



ALCOM GROUP BERHAD (1261259-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019

ALCOM GROUP BERHAD (1261259-V)

Condensed Consolidated Statement of Comprehensive Income for the quarter ended 31 March 2019

(Unaudited)

	Quarter ended 31 March	Quarter ended 31 March	3 months ended 31 March	3 months ended 31 March
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	92,490	101,040	92,490	101,040
Expenses excluding tax	(93,307)	(100,403)	(93,307)	(100,403)
Other operating income	75	87	75	87
(Loss)/profit before tax	(742)	724	(742)	724
Taxation	(439)	(536)	(439)	(536)
Net (loss)/profit for the period	(1,181)	188	(1,181)	188
Other comprehensive income, net of tax : <u>Item that will not be classified subsequently to profit or loss</u>				
Actuarial gains on gratuity scheme	-	-	-	-
Taxation relating to component of other comprehensive income	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive (expense) / income for the period	(1,181)	188	(1,181)	188
Attributable to:				
- Shareholders of the Company	(1,181)	188	(1,181)	188
	(1,181)	188	(1,181)	188
Basic (loss) / earnings per ordinary share (sen)	(0.88)	0.14	(0.88)	0.14

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (1261259-V)
Condensed Consolidated Statement of Financial Position as at 31 March 2019 (Unaudited)

	UNAUDITED As At 31 March 2019 RM'000	AUDITED As At 31 December 2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	70,695	67,090
Intangible assets	1,126	1,248
Right-of-use assets	2,080	-
Deferred tax assets	1,329	810
Trade receivables	463	461
	<u>75,693</u>	<u>69,609</u>
CURRENT ASSETS		
Inventories	66,941	68,976
Trade receivables	40,490	41,150
Other receivables and prepayments	5,242	6,599
Tax recoverable	1,461	335
Derivative financial instruments	8	443
Cash and bank balances	45,437	40,232
Property development costs	107,952	105,392
	<u>267,531</u>	<u>263,127</u>
TOTAL ASSETS	<u><u>343,224</u></u>	<u><u>332,736</u></u>
CAPITAL AND RESERVES		
Share capital	104,778	104,778
Retained earnings	16,376	17,643
Total Equity	<u>121,154</u>	<u>122,421</u>
NON-CURRENT LIABILITIES		
Provision for gratuity scheme	4,251	4,142
Deferred tax liabilities	3,984	3,488
Loans and borrowings	135,818	139,932
Lease liabilities	1,133	-
	<u>145,186</u>	<u>147,562</u>
CURRENT LIABILITIES		
Trade payables	33,130	39,019
Other payables and accruals	11,910	15,255
Amount due to related companies	20	-
Provision for taxation	1,057	1,551
Loans and borrowings	29,737	6,928
Lease liabilities	1,030	-
	<u>76,884</u>	<u>62,753</u>
TOTAL LIABILITIES	<u>222,070</u>	<u>210,315</u>
TOTAL EQUITY AND LIABILITIES	<u><u>343,224</u></u>	<u><u>332,736</u></u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (1261259-V)
Condensed Consolidated Statement of Changes In Equity for the quarter ended 31 March 2019
(Unaudited)

	<u>Non-distributable</u>		<u>Distributable</u>	
	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
Balance as at 1 January 2019 - as previously reported	104,778	-	17,643	122,421
Impact of change in accounting policy - MFRS16	-	-	(86)	(86)
Adjusted balances at 1 January 2019	104,778	-	17,557	122,335
<u>Total comprehensive expense:</u>				
Loss for the period	-	-	(1,181)	(1,181)
Total comprehensive expense for the period	-	-	(1,181)	(1,181)
Balance as at 31 March 2019	104,778	-	16,376	121,154
Balance as at 1 January 2018	100,123	(1,091)	19,238	118,270
<u>Total comprehensive income:</u>				
Profit for the period	-	-	188	188
Total comprehensive income for the period	-	-	188	188
Balance as at 31 March 2018	100,123	(1,091)	19,426	118,458

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (1261259-V)**Condensed Consolidated Statement of Cash Flows for the quarter ended 31 March 2019****(Unaudited)**

