



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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

ALCOM GROUP BERHAD (201701047083 (1261259-V))

Condensed Consolidated Statement of Comprehensive Income for the 3rd quarter ended 30 September 2023 (Unaudited)

	Quarter ended 30 September 2023 RM'000	Quarter ended 30 September 2022 RM'000	9 months ended 30 September 2023 RM'000	9 months ended 30 September 2022 RM'000
Revenue	147,472	255,055	512,942	763,781
Expenses excluding tax	(141,434)	(230,871)	(493,876)	(685,459)
Other operating income	620	1,011	3,006	1,819
Profit before tax	6,658	25,195	22,072	80,141
Taxation	(943)	(6,829)	(5,958)	(20,500)
Net profit	5,715	18,366	16,114	59,641
Other comprehensive expense, net of tax : <u>Item that will not be classified subsequently to profit or loss</u>				
Actuarial loss on gratuity scheme	-	-	-	-
Taxation relating to component of other comprehensive expense	-	-	-	-
Other comprehensive expense, net of tax	-	-	-	-
Total comprehensive income	5,715	18,366	16,114	59,641
Profit attributable to:				
- Owners of the Company	6,151	18,309	16,466	59,584
- Non-Controlling Interests	(436)	57	(352)	57
	5,715	18,366	16,114	59,641
Total comprehensive income attributable to:				
- Owners of the Company	6,151	18,309	16,466	59,584
- Non-Controlling Interests	(436)	57	(352)	57
	5,715	18,366	16,114	59,641
Basic earnings per ordinary share (sen)	4.58	13.63	12.26	44.36

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (201701047083 (1261259-V))**Condensed Consolidated Statement of Financial Position as at 30 September 2023 (Unaudited)**

	UNAUDITED As At 30 September RM'000	AUDITED As At 31 December 2022 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	59,464	52,860
Right-of-use assets	14,191	15,292
Intangible assets	2,784	2,429
Deferred tax assets	4,312	1,693
	<u>80,751</u>	<u>72,274</u>
CURRENT ASSETS		
Inventories	173,606	197,329
Contract assets	3,689	7,972
Contract costs	1	9,856
Trade receivables	42,396	66,266
Other receivables and prepayments	25,943	16,768
Tax recoverable	7,531	2,374
Derivative financial instruments	18	-
Cash and bank balances	151,594	127,790
	<u>404,778</u>	<u>428,355</u>
TOTAL ASSETS	<u><u>485,529</u></u>	<u><u>500,629</u></u>
CAPITAL AND RESERVES		
Share capital	104,778	104,778
Retained earnings	138,398	125,290
Equity attributable to owners of the Company	<u>243,176</u>	<u>230,068</u>
Non-controlling interests	(92)	260
TOTAL EQUITY	<u><u>243,084</u></u>	<u><u>230,328</u></u>
NON-CURRENT LIABILITIES		
Loans and borrowings	33,466	38,785
Provision for gratuity scheme	3,553	3,321
Lease liabilities	942	1,596
Deferred tax liabilities	1,262	868
	<u>39,223</u>	<u>44,570</u>
CURRENT LIABILITIES		
Loans and borrowings	108,622	114,694
Lease liabilities	1,080	1,397
Provision for gratuity scheme	30	662
Trade payables	64,991	45,638
Other payables and accruals	28,477	31,199
Contract liabilities	12	26,811
Derivative financial instruments	-	23
Provision for taxation	10	5,307
	<u>203,222</u>	<u>225,731</u>
TOTAL LIABILITIES	<u>242,445</u>	<u>270,301</u>
TOTAL EQUITY AND LIABILITIES	<u><u>485,529</u></u>	<u><u>500,629</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 2022 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 3rd quarter ended
30 September 2023 (Unaudited)

