

**NOTES TO THE QUARTERLY REPORT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**A1. Basis of preparation**

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, International Financial Reporting Standards and the Companies Act 2016 in Malaysia.

**Significant Accounting Policies**

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those adopted for the financial year ended 31 December 2018, except for the adoption of the following Amendments and Annual Improvements to Standards which are effective for the annual periods beginning on or after 1 January 2019.

***MFRS, Interpretations and amendments effective for annual periods beginning on or 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 Standard 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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**A1. Basis of preparation (continued)**

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by Group:

***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020***

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

***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

***MFRS, 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 plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2020 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020, except for Amendments to MFRS 11 which is not applicable to the Group. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

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**A2. Auditors' report**

The auditors' report of the audited financial statements for the financial year ended 2018 was not subject to any qualification.

**A3. Seasonal or cyclical factors**

The business of the Group was not affected by any significant seasonal or cyclical factors.

**A4. Extraordinary and exceptional items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the financial quarter under review.

**A5. Changes in estimates**

There were no changes in estimates during the financial quarter under review and financial period-to-date.

**A6. Debt and equity securities**

- (i) The Company has on 17 October 2019, made its first issuance of Sukuk Wakalah under the Sukuk Programme. The Sukuk Wakalah issued under the Sukuk Programme is for the aggregate nominal value of RM1.0 billion with tenures of 5 years, 7 years and 10 years. The net proceeds from the Sukuk Wakalah will be utilised towards refinancing of existing indebtedness and general corporate purposes.
- (ii) During the current financial period, the Company issued 87,263,501 new shares arising from the exercise of warrants C. The warrants C expired on 22 August 2019 and were removed from the Official List of Bursa Malaysia Securities Berhad on 23 August 2019.

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**A7. Dividends paid**

	<u>Tax exempt</u> <u>(sen per share)</u>	<u>Total amount</u> <u>(RM'000)</u>	<u>Date of</u> <u>payment</u>
Fourth interim 2018	1.50	60,292	02.04.2019
First interim 2019	1.25	50,403	28.06.2019
Second interim 2019	1.25	50,477	24.09.2019

**A8. Segmental information**

Segmental information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:

**(i) Smelting and extrusion**

Manufacturing and marketing of aluminium and other related products.

**(ii) Contracting and others**

Contracting of aluminium and stainless steel products.

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**A8. Segmental information – (cont'd)**

<i>Business Segments</i>						
<i>RM'000</i>	<b>Smelting and extrusion</b>	<b>Contracting and others</b>	<b>Elimination</b>	<b>Total</b>		
Revenue from external customers	6,334,800	90,432	-	6,425,232		
Inter-segment revenue	1,151,005	69,929	(1,220,934)	-		
<b>Total revenue</b>	<b>7,485,805</b>	<b>160,361</b>	<b>(1,220,934)</b>	<b>6,425,232</b>		
<b>Segment results</b>	<b>581,090</b>	<b>(9,345)</b>		<b>571,745</b>		
Share of associate's profit				8,842		
Net finance costs				(132,607)		
Profit before tax				447,980		
Taxation				(35,855)		
<b>Profit after tax</b>				<b>412,125</b>		
<i>Geographical Segments</i>						
<i>RM'000</i>	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external customers	6,298,291	896,789	301,824	149,262	(1,220,934)	6,425,232
Segment assets by location	13,099,850	1,356,720	126,212	59,480	(6,493,199)	8,149,063
Investment in associates	105,799	478,215	-	-	-	584,014
	13,205,649	1,834,935	126,212	59,480	(6,493,199)	8,733,077

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**A9. Valuation of property, plant and equipment**

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements, as the Group does not adopt a revaluation policy on its property, plant and equipment.

**A10. Material events subsequent to the balance sheet date**

Save as mentioned above in the Note A6(i), there were no material event subsequent to the end of the financial period to the date of issue of this report.

**A11. Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the current quarter under review.

**A12. Contingent liabilities and contingent assets**

There were no material changes in contingent liabilities and contingent assets as at the date of this quarterly report.

