

Press Metal Berhad
(Company No. 153208 W)
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the year
ended 31 December 2014**

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The Company is principally engaged in the manufacturing and trading of aluminium products and investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

| | Group RM'000 | Company RM'000 |
|--------------------------------------|-------------------------|---------------------------|
| Profit for the year attributable to: | | |
| Owners of the Company | 214,910 | 276,131 |
| Non-controlling interests | <u>51,057</u> | <u>-</u> |
| | <u><u>265,967</u></u> | <u><u>276,131</u></u> |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company declared:

- i) a second interim ordinary dividend of 1 sen per ordinary share totalling RM5,157,000 in respect of the financial year ended 31 December 2013 paid on 3 April 2014;
- ii) a first interim ordinary dividend of 5 sen per ordinary share totalling RM26,620,000, in respect of the financial year ended 31 December 2014 paid on 19 June 2014;
- iii) a second interim ordinary dividend of 5 sen per ordinary share totalling RM27,300,000 in respect of the financial year ended 31 December 2014 paid on 12 September 2014; and
- iv) a third interim ordinary dividend of 3 sen per ordinary share totalling RM32,986,000 in respect of the financial year ended 31 December 2014 paid on 27 November 2014.

Subsequent to the end of the current financial year end, the Directors declared a fourth interim ordinary dividend of 3 sen per ordinary share totalling RM38,788,000 in respect of the financial year ended 31 December 2014, which was paid on 12 March 2015. The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Megat Abdul Rahman bin Megat Ahmad
 Dato' Koon Poh Keong
 Dato' Koon Poh Tat
 Koon Poh Ming
 Koon Poh Kong
 Koon Poh Weng
 Tuan Haji Mohamad Faiz bin Abdul Hamid
 Loo Lean Hock
 Tan Heng Kui

Directors' interests in shares

The interests and deemed interests in the shares, redeemable convertible secured loan stocks ("RCSLS") and warrants of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM0.50 each | | | | |
|--|--|-----------|----------------|--------------|------------------|
| | At 1.1.2014 | Bought ^ | Bonus issue | Sold | At 31.12.2014 |
| Interests in the Company: | | | | | |
| Dato' Megat Abdul Rahman bin Megat Ahmad | | | | | |
| - own | 12,691,992 | - | - | (12,691,992) | - |
| - spouse | 240,000 | - | - | (240,000) | - |
| Dato' Koon Poh Keong | | | | | |
| - own | 104,771,906 | 2,260,000 | 105,031,906 | (2,000,000) | 210,063,812 |
| - spouse | 10,229,700 | 3,360,000 | 13,589,700 | - | 27,179,400 |
| Dato' Koon Poh Tat | | | | | |
| - own | 14,185,300 | 2,000,000 | 16,085,300 | (100,000) | 32,170,600 |
| - spouse | 399,522 | 100,000 | 499,522 | - | 999,044 |
| - child | 100,000 | - | - | (100,000) | - |
| Koon Poh Ming | | | | | |
| - own | 27,333,439 | 500,000 | 27,833,439 | - | 55,666,878 |
| - spouse | 11,000,000 | 700,000 | 11,700,000 | - | 23,400,000 |

Directors' interests in shares (continued)

| | Number of ordinary shares of RM0.50 each | | | | At 31.12.2014 |
|--|--|---------------------|----------------|-----------|------------------|
| | At 1.1.2014 | Bought [^] | Bonus issue | Sold | |
| Interests in the Company: | | | | | |
| Koon Poh Kong | | | | | |
| - own | 11,741,194 | - | 11,741,194 | - | 23,482,388 |
| - spouse | 3,000 | 143,450 | 146,450 | - | 292,900 |
| Koon Poh Weng | | | | | |
| - own | 16,921,048 | 5,000,000 | 21,921,048 | - | 43,842,096 |
| - spouse | 9,520,600 | 177,000 | 9,697,600 | - | 19,395,200 |
| - child | 6,000 | - | 6,000 | - | 12,000 |
| Tuan Haji Mohamad Faiz bin Abdul Hamid | 192,398 | 45,093 | 237,491 | - | 474,982 |
| Tan Heng Kui | 46,000 | 85,150 | 81,150 | - | 212,300 |
| Deemed interests in the Company: | | | | | |
| Dato' Megat Abdul Rahman bin Megat Ahmad # | 542,000 | - | - | (542,000) | - |
| Dato' Koon Poh Keong * | 65,000,000 | - | 65,000,000 | - | 130,000,000 |
| Koon Poh Ming * | 65,000,000 | - | 65,000,000 | - | 130,000,000 |

[^] Including shares issued pursuant to the conversion of RCSLS

Deemed interested by virtue of the Director's interest in JOEM Sdn. Bhd.

* Deemed interested by virtue of the Directors' interests in Alpha Milestone Sdn. Bhd.

Directors' interests in shares (continued)

| <u>RCSLS</u> | At 1.1.2014 | Number of RCSLS Bought | Redemption/ Conversion | At 31.12.2014 |
|---|----------------|---------------------------|---------------------------|------------------|
| Interests in the Company: | | | | |
| Dato' Koon Poh Tat - spouse | 133,174 | - | (13,316) | 119,858 |
| Koon Poh Ming - spouse | 1,000,000 | - | (100,000) | 900,000 |
| Koon Poh Kong - spouse | 151,000 | - | (151,000) | - |
| Koon Poh Weng - spouse | 190,000 | - | (178,300) | 11,700 |
| - child | 2,000 | - | (200) | 1,800 |
| Tuan Haji Mohamad Faiz bin Abdul Hamid | 47,466 | - | (47,466) | - |
| Tan Heng Kui | 37,000 | - | (37,000) | - |
| Deemed interests in the Company: | | | | |
| Dato' Koon Poh Keong * | 105,319,860 | - | (10,531,982) | 94,787,878 |
| Koon Poh Ming * | 105,319,860 | - | (10,531,982) | 94,787,878 |

* Deemed interested by virtue of the Directors' interests in Alpha Milestone Sdn. Bhd.

Directors' interests in shares (continued)

| <u>Warrants</u> | At 1.1.2014 | Number of warrants | | At 31.12.2014 |
|---|------------------------|---------------------------|-------------|--------------------------|
| | | Bonus issue + | Sold | |
| Interests in the Company: | | | | |
| Dato' Koon Poh Tat - spouse | 133,174 | 133,174 | - | 266,348 |
| Koon Poh Ming - spouse | 1,000,000 | 1,000,000 | - | 2,000,000 |
| Koon Poh Kong - spouse | 151,000 | 53,000 | (98,000) | 106,000 |
| Koon Poh Weng - spouse | 190,000 | 190,000 | - | 380,000 |
| - child | 2,000 | 2,000 | - | 4,000 |
| Tuan Haji Mohamad Faiz bin Abdul Hamid | 47,466 | 47,466 | - | 94,932 |
| Tan Heng Kui | 37,000 | 37,000 | - | 74,000 |
| Deemed interests in the Company: | | | | |
| Dato' Koon Poh Keong * | 40,319,860 | 40,319,860 | - | 80,639,720 |
| Koon Poh Ming * | 40,319,860 | 40,319,860 | - | 80,639,720 |

+ Consequential to the bonus issue on the basis of 1 bonus share for every existing share held in the Company

* Deemed interested by virtue of the Directors' interests in Alpha Milestone Sdn. Bhd.

In accordance with Section 134(12)(c) of the Companies Act, 1965, the interests and deemed interests of the spouses and children of the Directors in the shares, RCSLS and warrants of the Company and of its related corporations (other than wholly owned subsidiaries) shall be treated as the interests of the Directors also.

By virtue of their interests in the shares of the Company, Dato' Koon Poh Keong, Dato' Koon Poh Tat, Koon Poh Ming, Koon Poh Kong and Koon Poh Weng are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Press Metal Berhad has an interest.

Directors' interests in shares (continued)

The other Director holding office at 31 December 2014 did not have any interest in the shares, RCSLS and warrants of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who received rental income from a company in the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of RCSLS and warrants.

Issue of shares and debentures

During the financial year, the Company increased its authorised share capital from RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each to RM1,000,000,000 comprising 2,000,000,000 ordinary shares of RM0.50 each.

During the financial year, the Company also issued:

- a) 549,768,966 new ordinary shares of RM0.50 each arising from the bonus issue on the basis of 1 bonus share for every existing share held;
- b) 35,013,344 new ordinary shares of RM0.50 each arising from the conversion of RCSLS; and
- c) 6,658,865 new ordinary shares of RM0.50 each arising from the exercise of warrants.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of warrants consequential to the bonus issue on the basis of 1 bonus share for every existing share held in the Company.

Options granted over unissued shares (continued)

RCSLS together with free warrants

At an extraordinary general meeting held on 29 June 2011, the Company's shareholders approved a proposed renounceable rights issue of up to RM323,735,042 nominal value of 8-year 6% RCSLS at 100% of its nominal value together with up to 147,152,292 free warrants on the basis of one RM2.20 nominal value of RCSLS together with one warrant for every three existing ordinary shares of RM0.50 each held in the Company.

On 26 August 2011, the Company issued 145,684,940 RCSLS together with 145,684,940 free detachable warrants for cash of RM320,506,868. The RCSLS are convertible into 145,684,940 ordinary shares of RM0.50 each from the first anniversary of the issue date of the RCSLS up to 22 August 2019 at the option of the holder, which is at a rate of one ordinary share of RM0.50 each for every one RCSLS held (adjusted to two ordinary shares of RM0.50 each for every one RCSLS held consequential to the bonus issue credited on 10 November 2014 on the basis of 1 bonus share for every existing share held). Unconverted RCSLS will be entitled to receive a coupon of 6% per annum based on the nominal value of RCSLS held.

The warrants are in registered form and constituted by a deed poll. The registered holders are entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price of RM2.20 (adjusted to RM1.10 consequential to the bonus issue credited on 10 November 2014 on the basis of 1 bonus share for every existing share held) per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid deed poll and can be exercised at any time during the eight-year subscription period up to 22 August 2019.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

Other statutory information (continued)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the unrealised foreign exchange loss, gain on partial disposal of a subsidiary and impairment losses on investments in subsidiaries and amounts due from subsidiaries as disclosed in Note 21 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

- i) In June 2013, a state-wide power outage resulted in the primary aluminium production lines of Press Metal Sarawak Sdn. Bhd. (“PMS”), an 80% owned subsidiary of the Company, suffering a sudden shutdown and consequent damages. The subsidiary was unable to operate its smelting plant for the next few months. Plant and machinery of approximately RM41,146,000 were written off as a result of the damages caused by the power outage.

PMS subsequently made a claim to its insurer for the damaged plant and machinery and consequential business losses resulting from the suspension of operations. PMS was unable to come to an agreement with the insurer on the indemnified amount and hence in February 2014, PMS commenced legal action against the insurer in the Kuala Lumpur High Court (“the Court”). The insurer subsequently entered appearance and an application for stay of proceedings to refer the matter for arbitration.

Significant events (continued)

In June 2014, the Court allowed the insurer's application for stay of proceedings for reference of the matter for arbitration. PMS, through its solicitors, then filed an appeal to the Court of Appeal against the Court's decision. In October 2014, the Court of Appeal further upheld the decision of the Court to refer the matter for arbitration. The Company, through its solicitors, has now filed for an appeal to the Federal Court instead. The leave application is pending hearing from the Federal Court.

The solicitors are of the opinion that PMS has a good case for its claims but the quantum of damages is subject to evidentiary proof produced by PMS.

- ii) In October 2013, Press Metal Bintulu Sdn. Bhd. ("PM Bintulu"), an 80% owned subsidiary of the Company, was awarded Pioneer Status by the Malaysian Investment Development Authority ("MIDA"), which entitles PM Bintulu exemption from tax for a period of 5 years from 1 January 2013 to 31 December 2017 on 100% of statutory income derived from the production of aluminium products. PM Bintulu is allowed to apply for an additional 5 years exemption upon expiry of the first 5 years.

In July 2014, MIDA further granted PM Bintulu the right to apply for an additional 5 years Pioneer Status, resulting in a potential extension of exemption from tax up to 31 December 2027.

- iii) In November 2013, the Company entered into a Conditional Shareholders Agreement with Summit Global Management XII B.V. ("SGM"), a subsidiary of Sumitomo Corporation, for the proposed disposal of 20% equity interest in PM Bintulu.

In March 2014, the shareholders of the Company approved the proposed disposal via an Extraordinary General Meeting held, subject to fulfilment of conditions listed in the agreement.

In April 2014, the partial disposal was completed and the Company received a provisional cash consideration of RM522,699,000. The provisional cash consideration will be subject to price adjustments based on certain dependent variables agreed between SGM and the Company. Consequently, the Company's equity interest decreased to 80% while SGM became a corporate shareholder of PM Bintulu. The partial disposal resulted in the Group recognising a gain of RM405,962,000 in equity while the Company recognised a gain of RM430,899,000 in profit or loss.

- iv) In April 2014, Press Metal International Ltd. ("PMI"), a wholly owned subsidiary of the Company, acquired a 51% owned subsidiary, Glomag Precision Technology Co. Ltd., a company incorporated in China for a total cash consideration of RM2,960,000.
- v) In July 2014, PM Bintulu refinanced its existing syndicated bank loans denominated in Malaysian Ringgit amounting to RM729,997,000 with syndicated bank loans denominated in United States Dollar amounting to USD234,504,000.

Significant events (continued)

- vi) In August 2014, the Company proposed a bonus issue on the basis of 1 bonus share for every existing share held. The Company also proposed to increase its authorised share capital from RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each to RM1,000,000,000 comprising 2,000,000,000 ordinary shares of RM0.50 each to facilitate the bonus issue.

In October 2014, the shareholders of the Company approved the above proposals in an Extraordinary General Meeting held. The new ordinary shares of 549,768,966 of RM0.50 each and consequential bonus issue for warrants of 75,025,075 of RM1.10 each were listed on the Main Market of Bursa Malaysia Securities Berhad in November 2014.

- vii) In November 2014, the Company executed a term sheet with Syarikat Sesco Berhad to supply additional electricity for the proposed Phase 3 extension of PM Bintulu's smelter plant in Samalaju, Sarawak ("Samalaju Plant"). Both parties then entered into a Power Purchase Agreement in December 2014.

The Phase 3 extension will increase the production capacity of Samalaju plant by 320,000 tonnes. The extension will be divided into 2 stages, with Stage 1 expected to complete in 2016 and Stage 2 in 2018.

- viii) In December 2014, PMI disposed of its entire 70% equity interest in PMIT Solar Pty. Ltd. to a third party for RM1. This transaction resulted in a loss on disposal of RM108,000 to the Group.

Subsequent event

In February 2015, the shareholders of the Company approved the conversion of all RCSLS held by Alpha Milestone Sdn. Bhd. ("AMSB") and persons acting-in-concert ("PACS") without undertaking a mandatory takeover offer. This was subsequently approved by the Securities Commission.

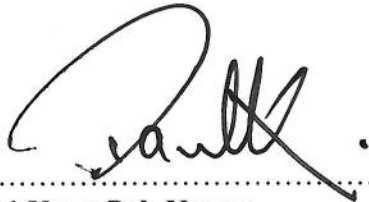
Following the necessary approvals, AMSB and PACS converted all their RCSLS to 191,375,756 ordinary shares of RM0.50 each of the Company. In March 2015, the Securities Commission further approved the Company to early redeem and cancel all the remaining 517,733 unconverted RCSLS. This was completed via the repayment of RM1,139,013 by the Company to the RCSLS holders.

Company No. 153208 W

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Dato' Koon Poh Keong



.....
Dato' Koon Poh Tat

Petaling Jaya, Selangor

Date: 23 APR 2015

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2014

| | Note | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 3,598,410 | 3,560,741 | 137,553 | 146,012 |
| Investment properties | 4 | 6,075 | 2,765 | - | - |
| Goodwill | 5 | 10,497 | 14,225 | - | - |
| Investments in subsidiaries | 6 | - | - | 713,301 | 484,727 |
| Investment in an associate | 7 | 38,428 | 36,721 | 11,812 | 11,812 |
| Other investments | 8 | 1,803 | 1,803 | 750 | 750 |
| Deferred tax assets | 9 | 132,724 | 147,703 | - | - |
| Trade and other receivables | 10 | - | - | - | 10,578 |
| Total non-current assets | | <u>3,787,937</u> | <u>3,763,958</u> | <u>863,416</u> | <u>653,879</u> |
| Inventories | 11 | 555,186 | 386,578 | 37,311 | 25,950 |
| Trade and other receivables | 10 | 710,494 | 582,823 | 935,085 | 1,532,754 |
| Prepayments | | 31,441 | 46,919 | 804 | 1,287 |
| Current tax assets | | 8,315 | 1,106 | 5,613 | - |
| Derivative financial assets | 12 | 9,356 | - | 1,953 | - |
| Cash and cash equivalents | 13 | 355,164 | 288,893 | 50,598 | 27,399 |
| | | 1,669,956 | 1,306,319 | 1,031,364 | 1,587,390 |
| Asset classified as held for sale | 14 | - | 2,481 | - | - |
| Total current assets | | <u>1,669,956</u> | <u>1,308,800</u> | <u>1,031,364</u> | <u>1,587,390</u> |
| Total assets | | <u>5,457,893</u> | <u>5,072,758</u> | <u>1,894,780</u> | <u>2,241,269</u> |
| Equity | | | | | |
| Share capital | | 550,397 | 254,677 | 550,397 | 254,677 |
| Share premium | | 4,164 | 168,518 | 4,164 | 168,518 |
| Reserves | | 65,248 | 68,927 | 44,879 | 56,602 |
| Retained earnings | | 1,256,922 | 773,881 | 305,108 | 166,808 |
| Equity attributable to owners of the Company | 15 | 1,876,731 | 1,266,003 | 904,548 | 646,605 |
| Non-controlling interests | | 304,042 | 133,643 | - | - |
| Total equity | | <u>2,180,773</u> | <u>1,399,646</u> | <u>904,548</u> | <u>646,605</u> |

Statements of financial position as at 31 December 2014

(continued)

| | | Group | | Company | |
|--------------------------------------|------|------------------|------------------|------------------|------------------|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Liabilities | | | | | |
| Trade and other payables | 16 | 66,842 | 77,099 | - | - |
| Loans and borrowings | 17 | 1,020,959 | 1,089,604 | 134,908 | 217,183 |
| Deferred tax liabilities | 9 | 117,275 | 107,288 | 31,381 | 36,045 |
| Total non-current liabilities | | <u>1,205,076</u> | <u>1,273,991</u> | <u>166,289</u> | <u>253,228</u> |
| Trade and other payables | 16 | 740,309 | 807,501 | 631,610 | 856,657 |
| Loans and borrowings | 17 | 1,329,466 | 1,585,915 | 191,471 | 484,164 |
| Current tax liabilities | | 1,407 | 5,601 | - | 573 |
| Derivative financial liabilities | 12 | 862 | 104 | 862 | 42 |
| Total current liabilities | | <u>2,072,044</u> | <u>2,399,121</u> | <u>823,943</u> | <u>1,341,436</u> |
| Total liabilities | | <u>3,277,120</u> | <u>3,673,112</u> | <u>990,232</u> | <u>1,594,664</u> |
| Total equity and liabilities | | <u>5,457,893</u> | <u>5,072,758</u> | <u>1,894,780</u> | <u>2,241,269</u> |

The notes on pages 23 to 123 are an integral part of these financial statements.

