134,330,848 ordinary shares in the Company as at 26 December 2017, being the latest practicable date prior to the date of the Announcement (“Alcom Share(s)”), representing the entire issued share capital of the Company with up to 134,330,848 new ordinary shares in Alcom Group Berhad (“AGB”) (“AGB Share(s)”) on the basis of 1 AGB Share for every 1 existing Alcom Share held on an entitlement date to be determined (“Proposed Share Exchange”); and
- (b) proposed assumption of the listing status of the Company by AGB, the admission of AGB to, and withdrawal of the Company from the Official List of Bursa Malaysia Securities Berhad (“Bursa Securities”) with the listing of and quotation for all the AGB Shares on the Main Market of Bursa Securities (“Proposed Transfer of Listing Status”).

The Proposed Share Exchange and the Proposed Transfer of Listing Status are collectively referred to as the “Proposed Internal Reorganisation”.

(collectively referred to as the “Proposals”)

On 12 January 2018, the Company filed the relevant court papers to obtain the requisite order from the High Court of Malaya at Kuala Lumpur (“KL High Court”) pursuant to Section 366 of the Act for leave to be granted to the Company to convene a meeting of its members in relation to the Proposed Internal Reorganisation.

On 13 February 2018, the KL High Court granted leave for the Company to convene a meeting of its members pursuant to Section 366 of the Act in relation to the Proposed Internal Reorganisation within 180 days from 13 February 2018.

The application in relation to the Proposals was submitted to Bursa Securities on 15 March 2018 and Bursa Securities vide its letter dated 6 April 2018, resolved to approve the admission to the Official List, and the listing and quotation of the entire issued share capital of AGB of up to 134,330,850 ordinary shares under the “Industrial Products” sector of the Main Market of Bursa Securities, in place of the Company.

AGB will assume the stock code, stock short name and ISIN code of the Company.

B8. Group Borrowings

The Group’s borrowings as at 31 March 2018 were as follows:

	Long Term RM’000	Short Term RM’000	Total RM’000
<u>Secured</u>			
Term Loan	69,432	-	69,432
<u>Unsecured</u>			
Finance lease liabilities	263	60	323
Corporate credit card facility from a financial institution	-	967	967
	69,695	1,027	70,722

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

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

B8. Group Borrowings (continued)

Term loan of RM69.432 million which was utilized to finance the Special Dividend and Capital Repayment to shareholders in the previous financial period is secured by the Company's leasehold industrial land. The tenure of the term loan is for a period of up to 12 years.

On 2 February 2018, the Company has extended corporate guarantee amounting to RM328,000 to financial institution for banking facility granted to a subsidiary. The financial impact of the guarantee is not material as the subsidiary concerned is able to meet its obligations as and when they fall due.

B9. Derivative Financial Instruments

As at 31 March 2018, 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	18,265	18,265
- Receivable	62,677	61,934

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

No dividend in respect of the financial period under review has been declared.

B12. Earnings Per Share

	Quarter ended 31 March 2018	Quarter ended 31 March 2017	Year-To-Date 31 March 2018	Year-To-Date 31 March 2017
Net Profit attributable to shareholders (RM'000)	188	N/A	188	N/A
Weighted average number of ordinary shares in issue (000)	133,331	N/A	133,331	N/A
Basic earnings per share (sen)	0.14	N/A	0.14	N/A

ALUMINIUM COMPANY OF MALAYSIA BERHAD (“ALCOM”) (Co. No. 3859-U)
Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2018

B13. 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 May 2018.

BY ORDER OF THE BOARD
30 May 2018