



**ALCOM GROUP BERHAD (201701047083(1261259-V))
(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

ALCOM GROUP BERHAD (201701047083 (1261259-V))

Condensed Consolidated Statement of Comprehensive Income for the 1st quarter ended 31 March 2020 (Unaudited)

	Quarter ended 31 March 2020 RM'000	Quarter ended 31 March 2019 RM'000	3 months ended 31 March 2020 RM'000	3 months ended 31 March 2019 RM'000
Revenue	81,485	92,490	81,485	92,490
Expenses excluding tax	(82,912)	(93,307)	(82,912)	(93,307)
Other operating income	138	75	138	75
Loss before tax	(1,289)	(742)	(1,289)	(742)
Taxation	(1,029)	(439)	(1,029)	(439)
Net loss for the period	(2,318)	(1,181)	(2,318)	(1,181)
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 loss for the period	(2,318)	(1,181)	(2,318)	(1,181)
Attributable to:				
- Shareholders of the Company	(2,318)	(1,181)	(2,318)	(1,181)
	(2,318)	(1,181)	(2,318)	(1,181)
Basic loss per ordinary share (sen)	(1.73)	(0.88)	(1.73)	(0.88)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (201701047083 (1261259-V))

Condensed Consolidated Statement of Financial Position as at 31 March 2020 (Unaudited)

	UNAUDITED As At 31 March 2020 RM'000	AUDITED As At 31 December 2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	77,279	79,074
Intangible assets	3,232	3,440
Deferred tax assets	810	810
	<u>81,321</u>	<u>83,324</u>
CURRENT ASSETS		
Inventories	185,793	182,673
Trade receivables	26,125	24,198
Other receivables and prepayments	8,272	4,332
Amount due from related companies	99	21
Tax recoverable	1,479	1,774
Derivative financial instruments	-	334
Cash and bank balances	60,343	51,929
Contract assets	-	925
Contract costs	24,302	24,496
	<u>306,413</u>	<u>290,682</u>
TOTAL ASSETS	<u>387,734</u>	<u>374,006</u>
CAPITAL AND RESERVES		
Share capital	104,778	104,778
Retained earnings	15,043	17,360
Total Equity	<u>119,821</u>	<u>122,138</u>
NON-CURRENT LIABILITIES		
Provision for gratuity scheme	4,379	4,277
Deferred tax liabilities	2,656	3,051
Loans and borrowings	105,663	107,787
Lease liabilities	1,139	1,299
	<u>113,837</u>	<u>116,414</u>
CURRENT LIABILITIES		
Trade payables	27,350	41,321
Other payables and accruals	18,453	26,332
Amount due to related companies	1,396	-
Provision for taxation	734	708
Derivative financial instruments	815	-
Loans and borrowings	79,100	43,265
Lease liabilities	1,080	1,100
Contract liabilities	25,148	22,728
	<u>154,076</u>	<u>135,454</u>
TOTAL LIABILITIES	<u>267,913</u>	<u>251,868</u>
TOTAL EQUITY AND LIABILITIES	<u>387,734</u>	<u>374,006</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 2019 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (201701047083 (1261259-V))
Condensed Consolidated Statement of Changes In Equity for the 1st quarter ended
31 March 2020 (Unaudited)

	<u>Non-distributable</u>		<u>Distributable</u>	
	Share	Treasury	Retained	Total
	capital	shares	earnings	RM'000
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	104,778	-	17,361	122,139
<u>Total comprehensive income:</u>				
Loss for the period	-	-	(2,318)	(2,318)
Total comprehensive loss for the period	-	-	(2,318)	(2,318)
Balance as at 31 March 2020	104,778	-	15,043	119,821
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 2020	104,778	-	17,557	122,335
<u>Total comprehensive income:</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

(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 2019 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (201701047083 (1261259-V))

Condensed Consolidated Statement of Cash Flows for the 1st quarter ended 31 March 2020

(Unaudited)