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2014

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 18 | 4,091,017 | 3,121,657 | 635,288 | 670,526 |
| Cost of sales | | (3,317,451) | (2,658,453) | (606,957) | (582,479) |
| Gross profit | | 773,566 | 463,204 | 28,331 | 88,047 |
| Other income | | 66,297 | 35,997 | 441,792 | 10,549 |
| Distribution expenses | | (108,940) | (106,036) | (8,535) | (11,360) |
| Administrative expenses | | (122,630) | (107,036) | (12,990) | (10,056) |
| Other expenses | | (154,940) | (134,991) | (151,748) | (84,362) |
| Results from operating activities | | 453,353 | 151,138 | 296,850 | (7,182) |
| Finance income | 19 | 2,349 | 2,685 | 20,027 | 19,178 |
| Finance costs | 20 | (153,467) | (147,049) | (34,682) | (56,713) |
| Net finance costs | | (151,118) | (144,364) | (14,655) | (37,535) |
| Share of profit of an equity-accounted associate, net of tax | | 1,830 | 2,094 | - | - |
| Profit/(Loss) before tax | 21 | 304,065 | 8,868 | 282,195 | (44,717) |
| Tax expense | 22 | (38,098) | 2,707 | (6,064) | (5,509) |
| Profit/(Loss) for the year | | 265,967 | 11,575 | 276,131 | (50,226) |
| Other comprehensive income/ (expense), net of tax | | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences for foreign operations | | | | | |
| - Gains arising during the year | | 7,496 | 24,809 | - | - |
| - Reclassification to profit or loss on disposal of: | | | | | |
| - subsidiaries | | 68 | (162) | - | - |
| - business | | - | (20,025) | - | - |
| - Share of gain of an equity-accounted associate | | 521 | 591 | - | - |
| Other comprehensive income for the year, net of tax | | 8,085 | 5,213 | - | - |
| Total comprehensive income/ (expense) for the year | | 274,052 | 16,788 | 276,131 | (50,226) |

Statements of profit or loss and other comprehensive income for the year ended 31 December 2014

(continued)

| | Note | Group | | Company | |
|---|------|----------------|--------------------------|----------------|-----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit/(Loss) attributable to: | | | | | |
| Owners of the Company | | 214,910 | 14,959 | 276,131 | (50,226) |
| Non-controlling interests | | 51,057 | (3,384) | - | - |
| Profit/(Loss) for the year | | <u>265,967</u> | <u>11,575</u> | <u>276,131</u> | <u>(50,226)</u> |
| Total comprehensive income/ (expense) attributable to: | | | | | |
| Owners of the Company | | 222,954 | 20,486 | 276,131 | (50,226) |
| Non-controlling interests | | 51,098 | (3,698) | - | - |
| Total comprehensive income/ (expense) for the year | | <u>274,052</u> | <u>16,788</u> | <u>276,131</u> | <u>(50,226)</u> |
| | | 2014 | 2013 Restated | | |
| Basic earnings per ordinary share (sen) | 23 | <u>20.21</u> | <u>1.47</u> | | |
| Diluted earnings per ordinary share (sen) | 23 | <u>17.03</u> | <u>N/A</u> | | |

The notes on pages 23 to 123 are an integral part of these financial statements.

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2014

| Group | Note | Attributable to owners of the Company | | | | | Retained earnings RM'000 | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|------|---------------------------------------|----------------------------|----------------------------------|----------------------------|-------------------------------|-----------------------------|-----------------|--|---------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Translation reserve RM'000 | RCSLS reserve RM'000 | Warrants reserve RM'000 | | | | |
| At 1 January 2013 | | 253,890 | 166,533 | 6,798 | 14,408 | 42,354 | 769,094 | 1,253,077 | 151,448 | 1,404,525 |
| Foreign currency translation differences for foreign operations | | | | | | | | | | |
| - Gains arising during the year | | - | - | 25,123 | - | - | - | 25,123 | (314) | 24,809 |
| - Reclassification to profit or loss on disposal of: | | | | | | | | | | |
| - a subsidiary | 32.5 | - | - | (162) | - | - | - | (162) | - | (162) |
| - business | 32.4 | - | - | (20,025) | - | - | - | (20,025) | - | (20,025) |
| - Share of gain of an equity-accounted associate | | - | - | 591 | - | - | - | 591 | - | 591 |
| Total other comprehensive income for the year | | - | - | 5,527 | - | - | - | 5,527 | (314) | 5,213 |
| Profit for the year | | - | - | - | - | - | 14,959 | 14,959 | (3,384) | 11,575 |
| Total comprehensive income for the year | | - | - | 5,527 | - | - | 14,959 | 20,486 | (3,698) | 16,788 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | | | | |
| Issue of ordinary shares: | | | | | | | | | | |
| - Conversion of RCSLS | 15 | 787 | 1,985 | - | (160) | - | - | 2,612 | - | 2,612 |
| Dividends to owners of the Company | 24 | - | - | - | - | - | (10,172) | (10,172) | - | (10,172) |
| Change in ownership interest in a subsidiary | 32.4 | - | - | - | - | - | - | - | (14,107) | (14,107) |
| Total transactions with owners of the Company | | 787 | 1,985 | - | (160) | - | (10,172) | (7,560) | (14,107) | (21,667) |
| At 31 December 2013 | | 254,677 | 168,518 | 12,325 | 14,248 | 42,354 | 773,881 | 1,266,003 | 133,643 | 1,399,646 |

Company No. 153208 W

Consolidated statement of changes in equity for the year ended 31 December 2014

(continued)

| Group | Note | Attributable to owners of the Company | | | | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|------|---------------------------------------|----------------------------|----------------------------------|----------------------------|-------------------------------|--------------------------------|-----------------|--|---------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Translation reserve RM'000 | RCSLS reserve RM'000 | Warrants reserve RM'000 | Retained earnings RM'000 | | | |
| At 1 January 2014 | | 254,677 | 168,518 | 12,325 | 14,248 | 42,354 | 773,881 | 1,266,003 | 133,643 | 1,399,646 |
| Foreign currency translation differences for foreign operations | | | | | | | | | | |
| - Gains arising during the year | | - | - | 7,455 | - | - | - | 7,455 | 41 | 7,496 |
| - Reclassification to profit or loss on disposal of a subsidiary | 32.3 | - | - | 68 | - | - | - | 68 | - | 68 |
| - Share of gain of an equity-accounted associate | | - | - | 521 | - | - | - | 521 | - | 521 |
| Total other comprehensive income for the year | | - | - | 8,044 | - | - | - | 8,044 | 41 | 8,085 |
| Profit for the year | | - | - | - | - | - | 214,910 | 214,910 | 51,057 | 265,967 |
| Total comprehensive income for the year | | - | - | 8,044 | - | - | 214,910 | 222,954 | 51,098 | 274,052 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | | | | |
| Issue of ordinary shares: | | | | | | | | | | |
| - Bonus issue | 15 | 274,884 | (227,120) | - | - | - | (47,764) | - | - | - |
| - Conversion of RCSLS | 15 | 17,507 | 46,194 | - | (3,486) | - | - | 60,215 | - | 60,215 |
| - Exercise of warrants | 15 | 3,329 | 16,572 | - | - | (6,241) | - | 13,660 | - | 13,660 |
| Dividends to owners of the Company | 24 | - | - | - | - | - | (92,063) | (92,063) | - | (92,063) |
| Acquisition of a subsidiary | 32.2 | - | - | - | - | - | - | - | 2,610 | 2,610 |
| Change in ownership interest in a subsidiary | 32.1 | - | - | - | - | - | 405,962 | 405,962 | 116,737 | 522,699 |
| Disposal of a subsidiary | 32.3 | - | - | - | - | - | - | - | (46) | (46) |
| Total transactions with owners of the Company | | 295,720 | (164,354) | - | (3,486) | (6,241) | 266,135 | 387,774 | 119,301 | 507,075 |
| Transfer to retained earnings on redemption of RCSLS | | - | - | - | (1,996) | - | 1,996 | - | - | - |
| At 31 December 2014 | | 550,397 | 4,164 | 20,369 | 8,766 | 36,113 | 1,256,922 | 1,876,731 | 304,042 | 2,180,773 |

The notes on pages 23 to 123 are an integral part of these financial statements.

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Statement of changes in equity for the year ended 31 December 2014

| Company | Note | ← Non-distributable → | | | Distributable | | Total equity RM'000 |
|--|------|-------------------------|-------------------------|-------------------------|----------------------------|-----------------------------|------------------------|
| | | Share capital RM'000 | Share premium RM'000 | RCSLS reserve RM'000 | Warrants reserve RM'000 | Retained earnings RM'000 | |
| At 1 January 2013 | | 253,890 | 166,533 | 14,408 | 42,354 | 227,206 | 704,391 |
| Loss and total comprehensive expense for the year | | - | - | - | - | (50,226) | (50,226) |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | |
| - Conversion of RCSLS | 15 | 787 | 1,985 | (160) | - | - | 2,612 |
| - Dividends to owners of the Company | 24 | - | - | - | - | (10,172) | (10,172) |
| Total transactions with owners of the Company | | 787 | 1,985 | (160) | - | (10,172) | (7,560) |
| At 31 December 2013/1 January 2014 | | 254,677 | 168,518 | 14,248 | 42,354 | 166,808 | 646,605 |
| Profit and total comprehensive income for the year | | - | - | - | - | 276,131 | 276,131 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | |
| <i>Issue of ordinary shares:</i> | | | | | | | |
| - Bonus issue | 15 | 274,884 | (227,120) | - | - | (47,764) | - |
| - Conversion of RCSLS | 15 | 17,507 | 46,194 | (3,486) | - | - | 60,215 |
| - Exercise of warrants | 15 | 3,329 | 16,572 | - | (6,241) | - | 13,660 |
| - Dividends to owners of the Company | 24 | - | - | - | - | (92,063) | (92,063) |
| Total transactions with owners of the Company | | 295,720 | (164,354) | (3,486) | (6,241) | (139,827) | (18,188) |
| Transfer to retained earnings on redemption of RCSLS | | - | - | (1,996) | - | 1,996 | - |
| At 31 December 2014 | | 550,397 | 4,164 | 8,766 | 36,113 | 305,108 | 904,548 |

The notes on pages 23 to 123 are an integral part of these financial statements.

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

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Statements of cash flows for the year ended 31 December 2014

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash flows from operating activities | | | | |
| Profit/(Loss) before tax | 304,065 | 8,868 | 282,195 | (44,717) |
| <i>Adjustments for:</i> | | | | |
| Depreciation of investment properties | 41 | 105 | - | - |
| Depreciation of property, plant and equipment | 242,426 | 171,522 | 20,056 | 23,032 |
| Derivative loss/(gain) | 1,409 | (2,890) | (4,482) | (2,952) |
| Deposits written off | - | 1,467 | - | 1,467 |
| Dividend income | - | - | (644) | (7,683) |
| Finance costs | 153,467 | 147,049 | 34,682 | 56,713 |
| Finance income | (2,349) | (2,685) | (20,027) | (19,178) |
| Gain on partial disposal of a subsidiary | - | - | (430,899) | - |
| Impairment loss on amounts due from subsidiaries | - | - | 42,540 | 2,326 |
| Impairment loss on goodwill | 3,581 | - | - | - |
| Impairment loss on investments in subsidiaries | - | - | 88,626 | 49,222 |
| Loss on disposal of asset classified as held for sale | 132 | - | - | - |
| Loss on disposal of business | - | 48,120 | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 1,876 | 345 | 151 | (18) |
| Loss/(Gain) on disposal of subsidiaries | 108 | (10) | - | - |
| Property, plant and equipment written off | 3,679 | 42,578 | - | - |
| Share of profit of an equity-accounted associate, net of tax | (1,830) | (2,094) | - | - |
| Unrealised derivative gain | (9,356) | - | (1,953) | - |
| Unrealised derivative loss | 862 | - | 862 | - |
| Unrealised foreign exchange loss | 112,315 | 19,370 | 11,819 | 19,340 |
| Operating profit before changes in working capital | 810,426 | 431,745 | 22,926 | 77,552 |

Statements of cash flows for the year ended 31 December 2014

(continued)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Operating profit before changes in working capital (continued) | 810,426 | 431,745 | 22,926 | 77,552 |
| Change in inventories | (163,958) | 54,543 | (11,361) | 6,626 |
| Change in trade and other payables | (97,254) | 334,937 | (206,643) | 343,023 |
| Change in trade and other receivables and prepayments | (115,558) | (245,573) | 161,266 | (357,621) |
| Cash generated from/(used in) operations | 433,656 | 575,652 | (33,812) | 69,580 |
| Tax paid | (21,681) | (15,543) | (12,395) | (13,736) |
| Tax refunded | - | 62 | - | - |
| Net cash from/(used in) operating activities | 411,975 | 560,171 | (46,207) | 55,844 |
| Cash flows from investing activities | | | | |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired (Note 32.2) | (1,832) | - | - | - |
| Acquisition of investment properties | (3,351) | - | - | - |
| Acquisition of property, plant and equipment | (267,861) | (435,538) | (10,421) | (28,455) |
| Disposal of a subsidiary, net of cash and cash equivalents disposed (Note 32.5) | - | (9,663) | - | - |
| Disposal of business, net of cash and cash equivalents disposed (Note 32.4) | - | (96) | - | - |
| Dividends received from a subsidiary | - | - | - | 7,253 |
| Dividends received from an associate | 644 | 430 | 644 | 430 |
| Interest received from fixed deposits | 2,349 | 2,685 | - | - |
| Proceeds from disposal of asset classified as held for sale | 2,349 | - | - | - |
| Proceeds from partial disposal of a subsidiary (Note 32.1) | 522,699 | - | 522,699 | - |
| Proceeds from disposal of property, plant and equipment | 4,994 | 2,115 | 324 | 21 |
| Net cash from/(used in) investing activities | 259,991 | (440,067) | 513,246 | (20,751) |

Statements of cash flows for the year ended 31 December 2014

(continued)

| | Group | | Company | |
|---|------------------|------------------|------------------|-----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash flows from financing activities | | | | |
| Change in pledged deposits | 27,831 | (47,968) | - | - |
| Decrease in amounts due to subsidiaries | - | - | (9,858) | (3,231) |
| Dividends paid to owners of the Company | (97,157) | (5,078) | (97,157) | (5,078) |
| Drawdown/(Repayment) of revolving credits | 148,269 | (125,024) | (30,000) | (15,000) |
| (Increase)/Decrease in amounts due from subsidiaries | - | - | (9,057) | 80,565 |
| Increase in amount due to an associate | 113 | 1,228 | - | - |
| Interest paid on loans and borrowings | (149,996) | (130,449) | (31,211) | (38,340) |
| Interest received from loan to a subsidiary | - | - | 15,831 | 19,178 |
| Proceeds from issue of shares via exercise of warrants | 13,660 | - | 13,660 | - |
| Redemption of RCSLS | (27,115) | - | (27,115) | - |
| Repayment of finance lease liabilities | (12,651) | (13,916) | (1,415) | (790) |
| (Repayment)/Drawdown of bank loans | (276,345) | 156,407 | (3,408) | (20,240) |
| (Repayment)/Drawdown of bankers' acceptances | (193,457) | 20,792 | (258,242) | (39,307) |
| Net cash used in financing activities | <u>(566,848)</u> | <u>(144,008)</u> | <u>(437,972)</u> | <u>(22,243)</u> |
| Net increase/(decrease) in cash and cash equivalents | 105,118 | (23,904) | 29,067 | 12,850 |
| Effect of exchange rate fluctuations on cash held | (6,666) | (17,545) | (2,753) | - |
| Cash and cash equivalents at 1 January | <u>220,013</u> | <u>261,462</u> | <u>24,284</u> | <u>11,434</u> |
| Cash and cash equivalents at 31 December | <u>318,465</u> | <u>220,013</u> | <u>50,598</u> | <u>24,284</u> |

Statements of cash flows for the year ended 31 December 2014

(continued)

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | Note | Group | | Company | |
|------------------------|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deposits | 13 | 39,167 | 146,857 | 438 | 391 |
| Less: Pledged deposits | 13 | (35,757) | (63,588) | - | - |
| | | 3,410 | 83,269 | 438 | 391 |
| Cash and bank balances | 13 | 315,997 | 142,036 | 50,160 | 27,008 |
| Bank overdrafts | 17 | (942) | (5,292) | - | (3,115) |
| | | <u>318,465</u> | <u>220,013</u> | <u>50,598</u> | <u>24,284</u> |

Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM274,799,000 (2013: RM946,655,000) and RM12,072,000 (2013: RM31,899,000) respectively, as follows:

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Satisfied by cash | 267,861 | 435,538 | 10,421 | 28,455 |
| By means of finance leases | 6,938 | 11,846 | 1,651 | 3,444 |
| Reclassified from deposits | - | 499,271 | - | - |
| | <u>274,799</u> | <u>946,655</u> | <u>12,072</u> | <u>31,899</u> |

Subscription of shares

During the financial year, the subscription of shares in a subsidiary amounting to RM409,000,000 were net settled against balance due from the subsidiary.

The notes on pages 23 to 123 are an integral part of these financial statements.

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

Press Metal Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 6464 Batu 5 ¾

Jalan Kapar, Sementa

42100 Klang

Selangor Darul Ehsan

Registered office

Lot 6.05, Level 6

KPMG Tower

8 First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2014 do not include other entities.

The Company is principally engaged in the manufacturing and trading of aluminium products and investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6.

These financial statements were authorised for issue by the Board of Directors on 23 April 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (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 the Group and by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure on Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiatives*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1 and Amendments to MFRS 2 which are not applicable to the Group and to the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11 which is not applicable to the Group and to the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 and on the assumption that the Group is a going concern.