	← Attributable to Owners of the Company →		Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non- Distributable	Distributable			
	Share capital RM'000	Retained earnings RM'000			
Balance as at 1 January 2023	104,778	125,290	230,068	260	230,328
<u>Total comprehensive income:</u>					
Profit for the period	-	16,466	16,466	(352)	16,114
Total comprehensive income for the period	-	16,466	16,466	(352)	16,114
Dividends to owners of the Company	-	(3,358)	(3,358)	-	(3,358)
Balance as at 30 September 2023	104,778	138,398	243,176	(92)	243,084
Balance as at 1 January 2022	104,778	51,136	155,914	-	155,914
Recognition of non-controlling interests upon changes in ownership interest in a subsidiary	-	-	-	132	132
<u>Total comprehensive income:</u>					
Profit for the period	-	59,584	59,584	57	59,641
Total comprehensive income for the period	-	59,584	59,584	57	59,641
Dividends to owners of the Company	-	(3,360)	(3,360)	-	(3,360)
Balance as at 30 September 2022	104,778	107,360	212,138	189	212,327

(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 2022 and the accompanying explanatory notes to this interim financial statements.)

ALCOM GROUP BERHAD (201701047083 (1261259-V))
Condensed Consolidated Statement of Cash Flows for the 3rd quarter ended 30 September 2023 (Unaudited)

	9 months ended 30 September 2023 RM'000	9 months ended 30 September 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	22,072	80,141
Adjustments for:-		
Allowance for inventory write-down	271	1,138
Amortisation of intangible assets	134	75
Depreciation of:		
- Property, plant and equipment	6,921	6,580
- Right-of-use assets	1,342	1,277
Gain on disposal of property, plant and equipment	(215)	(274)
Loss on disposal of subsidiary	-	455
Interest expenses	6,755	7,725
Interest expenses on lease liabilities	84	113
Interest income	(1,763)	(582)
Net fair value (gain)/loss on forward foreign exchange contracts	(42)	1,673
PPE written off	1	-
Provision for gratuity scheme	233	266
Net loss on /(reversal of) impairment of financial assets	167	(39)
Reversal of impairment of property, plant and equipment	-	(29)
Unrealised foreign exchange loss/(gain)	140	(2,564)
	36,100	95,955
Changes in Working Capital:-		
Inventories	23,452	54,236
Receivables	15,119	(64,572)
Payables	16,143	(8,598)
Contract assets	4,282	(5,429)
Contract costs	9,855	4,621
Contract liabilities	(26,800)	(713)
Cash generated from operations	78,151	75,500
Gratuity paid	(632)	(565)
Interest paid	(84)	(113)
Tax paid	(18,637)	(12,306)
Net cash from operating activities	58,798	62,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of:		
- Property, plant and equipment	(13,526)	(5,094)
- Intangible assets	(489)	(1)
Proceeds from disposal of:		
- Property, plant and equipment	215	383
- Subsidiary	-	150
Interest income received	1,754	573
Net cash used in investing activities	(12,046)	(3,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in deposits pledged	1,148	(21)
Dividend paid	(3,358)	(3,358)
Net repayment of loans and borrowings	(11,391)	(45,434)
Payment of lease liabilities	(1,212)	(1,092)
Interest paid	(6,755)	(7,711)
Net cash used in financing activities	(21,568)	(57,616)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	25,184	911
Foreign exchange differences	(232)	17
CASH & CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	126,642	63,470
CASH & CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	151,594	64,398

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 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 Third Quarter Ended 30 September 2023

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 2022. 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 2022.

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 2022 except for the adoption of the following accounting standards, interpretations and amendments to published standards with effect from 1 January 2023:

- MFRS 17, Insurance Contracts*
- Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

At the date of authorisation of these interim financial statements, the following accounting standards, interpretations and amendments of the MFRSs have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendment to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

A2. Accounting policies (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments 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 once they become effective, except for those marked as (“**”) which are not applicable to the Group and to the Company.

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of 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 current quarter and financial period 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 and financial period 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 and financial period under review.