	3 months ended 31 March 2020 RM'000	3 months ended 31 March 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,289)	(742)
Adjustment for:-		
Net fair value loss on currency forwards	1,149	435
Property, plant and equipment		
- depreciation	2,366	2,150
- gain on disposal	9	(3)
Intangible assets		
- amortisation	210	122
Right-of-use assets		
- depreciation	335	264
Provision for gratuity scheme	102	110
Allowance for inventory writedown	635	439
Unrealised foreign exchange gain	(2,251)	(396)
Interest income	(80)	(56)
Interest expense	1,306	1,365
Interest expense on lease liabilities	64	33
	2,556	3,721
Changes in Working Capital:-		
Inventories	(2,906)	(255)
Receivables	(3,358)	2,319
Payables	(21,922)	(9,503)
Contract assets	925	-
Contract costs	194	-
Contract liabilities	2,420	-
Balances with related companies	1,318	20
Cash used in operations	(20,773)	(3,698)
Tax paid	(1,102)	(2,084)
Gratuity paid	(230)	(93)
Net cash used in operating activities	(22,105)	(5,875)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- purchases	(751)	(5,755)
- proceeds from disposal	4	3
Interest income received	103	63
Net cash used in investing activities	(644)	(5,689)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceed from borrowings	33,712	18,695
Payment of lease liabilities	(367)	(300)
Interest paid	(2,115)	(1,982)
Net cash generated from financing activities	31,230	16,413
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	8,481	4,849
Foreign exchange differences	(67)	356
CASH & CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	50,781	39,128
CASH & CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	59,195	44,333

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

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 2019. 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 2019.

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 2019 except for the following standards, amendments to published standards and interpretations to existing standards which are applicable:

- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

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

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 2022

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

(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.

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

A2. Accounting policies (continued)

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.

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 results of the current quarter under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during 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 4 segments, principally:-

- 1) Manufacturing - manufacturing and trading of aluminium products
- 2) Property development - development of commercial properties
- 3) Construction - property construction works and supply and installation of roofing systems
- 4) Investment holding

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

A9. Segmental information (continued)

Segmental earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the financial period ended 31 March 2020 were as follows:-

	Manufacturing	Property Development	Construction	Investment Holding	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment EBITDA	1,974	1,381	(315)	(221)	259	3,078
Included in the measure of segment EBITA are:						
- Revenue from external customers	73,145	7,554	786	-	-	81,485
- Allowance of inventory writedown	(636)	-	-	-	-	(636)

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 2020
	RM'000
- Contracted	1,549
- Not Contracted	923
Total Capital Commitment	<u>2,472</u>

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

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 2020	31 March 2019		31 March 2020	31 March 2019	
	RM'000	RM'000		RM'000	RM'000	
Revenue	81,485	92,490	-12	81,485	92,490	-12
Profit Before Interest and Tax	166	600	-72	166	600	-72
Loss Before Tax	(1,289)	(742)	-74	(1,289)	(742)	-74

Financial review of the first quarter ended 31 March 2020 (“Q1 FY2020”) compared with the corresponding quarter in Financial Year 2019 (“Q1 FY2019”)

The Group’s Q1 FY2020 result was impacted by the government mandated Movement Control Order (“MCO”) in mid-March 2020 to address the Covid-19 pandemic requiring all businesses and government agencies to be temporarily closed. Against this background, the Group recorded a revenue of RM81.49 million in Q1 FY2020 which was lower by 12% as compared to Q1 FY2019’s revenue of RM92.49 million. The Q1 FY2019’s revenue was generated entirely from the manufacturing segment as there were no revenues during that quarter from the other segments.

The manufacturing segment’s revenue attainment in Q1 FY2020 of RM73.14 million was lower by RM19.35 million as compared to the corresponding quarter in FY2019. This decline was largely attributable to a reduced shipment volume resulting from the MCO and a lower base metal cost. Base metal cost which is denominated in USD comprising of aluminium prices quoted on the London Metal Exchange and transport premiums, was 7% lower in Q1 FY2020 compared to Q1 FY2019.