The Group has prepared its financial statements by applying the going concern assumption, notwithstanding that as of 31 December 2014, the Group's current liabilities exceeded its current assets by RM402,088,000, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors of the Group have prepared and considered prospective financial information derived based on assumptions and events that may occur in the next twelve months and the possible actions to be taken by the Group. Prospective financial information includes the Group's profit and cash flow forecasts.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

The key assumptions used in preparing the forecasts include the following:

- (i) the Group is able to sustain its level of operations in the next financial year to at least match the operating cash flows of RM411,975,000 generated in the current financial year;
- (ii) the construction of Stage 1 of Phase 3 of the Samalaju Plant over the course of the next 2 years will be substantially funded by long term syndicated bank loans and long term advances from a corporate shareholder of PM Bintulu.
- (iii) the Group will successfully obtain continuous short term credit facilities, which include bankers' acceptances and revolving credits from its bankers.

At the date of this report, there is no reason for the Directors to believe there is any significant uncertainty that the Group will not successfully achieve the above action plans/activities. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that would be required should the going concern basis prove to be invalid.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 9 - measurement of deferred tax liabilities
- Note 10 - impairment of receivables
- Note 30 - contingencies
- Note 32 - business combinations

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts is classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are measured at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|----------------------------|---------------|
| • leasehold land | 24 - 99 years |
| • buildings and renovation | 10 - 50 years |
| • plant and machinery | 5 - 25 years |
| • office equipment | 10 years |
| • motor vehicles | 5 - 10 years |
| • furniture and fittings | 10 years |
| • moulds and dies | 3 - 6 years |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land, leasehold land and buildings which in substance are finance leases held for a currently undetermined future use, under construction or leased to third parties. Investment properties are initially and subsequently measured at cost and are accounted for similarly to property, plant and equipment.

2. Significant accounting policies (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in-first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of the disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (continued)

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in an associate) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Compound financial instrument

A compound financial instrument is a non-derivative financial instrument that contains both a liability and equity component.

Compound financial instruments issued by the Group comprise RCSLS that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2. Significant accounting policies (continued)

(m) Compound financial instrument (continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or completed.

2. Significant accounting policies (continued)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that are not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise RCSLS and warrants.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(t) Contingencies (continued)

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(u) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

| Group | Land RM'000 | Buildings and renovation RM'000 | Plant and machinery RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Furniture and fittings RM'000 | Moulds and dies RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|------------------------|--|---|--|--------------------------------------|--|---------------------------------------|---|-------------------------|
| Cost | | | | | | | | | |
| At 1 January 2013 | 350,729 | 917,306 | 1,255,375 | 39,746 | 64,560 | 7,735 | 197,058 | 425,709 | 3,258,218 |
| Additions | - | 8,449 | 164,869 | 8,745 | 15,520 | 608 | 29,334 | 719,130 | 946,655 |
| Disposals | - | - | (731) | (1,019) | (1,954) | - | (102) | - | (3,806) |
| Disposal through business combinations (Note 32.5) | - | - | - | (27) | (623) | - | - | - | (650) |
| Written off | - | - | (48,823) | (795) | (265) | (1,334) | - | (13) | (51,230) |
| Transfers | 36 | 166,585 | 927,089 | 1,544 | - | - | - | (1,095,254) | - |
| Transfer to disposal group held for sale (Note 32.4) | - | - | (58) | (6) | (50) | - | - | - | (114) |
| Effect of movements in exchange rates | 18,649 | 14,960 | 14,745 | 1,328 | 302 | 19 | 9,829 | 190 | 60,022 |
| At 31 December 2013/1 January 2014 | 369,414 | 1,107,300 | 2,312,466 | 49,516 | 77,490 | 7,028 | 236,119 | 49,762 | 4,209,095 |
| Acquisitions through business combinations (Note 32.2) | - | - | 3,282 | 8 | 16 | 9 | - | - | 3,315 |
| Additions | 1,713 | 34,076 | 68,512 | 4,454 | 4,006 | 802 | 24,268 | 136,968 | 274,799 |
| Disposals | - | - | (7,300) | (600) | (5,298) | (7) | - | - | (13,205) |
| Disposal through business combinations (Note 32.3) | - | (50) | - | (54) | (5) | (26) | - | - | (135) |
| Written off | - | - | (4,542) | (393) | (845) | (14) | - | - | (5,794) |
| Transfers | - | 4,051 | 99,899 | - | - | - | - | (103,950) | - |
| Reclassification as inventories | - | - | - | - | - | - | - | (4,650) | (4,650) |
| Effect of movements in exchange rates | 8,430 | 6,370 | 6,934 | 666 | 98 | 3 | 5,813 | 2 | 28,316 |
| At 31 December 2014 | 379,557 | 1,151,747 | 2,479,251 | 53,597 | 75,462 | 7,795 | 266,200 | 78,132 | 4,491,741 |

3. Property, plant and equipment (continued)

| Group | Land RM'000 | Buildings and renovation RM'000 | Plant and machinery RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Furniture and fittings RM'000 | Moulds and dies RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|----------------|--|-------------------------------------|-------------------------------|-----------------------------|--|------------------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | | | | |
| At 1 January 2013 | 12,701 | 51,223 | 208,372 | 19,020 | 16,915 | 2,798 | 158,302 | - | 469,331 |
| Depreciation for the year | 5,781 | 24,635 | 103,255 | 4,102 | 8,121 | 729 | 24,899 | - | 171,522 |
| Disposals | - | - | (111) | (446) | (712) | - | (77) | - | (1,346) |
| Disposals through business combinations (Note 32.5) | - | - | - | (4) | (92) | - | - | - | (96) |
| Written off | - | - | (7,495) | (474) | (241) | (442) | - | - | (8,652) |
| Transfer to disposal group held for sale (Note 32.4) | - | - | (45) | (6) | (22) | - | - | - | (73) |
| Effect of movements in exchange rates | 1,215 | 2,755 | 5,187 | 342 | 160 | 17 | 7,992 | - | 17,668 |
| At 31 December 2013/1 January 2014 | 19,697 | 78,613 | 309,163 | 22,534 | 24,129 | 3,102 | 191,116 | - | 648,354 |
| Depreciation for the year | 5,680 | 27,126 | 174,188 | 4,027 | 7,048 | 341 | 24,016 | - | 242,426 |
| Disposals | - | - | (3,349) | (331) | (2,652) | (3) | - | - | (6,335) |
| Disposals through business combinations (Note 32.3) | - | (3) | - | (39) | (1) | (6) | - | - | (49) |
| Written off | - | - | (871) | (393) | (845) | (6) | - | - | (2,115) |
| Effect of movements in exchange rates | 893 | 1,739 | 3,329 | 305 | 81 | 3 | 4,700 | - | 11,050 |
| At 31 December 2014 | 26,270 | 107,475 | 482,460 | 26,103 | 27,760 | 3,431 | 219,832 | - | 893,331 |
| Carrying amounts | | | | | | | | | |
| At 1 January 2013 | 338,028 | 866,083 | 1,047,003 | 20,726 | 47,645 | 4,937 | 38,756 | 425,709 | 2,788,887 |
| At 31 December 2013/1 January 2014 | 349,717 | 1,028,687 | 2,003,303 | 26,982 | 53,361 | 3,926 | 45,003 | 49,762 | 3,560,741 |
| At 31 December 2014 | 353,287 | 1,044,272 | 1,996,791 | 27,494 | 47,702 | 4,364 | 46,368 | 78,132 | 3,598,410 |

3. Property, plant and equipment (continued)

| Company | Land RM'000 | Buildings RM'000 | Renovation RM'000 | Plant and machinery RM'000 | Office equipment RM'000 | Motor vehicles RM'000 | Furniture and fittings RM'000 | Moulds and dies RM'000 | Total RM'000 |
|------------------------------------|----------------|---------------------|----------------------|-------------------------------------|-------------------------------|-----------------------------|--|------------------------------|-----------------|
| Cost | | | | | | | | | |
| At 1 January 2013 | 25,300 | 32,912 | 4,409 | 135,769 | 11,481 | 6,852 | 1,458 | 90,862 | 309,043 |
| Additions | - | 6,200 | 1,344 | 8,236 | 5,047 | 36 | 111 | 10,925 | 31,899 |
| Transfer from a subsidiary | - | - | - | 8,738 | 1,053 | 718 | 444 | 22,953 | 33,906 |
| Disposals | - | - | - | (24) | - | (114) | - | - | (138) |
| Written off | - | - | - | - | - | (78) | - | - | (78) |
| At 31 December 2013/1 January 2014 | 25,300 | 39,112 | 5,753 | 152,719 | 17,581 | 7,414 | 2,013 | 124,740 | 374,632 |
| Additions | - | 180 | 469 | 2,997 | 605 | 1,591 | 24 | 6,206 | 12,072 |
| Disposals | - | - | - | (5) | (158) | (795) | - | - | (958) |
| At 31 December 2014 | 25,300 | 39,292 | 6,222 | 155,711 | 18,028 | 8,210 | 2,037 | 130,946 | 385,746 |
| Depreciation | | | | | | | | | |
| At 1 January 2013 | - | 6,823 | 1,449 | 86,053 | 9,460 | 3,527 | 530 | 72,186 | 180,028 |
| Depreciation for the year | - | 788 | 495 | 7,930 | 841 | 869 | 44 | 12,065 | 23,032 |
| Transfer from a subsidiary | - | - | - | 5,547 | 945 | 718 | 382 | 18,181 | 25,773 |
| Disposals | - | - | - | (21) | - | (114) | - | - | (135) |
| Written off | - | - | - | - | - | (78) | - | - | (78) |
| At 31 December 2013/1 January 2014 | - | 7,611 | 1,944 | 99,509 | 11,246 | 4,922 | 956 | 102,432 | 228,620 |
| Depreciation for the year | - | 915 | 600 | 7,580 | 901 | 867 | 31 | 9,162 | 20,056 |
| Disposals | - | - | - | (5) | (13) | (465) | - | - | (483) |
| At 31 December 2014 | - | 8,526 | 2,544 | 107,084 | 12,134 | 5,324 | 987 | 111,594 | 248,193 |
| Carrying amounts | | | | | | | | | |
| At 1 January 2013 | 25,300 | 26,089 | 2,960 | 49,716 | 2,021 | 3,325 | 928 | 18,676 | 129,015 |
| At 31 December 2013/1 January 2014 | 25,300 | 31,501 | 3,809 | 53,210 | 6,335 | 2,492 | 1,057 | 22,308 | 146,012 |
| At 31 December 2014 | 25,300 | 30,766 | 3,678 | 48,627 | 5,894 | 2,886 | 1,050 | 19,352 | 137,553 |

3. Property, plant and equipment (continued)

3.1 Impairment loss

An accumulated impairment loss of RM45,000 (2013: RM45,000) was recognised on certain assets of the Group which no longer generate future economic benefits to the Group entities.

3.2 Leased plant and machinery and motor vehicles

At 31 December 2014, the net carrying amounts of leased plant and machinery and motor vehicles of the Group and of the Company were RM34,419,000 (2013: RM45,601,000) and RM5,252,000 (2013: RM4,963,000), respectively.

3.3 Security

The leased plant and machinery and motor vehicles discussed above secure lease obligations (see Note 17).

At 31 December 2014, property, plant and equipment of the Group and of the Company with an aggregate carrying amount of RM2,410,469,000 (2013: RM2,920,584,000) and RM6,076,000 (2013: RM6,200,000) respectively, are pledged as security and as fixed and floating charges to secure bank facilities granted to the Company and its subsidiaries (see Note 17).

3.4 Borrowing costs

Included in capital work-in-progress of the Group was interest capitalised for the financial year as follows:

| | Group | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Fixed rate of 6.00% - 6.16% per annum | - | 10,233 |
| Floating rate of 1.75% - 2.25% per annum above the Financiers' Islamic Cost of Funds | - | 8,067 |
| | <u>-</u> | <u>18,300</u> |

3. Property, plant and equipment (continued)

3.5 Land

Included in the total carrying amount of land are:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Freehold land | 25,300 | 25,300 | 25,300 | 25,300 |
| Leasehold land with unexpired lease period of less than 50 years | 244,405 | 241,343 | - | - |
| Leasehold land with unexpired lease period of more than 50 years | 83,582 | 83,074 | - | - |
| | <u>353,287</u> | <u>349,717</u> | <u>25,300</u> | <u>25,300</u> |

3.6 Capital work-in-progress

Included in the total carrying amount of capital work-in-progress are:

| | Group | |
|---------------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Plant and machinery-in-progress | 74,891 | 49,250 |
| Building-in-progress | 3,241 | 512 |
| | <u>78,132</u> | <u>49,762</u> |

At 31 December 2014, the capital-work-in-progress were mainly related to Phase 3 of the Samalaju Plant (2013: repair works of the primary aluminium production lines of PMS).

4. Investment properties

| | Group RM'000 | |
|---|-------------------------|------------------------|
| Cost | | |
| At 1 January 2013 | | 6,387 |
| Transfer to asset classified as held for sale (see Note 14) | | <u>(3,229)</u> |
| At 31 December 2013/1 January 2014 | | 3,158 |
| Additions | | <u>3,351</u> |
| At 31 December 2014 | | <u><u>6,509</u></u> |
| Depreciation | | |
| At 1 January 2013 | | 1,036 |
| Depreciation for the year | | 105 |
| Transfer to asset classified as held for sale (see Note 14) | | <u>(748)</u> |
| At 31 December 2013/1 January 2014 | | 393 |
| Depreciation for the year | | <u>41</u> |
| At 31 December 2014 | | <u><u>434</u></u> |
| Carrying amounts | | |
| At 1 January 2013 | | <u>5,351</u> |
| At 31 December 2013/1 January 2014 | | <u>2,765</u> |
| At 31 December 2014 | | <u><u>6,075</u></u> |
| Group | 2014 RM'000 | 2013 RM'000 |
| Included in the above are: | | |
| Freehold land | 812 | 812 |
| Leasehold land with unexpired lease period of more than 50 years | 550 | 563 |
| Buildings | <u>1,362</u> | <u>1,390</u> |
| | 2,724 | 2,765 |
| Property under construction | <u>3,351</u> | <u>-</u> |
| | <u><u>6,075</u></u> | <u><u>2,765</u></u> |

4. Investment properties (continued)

Investment properties comprise freehold land, leasehold land and a number of residential properties and commercial properties that are leased to third parties or vacant. During the previous financial year, a property was transferred from investment property to asset classified as held for sale (see Note 14) since efforts to sell the building had commenced during that financial year.

A residential property is currently under construction and the fair value of the property is unable to be determined as there are uncertainties in estimating its fair value. The estimated fair value is likely to approximate its cost.

The following are recognised in profit or loss in respect of investment properties:

| | Group | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Rental income | 173 | 125 |
| Direct operating expenses: | | |
| - income generating investment properties | (88) | (73) |
| - non-income generating investment properties | (13) | (13) |
| | <u>(13)</u> | <u>(13)</u> |

Fair value information

Fair value of investment properties (excluding property under construction) is categorised as follows:

| | Group | |
|----------------|---------------|---------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Level 3 | | |
| Land | 4,243 | 4,976 |
| Buildings | 2,212 | 2,067 |
| | <u>6,455</u> | <u>7,043</u> |

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is estimated by the Directors using the comparison method. The comparison method entails critical analyses of recent evidences of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

5. Goodwill

| | Note | Group RM'000 |
|--|------|-----------------|
| Cost | | |
| At 1 January 2013/31 December 2013/1 January 2014 | | 14,775 |
| Acquisitions through business combinations | 32.2 | 240 |
| Effect of movements in exchange rates | | (387) |
| At 31 December 2014 | | <u>14,628</u> |
| Impairment loss | | |
| At 1 January 2013/31 December 2013/1 January 2014 | | 550 |
| Impairment loss for the year | 5.1 | 3,581 |
| At 31 December 2014 | | <u>4,131</u> |
| Carrying amounts | | |
| At 1 January 2013/ 31 December 2013/1 January 2014 | | 14,225 |
| At 31 December 2014 | | <u>10,497</u> |

5.1 Impairment loss

At 31 December 2014, management has fully impaired the goodwill attached to Press Metal Aluminium (Australia) Pty. Ltd., which has been incurring losses for a number of financial years and is not expected to turnaround in the near future.

The impairment loss was recognised in other expenses in the statements of profit or loss and other comprehensive income.

5.2 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

| | Group | |
|---|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Press Metal International Ltd. | 9,219 | 9,219 |
| Press Metal Aluminium (Australia) Pty. Ltd. | - | 3,968 |
| Press Metal North America LLC. | 1,038 | 1,038 |
| Glomag Precision Technology Co. Ltd. | 240 | - |
| | <u>10,497</u> | <u>14,225</u> |

5. Goodwill (continued)

5.2 Impairment testing for cash-generating units containing goodwill (continued)

The Directors are of the opinion that the goodwill allocated to Press Metal Aluminium (Australia) Pty. Ltd., Press Metal North America LLC. and Glomag Precision Technology Co. Ltd. are not material. Hence, the disclosures below do not cover the impairment testing performed for these cash-generating units.

Press Metal International Ltd. (“PMI”)

The recoverable amount of the goodwill allocated to PMI was based on its value in use, determined by discounting future cash flows to be generated by PMI.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan. A terminal growth rate of 5% (2013: 5%) was then applied. Management believes that this terminal growth rate was justified due to the long-term nature of the aluminium business.
- The anticipated annual revenue growth included in the cash flow projections was 6% (2013: 5%), which is based on the average growth levels experienced over the past 3 years.
- The aluminium price was assumed to be the same as the average prices for the current financial year.
- Environmental cost growth, based on past experience, was estimated to be 5% (2013: 5%), which is in line with inflation.
- A pre-tax discount rate of 8% (2013: 8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on an industry weighted average cost of capital.

The values assigned to the key assumptions represent management’s assessment of future trends in the aluminium industry and are based on both external sources and internal sources (historical data).

The above estimates are not particularly sensitive in any areas.