**A13. Capital commitments**

As at 30 September 2019, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	350,000
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**A14. Related party transactions**

	<b>9 months ended</b>
	<b>30.09.2019</b>
<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group:-	
-Sales of aluminium products	109,789
-Purchase of fabricated aluminium products and building materials	40,666
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**Disclosure requirements per Bursa Malaysia Securities Berhad's Listing Requirements – Part A of Appendix 9B**

**Review of performance**

**B1. Q3 2019 vs Q3 2018**

The Group recorded a revenue of RM2.12 billion in Q3 2019 as compared to RM2.37 billion in the same quarter last year. Revenue decreased by RM253.49 million or 10.7% mainly due to the lower metal price during the current year quarter under review.

The Group profit before tax (“PBT”) generated in Q3 2019 was RM168.94 million as compared to RM241.16 million in Q3 2018, representing a decrease of RM72.22 million or 29.9%. The decrease was mainly due to the lower aluminium price and net exceptional income of RM34.65 million recognised in Q3 2018, which consisted of amongst others, the insurance claim. Excluding the exceptional income, the core PBT for Q3 2018 would be RM206.51 million.

Comparing quarter to quarter, the reduction in the core PBT would be RM37.57 million or 18.2%.

**9M/2019 vs 9M/2018**

The Group revenue of RM6.43 billion for 9M/2019 decreased by RM512.91 million or 7.4% as compared to RM6.94 billion in the same period last year due to the softening of metal price.

PBT reduced from RM672.82 million to RM447.98 million, indicating a reduction of RM224.84 million or 33.4%. Lower PBT was mainly due to the lower aluminium price and the net exceptional income recognised in 9M/2018 as mentioned above.

**B2. Q3 2019 vs Q2 2019**

Compared to the immediate preceding quarter, the current year quarter PBT has improved from RM123.47 million to RM168.94 million, increased by RM45.47 million or 36.8%. Such improvement was mainly due to the stabilisation of alumina and carbon anode prices in Q3 2019.

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**B3. Current year's prospects**

Raw material prices have stabilised in Q3 2019 resulting in the improvements in margins for this quarter. We expect to see the benefit of lower raw material prices for the rest of the year.

Aluminium price is expected to remain range bound due to on-going trade war being unresolved. However, barring any unforeseen circumstances, the Board expects the Group to achieve a satisfactory result for this financial year.

**B4. Profit forecast**

Not applicable as no profit forecast was published.



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**B5. Taxation**

Taxation comprises the following:

	<b>9 months ended</b>
	<b>30.9.2019</b>
	<b>RM'000</b>
Malaysian income tax	4,766
Foreign tax	19,254
Deferred tax	11,835
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	35,855
	=====

The effective tax rate of the Group was lower than the prevailing statutory tax rate due to the tax incentives granted to its subsidiaries.

**B6. Retained earnings**

	<b>As at</b>	<b>As at</b>
	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Retained earnings:		
Realised	2,590,238	2,396,476
Unrealised	(195,429)	(183,962)
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	2,394,809	2,212,514
Total share of retained earnings of associate:		
Unrealised	(38,825)	(34,921)
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Total Group retained earnings	2,355,984	2,177,593
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**B7. Status of Corporate Proposals Announced and Pending Completion**

**(i) Memorandum of Understanding (“MOU”)**

The Company had on 31 May 2019, entered into a MOU with PT Bintan Alumina Indonesia (“PT BAI”) and its direct and indirect shareholders, which are Shandong Nanshan Aluminium Co. Ltd., Redstone Alumina International Pte. Ltd., and PT Mahkota Karya Utama (“PT MKU”).

PT BAI is principally involved in the production of non-ferrous metals. PT BAI is currently in the midst of constructing an alumina refinery plant together with the necessary facilities in Galang Batang (“Construction”).

The MOU set out the principles for the parties to further discuss the proposed capital injection by PMAHB into PT BAI via a subscription of approximately 25% of PT BAI shares by the Company (the “Proposed Subscription”).