A8. Dividends paid

A first and final single-tier dividend of 2.5 sen per share for the financial year ended 31 December 2022 was paid on 28 July 2023.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

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 properties
- 3) Construction - property construction works and supply and installation of roofing systems
- 4) Investment holding

Segmental earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the 9-month period ended 30 September 2023 were as follows:-

	Manufacturing	Property Development	Construction	Investment Holding	Inter Segment Elimination	Group
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment EBITDA	4,951	28,145	498	(993)	2,942	35,543
Included in the measure of segment EBITDA are:						
- Revenue from external customers	384,541	119,973	8,428	-	-	512,942
- (Allowance)/reversal of inventory write-down	(305)	-	34	-	-	(271)

A10. Valuation of Property, Plant and Equipment

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

A11. Capital Commitments

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

	Group
	30 September 2023
	RM'000
- Contracted	82,690
- Not Contracted	108,085
Total Capital Commitment	<u>190,775</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.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

A13. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A14. Changes in contingent liabilities or contingent assets

The contingent liabilities as at 30 September 2023 were as follows:

<u>Unsecured contingent liabilities</u>	Company 30 September 2023 RM'000
Corporate guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	688,262

A15. Related party disclosures

Related party transactions for the current quarter and financial period under review in which certain Directors have direct/indirect interest were as follows:

	Group	
	Quarter ended 30 September 2023	Year-to-date 30 September 2023
	RM'000	RM'000
Sales of Finished Goods	-	-3

These transactions have been entered into in the normal course of business and at arm's length basis and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

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

B1. Review of Group Performance

Financial review of the third quarter ended 30 September 2023 (“Q3 FY2023”) compared with the corresponding quarter in Financial Year 2022 (“Q3 FY2022”)

	Q3 FY2023	Q3 FY2022	Change %
	RM'000	RM'000	
Revenue	147,472	255,055	-42
Profit Before Interest and Tax	8,509	27,632	-69
Profit Before Tax	6,658	25,195	-74

The Group’s revenue for Q3 FY2023 decreased by 42% compared to Q3 FY2022. Of the RM147.47 million revenue recorded in Q3 FY2023, approximately 81% was generated from the manufacturing segment and the remaining 19% was generated from its property development and construction segments. These percentages in Q3 FY2022 were 65% and 35% respectively. No external revenue was recorded by the investment holding segment in both these quarters.

The manufacturing segment registered a revenue in Q3 FY2023 of RM119.93 million, a decrease of 28% as compared to Q3 FY2022 which registered a revenue of RM166.23 million. This decrease was attributable to reduced shipments as well as base metal price which trended lower. Shipment volume was 19% lower mainly due to the decline in the exports to the United States market whilst base metal price which is denominated in USD comprising aluminium prices quoted on the London Metal Exchange and transport premium was also lower by 15% in Q3 FY2023 as compared to Q3 FY2022.

The property development segment posted a revenue of RM26.90 million in Q3 FY2023, which was a decrease of RM57.19 million as compared to RM84.09 million attained in Q3 FY2022 for its maiden EmHub project. This decrease was mainly attributable to fewer number of units sold in the current quarter as the EmHub project was already almost fully sold in the prior period due to strong market demand. In addition, the vacant possession of Hub 2 (i.e. the second phase of the 2 phases of the project) was successfully handed over in August 2023.

Meanwhile, the construction segment’s external revenue registered a decrease from RM5.26 million in Q3 FY2022 to RM0.72 million in Q3 FY2023, due mainly to the on-time completion of several roofing projects.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

B1. Review of Group Performance (continued)

Financial review of the third quarter ended 30 September 2023 (“Q3 FY2023”) compared with the corresponding quarter in Financial Year 2022 (“Q3 FY2022”) (continued)

The Group registered a profit before tax of RM6.66 million in Q3 FY2023 as compared to Q3 FY2022’s profit before tax of RM25.20 million. The segmental breakdown was as follows:

	Q3 FY2023	Q3 FY2022	Change %
	RM’000	RM’000	
Manufacturing Segment	153	85	79
Property Development Segment	7,400	22,010	-66
Construction Segment	(839)	2,068	-141
Investment Holding Segment	(369)	(214)	-72
Inter-Segment Elimination	313	1,246	-75
Group Total	6,658	25,195	-74

The manufacturing segment registered a profit before tax in Q3 FY2023 of RM0.15 million versus Q3 FY2022’s profit before tax of RM0.09 million. The higher profit before tax was mainly contributed by a higher margin product mix as well as a stronger USD currency vis-à-vis Ringgit Malaysia; the USD currency was approximately 4% stronger in Q3 FY2023 versus Q3 FY2022.