6. Investments in subsidiaries

| | Company | |
|--------------------------|------------------|-----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Unquoted shares, at cost | 858,343 | 541,143 |
| Less: Impairment loss | <u>(145,042)</u> | <u>(56,416)</u> |
| | <u>713,301</u> | <u>484,727</u> |

The movements of investments in subsidiaries are as follows:

| | Company | |
|-----------------------------------|-----------------|-----------------|
| | 2014 RM'000 | 2013 RM'000 |
| At 1 January | 484,727 | 533,949 |
| Subscription of additional shares | 409,000 | - |
| Disposal of shares | (91,800) | - |
| Impairment loss during the year | <u>(88,626)</u> | <u>(49,222)</u> |
| At 31 December | <u>713,301</u> | <u>484,727</u> |

Details of the subsidiaries are as follows:

| Name of entity | Principal place of business | Principal activities | Effective ownership interest and voting interest | |
|------------------------------------|-----------------------------|---|--|-----------|
| | | | 2014 % | 2013 % |
| Angkasa Jasa Sdn. Bhd. | Malaysia | Contracting and fabrication of aluminium and stainless steel products | 100 | 100 |
| PMB Recycling Management Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |
| PMB Development Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| and its subsidiary, | | | | |
| PMB Spectrum Sdn. Bhd. | Malaysia | Dormant | 60 | 60 |
| Wesama Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| and its subsidiary, | | | | |
| Ace Extrusion Sdn. Bhd. | Malaysia | Dormant | 100 | 100 |

6. Investments in subsidiaries (continued)

| Name of entity | Principal place of business | Principal activities | Effective ownership interest and voting interest | |
|---|-----------------------------|--|--|--------|
| | | | 2014 % | 2013 % |
| PMB Marketing Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 |
| and its subsidiary, | | | | |
| PMB Marketing (H.K.) Limited * | Hong Kong | Dormant | 100 | 100 |
| BI-PMB Waste Management Sdn. Bhd. | Malaysia | Provision of a common waste water treatment plant to treat toxic waste | 100 | 100 |
| PMS Marketing Sdn.Bhd. | Malaysia | Marketing of aluminium products | 100 | 100 |
| Press Metal Sarawak Sdn. Bhd. | Malaysia | Manufacturing and trading of aluminium products | 80 | 80 |
| Press Metal Bintulu Sdn. Bhd. (i.) | Malaysia | Manufacturing and trading of aluminium products | 80 | 100 |
| Press Metal Hong Kong Limited * | Hong Kong | Investment holding | 100 | 100 |
| and its subsidiary, | | | | |
| Press Metal International Ltd. * | China | Manufacturing and trading of aluminium products | 100 | 100 |
| and its subsidiaries, | | | | |
| Press Metal International Technology Ltd. * | China | Manufacturing and trading of aluminium products | 100 | 100 |
| Glomag Precision Technology Co. Ltd. **, (ii) | China | Manufacturing of moulds and dies | 51 | - |
| PMIT Solar Pty. Ltd. **, (iii) | Australia | Dormant | - | 70 |

6. Investments in subsidiaries (continued)

| Name of entity | Principal place of business | Principal activities | Effective ownership interest and voting interest | |
|---|-----------------------------|---|--|--------|
| | | | 2014 % | 2013 % |
| Press Metal Aluminium (Australia) Pty. Ltd. * | Australia | Marketing of aluminium products | 70 | 70 |
| Press Metal UK Limited * | United Kingdom | Marketing of aluminium products | 100 | 100 |
| Press Metal North America LLC. * | United States of America | Marketing of aluminium products | 100 | 100 |
| Hubei Press Metal Huasheng Aluminium-Electric Co., Ltd. *, and its subsidiary, | China | Investment holding | 100 | 100 |
| Press Metal International (Hubei) Ltd. * | China | Manufacturing and trading of aluminium products | 100 | 100 |

* Not audited by member firms of KPMG International

** Consolidated based on management accounts

- (i) In April 2014, the Company completed the partial disposal of PM Bintulu to SGM and received a provisional cash consideration of RM522,699,000. Consequently, the Company's equity interest in PM Bintulu decreased to 80%
- (ii) In April 2014, PMI acquired a 51% owned subsidiary, Glomag Precision Technology Co. Ltd. for a total cash consideration of RM2,960,000
- (iii) In December 2014, PMI disposed of its entire 70% equity interest in PMIT Solar Pty. Ltd. to a third party for RM1

6. Investments in subsidiaries (continued)

6.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | 2014 | | | |
|---|--|--|---|-----------------|
| | Press Metal Sarawak Sdn. Bhd. RM'000 | Press Metal Bintulu Sdn. Bhd. RM'000 | Other individually immaterial subsidiaries RM'000 | Total RM'000 |
| NCI percentage of ownership interest and voting interest | 20% | 20% | | |
| Carrying amount of NCI | 154,738 | 150,225 | (921) | 304,042 |
| Total comprehensive income/(expense) allocated to NCI | 18,741 | 33,489 | (1,132) | 51,098 |

Summarised financial information before intra-group elimination

As at 31 December

| | | |
|-------------------------|-----------|-------------|
| Non-current assets | 1,084,566 | 1,942,860 |
| Current assets | 412,438 | 823,538 |
| Non-current liabilities | (2,221) | (790,429) |
| Current liabilities | (721,093) | (1,224,844) |
| Net assets | 773,690 | 751,125 |

Year ended 31 December

| | | |
|--|-----------|-----------|
| Revenue | 906,925 | 2,228,947 |
| Profit for the year | 93,706 | 193,284 |
| Total comprehensive income | 93,706 | 193,284 |
| Cash flows from operating activities | 453,151 | 183,099 |
| Cash flows from investing activities | (80,402) | (87,000) |
| Cash flows from financing activities | (357,172) | (2,415) |
| Net increase in cash and cash equivalents | 15,577 | 93,684 |
| Dividends paid to NCI | - | - |

6. Investments in subsidiaries (continued)

6.1 Non-controlling interests in subsidiaries (continued)

| | Press Metal Sarawak Sdn. Bhd. RM'000 | 2013 Other individually immaterial subsidiaries RM'000 | Total RM'000 |
|---|---|---|-------------------------|
| NCI percentage of ownership interest and voting interest | 20% | | |
| Carrying amount of NCI | <u>135,997</u> | <u>(2,354)</u> | <u>133,643</u> |
| Total comprehensive income/(expense) allocated to NCI | <u>79</u> | <u>(3,777)</u> | <u>(3,698)</u> |

Summarised financial information before intra-group elimination

As at 31 December

| | |
|-------------------------|------------------|
| Non-current assets | 1,078,802 |
| Current assets | 269,870 |
| Non-current liabilities | (232,678) |
| Current liabilities | <u>(436,011)</u> |
| Net assets | <u>679,983</u> |

Year ended 31 December

| | |
|---|------------------|
| Revenue | 474,210 |
| Profit for the year | 397 |
| Total comprehensive income | <u>397</u> |
| Cash flows from operating activities | 233,027 |
| Cash flows from investing activities | (53,837) |
| Cash flows from financing activities | <u>(145,615)</u> |
| Net increase in cash and cash equivalents | <u>33,575</u> |
| Dividends paid to NCI | <u>-</u> |

6.2 Significant restrictions

Restrictions imposed by bank covenants

The covenants of certain bank loans require the Group to maintain a certain amount of cash in specifically opened bank accounts, which have been disclosed as part of the deposits pledged with licensed banks in Note 13.

6. Investments in subsidiaries (continued)

6.2 Significant restrictions (continued)

Restrictions imposed by shareholders' agreements

As part of the terms and conditions in the Shareholders' Agreement on the partial disposal of PM Bintulu by the Company to SGM, the Company charged 22,950,000 ordinary shares of RM1 each it owns in PM Bintulu (representing 5% of PM Bintulu's issued and paid-up capital) and 17,600,000 ordinary shares of RM1 each it owns in PM Sarawak (representing 5% of PM Sarawak's issued and paid-up capital) respectively, in favour of SGM to cover for the potential consideration that the Company might need to return to SGM. Please refer to Note 32.1 for further details.

7. Investment in an associate

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Quoted shares in Malaysia, at cost | 11,812 | 11,812 | 11,812 | 11,812 |
| Share of post-acquisition reserves | 26,616 | 24,909 | - | - |
| Group's share of net assets | <u>38,428</u> | <u>36,721</u> | <u>11,812</u> | <u>11,812</u> |
| Market value: Quoted shares in Malaysia | <u>20,189</u> | <u>14,389</u> | <u>20,189</u> | <u>14,389</u> |

Details of the associate are as follows:

| Name of entity | Principal place of business | Nature of the relationship | Effective ownership interest and voting interest | |
|-----------------------|-----------------------------------|--|---|-----------|
| | | | 2014 % | 2013 % |
| PMB Technology Berhad | Malaysia | Trading of aluminium products purchased from the Group | 28 | 28 |

7. Investment in an associate (continued)

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies.

| Group | 2014 | 2013 |
|---|------------------|------------------|
| Summarised financial information | RM'000 | RM'000 |
| As at 31 December | | |
| Non-current assets | 95,939 | 97,982 |
| Current assets | 284,939 | 234,417 |
| Non-current liabilities | (22,133) | (26,442) |
| Current liabilities | <u>(226,009)</u> | <u>(179,378)</u> |
| Net assets | <u>132,736</u> | <u>126,579</u> |
| Year ended 31 December | | |
| Profit for the year | 6,602 | 7,555 |
| Other comprehensive income | <u>1,880</u> | <u>2,132</u> |
| Total comprehensive income | <u>8,482</u> | <u>9,687</u> |
| <i>Included in the total comprehensive income is:</i> | | |
| Revenue | <u>328,637</u> | <u>281,883</u> |
| Group's share of results for the year ended 31 December | | |
| Group's share of profit or loss | 1,830 | 2,094 |
| Group's share of other comprehensive income | <u>521</u> | <u>591</u> |
| Group's share of total comprehensive income | <u>2,351</u> | <u>2,685</u> |
| Other information | | |
| Dividends received by the Group | <u>644</u> | <u>430</u> |
| Contingent liabilities | | |
| Share of associate's contingent liabilities incurred jointly with other investors: | | |
| - Guarantees given to financial institutions and contract customers for facilities and construction contracts granted to the associate's subsidiaries | <u>40,937</u> | <u>35,039</u> |

8. Other investments

| | Group | | Company | |
|--------------------------------------|---------------|---------------|----------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Available-for-sale financial assets | | | | |
| Unquoted shares in Malaysia, at cost | <u>1,803</u> | <u>1,803</u> | <u>750</u> | <u>750</u> |

| |
|----------------------|
| Company No. 153208 W |
|----------------------|

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets | | Liabilities | | Net | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Property, plant and equipment | - | - | (263,747) | (292,403) | (263,747) | (292,403) |
| Provisions | 1,693 | 4,823 | - | - | 1,693 | 4,823 |
| Tax loss carry-forwards | 406 | 413 | - | - | 406 | 413 |
| Capital allowance carry-forwards | 82,798 | 138,966 | - | - | 82,798 | 138,966 |
| ITA carry-forwards | 206,558 | 206,558 | - | - | 206,558 | 206,558 |
| Other items | 2,111 | 599 | (12) | (12) | 2,099 | 587 |
| RCSLS | - | - | (14,358) | (18,529) | (14,358) | (18,529) |
| Tax assets/(liabilities) | 293,566 | 351,359 | (278,117) | (310,944) | 15,449 | 40,415 |
| Set off of tax | (160,842) | (203,656) | 160,842 | 203,656 | - | - |
| Net tax assets/(liabilities) | 132,724 | 147,703 | (117,275) | (107,288) | 15,449 | 40,415 |
| Company | | | | | | |
| Property, plant and equipment | - | - | (17,023) | (17,516) | (17,023) | (17,516) |
| RCSLS | - | - | (14,358) | (18,529) | (14,358) | (18,529) |
| | - | - | (31,381) | (36,045) | (31,381) | (36,045) |

Company No. 153208 W

9. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

| Group | At 1.1.2013 RM'000 | Recognised in profit or loss (Note 22) RM'000 | Recognised directly in equity RM'000 | Effect of movement in exchange rates RM'000 | At 31.12.2013/ 1.1.2014 RM'000 | Recognised in profit or loss (Note 22) RM'000 | Recognised directly in equity RM'000 | Effect of movement in exchange rates RM'000 | At 31.12.2014 RM'000 |
|-------------------------------------|--------------------------|---|---|---|---|---|---|---|----------------------------|
| Property, plant and equipment | (177,397) | (113,437) | - | (1,569) | (292,403) | 30,321 | - | (1,665) | (263,747) |
| Provisions | 3,038 | 1,785 | - | - | 4,823 | (3,130) | - | - | 1,693 |
| Tax loss carry-forwards | - | 413 | - | - | 413 | (7) | - | - | 406 |
| Capital allowance carry-forwards | 74,992 | 63,974 | - | - | 138,966 | (56,168) | - | - | 82,798 |
| ITA carry-forwards | 149,992 | 56,566 | - | - | 206,558 | - | - | - | 206,558 |
| Other items | 926 | (339) | - | - | 587 | 1,512 | - | - | 2,099 |
| RCSLS | (22,760) | 3,983 | 248 | - | (18,529) | (348) | 4,519 | - | (14,358) |
| | 28,791 | 12,945 | 248 | (1,569) | 40,415 | (27,820) | 4,519 | (1,665) | 15,449 |
| Company | | | | | | | | | |
| Property, plant and equipment | (15,947) | (1,569) | - | - | (17,516) | 493 | - | - | (17,023) |
| Other items | 748 | (748) | - | - | - | - | - | - | - |
| RCSLS | (22,760) | 3,983 | 248 | - | (18,529) | (348) | 4,519 | - | (14,358) |
| | (37,959) | 1,666 | 248 | - | (36,045) | 145 | 4,519 | - | (31,381) |

9. Deferred tax assets/(liabilities) (continued)

Estimation uncertainty and significant judgements

In October 2013, PM Bintulu was awarded Pioneer Status by MIDA, which entitles PM Bintulu exemption from tax for a period of 5 years from 1 January 2013 to 31 December 2017 on 100% of statutory income derived from the production of aluminium products. PM Bintulu is allowed to apply for an additional 5 years exemption upon expiry of the first 5 years.

In July 2014, MIDA further granted PM Bintulu the right to apply for an additional 5 years Pioneer Status, resulting in a potential extension of exemption from tax up to 31 December 2027.

The measurement of the net deferred tax liabilities of PM Bintulu amounting to RM48,667,000 (2013: RM38,667,000) is based on the assumptions below:

- (i) PM Bintulu will successfully obtain MIDA's approval to extend the pioneer period to 31 December 2027 at the end of the current 5-year period granted;
- (ii) there will not be any substantial changes to the estimated useful lives of the property, plant and equipment of PM Bintulu nor will there be any significant disposals/write-off of existing property, plant and equipment up to 31 December 2027; and
- (iii) there will not be any substantial changes to the current enacted tax rates.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | Group | |
|--|---------------|---------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Other deductible temporary differences | 3,092 | 828 |
| Tax loss carry-forwards | 52,090 | 40,107 |
| Capital allowance carry-forwards | 8,256 | 8,273 |
| Reinvestment allowance carry-forwards | 6,665 | 6,665 |
| | <u>70,103</u> | <u>55,873</u> |

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which these assets can be utilised. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits there from.

10. Trade and other receivables

| | Note | Group | | Company | |
|---------------------------------------|------|----------------|----------------|----------------|------------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current | | | | | |
| Non-trade | | | | | |
| Amounts due from subsidiaries | 10.1 | - | - | - | 10,578 |
| Current | | | | | |
| Trade | | | | | |
| Trade receivables | | 595,464 | 390,040 | 56,602 | 48,977 |
| Less: Individual impairment allowance | | (10,675) | (9,974) | (325) | (325) |
| | | <u>584,789</u> | <u>380,066</u> | <u>56,277</u> | <u>48,652</u> |
| Amounts due from subsidiaries | 10.1 | - | - | 414,065 | 594,113 |
| Less: Individual impairment allowance | | - | - | (18,193) | - |
| | | <u>-</u> | <u>-</u> | <u>395,872</u> | <u>594,113</u> |
| Amount due from an associate | 10.1 | <u>31,550</u> | <u>28,743</u> | <u>25,279</u> | <u>20,529</u> |
| | | <u>616,339</u> | <u>408,809</u> | <u>477,428</u> | <u>663,294</u> |
| Non-trade | | | | | |
| Amounts due from subsidiaries | 10.1 | - | - | 478,436 | 863,605 |
| Less: Individual impairment allowance | | - | - | (26,673) | (2,326) |
| | | <u>-</u> | <u>-</u> | <u>451,763</u> | <u>861,279</u> |
| Other receivables | 10.2 | 83,885 | 118,286 | 3,770 | 3,876 |
| Deposits | 10.3 | <u>10,270</u> | <u>55,728</u> | <u>2,124</u> | <u>4,305</u> |
| | | <u>94,155</u> | <u>174,014</u> | <u>457,657</u> | <u>869,460</u> |
| | | <u>710,494</u> | <u>582,823</u> | <u>935,085</u> | <u>1,532,754</u> |
| | | <u>710,494</u> | <u>582,823</u> | <u>935,085</u> | <u>1,543,332</u> |

10. Trade and other receivables (continued)

10.1 Related party balances

The trade balances due from subsidiaries and an associate are subject to normal trade terms. The non-trade balances due from subsidiaries are subject to the following terms:

| | Company | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Non-current | | |
| Interest free and repayable in more than a year | - | 10,578 |
| Current | | |
| Interest free and repayable on demand | 296,214 | 543,098 |
| Subject to interest at 6.00% per annum and repayable on demand | 182,222 | 320,507 |
| | <u>478,436</u> | <u>863,605</u> |

10.2 Other receivables

Included in other receivables of the Group were advances made to a purchasing agent for the procurement of spare parts and materials on behalf of the Group entities amounting to RM52,667,000 (2013: RM83,933,000).

10.3 Deposits

Included in deposits of the Group were deposits paid to contractors/suppliers for the construction/procurement of plant and machinery amounting to RM3,644,000 (2013: RM30,825,000).

10.4 Estimation uncertainty and critical judgements

The Group and the Company make impairment allowance on receivables based on assessment of recoverability. Whilst management's assessment is guided by past experiences, judgement is made about the future recovery of debts.

11. Inventories

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Raw materials | 190,804 | 160,352 | 22,199 | 6,874 |
| Work-in-progress | 103,394 | 93,065 | 3,606 | 2,414 |
| Finished goods | 205,220 | 131,838 | 11,429 | 16,594 |
| Consumable parts | 9,668 | 1,323 | 77 | 68 |
| Goods in transit | 46,100 | - | - | - |
| | <u>555,186</u> | <u>386,578</u> | <u>37,311</u> | <u>25,950</u> |
| Carrying amount of inventories pledged as security for bank borrowings (see Note 17) | <u>121,817</u> | <u>74,078</u> | <u>-</u> | <u>-</u> |
| Recognised in profit or loss: Inventories recognised as cost of sales | 1,707,482 | 1,164,877 | 514,491 | 494,571 |
| Write down to net realisable value | <u>-</u> | <u>1,412</u> | <u>-</u> | <u>-</u> |

At 31 December 2013, the write down was included in cost of sales.