	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before tax	(742)	724
Adjustment for:-		
Net fair value loss on currency forwards	435	73
Property, plant and equipment		
- depreciation	2,150	1,949
- gain on disposal	(3)	(18)
Intangible assets		
- amortisation	122	116
Right-of-use assets		
- depreciation	264	-
Provision for gratuity scheme	110	117
Allowance for inventory writedown	439	162
Unrealised foreign exchange gain	(396)	(250)
Interest income	(56)	(44)
Interest expense	1,365	986
Interest expense on lease liabilities	33	-
	3,721	3,815
Changes in Working Capital:-		
Inventories	1,597	423
Receivables	2,319	(8,575)
Payables	(9,503)	(1,665)
Property development cost	(1,852)	-
Balances with related companies	20	-
Cash used in operations	(3,698)	(6,002)
Tax paid	(2,084)	(1,259)
Gratuity paid	(93)	(376)
Net cash used in operating activities	(5,875)	(7,637)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- purchases	(5,755)	(1,788)
- proceeds from disposal	3	27
Interest income received	63	44
Net cash used in investing activities	(5,689)	(1,717)
CASH FLOWS FROM FINANCING ACTIVITY		
Drawdown of borrowings	18,695	292
Payment of lease liabilities	(300)	-
Interest paid	(1,982)	(638)
Net cash generated from / (used in) financing activities	16,413	(346)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	4,849	(9,700)
Foreign exchange differences	356	(178)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	39,128	45,883
CASH & CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	44,333	36,005

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes to this interim financial statements.)

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 (“Bursa Securities”).

The interim financial statements should be read in conjunction with the Group's financial statements for financial year ended 31 December 2018. 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 December 2018.

A2. Accounting policies

The significant accounting policies and methods of computation adopted in the preparation of this interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2018 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- 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

The application of the standards and amendments to the standards above do not have a material impact to the financial statements of the Group and the Company except the following:-

(i) MFRS 16, Leases

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 applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings on 1 January 2019.

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A2. Accounting policies (continued)

The application of the standards and amendments to the standards above do not have a material impact to the financial statements of the Group and the Company except the following (continued):-

(i) MFRS 16, Leases (continued)

On 1 January 2019, the Group recognised lease liabilities approximately of RM2,205,000 with a corresponding additional right-of-use assets of RM2,119,000, recognising the difference in retained earnings.

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and Issue Committee (“IC”) Interpretations were issued but not yet effective and have not been applied by the Group and the Company:-

(i) MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2020

- Amendment to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

(ii) MFRSs, Interpretations and Amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendment to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

A3. 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.

A4. 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.

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A5. 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.

A6. Material changes in estimates

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

A7. Debt and Equity Securities

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

A8. Dividends paid

No dividend has been paid during the quarter under review.

A9. Segmental information

The Group which operates in Malaysia was involved in 3 segments, principally:-

- 1) Investment holding
- 2) manufacturing of aluminium products
- 3) property development

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

	Revenue	
	Quarter Ended 31 March 2019 RM'000	Year-To-Date 31 March 2019 RM'000
Malaysia	22,837	22,837
Thailand	13,289	13,289
India	25,180	25,180
Asia (excluding Malaysia, Thailand and India)	3,566	3,566
Europe	16,146	16,146
Middle East	3,903	3,903
Others	7,569	7,569
Total	<u>92,490</u>	<u>92,490</u>

Included in the revenue line of the Malaysia location above were sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas which amounted to RM3.32 million for the current quarter and year-to-date ended 31 March 2019.

There were no revenues for the investment holding segment and property segment. The property segment was still in its developmental project phase.

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A10. Valuation of Property, Plant and Equipment

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

A11. Capital Commitments

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

	Group 31 March 2019 RM'000
- Contracted	4,058
- Not Contracted	7,018
Total Capital Commitment	11,076

A12. Material events subsequent to the end of the interim period

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.

A13. Changes in the composition of the Group

There is no change in the composition of the Group during the quarter under review.