The property development and construction segments registered revenues in Q1 FY2020 of RM7.55 million and RM0.80 million respectively. For the property development segment, this revenue was from its maiden EmHub project which began recognizing revenue from the second quarter of FY2019 whereas the construction segment began generating revenue in the fourth quarter of FY2019. No revenue was recorded in the investment holding segment.

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

B1. Review of Group Performance (continued)**Financial review of the first quarter ended 31 March 2020 (“Q1 FY2020”) compared with the corresponding quarter in Financial Year 2019 (“Q1 FY2019”) (continued)**

The Group registered a loss before tax of RM1.29 million in Q1 FY2020 as compared to Q1 FY2019's loss before tax of RM0.74 million; the segmental breakdown were as follows:-

Breakdown - Profit/(Loss) Before Tax	Q1 FY2020	Q1 FY2019	Change %
	RM'000	RM'000	
Manufacturing Segment	(1,034)	1,780	-158
Property Development Segment	281	(2,298)	112
Construction Segment	(450)	-	-
Investment Holding Segment	(221)	(224)	1
Elimination	135	-	-
Group Total	(1,289)	(742)	-74

The decline in the manufacturing segment's result in Q1 FY2020 versus Q1 FY2019 by RM2.81 million was largely the result of shipment volumes being lower by 15% which was impacted by the MCO as the factories were unable to deliver the completed finished products to customers offset partially by costs which were generally lower in Q1 FY2020 compared to the corresponding quarter in FY2019.

The property development segment's improved result by RM2.58 million was in line with the revenue recognition of its maiden EmHub project which began recognizing revenue since the second quarter of FY2019. On the other hand, the construction segment whose operations within the Group began in Q4 FY2019, recorded a loss before tax of RM0.45 million.

B2. Financial review of the first quarter ended 31 March 2020 (“Q1 FY2020”) compared with the immediate preceding quarter ended 31 December 2019 (“Q4 FY2019”)

	Current Year Quarter Ended 31 March 2020	Immediate Preceding Quarter Ended 31 December 2019	Change %
	RM'000	RM'000	
Revenue	81,485	100,279	-19
Profit Before Interest and Tax	166	2,306	-93
(Loss)/Profit Before Tax	(1,289)	1,341	-196

There was a RM18.79 million decline in the Group's revenue in Q1 FY2020 compared to Q4 FY2019 that was largely impacted from the lower revenue attained by the manufacturing segment. This was due to lower shipment volume recorded to the Thailand market in the first 2 months of Q1 FY2020 coupled with the imposition of the MCO resulting in an overall reduction in shipment volumes by 16% as compared to Q4 FY2019. Meanwhile, the property development and construction segments registered marginal drops in revenue for Q1 FY2020 compared to Q4 FY2019 of RM1.92 million and RM2.85 million respectively. No revenue was recorded in the investment holding segment in Q1 FY2020 compared to Q4 FY2019 where a dividend of RM2.69 million was received from Aluminium Company of Malaysia Bhd within the manufacturing segment. This dividend received was eliminated at the Group level.

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

B2. Financial review of the first quarter ended 31 March 2020 (“Q1 FY2020”) compared with the immediate preceding quarter ended 31 December 2019 (“Q4 FY2019”) (continued)

The profit before tax for the segments within the Group for Q1 FY2020 versus Q4 FY2019 were as follows:-

Breakdown - Profit/(Loss) Before Tax	Q1 FY2020	Q4 FY2019	Change %
	RM'000	RM'000	
Manufacturing Segment	(1,034)	2,090	-149
Property Development Segment	281	(262)	207
Construction Segment	(450)	137	-428
Investment Holding Segment	(221)	2,302	-110
Elimination	135	(2,926)	105
Group Total	(1,289)	1,341	-196

The manufacturing segment's pre-tax result was severely impacted by the lower shipment volume attained resulting in a reduced contribution being generated. In addition, there were higher provisions for slow moving inventories in Q1 FY2020 compared to Q4 FY2019 as well as higher period costs incurred. The property development segment's improved result was due to a lower cost of sales and lower staff cost attained in Q1 FY2020 compared to Q4 FY2019 whilst the construction segment incurred higher staff costs against the backdrop of a lower revenue.