12. Derivative financial assets/(liabilities)

| | 2014 | | | 2013 | |
|--|----------------------------|------------------|-----------------------|----------------------------|-----------------------|
| | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 | Nominal value RM'000 | Liabilities RM'000 |
| Group | | | | | |
| Derivatives held for trading at fair value through profit or loss | | | | | |
| - Call option contracts | 149,817 | 559 | - | - | - |
| - Commodity swaps | 190,006 | 8,797 | - | - | - |
| - Forward exchange contracts | - | - | - | 300,542 | (62) |
| - Interest rate swaps | 110,490 | - | (862) | 13,102 | (42) |
| | <u>450,313</u> | <u>9,356</u> | <u>(862)</u> | <u>313,644</u> | <u>(104)</u> |

12. Derivative financial assets/(liabilities) (continued)

| Company | 2014 | | | 2013 | |
|---|----------------------------|------------------|-----------------------|----------------------------|-----------------------|
| | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 | Nominal value RM'000 | Liabilities RM'000 |
| Derivatives held for trading at fair value through profit or loss | | | | | |
| - Call option contracts | 81,425 | 154 | - | - | - |
| - Commodity swaps | 98,114 | 1,799 | - | - | - |
| - Interest rate swaps | 110,490 | - | (862) | 13,102 | (42) |
| | <u>290,029</u> | <u>1,953</u> | <u>(862)</u> | <u>13,102</u> | <u>(42)</u> |

Call option contracts and commodity swaps are used to lock in aluminium prices while forward exchange contracts and interest rate swaps are used to manage the foreign currency and interest rate exposures arising from the monetary assets and liabilities denominated in foreign currencies of the Group and of the Company. Most of the derivatives have maturities of less than one year after the end of the reporting period. Where necessary, the derivatives are rolled over at maturity.

13. Cash and cash equivalents

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deposits placed with licensed banks | 39,167 | 146,857 | 438 | 391 |
| Cash and bank balances | <u>315,997</u> | <u>142,036</u> | <u>50,160</u> | <u>27,008</u> |
| | <u>355,164</u> | <u>288,893</u> | <u>50,598</u> | <u>27,399</u> |

Included in deposits placed with licensed banks of the Group is RM35,757,000 (2013: RM63,588,000) pledged for bank facilities granted to certain subsidiaries (see Note 17).

14. Asset classified as held for sale

At 31 December 2013, a leasehold building was presented as asset held for sale following the commitment of the Group's management in February 2013 to sell the investment property. The sale and purchase agreement was entered in February 2013 and the sale was completed in April 2014.

Investment property held for sale comprised the following:

| | Note | Group RM'000 |
|--------------------------|------|-----------------|
| 2013 | | |
| Cost | 4 | 3,229 |
| Accumulated depreciation | 4 | <u>(748)</u> |
| | | <u>2,481</u> |

15. Capital and reserves

Share capital

| | Amount 2014 RM'000 | Group and Company Number of shares 2014 '000 | Amount 2013 RM'000 | Number of shares 2013 '000 |
|--------------------------------|--------------------------|--|--------------------------|-------------------------------------|
| Ordinary share of RM0.50 each: | | | | |
| Authorised: | | | | |
| At 1 January | 500,000 | 1,000,000 | 500,000 | 1,000,000 |
| Created during the year | <u>500,000</u> | <u>1,000,000</u> | - | - |
| At 31 December | <u>1,000,000</u> | <u>2,000,000</u> | <u>500,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | | | |
| At 1 January | 254,677 | 509,351 | 253,890 | 507,778 |
| Issued during the year: | | | | |
| - Bonus issue | 274,884 | 549,769 | - | - |
| - Conversion of RCSLS | 17,507 | 35,013 | 787 | 1,573 |
| - Exercise of warrants | <u>3,329</u> | <u>6,659</u> | - | - |
| At 31 December | <u>550,397</u> | <u>1,100,792</u> | <u>254,677</u> | <u>509,351</u> |

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

15. Capital and reserves (continued)

Capital reserves

The capital reserves comprise the equity portion of RCSLS issued together with free warrants attached (see Note 17.6).

At an extraordinary general meeting held on 29 June 2011, the Company's shareholders approved a proposed renounceable rights issue of up to RM323,735,042 nominal value of 8-year 6% RCSLS at 100% of its nominal value together with up to 147,152,292 free warrants on the basis of one RM2.20 nominal value of RCSLS together with one warrant for every three existing ordinary shares of RM0.50 each held in the Company.

On 26 August 2011, the Company issued 145,684,940 RCSLS together with 145,684,940 free detachable warrants for cash of RM320,506,868. The RCSLS are convertible into 145,684,940 ordinary shares of RM0.50 each from the first anniversary of the issue date of the RCSLS up to 22 August 2019 at the option of the holder, which is at a rate of one ordinary share of RM0.50 each for every one RCSLS held (adjusted to two ordinary shares of RM0.50 each for every one RCSLS held consequential to the bonus issue credited on 10 November 2014 on the basis of 1 bonus share for every existing share held). Unconverted RCSLS will be entitled to receive a coupon of 6% per annum based on the nominal value of RCSLS held.

The warrants are in registered form and constituted by a deed poll. The registered holders are entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price of RM2.20 (adjusted to RM1.10 consequential to the bonus issue credited on 10 November 2014 on the basis of 1 bonus share for every existing share held) per ordinary share for every warrant held. The conversion ratio is subject to the aforesaid deed poll and can be exercised at any time during the eight-year subscription period up to 22 August 2019.

The number of RCSLS and warrants is as follows:

| | RCSLS 2014 '000 | RCSLS 2013 '000 | Warrants 2014 '000 | Warrants 2013 '000 |
|--|--------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| Outstanding at 1 January | 144,112 | 145,685 | 80,684 | 80,684 |
| Adjusted consequential to the bonus issue during the year | - | - | 75,025 | - |
| Converted/Exercised during the year | (34,886) | (1,573) | (6,659) | - |
| Redeemed during the year | (12,325) | - | - | - |
| Outstanding at 31 December | <u>96,901</u> | <u>144,112</u> | <u>149,050</u> | <u>80,684</u> |

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Trade and other payables

| | Note | Group | | Company | |
|-----------------------------|------|----------------|----------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current | | | | | |
| Non-trade | | | | | |
| Other payables | 16.1 | 66,842 | 77,099 | - | - |
| Current | | | | | |
| Trade | | | | | |
| Trade payables | | 416,610 | 451,620 | 30,448 | 3,377 |
| Amounts due to subsidiaries | 16.2 | - | - | 508,386 | 667,814 |
| Amount due to an associate | 16.2 | 10,135 | 10,369 | 538 | 1,192 |
| | | <u>426,745</u> | <u>461,989</u> | <u>539,372</u> | <u>672,383</u> |
| Non-trade | | | | | |
| Amounts due to subsidiaries | 16.2 | - | - | 68,915 | 78,773 |
| Amount due to an associate | 16.2 | 3,590 | 3,477 | 1,948 | 1,948 |
| Other payables | 16.1 | 269,762 | 253,419 | 15,546 | 96,822 |
| Accrued expenses | 16.3 | 40,212 | 88,616 | 5,829 | 6,731 |
| | | <u>313,564</u> | <u>345,512</u> | <u>92,238</u> | <u>184,274</u> |
| | | <u>740,309</u> | <u>807,501</u> | <u>631,610</u> | <u>856,657</u> |
| | | <u>807,151</u> | <u>884,600</u> | <u>631,610</u> | <u>856,657</u> |

16.1 Other payables

Included in other payables of the Group and of the Company are:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Amounts due to: | | | | |
| - a purchasing agent | 66,703 | 86,951 | - | - |
| - contractors of Samalaju Plant | 2,847 | 17,339 | - | - |
| - state government of Sarawak (leasehold land premium) | 20,046 | 30,963 | - | - |
| Advance payments received in relation to forward sale agreements entered with: | | | | |
| - a customer | 160,257 | 92,622 | - | 92,622 |
| - a non-controlling interest holder | - | 81,213 | - | - |
| | <u>-</u> | <u>81,213</u> | <u>-</u> | <u>-</u> |

16. Trade and other payables (continued)

16.2 Related party balances

The trade balances due to subsidiaries and an associate are subject to normal trade terms. The non-trade balances due to subsidiaries and an associate are unsecured, interest free and repayable on demand.

16.3 Accrued expenses

Included in accrued expenses of the Group are electricity charges accrued amounting to RM3,442,000 (2013: RM43,687,000).

17. Loans and borrowings

| | Note | Group | | Company | |
|---------------------------|------|------------------|------------------|----------------|----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current | | | | | |
| Bank loans | | | | | |
| - secured | 17.4 | 742,174 | 686,593 | 4,170 | 2,438 |
| - unsecured | 17.4 | 139,827 | 182,601 | - | 6,551 |
| Finance lease liabilities | 17.5 | 11,651 | 14,170 | 3,431 | 1,954 |
| RCSLS | 17.6 | 127,307 | 206,240 | 127,307 | 206,240 |
| | | <u>1,020,959</u> | <u>1,089,604</u> | <u>134,908</u> | <u>217,183</u> |
| Current | | | | | |
| Bank loans | | | | | |
| - secured | 17.4 | 250,174 | 207,163 | 528 | 616 |
| - unsecured | 17.4 | 35,386 | 294,086 | 6,993 | 6,551 |
| Bankers' acceptances | | | | | |
| - secured | 17.1 | 552,077 | 64,948 | - | - |
| - unsecured | 17.1 | 164,287 | 833,325 | 160,249 | 418,491 |
| Revolving credits | | | | | |
| - secured | 17.2 | 225,923 | 80,302 | - | - |
| - unsecured | 17.2 | 69,897 | 66,376 | - | 30,000 |
| Bank overdrafts | | | | | |
| - unsecured | 17.3 | 942 | 5,292 | - | 3,115 |
| Finance lease liabilities | 17.5 | 8,314 | 11,508 | 1,235 | 2,476 |
| RCSLS | 17.6 | 22,466 | 22,915 | 22,466 | 22,915 |
| | | <u>1,329,466</u> | <u>1,585,915</u> | <u>191,471</u> | <u>484,164</u> |
| | | <u>2,350,425</u> | <u>2,675,519</u> | <u>326,379</u> | <u>701,347</u> |

17.1 Bankers' acceptances

The bankers' acceptances of the Group entities amounting to RM552,077,000 (2013: RM64,948,000) are secured over the leasehold land, inventories and deposits pledged with licensed banks of subsidiaries with RM4,037,000 (2013: RM280,905,000) guaranteed by the Company.

17. Loans and borrowings (continued)

17.2 Revolving credits

The revolving credits of the Group entities amounting to RM225,923,000 (2013: RM80,302,000) are secured over fixed and floating charges over the property, plant and equipment, inventories and deposits pledged with licensed banks of subsidiaries and RM225,923,000 (2013: RM50,000,000) is also guaranteed by the Company.

The unsecured revolving credits of the Group entities amounting to RM69,897,000 (2013: RM16,377,000) are guaranteed by the Company.

17.3 Bank overdrafts - unsecured

The bank overdrafts of the Group entities amounting to RM942,000 (2013: RM2,177,000) are guaranteed by the Company.

17.4 Bank loans

| | Group | | Company | |
|-------------------------------|------------------|------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| <i>Loans of the Company:</i> | | | | |
| Loan 1 - unsecured | 6,993 | 13,102 | 6,993 | 13,102 |
| Loan 2 - secured | 4,698 | 3,054 | 4,698 | 3,054 |
| <i>Loans of subsidiaries:</i> | | | | |
| Loan 3 - secured | 270 | 296 | - | - |
| Loan 4 - secured | - | 129,000 | - | - |
| Loan 5 - secured | - | 396,242 | - | - |
| Loan 6 - secured | - | 345,143 | - | - |
| Loan 7 - unsecured | 168,220 | 163,765 | - | - |
| Loan 8 - unsecured | - | 32,723 | - | - |
| Loan 9 - unsecured | - | 92,124 | - | - |
| Loan 10 - secured | - | 7,034 | - | - |
| Loan 11 - secured | - | 8,117 | - | - |
| Loan 12 - unsecured | - | 10,822 | - | - |
| Loan 13 - unsecured | - | 2,164 | - | - |
| Loan 14 - secured | - | 4,870 | - | - |
| Loan 15 - unsecured | - | 161,987 | - | - |
| Loan 16 - secured | 802,021 | - | - | - |
| Loan 17 - secured | 168,457 | - | - | - |
| Loan 18 - secured | 16,902 | - | - | - |
| | <u>1,167,561</u> | <u>1,370,443</u> | <u>11,691</u> | <u>16,156</u> |

17. Loans and borrowings (continued)

17.4 Bank loans (continued)

Securities and guarantees

| | |
|----------------------|--|
| Loan 1 | No securities nor guarantees |
| Loan 2 | Secured over a building of the Company with a carrying amount of RM6,076,000 (2013: RM6,200,000) |
| Loan 3 | Secured over a building of a subsidiary with a carrying amount of RM806,000 (2013: RM887,000) and guaranteed by the Company |
| Loan 4 | At 31 December 2013, secured over a leasehold land of a subsidiary with a carrying amount of RM33,347,000, floating charges over other property, plant and equipment and inventories, deposits pledged with a licensed bank of RM5,113,000 and guaranteed by the Company |
| Loans 5 and 6 | At 31 December 2013, secured over a leasehold land of a subsidiary with a carrying amount of RM48,225,000, floating charges over other property, plant and equipment, deposits pledged with a licensed bank of RM20,590,000 and guaranteed by the Company |
| Loans 7, 8, 9 and 15 | Guaranteed by the Company |
| Loans 10 and 11 | At 31 December 2013, secured over a leasehold land of a subsidiary with a carrying amount of RM7,352,000, and guaranteed by a subsidiary |
| Loans 12 and 13 | Guaranteed by a subsidiary |
| Loan 14 | At 31 December 2013, guaranteed by a subsidiary and secured over deposits pledged with a licensed bank of RM37,885,000 |
| Loan 16 | Secured over a leasehold land of a subsidiary with a carrying amount of RM47,385,000, floating charges over other property, plant and equipment, deposits pledged with a licensed bank of RM19,109,000 and guaranteed by the Company |
| Loan 17 | Secured over a leasehold land of a subsidiary with a carrying amount of RM180,193,000 and guaranteed by the Company and a subsidiary |
| Loan 18 | Secured over a leasehold land of a subsidiary with a carrying amount of RM8,275,000, deposits pledged with a licensed bank of RM13,944,000 and guaranteed by a subsidiary |

17. Loans and borrowings (continued)

17.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

| | Future minimum lease payments | | Present value of minimum lease payments | Future minimum lease payments | | Present value of minimum lease payments |
|----------------------------|-------------------------------|----------------|---|-------------------------------|----------------|---|
| | 2014 | Interest 2014 | 2014 | 2013 | Interest 2013 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | |
| Less than one year | 9,501 | (1,187) | 8,314 | 13,151 | (1,643) | 11,508 |
| Between one and five years | 11,654 | (1,667) | 9,987 | 16,072 | (1,967) | 14,105 |
| More than five years | 1,948 | (284) | 1,664 | 76 | (11) | 65 |
| | <u>23,103</u> | <u>(3,138)</u> | <u>19,965</u> | <u>29,299</u> | <u>(3,621)</u> | <u>25,678</u> |
| Company | | | | | | |
| Less than one year | 1,451 | (216) | 1,235 | 2,904 | (428) | 2,476 |
| Between one and five years | 2,078 | (312) | 1,766 | 2,248 | (338) | 1,910 |
| More than five years | 1,949 | (284) | 1,665 | 51 | (7) | 44 |
| | <u>5,478</u> | <u>(812)</u> | <u>4,666</u> | <u>5,203</u> | <u>(773)</u> | <u>4,430</u> |

17.6 RCSLS

On 26 August 2011, the Company issued 145,684,940 RCSLS together with 145,684,940 free detachable warrants for cash of RM320,506,868. The RCSLS are convertible into 145,684,940 ordinary shares of RM0.50 each from the first anniversary of the issue date of the RCSLS up to 22 August 2019 at the option of the holder, which is at a rate of one ordinary share of RM0.50 each for every one RCSLS held (adjusted to two ordinary shares of RM0.50 each for every one RCSLS consequential to the bonus issue credited on 10 November 2014 on the basis of 1 bonus share for every existing share held). Unconverted RCSLS will be entitled to receive a coupon of 6% per annum based on the nominal value of RCSLS held.

17. Loans and borrowings (continued)

17.6 RCSLS (continued)

| | Group and Company | |
|--|--------------------------|----------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Proceeds from issue of 145,684,940 RCSLS and free warrants | 320,507 | 320,507 |
| Transaction costs | (6,819) | (6,819) |
| Net proceeds | 313,688 | 313,688 |
| Amount classified as equity: | | |
| - RCSLS reserve (see Note 15) | (14,408) | (14,408) |
| - Warrants reserve (see Note 15) | (76,475) | (76,475) |
| Amount classified as deferred tax liabilities | (27,719) | (27,719) |
| Accreted interest | 34,999 | 34,999 |
| Amortisation of transaction costs | 4,905 | 1,434 |
| | <u>234,990</u> | <u>231,519</u> |
| Less: Converted RCSLS | (58,102) | (2,364) |
| Less: Redeemed RCSLS | (27,115) | - |
| Carrying amount at 31 December | <u>149,773</u> | <u>229,155</u> |

Movement of RCSLS during the year

| | Group and Company | |
|-----------------------------------|--------------------------|----------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| At 1 January | 229,155 | 214,919 |
| Accreted interest | - | 15,992 |
| Amortisation of transaction costs | 3,471 | 608 |
| Conversion during the year | (55,738) | (2,364) |
| Redemption during the year | (27,115) | - |
| At 31 December | <u>149,773</u> | <u>229,155</u> |

RCSLS was scheduled to be redeemed by the Company in accordance to the following redemption schedule:

| End of year | % of issue size redeemed |
|-------------|--------------------------|
| 1 | - |
| 2 | - |
| 3 | 10 |
| 4 | 15 |
| 5 | 15 |
| 6 | 20 |
| 7 | 20 |
| 8 | 20 |
| | — |
| | 100 |
| | === |

17. Loans and borrowings (continued)

17.6 RCSLS (continued)

In February 2015, the shareholders of the Company approved the conversion of all RCSLS held by AMSB and PACS without undertaking a mandatory takeover offer. This was subsequently approved by the Securities Commission.

Following the necessary approvals, AMSB and PACS converted all their RCSLS to 191,375,756 ordinary shares of RM0.50 each of the Company. In March 2015, the Securities Commission further approved the Company to early redeem and cancel all the remaining 517,733 unconverted RCSLS. This was completed via the repayment of RM1,139,013 by the Company to the RCSLS holders.