The property development segment recorded a decrease in profit before tax of 66% to RM7.40 million in Q3 FY2023 compared with Q3 FY2022’s profit before tax of RM22.01 million. This decrease was due mainly to the lower revenue from its EmHub project and the handover of Hub 2 that resulted in a lower profit being recognised during Q3 FY2023, coupled with higher administrative expenses, partially offset by substantially lower interest cost and marketing expenses as compared to Q3 FY2022.

For the construction segment, it recorded a loss before tax of RM0.84 million in Q3 FY2023, due mainly to the completion of the construction of the Group’s internal EmHub project in May 2023.

B2. Financial review of the third quarter ended 30 September 2023 (“Q3 FY2023”) compared with the immediate preceding quarter ended 30 June 2023 (“Q2 FY2023”)

	Q3 FY2023	Q2 FY2023	Change %
	RM’000	RM’000	
Revenue	147,472	178,979	-18
Profit Before Interest and Tax	8,509	7,158	19
Profit Before Tax	6,658	5,497	21

The Group recorded a revenue of RM147.47 million in Q3 FY2023 which was lower by 18% as compared to the revenue of RM178.98 million registered in Q2 FY2023. This decrease was largely attributable to the manufacturing segment and the property development segment.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

B2. Financial review of the third quarter ended 30 September 2023 (“Q3 FY2023”) compared with the immediate preceding quarter ended 30 June 2023 (“Q2 FY2023”) (continued)

The manufacturing segment registered a revenue of RM119.93 million in Q3 FY2023 compared to its Q2 FY2023’s attainment of RM147.83 million. This decrease was a result of lower shipment volume of approximately 18%, coupled with lower average base metal price of approximately 5%. The decline in shipment volume was mainly the result of reduced exports of fin products to Thailand and Europe markets. No external revenue was recorded in the investment holding segment.

The property development segment posted a revenue of RM26.90 million in Q3 FY2023 for its maiden EmHub project, a decrease of RM2.31 million as compared to Q2 FY2023’s revenue of RM29.21 million. This decrease was due mainly to the lower number of units sold as there were not many unsold units left owing to the high demand. In addition, the construction of Hub 2 was completed in May 2023 and it was handed over in August 2023. For the construction segment, it recorded a lower external revenue of RM0.72 million compared with Q2 FY2023’s external revenue of RM2.60 million, mainly attributable to its roofing and cladding projects.

The Group registered a profit before tax of RM6.66 million in Q3 FY2023 as compared to RM5.50 million in Q2 FY2023. The segmental breakdown was as follows:

	Q3 FY2023	Q2 FY2023	Change %
	RM’000	RM’000	
Manufacturing Segment	153	1,508	-90
Property Development Segment	7,400	3,837	93
Construction Segment	(839)	(167)	-402
Investment Holding Segment	(369)	(337)	-9
Inter-Segment Elimination	313	655	-52
Group Total	6,658	5,496	21

The manufacturing segment registered a profit before tax in Q3 FY2023 of RM0.15 million versus Q2 FY2023’s profit before tax of RM1.51 million. This lower profit before tax was mainly attributable to lower contribution resulting from lower revenue due to the decrease in sales volume.

The property development segment’s pre-tax profit had increased by 93% to RM7.40 million mainly attributable to the full completion and handover of the EmHub project that had enabled the remainder of profits of sold units to be recognized in full, coupled with lower interest costs, but partially offset by higher administrative expenses. On the other hand, the construction segment recorded a pre-tax loss of RM0.84 million in Q3 FY2023, due mainly to the completion of the construction of the Group’s internal EmHub project in May 2023.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

B3. Financial review of Year-To-Date ended 30 September 2023 (“YTD FY2023) versus Year-To-Date ended 30 September 2022 (“YTD FY2022”)

	YTD FY2023	YTD FY2022	Change %
	RM'000	RM'000	
Revenue	512,942	763,781	-33
Profit Before Interest and Tax	27,147	87,397	-69
Profit Before Tax	22,072	80,141	-72

The Group’s revenue for YTD FY2023 decreased by RM250.84 million or 33% to RM512.94 million as compared to YTD FY2022. Of the RM512.94 million revenue, RM386.29 million was attributable from the manufacturing segment with the remaining RM126.65 million external revenue being generated from the property development and construction segments. No revenue was recorded in the investment holding segment.