Subsequently, the Company had on 15 November 2019 entered into a share subscription agreement with PT MKU and PT BAI (“SSA”) and a shareholders’ agreement with PT MKU, Global Aluminium International Pte. Ltd. and PT BAI (“SHA”).

The Proposed Subscription entails the subscription by the Company of 908,533 newly issued and allotted ordinary shares of PT BAI having a nominal value of IDR1,000,000 per share, representing 25% equity interest in PT BAI, for a total cash consideration of USD80,232,000.

The Proposed Subscription is subject to the term and condition of the SSA, and the SHA is conditional upon and shall be deemed to only take effect on and from the completion of the Proposed Subscription.

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**B7. Status of Corporate Proposals Announced and Pending Completion- *cont'd***

**(ii) Related Party Transactions**

- (a) **Proposed acquisition of the entire equity interest in PMB Central Sdn. Bhd. (“PMB Central”), PMB Northern Sdn. Bhd. (“PMB Northern”) and PMB Eastern Sdn. Bhd. (“PMB Eastern”) by PMB Klang Sdn. Bhd. (“PMB Klang”), a wholly-owned subsidiary of the Company, from Everlast Aluminium (M) Sdn. Bhd. (Everlast Aluminium”), a wholly-owned subsidiary of PMB Technology Berhad (“PMBT”); and**
  - (b) **Proposed acquisition of the entire equity interest in PMB Aluminium Sabah Sdn. Bhd. (“PMB Aluminium Sabah”) by PMB Klang from PMBT.**
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The Company had on 29 October 2019 announced that PMB Klang has entered into the following agreements:

- (i) Conditional sale and purchase agreement(s) with Everlast Aluminium for the proposed acquisition of the following companies for a total aggregate cash consideration of RM43,182,000: -
  - (a) 2,000,000 ordinary shares in PMB Central, representing the entire equity interest in PMB Central, for a cash consideration of RM24,958,000;
  - (b) 1,000,000 ordinary shares in PMB Northern, representing the entire equity interest in PMB Northern, for a cash consideration of RM9,858,000 and;
  - (c) 500,000 ordinary shares in PMB Eastern, representing the entire equity interest in PMB Eastern, for a cash consideration RM8,366,000.
- (ii) A conditional sale and purchase agreement with PMBT for the proposed acquisition of 200,000 ordinary shares in PMB Aluminium Sabah, for a cash consideration of RM1,204,000.

Save as above, there were no corporate proposals announced but pending completion during the financial quarter.

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**B8. Group borrowings and debt securities as at 30 September 2019**

	<u>Secured</u> <u>(RM'000)</u>	<u>Unsecured</u> <u>(RM'000)</u>	<u>Total</u> <u>(RM'000)</u>
Long term	422,492	2,072,766	2,495,258
Short term	340,863	703,586	1,044,449
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	763,355	2,776,352	3,539,707
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Borrowings that are denominated in foreign currencies amounting to RM3,285 million are as follow: -

<u>Currency</u>		As at 30.09.2019 <u>million</u>
US Dollar	USD	739
Renminbi	RMB	319

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**B9. Derivative Financial Instruments**

(a) Details of derivative financial instruments

Details of derivative financial instrument that are outstanding as at 30 September 2019 are as follows:

	Nominal value RM'000	Fair value assets/(liabilities) RM'000
Commodity swaps		
- Less than 1 year	2,790,754	26,635
- 1 year to 3 years	1,501,012	(67,343)
- More than 3 years	-	-
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	4,291,766	(40,708)
	=====	=====
Forward exchange contracts		
- Less than 1 year	2,022,205	(21,790)
- 1 year to 3 years	2,755,388	(48,363)
- More than 3 years	4,454,913	(154,760)
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	9,232,506	(224,913)
	=====	=====

The Group entered into commodity swaps to hedge its highly probable forecast physical aluminium delivery that are expected to occur at various dates in the future. The commodity swaps have maturity dates which match the expected occurrence of these transactions.