17.7 Significant covenants

In connection with the significant bank loan facilities of certain subsidiaries, Press Metal Sarawak Sdn. Bhd., Press Metal Bintulu Sdn. Bhd. and Press Metal Hong Kong Limited, the subsidiaries and the Group have agreed on the following significant covenants with the lenders:

Press Metal Sarawak Sdn. Bhd. (Loan 4)

- i) Debt-to-Equity ratio of the subsidiary to be maintained below the ratio of 70:30; equity is defined to include all subordinated debts and shareholders advances;
- ii) minimum Finance Service Cover Ratio (“FSCR”) of 1.25 times, where FSCR equals to the subsidiary’s net operating cash flows for the year plus opening cash balance divided by total facility payment due for the current year;
- iii) no material change in the business plan of the subsidiary and of the Group; and
- iv) the Company shall maintain its shareholdings in the subsidiary of more than or equivalent to 80% throughout the tenure of the facility.

17. Loans and borrowings (continued)

17.7 Significant covenants (continued)

Press Metal Bintulu Sdn. Bhd. (2014: Loan 16; 2013: Loans 5 and 6)

- i) Debt-to-Equity ratio of the subsidiary to be maintained below the ratio of 70:30; equity is defined to include all subordinated debts and shareholders advances;
- ii) minimum Debt Service Cover Ratio (“DSCR”) of 1.25 times, where DSCR equals to the subsidiary’s net operating cash flows for the year plus opening cash balance divided by total facility payment due for the current year; and
- iii) to provide further security when required by the security agent.

Press Metal Hong Kong Limited (Loan 7)

- i) minimum DSCR of its subsidiary, PMI, of 1.25 times, where DSCR equals to the subsidiary’s net operating cash flows for the year plus opening cash balance divided by total facility payment due for the current year; and
- ii) Debt-to-Equity ratio of PMI to be maintained below the ratio of 70:30; equity is defined to include all subordinated debts and shareholders advances.

18. Revenue

| | Group | | Company | |
|-----------------------------|------------------|------------------|----------------|----------------|
| | 2014 RM’000 | 2013 RM’000 | 2014 RM’000 | 2013 RM’000 |
| Sale of goods | 3,994,677 | 3,048,547 | 635,288 | 663,273 |
| Services | 842 | 837 | - | - |
| Contracting and fabrication | 95,498 | 72,273 | - | - |
| Dividends | - | - | - | 7,253 |
| | <u>4,091,017</u> | <u>3,121,657</u> | <u>635,288</u> | <u>670,526</u> |

19. Finance income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Interest income of financial assets that are not at fair value through profit or loss: | | | | |
| - fixed deposits | 2,349 | 2,685 | - | - |
| - loan to a subsidiary | - | - | 15,831 | 19,178 |
| - unwinding of discount of non-current amount due from a subsidiary | - | - | 4,196 | - |
| | <u>2,349</u> | <u>2,685</u> | <u>20,027</u> | <u>19,178</u> |

20. Finance costs

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| - bank overdrafts | 300 | 360 | 176 | 287 |
| - bank loans: | | | | |
| - amortisation of transaction costs | 9,390 | 1,616 | - | - |
| - interest paid and payable | 60,215 | 75,288 | 247 | 253 |
| - bankers' acceptances | 38,258 | 30,041 | 13,020 | 14,874 |
| - discounting of amount due from a subsidiary | - | - | - | 1,773 |
| - finance lease liabilities | 1,144 | 1,645 | 208 | 138 |
| - revolving credits | 7,427 | 6,755 | 1,123 | 2,074 |
| - RCSLS: | | | | |
| - accretion of RCSLS | - | 15,992 | - | 15,992 |
| - amortisation of transaction costs | 3,471 | 608 | 3,471 | 608 |
| - coupon payment | 15,818 | 19,124 | 15,818 | 19,124 |
| | <u>136,023</u> | <u>151,429</u> | <u>34,063</u> | <u>55,123</u> |
| Other finance costs | <u>17,444</u> | <u>13,920</u> | <u>619</u> | <u>1,590</u> |
| | <u>153,467</u> | <u>165,349</u> | <u>34,682</u> | <u>56,713</u> |
| Recognised in profit or loss | 153,467 | 147,049 | 34,682 | 56,713 |
| Capitalised on qualifying assets: | | | | |
| - property, plant and equipment | - | 18,300 | - | - |
| | <u>153,467</u> | <u>165,349</u> | <u>34,682</u> | <u>56,713</u> |

21. Profit/(Loss) before tax

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Profit/(Loss) before tax is arrived after charging: | | | | |
| Auditors' remuneration: | | | | |
| - Audit fees | | | | |
| KPMG in Malaysia | 660 | 580 | 230 | 220 |
| Overseas affiliate of KPMG in Malaysia | - | 201 | - | - |
| Other auditors | 607 | 410 | - | - |
| - Non-audit fees | | | | |
| KPMG in Malaysia | 125 | 40 | 25 | 25 |
| Bad debts written off | 1,767 | 1,523 | - | - |
| Depreciation of investment properties | 41 | 105 | - | - |
| Depreciation of property, plant and equipment | 242,426 | 171,522 | 20,056 | 23,032 |
| Deposits written off | - | 1,467 | - | 1,467 |
| Impairment loss: | | | | |
| - Amounts due from subsidiaries | - | - | 42,540 | 2,326 |
| - Goodwill | 3,581 | - | - | - |
| - Investments in subsidiaries | - | - | 88,626 | 49,222 |
| - Trade receivables | 2,807 | 4,277 | - | - |
| Inventories written down | - | 1,412 | - | - |
| Loss on disposal of: | | | | |
| - A subsidiary | 108 | - | - | - |
| - Asset classified as held for sale | 132 | - | - | - |
| - Business | - | 48,120 | - | - |
| - Property, plant and equipment | 1,876 | 345 | 151 | - |
| Personnel expenses (including key management personnel): | | | | |
| - Contributions to Employees' Provident Fund | 6,409 | 4,783 | 2,606 | 2,360 |
| - Wages, salaries and others | 179,863 | 143,286 | 35,916 | 31,005 |
| Property, plant and equipment written off | 3,679 | 42,578 | - | - |
| Realised derivative loss | 1,409 | - | - | - |
| Realised foreign exchange loss | 8,454 | 2,669 | - | 2,419 |
| Rental expense in respect of: | | | | |
| - Property | 7,344 | 7,538 | 2,372 | 2,047 |
| - Equipment and machinery | 4,576 | 4,251 | 453 | 476 |
| Unrealised derivative loss | 862 | 42 | 862 | 42 |
| Unrealised foreign exchange loss | 112,315 | 19,370 | 11,819 | 19,340 |

21. Profit/(Loss) before tax (continued)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| and after crediting: | | | | |
| Bad debts recovered | - | 8 | - | - |
| Dividend income from: | | | | |
| - Associate | - | - | 644 | 430 |
| - Subsidiary | - | - | - | 7,253 |
| Gain on disposal of a subsidiary | - | 10 | - | - |
| Gain on disposal of property, plant and equipment | - | - | - | 18 |
| Gain on partial disposal of a subsidiary | - | - | 430,899 | - |
| Realised derivative gain | - | 2,890 | 4,482 | 2,952 |
| Realised foreign exchange gain | - | - | 1,343 | - |
| Rental income from: | | | | |
| - Investment property | 173 | 125 | - | - |
| - Property | 2,038 | 1,691 | - | - |
| Reversal of impairment loss on trade receivables | 519 | 122 | - | - |
| Unrealised derivative gain | 9,356 | - | 1,953 | - |

22. Tax expense**Recognised in profit or loss**

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Income tax expense | 38,098 | (2,707) | 6,064 | 5,509 |
| Share of tax of an equity-accounted associate | 703 | 812 | - | - |
| Total income tax expense | 38,801 | (1,895) | 6,064 | 5,509 |
| Major components of income tax expense include: | | | | |
| Current tax expense | | | | |
| Malaysian - current year | 5,920 | 5,742 | 5,311 | 5,199 |
| - prior year | 974 | 2,051 | 898 | 1,976 |
| Overseas - current year | 3,267 | 2,724 | - | - |
| - prior year | 117 | (279) | - | - |
| Total current tax recognised in profit or loss | 10,278 | 10,238 | 6,209 | 7,175 |

22. Tax expense (continued)

Recognised in profit or loss (continued)

| | Group | | Company | |
|---|----------------|----------------|----------------|-----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | 23,207 | (19,612) | (708) | (3,856) |
| Under provision in prior year | 4,613 | 2,809 | 563 | 2,924 |
| Effect of change in tax rate | - | 3,858 | - | (734) |
| Total deferred tax recognised in profit or loss | 27,820 | (12,945) | (145) | (1,666) |
| Share of tax of an equity- accounted associate | 703 | 812 | - | - |
| Total income tax expense | <u>38,801</u> | <u>(1,895)</u> | <u>6,064</u> | <u>5,509</u> |
| Reconciliation of tax expense | | | | |
| Profit/(Loss) before tax | <u>304,768</u> | <u>9,680</u> | <u>282,195</u> | <u>(44,717)</u> |
| Income tax calculated using Malaysian tax rate of 25% (2013: 25%) | 76,192 | 2,420 | 70,549 | (11,179) |
| Effect of tax rates in foreign jurisdictions | (383) | 379 | - | - |
| Effect of change in tax rate | - | 3,858 | - | (734) |
| Non-deductible expenses | 33,421 | 49,029 | 41,940 | 18,426 |
| Non-taxable income | - | - | (107,886) | (1,921) |
| Tax incentives | (79,691) | (65,173) | - | - |
| Effect of deferred tax assets not recognised | 3,558 | 6,994 | - | - |
| Effect of accretion of RCSLS | - | (3,983) | - | (3,983) |
| Under provision in prior years | 5,704 | 4,581 | 1,461 | 4,900 |
| | <u>38,801</u> | <u>(1,895)</u> | <u>6,064</u> | <u>5,509</u> |

22. Tax expense (continued)

Non-taxable income

The non-taxable income of the Company for the financial year ended 31 December 2014 is related to the gain on partial disposal of a subsidiary and dividends received from an associate (2013: dividends received from an associate and a subsidiary).

Tax incentives

(i) Press Metal Sarawak Sdn. Bhd. (“PMS”)

In July 2012, PMS obtained the approval from MIDA providing PMS with an Investment Tax Allowance (“ITA”) of 100% on capital expenditures incurred towards the production of aluminium products over a period of 5 years from 24 January 2008 to 23 January 2013.

For the financial year ended 31 December 2012, PMS recognised ITA for capital expenditures incurred on plant and machinery which are used to produce aluminium products. This resulted in the recognition of deferred tax assets amounting to RM149,992,000 for the financial year ended 31 December 2012.

For the financial years ended 31 December 2014 and 31 December 2013, upon further clarification with MIDA, the factory buildings housing the plant and machinery were also deemed to qualify for ITA. This resulted in further recognition of deferred tax assets amounting to RM13,648,000 (2013: RM65,173,000).

(ii) Press Metal Bintulu Sdn. Bhd. (“PM Bintulu”)

In October 2013, PM Bintulu was awarded Pioneer Status by MIDA, which entitles PM Bintulu exemption from tax for a period of 5 years from 1 January 2013 to 31 December 2017 on 100% of statutory income derived from the production of aluminium products. PM Bintulu is allowed to apply for an additional 5 years exemption upon expiry of the first 5 years.

In July 2014, MIDA further granted PM Bintulu the right to apply for an additional 5 years Pioneer Status, resulting in a potential extension of exemption from tax up to 31 December 2027.

23. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|------------------|------------------|
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Profit attributable to ordinary shareholders | <u>214,910</u> | <u>14,959</u> |
| | Group | |
| | 2014 | 2013 |
| | '000 | '000 |
| | | Restated |
| Issued ordinary shares at 1 January | 509,351 | 507,778 |
| Effect of bonus issue during the year | 531,764 | 508,607 |
| Effect of conversion of RCSLS during the year | 20,534 | - |
| Effect of exercise of warrants during the year | <u>1,922</u> | <u>829</u> |
| Weighted average number of ordinary shares at 31 December | <u>1,063,571</u> | <u>1,017,214</u> |
| | Group | |
| | 2014 | 2013 |
| | sen | sen |
| | | Restated |
| Basic earnings per ordinary share | <u>20.21</u> | <u>1.47</u> |

23. Earnings per ordinary share (continued)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

| | Group 2014 RM'000 |
|---|----------------------------------|
| Profit attributable to ordinary shareholders (basic) | 214,910 |
| Interest expense on RCSLS, net of tax | <u>11,863</u> |
| Profit attributable to ordinary shareholders (diluted) | <u><u>226,773</u></u> |
| | Group 2014 '000 |
| Weighted average number of ordinary shares at 31 December (basic) | 1,063,571 |
| Effect of conversion of outstanding RCSLS | 193,802 |
| Effect of warrants on issue | <u>74,525</u> |
| Weighted average number of ordinary shares at 31 December (diluted) | <u><u>1,331,898</u></u> |
| | 2014 Sen |
| Diluted earnings per ordinary share | <u>17.03</u> |

The average market value of the Company's shares of RM2.20 (2013, restated: RM1.07) per share for purpose of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

At 31 December 2013, the effects of both the warrants and RCSLS were anti-dilutive. The RCSLS are anti-dilutive as the saving of interest expense on RCSLS consequent to the enlarged issued and paid-up capital from the assumed exercise of the RCSLS increases the EPS of the Group.

Hence, diluted EPS at 31 December 2013 was not presented as the Group had no shares or other instruments with potential dilutive effects.

24. Dividends

Dividends recognised by the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|------------------------------|------------------|---------------------------|-------------------|
| 2014 | | | |
| Second interim 2013 ordinary | 1.00 | 5,157 | 3 April 2014 |
| First interim 2014 ordinary | 5.00 | 26,620 | 19 June 2014 |
| Second interim 2014 ordinary | 5.00 | 27,300 | 12 September 2014 |
| Third interim 2014 ordinary | 3.00 | <u>32,986</u> | 27 November 2014 |
| Total amount | | <u>92,063</u> | |
| 2013 | | | |
| Third interim 2012 ordinary | 1.00 | 5,078 | 10 April 2013 |
| First interim 2013 ordinary | 1.00 | <u>5,094</u> | 3 January 2014 |
| Total amount | | <u>10,172</u> | |

After the reporting date, the following dividend was declared by the Directors and paid on 12 March 2015. This dividend will be recognised in subsequent financial period. The Directors do not recommend any final dividend to be paid for the financial year under review.

| | Sen per share | Total amount RM'000 |
|------------------------------|------------------|---------------------------|
| Fourth interim 2014 ordinary | 3.00 | <u>38,788</u> |

25. Operating segments

During the financial year, the Group changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change. The comparative figures have been restated accordingly.

The Group previously had the following two reportable segments, *Manufacturing and trading* (manufacturing and marketing of aluminium products) and *Contracting and fabrication* (contracting and fabrication of aluminium and stainless steel products).

Following the change in structure during the financial year, the Group now has two different reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Executive Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

25. Operating segments (continued)

- *Smelting and extrusion* Includes manufacturing and trading of smelting products
- *Trading* Includes marketing of aluminium products

Other non-reportable segments comprise operations related to contracting and fabrication, waste management, investment holding and dormant companies. Under the new structure, none of these segments met the quantitative thresholds for reporting segments in 2014 and 2013.

There are varying levels of integration between Smelting and extrusion reportable segment, and Trading reportable segment. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax and interest, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets information is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

25. Operating segments (continued)

| Group | Smelting and extrusion | | Trading | | Total | |
|--|---------------------------|----------------------------|----------------|----------------------------|----------------|----------------------------|
| | 2014 RM'000 | 2013 RM'000 Restated | 2014 RM'000 | 2013 RM'000 Restated | 2014 RM'000 | 2013 RM'000 Restated |
| Segment profit/(loss) | 417,339 | 159,269 | 29,934 | (4,067) | 447,273 | 155,202 |
| <i>Included in the measure of segment profit are:</i> | | | | | | |
| Revenue from external customers | 3,124,965 | 2,334,229 | 862,434 | 712,338 | 3,987,399 | 3,046,567 |
| Inter-segment revenue | 773,528 | 509,206 | 10,008 | 107,880 | 783,536 | 617,086 |
| Loss on disposal of business | - | 48,120 | - | - | - | 48,120 |
| Property, plant and equipment written off | 3,574 | 42,578 | 105 | - | 3,679 | 42,578 |
| Depreciation | 238,963 | 168,239 | 565 | 727 | 239,528 | 168,966 |
| <i>Not included in the measure of segment profits but provided to CODM:</i> | | | | | | |
| Finance costs | 152,203 | 142,499 | 12 | 3,521 | 152,215 | 146,020 |
| Finance income | 2,336 | 2,684 | 3 | 1 | 2,339 | 2,685 |
| Tax expense/(income) | 36,427 | (5,208) | (78) | 2,018 | 36,349 | (3,190) |
| Segment assets | 4,626,351 | 4,697,562 | 224,056 | 544,625 | 4,850,407 | 5,242,187 |
| <i>Included in the measure of segment assets are:</i> | | | | | | |
| Investment in an associate | 38,428 | 36,721 | - | - | 38,428 | 36,721 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 213,690 | 940,682 | 375 | 444 | 214,065 | 941,126 |

25. Operating segments (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and other material items

| Group | 2014 RM'000 | 2013 RM'000 Restated |
|---|------------------|----------------------------|
| Revenue | | |
| Total external revenue for reportable segments | 3,987,399 | 3,046,567 |
| Other non-reportable segments | 103,618 | 75,090 |
| Consolidated total | <u>4,091,017</u> | <u>3,121,657</u> |
| Profit or loss | | |
| Total profit for reportable segments | 447,273 | 155,202 |
| Other non-reportable segments | 2,565 | 2,585 |
| Elimination of inter-segment losses/(profits) | 3,515 | (6,649) |
| Finance income | 2,349 | 2,685 |
| Finance costs | (153,467) | (147,049) |
| Share of profit of an associate not included in reportable segments | 1,830 | 2,094 |
| Tax expense | (38,098) | 2,707 |
| Consolidated total | <u>265,967</u> | <u>11,575</u> |
| Total assets | | |
| Total assets for reportable segments | 4,850,407 | 5,242,187 |
| Other non-reportable segments | 800,574 | 460,706 |
| Elimination of inter-segment balances | (193,088) | (630,135) |
| Consolidated total | <u>5,457,893</u> | <u>5,072,758</u> |
| Depreciation | | |
| Total depreciation for reportable segments | 239,528 | 168,966 |
| Other non-reportable segments | 2,939 | 2,661 |
| Consolidated total | <u>242,467</u> | <u>171,627</u> |
| Additions to non-current assets | | |
| Total additions to non-current assets for reportable segments | 214,065 | 941,126 |
| Other non-reportable segments | 64,085 | 5,529 |
| Consolidated total | <u>278,150</u> | <u>946,655</u> |

25. Operating segments (continued)

Geographical segments

The Smelting and extrusion and the Trading segments are managed on a worldwide basis, with manufacturing facilities and sales offices mainly in Malaysia (country of domicile), Asia region which includes Singapore, Hong Kong and China, Australia for the Oceania region, United Kingdom for the Europe region and the United States of America for the North America region.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical information

| Group | Revenue | | Non-current assets | |
|---------------|------------------|------------------|--------------------|------------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Malaysia | 3,123,762 | 2,208,714 | 3,426,715 | 3,428,526 |
| Asia | 574,334 | 570,471 | 357,693 | 331,393 |
| Oceania | 57,613 | 65,058 | 769 | 1,287 |
| Europe | 256,748 | 208,398 | 2,500 | 2,489 |
| North America | 78,560 | 69,016 | 260 | 263 |
| | <u>4,091,017</u> | <u>3,121,657</u> | <u>3,787,937</u> | <u>3,763,958</u> |

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| Group | Revenue | | Segment |
|--|----------------|----------------|------------------------|
| | 2014 RM'000 | 2013 RM'000 | |
| Gerald Metal S.A. | 887,616 | 550,732 | Smelting and extrusion |
| Sumitomo Corporation Asia and Oceania Pte. Ltd. | <u>963,325</u> | <u>534,495</u> | Smelting and extrusion |

26. Financial instruments

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Fair value through profit or loss (“FVTPL”):
 - Held for trading (“HFT”);
- (c) Available-for-sale financial assets (“AFS”);
- (d) Financial liabilities measured at amortised cost (“FL”).