The manufacturing segment recorded a decrease of RM153.34 million in revenue to RM386.29 million for YTD FY2023 as compared to YTD FY2022’s attainment of RM539.63 million. This 28% decrease was the result of lower shipment volumes of the specialty and bare fin products to the United States and India markets respectively. In addition, revenue was also impacted by a lower base metal price; it was approximately 21% lower in YTD FY2023 versus YTD FY2022. This was partially offset by the strengthening of the USD currency by approximately 4% in YTD FY2023 versus YTD FY2022.

The property development segment registered a RM91.21 million decrease in revenue to RM119.97 million for YTD FY2023 when compared to YTD FY2022’s revenue of RM211.18 million. This 43% decrease was mainly attributable to the lower number of units sold as there were not many unsold units left owing to the high demand. In addition, Hub 2 was successfully handed over in August 2023.

The construction segment posted a decrease in external revenue from RM15.02 million in YTD FY2022 to RM8.43 million in YTD FY2023, due mainly to the slower construction progress at its roofing projects.

The Group registered a profit before tax of RM22.07 million for YTD FY2023 as compared to YTD FY2022’s profit before tax of RM80.14 million. The segmental breakdown was as follows:-

	YTD FY2023	YTD FY2022	Change %
	RM'000	RM'000	
Manufacturing Segment	(8,102)	16,699	-149
Property Development Segment	28,087	56,258	-50
Construction Segment	100	7,628	-99
Investment Holding Segment	(956)	(890)	-7
Inter Segment Elimination	2,943	446	560
Group Total	22,072	80,141	-72

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

B3. Financial review of Year-To-Date ended 30 September 2023 (“YTD FY2023) versus Year-To-Date ended 30 September 2022 (“YTD FY2022”) (continued)

The manufacturing segment recorded a loss before tax of RM8.10 million in YTD FY2023 versus YTD FY2022’s profit before tax of RM16.70 million. This loss before tax was mainly attributable to the loss in contribution resulting from lower revenue due to a 22% reduction in shipment volume, coupled with higher energy costs and repairs and maintenance expenses.

The property development segment’s pre-tax profit had decreased by 50% to RM28.09 million in YTD FY2023 mainly attributable to the lower revenue recognized in YTD FY2023 and the handover of Hub 2 in August 2023, coupled with higher administrative expenses but offset by lower marketing expenses, substantially lower interest cost and higher interest income from financial institution.

Meanwhile, the construction segment recorded an 99% decrease in profit before tax to RM0.10 million in YTD FY2023 compared with YTD FY2022, due largely to the completion of the construction of the Group’s internal EmHub project in May 2023.

B4. Commentary on Prospects

Global economic recovery remains slow and uneven across regions due to the long-term consequences of high inflation, wars, geopolitical tensions, geoeconomic fragmentation and the impact of the fiscal and monetary policies of various governments around the world. Amidst this market uncertainty, the manufacturing segment of the Group, which is largely export oriented and benefitting from the strengthening of the USD currency, remains cautiously optimistic of the recovery momentum as it continues to actively navigate its business whilst remaining focused on its longer-term growth strategy.

The Group’s property development segment has achieved significant success with its maiden project, EmHub. The uptake for both Hub 1 and Hub 2 towers is close to 100%, with the last few booking units awaiting sales conversion. The successful completion and delivery of vacant possession of Hub 1 in March 2023, followed by Hub 2 in August 2023, have been encouraging news. This achievement is a testament to our commitment to excellence and punctuality. It further bolsters our reputation as a trustworthy property developer capable of delivering quality projects on time.

In line with our strategic growth plan, the segment via AG Avenue Sdn. Bhd. has embarked on the purchase of new development land by entering into a conditional sale and purchase agreement in April 2023 with 88 Legacy Sdn. Bhd., a wholly-owned subsidiary of Malaysia Building Society Berhad for the acquisition of 2 parcels of contiguous leasehold vacant commercial land measuring an aggregate of approximately 7.08 acres, located in Bukit Raja, Klang, Selangor. The segment intends to develop the subject land into a proposed mixed development project, comprising commercial lots, SOHO and service apartments. It should be noted that the management is still currently in the midst of deliberating the detailed development plans for the subject land. The segment will remain focused on delivering competitive and differentiated property products to ensure sustainable growth and profitability.