The Group entered into the forward exchange contracts to hedge its highly probable forecast transactions denominated in foreign currency expected to occur in the future. Such contracts have maturity dates that match the expected occurrence of these transactions.

These financial instruments are stated at fair value based on the financial institutions' quote.

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**B9. Derivative Financial Instruments (cont'd)**

(a) Details of derivative financial instruments (cont'd)

All the derivatives were contracted with creditworthy financial institutions to mitigate the credit risk, market risk and liquidity risk associated with the derivatives.

There is no cash requirement for these derivatives other than the repayment obligation for the bank borrowings.

There have been no changes made to the accounting policies associated with those derivatives since the end of the previous financial year ended 31 December 2018.

(b) Fair value changes in financial liabilities

The gain arising from fair value changes of financial liabilities for the current quarter and financial year are as follows: -

Type of financial liabilities	Basis of fair value measurement	Reason for gain	Fair value gain/(loss)	
			Current quarter 30.9.2019 RM'000	Current period-to-date 30.9.2019 RM'000
Commodity swaps	Difference between the commodity swaps contracted price and the market forward price	Commodity price differential between the contracted price and market forward price which have moved in favour/(not in favour) of the Group	(38,535)	(53,248)
Forward exchange contracts	Difference between the contracted foreign exchange rates and the market forward rate	Foreign exchange rate differential between the contracted rate and the market forward rate which have moved in favour/(not in favour) of the Group	(112,982)	(239,590)
Total			(151,517)	(292,838)

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**B10. Material Litigation**

There was no pending material litigation as at the date of this report.

**B11. Dividend**

The Board of Directors has approved a third interim single tier dividend of 1.25 sen per ordinary share, amounting approximately of RM50,477,000 for the financial year ending 31 December 2019.

The Book Closure and Payment Dates for the aforesaid dividend are 16 December 2019 and 30 December 2019 respectively.

**B12. Earnings per ordinary share**

**(a) Basic earnings per share**

	<b>3rd Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.19</b>	<b>30.09.18</b>	<b>30.09.19</b>	<b>30.09.18</b>
Profit attributable to shareholders (RM'000)	121,506	162,493	339,500	473,573
Weighted average number of ordinary shares ('000)	4,036,029	3,901,312	4,013,663	3,876,711
Basic earnings per share (sen)	3.01	4.17	8.46	12.22
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**B12. Earnings per ordinary share-*cont'd***

**(b) Diluted earnings per share**

	<b>3rd Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30.09.19</b>	<b>30.09.18</b>	<b>30.09.19</b>	<b>30.09.18</b>
Profit attributable to shareholders (RM'000)	121,506	162,493	339,500	473,573
Weighted average number of ordinary shares ('000)	4,036,029	3,901,312	4,013,663	3,876,711
Warrants C ('000)	-	87,015	-	87,419
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	4,036,029	3,988,327	4,013,663	3,964,130
	=====	=====	=====	=====
Diluted earnings per share (sen)	3.01	4.07	8.46	11.95
	=====	=====	=====	=====



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**B13. Note to the Condensed Consolidated Income Statement**

Profit before tax is arrived at after charging/(crediting) the following items:

	<b>Current Quarter RM'000</b>	<b>Current Financial Period-To-Date RM'000</b>
Interest income	(600)	(6,501)
Other income including investment income	-	-
Interest expense	47,161	139,108
Depreciation and amortisation	86,818	270,704
Provision for and write off of trade receivables	-	-
Provision for and write off of inventories	-	-
Gain on disposal of quoted or unquoted investment or properties	(78)	(3,117)
Impairment on assets	-	-
Realised foreign exchange loss	9,499	13,542
Unrealised foreign exchange loss	8,294	6,010
Gain on derivatives	-	-
Property, plant and equipment written off	7,802	12,997
Exceptional item	-	-

**On behalf of the Board**

**Tan Sri Dato' Koon Poh Keong**  
**Group Chief Executive Officer**

28 November 2019