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL - HFT RM'000 | AFS RM'000 |
|----------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|-----------------------|
| 2014 | | | | |
| Financial assets | | | | |
| Group | | | | |
| Other investments | 1,803 | - | - | 1,803 |
| Trade and other receivables | 710,494 | 710,494 | - | - |
| Derivative financial assets | 9,356 | - | 9,356 | - |
| Cash and cash equivalents | 355,164 | 355,164 | - | - |
| | <u>1,076,817</u> | <u>1,065,658</u> | <u>9,356</u> | <u>1,803</u> |
| Company | | | | |
| Other investments | 750 | - | - | 750 |
| Trade and other receivables | 935,085 | 935,085 | - | - |
| Derivative financial assets | 1,953 | - | 1,953 | - |
| Cash and cash equivalents | 50,598 | 50,598 | - | - |
| | <u>988,386</u> | <u>985,683</u> | <u>1,953</u> | <u>750</u> |
| Financial liabilities | | | | |
| Group | | | | |
| Loans and borrowings | (2,350,425) | (2,350,425) | - | - |
| Trade and other payables | (807,151) | (807,151) | - | - |
| Derivative financial liabilities | (862) | - | (862) | - |
| | <u>(3,158,438)</u> | <u>(3,157,576)</u> | <u>(862)</u> | <u>-</u> |
| Company | | | | |
| Loans and borrowings | (326,379) | (326,379) | - | - |
| Trade and other payables | (631,610) | (631,610) | - | - |
| Derivative financial liabilities | (862) | - | (862) | - |
| | <u>(958,851)</u> | <u>(957,989)</u> | <u>(862)</u> | <u>-</u> |

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL - HFT RM'000 | AFS RM'000 |
|----------------------------------|------------------------------|------------------------|--------------------------|---------------|
| 2013 | | | | |
| Financial assets | | | | |
| Group | | | | |
| Other investments | 1,803 | - | - | 1,803 |
| Trade and other receivables | 582,823 | 582,823 | - | - |
| Cash and cash equivalents | 288,893 | 288,893 | - | - |
| | <u>873,519</u> | <u>871,716</u> | <u>-</u> | <u>1,803</u> |
| Company | | | | |
| Other investments | 750 | - | - | 750 |
| Trade and other receivables | 1,543,332 | 1,543,332 | - | - |
| Cash and cash equivalents | 27,399 | 27,399 | - | - |
| | <u>1,571,481</u> | <u>1,570,731</u> | <u>-</u> | <u>750</u> |
| Financial liabilities | | | | |
| Group | | | | |
| Loans and borrowings | (2,675,519) | (2,675,519) | - | - |
| Trade and other payables | (884,600) | (884,600) | - | - |
| Derivative financial liabilities | (104) | - | (104) | - |
| | <u>(3,560,223)</u> | <u>(3,560,119)</u> | <u>(104)</u> | <u>-</u> |
| Company | | | | |
| Loans and borrowings | (701,347) | (701,347) | - | - |
| Trade and other payables | (856,657) | (856,657) | - | - |
| Derivative financial liabilities | (42) | - | (42) | - |
| | <u>(1,558,046)</u> | <u>(1,558,004)</u> | <u>(42)</u> | <u>-</u> |

26.2 Net losses arising from financial instruments

| | Group | | Company | |
|--|------------------|------------------|-----------------|------------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Net gains/(losses) on: | | | | |
| Fair value through profit or loss: | | | | |
| - Held for trading | 7,085 | 2,890 | 5,573 | 2,952 |
| Loans and receivables | (12,992) | (7,795) | (17,234) | (33,930) |
| Financial liabilities measured at amortised cost | <u>(262,950)</u> | <u>(165,745)</u> | <u>(50,437)</u> | <u>(78,379)</u> |
| | <u>(268,857)</u> | <u>(170,650)</u> | <u>(62,098)</u> | <u>(109,357)</u> |

26. Financial instruments (continued)

26.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its receivables from customers (which are predominantly its subsidiaries), loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 150 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was as follows:

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

| | Group | | Company | |
|---------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Domestic | 164,704 | 125,262 | 50,752 | 44,417 |
| Asia | 255,129 | 162,548 | 5,525 | 4,235 |
| Oceania | 9,510 | 10,340 | - | - |
| Europe | 136,174 | 68,292 | - | - |
| North America | 19,272 | 13,624 | - | - |
| | <u>584,789</u> | <u>380,066</u> | <u>56,277</u> | <u>48,652</u> |

Impairment losses

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| Group | Gross | Individual | Net |
|-----------------------------|----------------|----------------------|----------------|
| | RM'000 | impairment RM'000 | RM'000 |
| 2014 | | | |
| Not past due | 429,154 | - | 429,154 |
| Past due 1 - 150 days | 106,822 | (1,050) | 105,772 |
| Past due more than 150 days | 59,488 | (9,625) | 49,863 |
| | <u>595,464</u> | <u>(10,675)</u> | <u>584,789</u> |
| 2013 | | | |
| Not past due | 211,121 | - | 211,121 |
| Past due 1 - 150 days | 134,401 | (1,787) | 132,614 |
| Past due more than 150 days | 44,518 | (8,187) | 36,331 |
| | <u>390,040</u> | <u>(9,974)</u> | <u>380,066</u> |
| Company | | | |
| 2014 | | | |
| Not past due | 48,402 | - | 48,402 |
| Past due 1 - 150 days | 7,875 | - | 7,875 |
| Past due more than 150 days | 325 | (325) | - |
| | <u>56,602</u> | <u>(325)</u> | <u>56,277</u> |
| 2013 | | | |
| Not past due | 31,424 | - | 31,424 |
| Past due 1 - 150 days | 17,228 | - | 17,228 |
| Past due more than 150 days | 325 | (325) | - |
| | <u>48,977</u> | <u>(325)</u> | <u>48,652</u> |

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Group and the Company monitor the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| At 1 January | 9,974 | 6,857 | 325 | 325 |
| Impairment loss recognised | 2,807 | 4,277 | - | - |
| Impairment loss reversed | (519) | (122) | - | - |
| Impairment loss written off | (1,767) | (1,160) | - | - |
| Effect of movements in exchange rates | 180 | 122 | - | - |
| At 31 December | <u>10,675</u> | <u>9,974</u> | <u>325</u> | <u>325</u> |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to customers of contracting and fabrication contracts and banks in respect of banking facilities granted to certain subsidiaries. The Group and the Company monitor on an ongoing basis the performance of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk of the Group and of the Company amounts to RM10,011,000 (2013: RM6,379,000) and RM2,365,327,000 (2013: RM1,670,739,000) respectively, as at the end of the reporting period.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral (continued)

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter-company receivables, loans and advances

Risk management objectives, policies and processes for managing the risk

The Company trades with its subsidiaries and associate and provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries and associate regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, except for a balance of RM44,866,000 (2013: RM2,326,000) due from subsidiaries which is deemed not recoverable and impaired, there was no indication that the receivables, loans and advances to subsidiaries and associate are not recoverable. The Company does not specifically monitor the ageing of inter-company receivables and advances.

26.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group 2014 | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---------------------------------------|--|--|------------------------------------|-----------------------------------|-----------------------------------|---|
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 807,151 | - | 807,151 | 740,309 | 66,842 | - | - |
| Bank loans | 1,167,561 | * | 1,312,276 | 337,272 | 211,462 | 668,403 | 95,139 |
| Revolving credits | 295,820 | 2.85 - 6.44 | 295,820 | 295,820 | - | - | - |
| Bankers' acceptances | 716,364 | 1.75 - 5.74 | 716,364 | 716,364 | - | - | - |
| Bank overdrafts | 942 | 7.60 - 7.85 | 942 | 942 | - | - | - |
| Finance lease liabilities | 19,965 | 2.42 - 6.75 | 23,103 | 9,501 | 6,898 | 4,756 | 1,948 |
| Financial guarantees | 10,011 | - | 10,011 | 10,011 | - | - | - |
| | <u>3,017,814</u> | | <u>3,165,667</u> | <u>2,110,219</u> | <u>285,202</u> | <u>673,159</u> | <u>97,087</u> |
| <i>Derivative financial liabilities</i> | | | | | | | |
| Derivatives | <u>862</u> | | <u>862</u> | <u>862</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>3,018,676</u> | | <u>3,166,529</u> | <u>2,111,081</u> | <u>285,202</u> | <u>673,159</u> | <u>97,087</u> |

* Loan 1 - Interest is chargeable at a rate pegged against the London Metal Exchange commodity prices. Contractual cash flows as at 31 December 2014 are estimated based on coupon rate stipulated in the agreement.

Loans 2, 3, 7, and 16 - Represents lenders' cost of funds rate ranging from a fixed rate less 1.90% to plus 3.00% per annum.

Loans 17 and 18 - Fixed rate ranging from 6.00% to 7.25% per annum.

RCSLS

At 31 December 2014, the RCSLS has a carrying amount of RM158,539,000. Subsequent to the end of the current financial year, AMSB and PACS converted all their RCSLS to ordinary shares of the Company, and the Company early redeemed and cancelled all the remaining unconverted RCSLS via the repayment of RM1,139,013.

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

| Group | Carrying amount | Contractual interest rate | Contractual cash flows | Under 1 year | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|------------------------|----------------------------------|-------------------------------|---------------------|--------------------|--------------------|--------------------------|
| 2013 | RM'000 | % | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 884,600 | - | 884,600 | 807,501 | 77,099 | - | - |
| Bank loans | 1,370,443 | * | 1,564,935 | 564,645 | 197,186 | 615,941 | 187,163 |
| Revolving credits | 146,678 | 2.05 - 7.25 | 146,678 | 146,678 | - | - | - |
| Bankers' acceptances | 898,273 | 1.50 - 6.10 | 898,273 | 898,273 | - | - | - |
| Bank overdrafts | 5,292 | 7.10 - 7.60 | 5,292 | 5,292 | - | - | - |
| Finance lease liabilities | 25,678 | 2.28 - 8.00 | 29,299 | 13,151 | 8,520 | 7,552 | 76 |
| Financial guarantees | 6,379 | - | 6,379 | 6,379 | - | - | - |
| RCSLS with warrants (initial proceeds) | 320,507 | 6.00 | 390,284 | 50,727 | 64,677 | 274,880 | - |
| | <u>3,657,850</u> | | <u>3,925,740</u> | <u>2,492,646</u> | <u>347,482</u> | <u>898,373</u> | <u>187,239</u> |
| <i>Derivative financial liabilities</i> | | | | | | | |
| Derivatives | 104 | - | 104 | 104 | - | - | - |
| | <u>3,657,954</u> | | <u>3,925,844</u> | <u>2,942,750</u> | <u>347,482</u> | <u>898,373</u> | <u>187,239</u> |

* Loan 1 - Interest is chargeable at a rate pegged against the London Metal Exchange commodity prices. Contractual cash flows as at 31 December 2013 are estimated based on coupon rate stipulated in the agreement.

Loans 2, 3, 4, 6, 7, 8 and 9 - Represents lenders' cost of funds rate ranging from a fixed rate less 1.90% to plus 3.00% per annum.

Loans 5, 10, 11, 12, 13, 14 and 15 - Fixed rate ranging from 6.03% to 7.80% per annum.

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Company | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|-----------------------------------|--|--|--------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| 2014 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 631,610 | - | 631,610 | 631,610 | - | - | - |
| Bank loans | 11,691 | * | 12,904 | 7,998 | 1,380 | 1,895 | 1,631 |
| Bankers' acceptances | 160,249 | 1.75 - 6.04 | 160,249 | 160,249 | - | - | - |
| Finance lease liabilities | 4,666 | 2.42 - 5.04 | 5,478 | 1,451 | 964 | 1,114 | 1,949 |
| Financial guarantees | 2,365,327 | - | 2,365,327 | 2,365,327 | - | - | - |
| | <u>3,173,543</u> | | <u>3,175,568</u> | <u>3,166,635</u> | <u>2,344</u> | <u>3,009</u> | <u>3,580</u> |
| <i>Derivative financial liabilities</i> | | | | | | | |
| Derivatives | 862 | - | 862 | 862 | - | - | - |
| | <u>3,174,405</u> | | <u>3,176,430</u> | <u>3,167,497</u> | <u>2,344</u> | <u>3,009</u> | <u>3,580</u> |

* Loan 1 - Interest is chargeable at a rate pegged against the London Metal Exchange commodity prices. Contractual cash flows as at 31 December 2014 are estimated based on coupon rate stipulated in the agreement.

Loan 2 - Represents base lending rate less a fixed rate of 1.90% per annum.

RCSLS

At 31 December 2014, the RCSLS has a carrying amount of RM158,539,000. Subsequent to the end of the current financial year, AMSB and PACS converted all their RCSLS to ordinary shares of the Company, and the Company early redeemed and cancelled all the remaining unconverted RCSLS via the repayment of RM1,139,013.

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

| Company | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|-----------------------------------|--|--|--------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| 2013 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables | 856,654 | - | 856,654 | 856,654 | - | - | - |
| Bank loans | 16,156 | * | 17,085 | 7,720 | 7,366 | 1,999 | - |
| Revolving credits | 30,000 | 6.10 | 30,000 | 30,000 | - | - | - |
| Bankers' acceptances | 418,491 | 1.50 - 6.10 | 418,491 | 418,491 | - | - | - |
| Bank overdrafts | 3,115 | 7.10 - 7.60 | 3,115 | 3,115 | - | - | - |
| Finance lease liabilities | 4,430 | 2.39 - 4.81 | 5,203 | 2,904 | 1,685 | 563 | 51 |
| Financial guarantees | 1,670,739 | - | 1,670,739 | 1,670,739 | - | - | - |
| RCSLS with warrants (initial proceeds) | 320,507 | 6.00 | 390,284 | 50,727 | 64,677 | 274,880 | - |
| | <u>3,320,092</u> | | <u>3,391,571</u> | <u>3,040,350</u> | <u>73,728</u> | <u>277,442</u> | <u>51</u> |
| <i>Derivative financial liabilities</i> | | | | | | | |
| Derivatives | 42 | - | 42 | 42 | - | - | - |
| | <u>3,320,134</u> | | <u>3,391,613</u> | <u>3,040,392</u> | <u>73,728</u> | <u>277,442</u> | <u>51</u> |

* Loan 1 - Interest is chargeable at a rate pegged against the London Metal Exchange commodity prices. Contractual cash flows as at 31 December 2013 are estimated based on coupon rate stipulated in the agreement.

Loan 2 - Represents base lending rate less a fixed rate of 1.90% per annum.

26. Financial instruments (continued)

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

26.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases, cash and cash equivalents and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Australian Dollar ("AUD"), Great Britain Pound ("GBP"), Singapore Dollar ("SGD"), U.S. Dollar ("USD"), Euro ("EUR"), Renminbi ("RMB") and Hong Kong Dollar ("HKD").

Risk management objectives, policies and processes for managing the risk

The Group and the Company actively monitor their exposure to foreign currency risk and use forward exchange contracts to mitigate the risk when the need arises. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

| Group | | Trade and other receivables | Cash and cash equivalents | Loans and borrowings | Trade and other payables | Net exposure |
|------------------------|---------------------|--------------------------------------|------------------------------------|----------------------------|-----------------------------------|-----------------|
| 2014 | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Functional currency | Foreign currency | | | | | |
| RM | AUD | - | 16 | - | - | 16 |
| RM | GBP | - | 7,709 | (30,135) | - | (22,426) |
| RM | RMB | 5,930 | 16 | - | (75,583) | (69,637) |
| RM | SGD | 5,661 | 1,328 | - | - | 6,989 |
| RM | USD | 206,069 | 148,178 | (1,260,884) | (385,026) | (1,291,663) |
| RM | EUR | - | 1,200 | - | - | 1,200 |
| RMB | USD | 41,829 | 5,849 | (14,479) | (24) | 33,175 |
| RMB | EUR | 3,737 | 12 | - | (4) | 3,745 |
| RMB | GBP | - | 12,532 | (57,958) | - | (45,426) |
| RMB | AUD | 97 | 324 | - | - | 421 |
| GBP | EUR | - | 670 | - | - | 670 |
| HKD | USD | - | 2,877 | (238,119) | (87) | (235,329) |
| HKD | RMB | 289 | 1,454 | - | - | 1,743 |
| 2013 | | | | | | |
| RM | AUD | - | 31 | - | - | 31 |
| RM | GBP | - | 750 | (74,660) | - | (73,910) |
| RM | RMB | 31,255 | 89 | - | (84,066) | (52,722) |
| RM | SGD | 4,050 | 455 | - | (33) | 4,472 |
| RM | USD | 81,182 | 72,878 | (146,633) | (432,127) | (424,700) |
| RM | EUR | 3,391 | 5 | - | - | 3,396 |
| RMB | USD | 84,101 | 7,670 | (14,933) | (9,322) | 67,516 |
| RMB | EUR | 5,194 | 227 | - | (1,187) | 4,234 |
| RMB | GBP | 332 | 6,784 | (46,062) | (382) | (39,328) |
| RMB | SGD | 5 | - | - | - | 5 |
| GBP | USD | - | 3 | - | - | 3 |
| GBP | EUR | - | 151 | - | - | 151 |
| HKD | USD | - | - | (180,143) | - | (180,143) |

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

| Company 2014 | Functional currency | Foreign currency | Trade and other receivables RM'000 | Cash and cash equivalents RM'000 | Loans and borrowings RM'000 | Trade and other payables RM'000 | Net exposure RM'000 |
|-----------------|------------------------|---------------------|--|--|--------------------------------------|---|---------------------------|
| | RM | AUD | 33,522 | 16 | - | - | 33,538 |
| | RM | GBP | 111,482 | 7,655 | (30,135) | (128,446) | (39,444) |
| | RM | RMB | 22,776 | 16 | - | (238,368) | (215,576) |
| | RM | SGD | 5,335 | 1,328 | - | - | 6,663 |
| | RM | USD | 24,514 | 11,228 | (22,888) | (19,915) | (7,061) |
| | RM | EUR | 1,582 | 1,200 | - | - | 2,782 |
| 2013 | | | | | | | |
| | RM | AUD | 36,854 | 31 | - | - | 36,885 |
| | RM | GBP | 98,653 | 696 | (74,660) | (100,638) | (75,949) |
| | RM | HKD | - | - | - | (1,946) | (1,946) |
| | RM | RMB | 5,899 | 89 | - | (168,013) | (162,025) |
| | RM | SGD | 4,050 | 316 | - | (33) | 4,333 |
| | RM | USD | 20,426 | 6,766 | (21,787) | (146,287) | (140,882) |
| | RM | EUR | 1,235 | 5 | - | - | 1,240 |

Currency risk sensitivity analysis

Foreign currency risk mainly arises from USD, RMB and GBP against RM and USD against HKD. The exposure to other currencies is not material and hence, sensitivity analysis is not presented.