B5. Variance of Actual Profit from Forecast Profit

Not applicable.

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

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2023

B6. Profit for the Period under Review

The profit is arrived at after charging/(crediting):

	Third Quarter ended 30 September 2023 RM'000	Year-to-date 30 September 2023 RM'000
Interest income	(359)	(1,763)
Interest expense	2,186	6,755
Interest expense on lease liabilities	24	84
Amortisation of intangible assets	40	134
(Reversal of)/allowance for inventory write-down	(72)	271
Allowance for doubtful debts	115	167
Depreciation of:		
- Property, plant and equipment	2,253	6,921
- Right-of-use assets	449	1,342
Foreign exchange (gain)/loss:		
- Realised	(1,778)	(473)
- Unrealised	1,865	140
Net fair value gain on derivatives	(148)	(42)
Loss/(gain) on disposal of property, plant and equipment	2	(215)
Property, plant and equipment written off	1	1

B7. Taxation

	Third Quarter ended		Year-to-date	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	RM'000	RM'000	RM'000	RM'000
Current Tax				
- current year	(1,289)	(5,495)	(8,083)	(19,428)
Deferred Taxation				
- Origination and reversal of temporary differences	346	(1,333)	2,125	(1,072)
	(943)	(6,829)	(5,958)	(20,500)

The effective tax rate of the Group for the period under review was lower than the statutory tax rate.

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

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B8. Status of Corporate Proposals

On 14 April 2023, the Company announced that AG Avenue Sdn. Bhd., a wholly-owned indirect subsidiary of the Company, entered into a conditional Sale and Purchase Agreement (“SPA”) with 88 Legacy Sdn. Bhd., a wholly-owned subsidiary of Malaysia Building Society Berhad for the acquisition of 2 parcels of contiguous leasehold vacant commercial land held under the land title no. PM 416, Lot 31632 and PM 417, Lot 31633, located in Mukim Kapar, Tempat Bukit Raja, Daerah Klang, Negeri Selangor, measuring an aggregate of approximately 7.08 acres (equivalent to approximately 28,651 square metres), for a total purchase consideration of RM56,000,000 (hereinafter referred to as “the Proposed Acquisition”). The Proposed Acquisition was approved by shareholders on 26 July 2023. On 26 September 2023, both parties mutually agreed to the extension of the Conditions Precedent (“CP”) Period as stated in the SPA for a further period of 3 months from 14 October 2023 to 15 January 2024 to accord the parties an additional period of 3 months to fulfil the CP. As at the date of this announcement, the Proposed Acquisition is pending completion as the CP of the SPA have yet to be fulfilled.

Other than the above, there was no other corporate exercise proposal announced that has not been completed as at the date of this announcement.

B9. Group Borrowings

The Group’s borrowings as at 30 September 2023 were as follows:

	Long-Term RM’000	Short-Term RM’000	Total RM’000
<u>Secured</u>			
-Term Loans	33,262	7,001	40,263
-Finance lease liabilities	204	96	300
-Revolving credit	-	55,000	55,000
-Trade lines	-	46,500	46,500
<u>Unsecured</u>			
- Corporate credit card facility from a financial institution	-	25	25
	33,466	108,622	142,088

B10. Derivative Financial Instruments

As at 30 September 2023, 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	9,379	9,397
- Receivable	-	-

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B11. Changes in Material Litigation

Not applicable.

B12. Dividends

There was no dividend declared in respect of the current period under review and the corresponding period in the preceding year.

B13. Earnings Per Share

	Third Quarter ended 30 September 2023	Third Quarter ended 30 September 2022	Year-to-date 30 September 2023	Year-to-date 30 September 2022
Net profit attributable to owners of the Company (RM'000)	6,151	18,309	16,466	59,584
Weighted average number of ordinary shares in issue ('000)	134,331	134,331	134,331	134,331
Basic earnings per share (sen)	4.58	13.63	12.26	44.36

B14. 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 28 November 2023.

BY ORDER OF THE BOARD
28 November 2023