The investment holding segment's Q4 FY2019 result was net of a dividend received from the manufacturing segment totaling RM2.69 million. For Q1 FY2020, the RM0.22 million that was incurred, mainly represented the recurring expenses of staff costs, directors' fees and provision for annual general meeting expenses. These costs were similarly incurred in Q4 FY2019.

B3. Commentary on Prospects

The outlook of the global and Malaysian economy caused by the Covid-19 pandemic is expected to be unfavourable and disruptive to many sectors of businesses and its implication will be highly dependent on the duration and severity of the pandemic and policy responses by the various governments.

Against this subdued sentiment, the manufacturing segment of the Group is aggressively addressing this unprecedented uncertainty and challenging landscape that lies ahead by staying vigilant and taking appropriate, timely measures to minimise the financial impact to the Group whilst remaining committed to its longer-term growth strategy.

The Group's property development segment is expecting disruptive times ahead in anticipation of a contraction in purchasers' spending power and stringent bank lending guidelines. Notwithstanding this, plans on marketing the ongoing EmHub project are in place to attract potential buyers from a narrower band of end-users and discerning investors. On the other hand, despite the relaxing of the MCO, the resumption of construction activities has been hampered as the industry has been imposed with strict regulatory guidelines for its foreign workers who form a higher cluster risk to the Covid-19 infections. Additionally, vendors in the supply chain link are similarly impacted. The Group however expects full operations of all construction activities as eligibility requirements are met and approved by the authorities.

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

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 31 March 2020 RM'000	Year-To-Date 31 March 2020 RM'000
Interest income	(80)	(80)
Interest expense	1,471	1,471
Interest expense on lease liabilities	64	64
Amortisation of intangible assets	210	210
Allowance for inventory writedown	636	636
Depreciation		
- Property, plant and equipment	2,366	2,366
- Right-of-use assets	335	335
Foreign exchange loss/(gain)		
- Realised	1,191	1,191
- Unrealised	(2,251)	(2,251)
Net fair value loss on derivatives	1,149	1,149

B6. Taxation

	Quarter ended		Year-To-Date	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	(1,424)	(463)	(1,424)	(463)
Deferred Taxation				
- Origination and reversal of temporary differences	395	24	395	24
	(1,029)	(439)	(1,029)	(439)

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

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))
 Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

B7. Status of Corporate Proposals

There was no corporate exercise proposal announced that has not been completed as at the date of this announcement.

B8. Group Borrowings

The Group's borrowings as at 31 March 2020 were as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured</u>			
-Term Loans	101,878	7,001	108,879
-Finance lease liabilities	263	124	387
-Revolving credit	-	65,819	65,819
-Trade lines	-	6,151	6,151
-Bridging loan	3,522	-	3,522
<u>Unsecured</u>			
- Corporate credit card facility from a financial institution	-	5	5
	105,663	79,100	184,763

B9. Derivative Financial Instruments

As at 31 March 2020, 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	14,427	14,427
- Receivable	25,497	26,312

B10. Changes in Material Litigation

Not applicable.

B11. Dividend Payable

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

ALCOM GROUP BERHAD (“AGB”) (Co. Reg. No. 201701047083(1261259-V))

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2020

B12. Earnings Per Share

	Quarter ended 31 March 2020	Quarter ended 31 March 2019	Year-To-Date 31 March 2020	Year-To-Date 31 March 2019
Net loss attributable to shareholders (RM'000)	(2,318)	(1,181)	(2,318)	(1,181)
Weighted average number of ordinary shares in issue (000)	134,331	134,331	134,331	134,331
Basic loss per share (sen)	(1.73)	(0.88)	(1.73)	(0.88)

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 3 June 2020.

BY ORDER OF THE BOARD
3 June 2020