A14. Changes in contingent liabilities or contingent assets

The contingent liabilities as at 31 March 2019 are as follows:

	Company 31 March 2019 RM'000
<u>Unsecured contingent liabilities</u>	
Corporate guarantee given to financial institutions in respect of banking facilities granted to a subsidiary	208,000

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

B1. Review of Group Performance

	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 2019	31 March 2018		31 March 2019	31 March 2018	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	92,490	101,040	-8	92,490	101,040	-8
Profit Before Interest and Tax	600	1,666	-64	600	1,666	-64
(Loss)/Profit Before Tax	(742)	724	-202	(742)	724	-202

Financial review of the first quarter ended 31 March 2019 (“Q1 FY2019”) compared with the corresponding quarter in Financial Year 2018 (“Q1 FY2018”)

The Group recorded a revenue of RM92.49 million entirely from its manufacturing segment in Q1 FY2019 which declined by RM8.55 million or 8% compared to its corresponding quarter of Q1 FY2018. This reduction was due to lower base metal costs of approximately 10% in Q1 FY2019 vs Q1 FY2018. Base metal costs which is denominated in USD comprise of aluminium prices quoted on the London Metal Exchange and transport premium. In addition, shipment volume registered a decline, impacted mainly within the Thailand market. These were partially offset by a weaker ringgit vis-à-vis the USD currency; the ringgit was approximately 4% weaker in Q1 FY2019 vs Q1 FY2018.

No revenues were recorded in the segments of property and investment holding. The property segment was still in its project developmental phase.

The Group registered a loss before tax of RM0.74 million in Q1 FY2019 as compared to Q1 FY2018's profit before tax of RM0.72 million; the segmental breakdown were as follows:-

	Q1 FY2019	Q1 FY2018	Change (%)
	RM' 000	RM' 000	
Manufacturing Segment	1,780	1,498	19
Property Segment	(2,298)	(774)	-197
Investment Holding Segment	(224)	-	-
(Loss)/Profit before tax	(742)	724	-202

The manufacturing segment's improved profit before tax by approximately 19% was mainly due to higher productivity attained, leading to lower usage of external rerolls to supplement in-house production capacity. In addition, in Q1 FY2019, there was a lower metal price lag* loss coupled with a reduction in professional fees. These were partially offset by increased costs in freight, repairs & maintenance and paint utilisation. Further, depreciation charges were also higher and there was an increase in the provision for customer complaints.

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B1. Review of Group Performance(continued)

Financial review of the first quarter ended 31 March 2019 (“Q1 FY2019”) compared with the corresponding quarter in Financial Year 2018 (“Q1 FY2018”) (continued)

The property segment’s increased expenses in Q1 FY2019 vs Q1 FY2018 of RM1.52 million resulted mainly from higher interest charges, marketing expenses, salaries, depreciation charges, quit rent and assessment charges whilst the investment holding segment incurred expenses in Q1 FY2019 mainly for salaries and directors’ fees.

**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*

B2. Financial review of the first quarter ended 31 March 2019 (“Q1 FY2019”) compared with the immediate preceding quarter ended 31 December 2018 (“Q4 FY2018”)

	Current Year Quarter Ended 31 March 2019	Immediate Preceding Quarter Ended 31 December 2018	Change (%)
	RM' 000	RM' 000	
Revenue	92,490	100,761	-8
Profit Before Interest and Tax	600	4,986	-88
(Loss)/Profit Before Tax	(742)	4,535	-116

Revenue which was solely attributable from the manufacturing segment declined in Q1 FY2019 by 8% compared to Q4 FY2018 as shipment volumes dropped marginally by 3% and base metal costs reduced by approximately 7% coupled with a strengthening of the ringgit of approximately 2%. Base metal costs which is denominated in USD comprise of aluminium prices quoted on the London Metal Exchange and transport premium.

No revenues were recorded in the segments of property and investment holding. The property segment was still in its project developmental phase.

The Group registered a loss before tax of RM0.74 million in Q1 FY2019 as compared to Q4 FY2018’s profit before tax of RM4.54 million; the segmental breakdown were as follows:-

	Q1 FY2019	Q4 FY2018	Change (%)
	RM' 000	RM' 000	
Manufacturing Segment	1,780	7,032	-75
Property Segment	(2,298)	(2,063)	-11
Investment Holding Segment	(224)	(434)	48
(Loss)/Profit before tax	(742)	4,535	-116

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B2. Financial review of the first quarter ended 31 March 2019 (“Q1 FY2019”) compared with the immediate preceding quarter ended 31 December 2018 (“Q4 FY2018”) (continued)

The manufacturing segment's attainment of the lower profit before tax was a result from a lower contribution due to the lower shipment volume and a metal price lag loss in Q1 FY2019 compared to a metal price lag* gain in Q4 FY2018. In addition, there were increased costs in Q1 FY2019 for paint, uniform and telecommunications expenses. Uniform and telecommunications expenses were higher due to Q4 FY2018's reversals of provisions no longer required. Further, in Q4 FY2018 there was a one-off inventory adjustment gain following the annual physical metal stock count. These were partially offset by lower repairs & maintenance and bonus provisions in Q1 FY2019.

The property segment's expenses increase was the result of higher depreciation charges and interest costs which were partially offset by lower administrative and marketing expenses. The investment holding segment recorded a lower expense due mainly to lower provisions for bonus, audit fees and annual general meeting expenses.

**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*

B3. Commentary on Prospects

The trade tensions between United States and China have now escalated to levels that are adversely affecting business confidence and market sentiments. This, including a confluence of other factors affecting major economies of the world have resulted in the global growth projection for 2019 to be recently revised downwards.

Against the above rapidly evolving business environment, the manufacturing segment will be challenged to sustain its performance as a major portion of its sales are destined for export markets. Nevertheless, it will continue to be vigilant and responsive to market trends whilst endeavoring to increase its presence in selective export markets. Simultaneously, it is committed in ensuring that operating costs are maintained within targets to remain competitive whilst protecting its margins.

Meanwhile, the property segment will begin recognising revenue from the second quarter of 2019 onwards for its EmHub project located at Kota Damansara.

B4. Variance of actual profit from forecast profit

Not applicable.

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B5. Profit for the Period

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

	Quarter ended 31 March 2019 RM'000	Year-To-Date 31 March 2019 RM'000
Interest income	(56)	(56)
Interest expense	1,365	1,365
Interest expense on lease liabilities	33	33
Amortisation of intangible assets	122	122
Depreciation		
- Property, plant and equipment	2,150	2,150
- Right-of-use assets	264	264
Allowance for inventory writedown	439	439
Foreign exchange gain		
- Realised	(7)	(7)
- Unrealised	(396)	(396)
Net fair value loss on derivatives	435	435
Gain on disposal of property, plant and equipment	(3)	(3)

B6. Taxation

	Quarter ended		Year-To-Date	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	(463)	(461)	(463)	(461)
Deferred Taxation				
- Origination and reversal of temporary differences	24	(75)	24	(75)
	(439)	(536)	(439)	(536)

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

There was no corporate exercise as at the date of this announcement.

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B8. Group Borrowings

The Group's borrowings as at 31 March 2019 were as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
Term Loan	135,431	7,001	142,432
<u>Unsecured</u>			
Finance lease liabilities	387	118	505
Revolving credit	-	21,646	21,646
Corporate credit card facility from a financial institution	-	972	972
	135,818	29,737	165,555

B9. Derivative Financial Instruments

As at 31 March 2019, 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	15,855	15,855
- Receivable	56,858	56,850

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

No dividend in respect of the current quarter under review has been declared.

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B12. (Loss)/Earnings Per Share

	Quarter ended 31 March 2019	Quarter ended 31 March 2018	Year-To-Date 31 March 2019	Year-To-Date 31 March 2018
Net (loss)/profit attributable to shareholders (RM'000)	(1,181)	188	(1,181)	188
Weighted average number of ordinary shares in issue (000)	134,331	133,331	134,331	133,331
Basic (loss)/earnings per share (sen)	(0.88)	0.14	(0.88)	0.14

B13. Authorisation of Issue

The interim financial statements were authorised for issue by the Board of Directors of AGB in accordance with a resolution of the Directors passed on 29 May 2019.

BY ORDER OF THE BOARD
 29 May 2019