A 10% (2013: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

| | Group Profit or loss | | Company Profit or loss | |
|--|-------------------------|----------------|---------------------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| USD, RMB and GBP against RM | | | | |
| - USD | 96,875 | 31,853 | 530 | 10,566 |
| - RMB | 5,223 | 3,954 | 16,168 | 12,152 |
| - GBP | 1,682 | 5,543 | 2,958 | 5,696 |
| | <u>103,780</u> | <u>41,350</u> | <u>19,656</u> | <u>28,414</u> |
| USD against HKD | <u>17,650</u> | <u>13,511</u> | <u>-</u> | <u>-</u> |

A 10% (2013: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

26.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arising from the Group's and the Company's borrowings is managed through the use of fixed and floating rate debts. The Group and the Company will consider entering into derivative financial instruments where necessary to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|----------------------------------|--------------------|--------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed rate instruments | | | | |
| Financial assets | 39,167 | 146,857 | 182,660 | 320,898 |
| Financial liabilities | (1,367,281) | (1,891,020) | (321,681) | (682,076) |
| | <u>(1,328,114)</u> | <u>(1,744,163)</u> | <u>(139,021)</u> | <u>(361,178)</u> |
| Floating rate instruments | | | | |
| Financial liabilities | <u>(983,144)</u> | <u>(784,499)</u> | <u>(4,698)</u> | <u>(19,271)</u> |

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 30 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

| | Profit or loss | | | |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 | | 2013 | |
| | 30 bp increase RM'000 | 30 bp decrease RM'000 | 30 bp increase RM'000 | 30 bp decrease RM'000 |
| Group | | | | |
| Floating rate instruments | <u>(2,212)</u> | <u>2,212</u> | <u>(1,765)</u> | <u>1,765</u> |
| Company | | | | |
| Floating rate instruments | <u>(11)</u> | <u>11</u> | <u>(43)</u> | <u>43</u> |

26.6.3 Other price risk

Other price risk arises from price fluctuation risk mainly on aluminium related products. The Group and the Company mitigate their risk to the price volatility through establishing a fixed price level that the Group and the Company consider acceptable and where deemed prudent, entering into commodity fixed price contracts.

26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of non-current amounts due from subsidiaries, non-current other payables and finance lease liabilities also approximate fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets and liabilities.

It was not practicable to estimate the fair value of the Group's and the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Company No. 153208 W

26. Financial instruments (continued)

26.7 Fair value information (continued)

| Group | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|------------------------------|---|---------|---------|--------|---|---------|-------------|-------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| 2014 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | | | | | | | |
| Derivatives | - | 9,356 | - | 9,356 | - | - | - | - | 9,356 | 9,356 |
| Financial liabilities | | | | | | | | | | |
| Derivatives | - | (862) | - | (862) | - | - | - | - | (862) | (862) |
| Bank loans | - | - | - | - | - | - | (1,164,968) | (1,164,968) | (1,164,968) | (1,167,561) |
| RCSLS - liability component | - | - | - | - | - | - | (149,773) | (149,773) | (149,773) | (149,773) |
| | - | (862) | - | (862) | - | - | (1,314,741) | (1,314,741) | (1,315,603) | (1,318,196) |
| Company | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Derivatives | - | 1,953 | - | 1,953 | - | - | - | - | 1,953 | 1,953 |
| Financial liabilities | | | | | | | | | | |
| Derivatives | - | (862) | - | (862) | - | - | - | - | (862) | (862) |
| Bank loans | - | - | - | - | - | - | (11,589) | (11,589) | (11,589) | (11,691) |
| RCSLS - liability component | - | - | - | - | - | - | (149,773) | (149,773) | (149,773) | (149,773) |
| | - | (862) | - | (862) | - | - | (161,362) | (161,362) | (162,224) | (162,326) |

| |
|----------------------|
| Company No. 153208 W |
|----------------------|

26. Financial instruments (continued)

26.7 Fair value information (continued)

| Group | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|------------------------------|---|-------------------|-------------------|-----------------|---|-------------------|-------------------|-----------------|------------------|-----------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | | |
| 2013 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Derivatives | - | (104) | - | (104) | - | - | - | - | (104) | (104) |
| Bank loans | - | - | - | - | - | - | (1,365,282) | (1,365,282) | (1,365,282) | (1,370,443) |
| RCSLS - liability component | - | - | - | - | - | - | (232,584) | (232,584) | (232,584) | (229,155) |
| | - | (104) | - | (104) | - | - | (1,597,866) | (1,597,866) | (1,597,970) | (1,599,702) |
| Company | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Derivatives | - | (42) | - | (42) | - | - | - | - | (42) | (42) |
| Bank loans | - | - | - | - | - | - | (16,156) | (16,156) | (16,156) | (16,156) |
| RCSLS - liability component | - | - | - | - | - | - | (232,584) | (232,584) | (232,584) | (229,155) |
| | - | (42) | - | (42) | - | - | (248,740) | (248,740) | (248,782) | (245,353) |

26. Financial instruments (continued)

26.7 Fair value information (continued)

Level 2 fair value

Derivatives

The fair value of derivatives is determined by reference to statements provided by the respective financial institutions these contracts were entered into with.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either direction).

Level 3 fair value

Valuation process applied by the Group for Level 3 fair value

For financial instruments not carried at fair value, the Group has applied discounted cash flows valuation technique using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date in the determination of fair values within Level 3. In respect of the liability component of RCSLS, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. The Financial Controller has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

27. Capital management

The Group's and the Company's objectives when managing capital are to maintain a strong capital base and safeguard their ability to continue as going concerns, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

27. Capital management (continued)

The debt-to-equity ratios at 31 December 2014 and 31 December 2013 were as follows:

| | Note | Group | | Company | |
|---------------------------------|------|------------------|------------------|-----------------|-----------------|
| | | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Total loans and borrowings | 17 | 2,350,425 | 2,675,519 | 326,379 | 701,347 |
| Less: Cash and cash equivalents | 13 | <u>(355,164)</u> | <u>(288,893)</u> | <u>(50,598)</u> | <u>(27,399)</u> |
| Net debt | | <u>1,995,261</u> | <u>2,386,626</u> | <u>275,781</u> | <u>673,948</u> |
| Total equity | | <u>2,180,773</u> | <u>1,399,646</u> | <u>904,548</u> | <u>646,605</u> |
| Debt-to-equity ratio | | <u>0.9</u> | <u>1.7</u> | <u>0.3</u> | <u>1.0</u> |

There was no change in the Group's and the Company's approach to capital management during the financial year.

The Group has not breached any of the loan covenants disclosed in Note 17.7.

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | Group | |
|----------------------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Less than one year | 1,840 | 2,106 |
| Between one and five years | 2,688 | 4,612 |
| More than five years | - | 25 |
| | <u>4,528</u> | <u>6,743</u> |

The Group leases a number of properties under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

29. Capital and other commitments

| | Group | |
|--|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 |
| Capital expenditure commitments | | |
| Property, plant and equipment | | |
| Contracted but not provided for | <u>458,870</u> | <u>-</u> |

At 31 December 2014, the capital commitments are mainly related to Phase 3 of the Samalaju Plant.

30. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote

Guarantees (unsecured)

| | Group | | Company | |
|---|----------------|----------------|------------------|------------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Guarantees given to customers of contracting and fabrication contracts | <u>10,011</u> | <u>6,379</u> | <u>-</u> | <u>-</u> |
| Guarantees given to financial institutions for facilities granted to subsidiaries | <u>-</u> | <u>-</u> | <u>2,365,327</u> | <u>1,670,739</u> |

Contingent asset

Litigation

Group

In June 2013, a state-wide power outage resulted in the primary aluminium production lines of PMS suffering a sudden shutdown and consequent damages. The subsidiary was unable to operate its smelting plant for the next few months. Plant and machinery of approximately RM41,146,000 were written off as a result of the damages caused by the power outage.

30. Contingencies (continued)

Contingent asset (continued)

Litigation (continued)

Group (continued)

PMS subsequently made a claim to its insurer for the damaged plant and machinery and consequential business losses resulting from the suspension of operations. PMS was unable to come to an agreement with the insurer on the indemnified amount and hence in February 2014, PMS commenced legal action against the insurer in the Kuala Lumpur High Court (“the Court”). The insurer subsequently entered appearance and an application for stay of proceedings to refer the matter for arbitration.

In June 2014, the Court allowed the insurer’s application for stay of proceedings for reference of the matter for arbitration. PMS, through its solicitors, then filed an appeal to the Court of Appeal against the Court’s decision. In October 2014, the Court of Appeal further upheld the decision of the Court to refer the matter for arbitration. The Company, through its solicitors, has now filed for an appeal to the Federal Court instead. The leave application is pending hearing from the Federal Court.

The solicitors are of the opinion that PMS has a good case for its claims but the quantum of damages is subject to evidentiary proof produced by PMS.

31. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, an associate and key management personnel. In the context of these financial statements, an associate also includes the subsidiaries of the associate.

31. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 16.

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| A. Subsidiaries | | | | |
| Sale of goods | - | - | (385,067) | (319,716) |
| Purchase of goods and scraps | - | - | 259,644 | 365,665 |
| Interest income on loan | - | - | (15,831) | (19,178) |
| Dividend income | - | - | - | (7,253) |
| Management fees receivable | - | - | (1,920) | (1,200) |
| | <u>-</u> | <u>-</u> | <u>(1,920)</u> | <u>(1,200)</u> |
| B. Associate | | | | |
| Sale of goods | (140,614) | (136,152) | - | - |
| Purchase of goods | 13,616 | 19,373 | - | - |
| Dividend income | - | - | (644) | (430) |
| Rental expense on properties | 20 | 20 | - | - |
| | <u>20</u> | <u>20</u> | <u>-</u> | <u>-</u> |
| C. Directors | | | | |
| - Fees | 217 | 199 | 217 | 199 |
| - Remuneration | 4,486 | 3,751 | 3,726 | 3,107 |
| Total short-term employee benefits | 4,703 | 3,950 | 3,943 | 3,306 |
| Rental expense on properties | 720 | 720 | - | - |
| | <u>5,423</u> | <u>4,670</u> | <u>3,943</u> | <u>3,306</u> |

32. Business combinations

2014

32.1 Partial disposal of a subsidiary

In November 2013, the Company entered into a Conditional Shareholders Agreement with SGM for the proposed disposal of 20% equity interest in PM Bintulu.

In March 2014, the shareholders of the Company approved the proposed disposal via an Extraordinary General Meeting held, subject to fulfilment of conditions listed in the agreement.

In April 2014, the partial disposal was completed and the Company received a provisional cash consideration of RM522,699,000. The provisional cash consideration will be subject to price adjustments based on certain dependent variables agreed between SGM and the Company. Consequently, the Company's equity interest decreased to 80% while SGM became a corporate shareholder of PM Bintulu.

The following summarises the major classes of consideration received, and the derecognised amounts of net assets at the partial disposal date:

| | Group 2014 RM'000 |
|--|----------------------------------|
| Fair value of consideration received | |
| Cash and cash equivalents | 522,699 |
| Contingent consideration | - |
| | <u>522,699</u> |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of PM Bintulu | <u>(116,737)</u> |
| Gain on partial disposal of a subsidiary | <u>405,962</u> |

Contingent consideration

The Company will receive a maximum additional consideration of USD58 million or return a maximum of USD6 million to SGM in three years' time, depending on the free cash flows generated by PM Bintulu from 1 April 2014 to 31 December 2016. The Group has assessed the contingent consideration as at the date of the partial disposal and 31 December 2014 and the fair values are deemed not material to be recognised.

32. Business combinations (continued)

2014 (continued)

32.2 Acquisition of a subsidiary

In April 2014, PMI acquired a 51% owned subsidiary, Glomag Precision Technology Co. Ltd., a company incorporated in China for a total cash consideration of RM2,960,000. In the eight months to 31 December 2014, the subsidiary contributed revenue of RM4,891,000 and profit of RM48,000. If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been RM6,707,000, and consolidated profit for the financial year would have been RM108,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets and liabilities assumed at acquisition date:

| | Group 2014 RM'000 |
|---|----------------------------------|
| Fair value of consideration transferred | <u>2,960</u> |
| Identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 3,315 |
| Current assets | 3,199 |
| Current liabilities | (1,184) |
| Total identifiable net assets | <u>5,330</u> |
| Net cash outflow arising from acquisition of subsidiary | |
| Purchase consideration settled in cash and cash equivalents | (2,960) |
| Cash and cash equivalents acquired | 1,128 |
| | <u>(1,832)</u> |
| Goodwill | |
| Goodwill was recognised as a result of the acquisition as follows: | |
| Total consideration transferred | 2,960 |
| Fair value of identifiable net assets | (5,330) |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree | <u>2,610</u> |
| Goodwill | <u>240</u> |

32. Business combinations (continued)

2014 (continued)

32.3 Disposal of a subsidiary

In December 2014, PMI disposed of its entire 70% equity interest in PMIT Solar Pty. Ltd. to a third party for RM1.

The following summarises the effect of the derecognised amounts of assets and liabilities disposed at the disposal date:

| | Group 2014 RM'000 |
|---|----------------------------------|
| Fair value of consideration received | * |
| Identifiable assets and liabilities disposed | |
| Property, plant and equipment | 86 |
| Translation reserve | 68 |
| Non-controlling interests | (46) |
| Total identifiable net assets | 108 |
| Loss on disposal of a subsidiary | (108) |

* Denotes RM1

2013

32.4 Disposal of business and consequential disposal of a subsidiary and acquisition of non-controlling interests

At 31 December 2012, the assets and liabilities of Press Metal Huasheng Aluminium-Electric Co., Ltd. ("PMH") were presented as a disposal group held for sale following the commitment of the Company to dispose of its entire business in PMH.

For the financial year ended 31 December 2012, the assets and liabilities of the disposal group were quantified based on preliminary assets settlement agreement ("ASA") entered into between PMH's non-controlling shareholder and the Company on 31 March 2013.

PMH's non-controlling shareholder and the Company signed a final ASA in September 2013. Nevertheless, the disposal was effective from 31 March 2013 as the Company was no longer exposed to, or had rights, to variable returns from its involvement with PMH and no longer had the ability to affect these returns through its power over the entity from that date onwards.

The disposal group was not presented as a discontinued operation as PMH did not represent a separate major line of business or geographical area of operations of the Group.

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32. Business combinations (continued)

2013 (continued)

32.4 Disposal of business and consequential disposal of a subsidiary and acquisition of non-controlling interests (continued)

The movements of assets and liabilities of the disposal group were as follows:

| Group | At 1.1.2013 RM'000 | Movement during the year RM'000 | Disposal at 31.3.2013 RM'000 | At 31.12.2013 RM'000 |
|--|-----------------------------------|--|---|-------------------------------------|
| Assets classified as held for sale | | | | |
| Property, plant and equipment | 101,753 | 41 | (101,794) | - |
| Other investments | 2,454 | - | (2,454) | - |
| Inventories | 56,271 | (25,608) | (30,663) | - |
| Trade and other receivables | 24,231 | (11,308) | (12,923) | - |
| Current tax assets | 1,202 | 1,740 | (2,942) | - |
| Cash and bank balances | 17,249 | (17,153) | (96) | - |
| | <u>203,160</u> | <u>(52,288)</u> | <u>(150,872)</u> | <u>-</u> |
| Liabilities classified as held for sale | | | | |
| Trade and other payables | (133,958) | 65,338 | 68,620 | - |
| Loans and borrowings | (14,724) | 14,724 | - | - |
| | <u>(148,682)</u> | <u>80,062</u> | <u>68,620</u> | <u>-</u> |

The assets/liabilities disposed of as at 31 March 2013 differed from the carrying amounts as at 31 December 2012 mainly as a result of the following:

- The disposal was based on carrying amounts as at 31 March 2013 instead of 31 December 2012;
- The final ASA excluded the disposal of cash and cash equivalents and certain liabilities which were included in preliminary ASA; and
- The final ASA included the disposal of PMH Electric Engineering Co., Ltd. (“PMHEE”), a wholly-owned subsidiary of PMH which was originally not included in the preliminary ASA.

32. Business combinations (continued)

2013 (continued)

32.4 Disposal of business and consequential disposal of a subsidiary and acquisition of non-controlling interests (continued)

Based on the ASA between PMH's non controlling shareholder and the Company, the Company would dispose of the entire business of PMH and its equity interest in PMHEE in exchange for the 10% equity interest held by the non-controlling shareholder in PMH.

The acquisition of the non-controlling interests and disposal of PMHEE was accounted for as a linked transaction with the disposal of the business of PMH as they arose from the same transaction.

The following summarised the net effect of the major classes of consideration transferred, and the derecognised amounts of assets and liabilities disposed of at the disposal date of 31 March 2013:

| | Group 2013 RM'000 |
|---|----------------------------------|
| Effects of disposal on the financial position of the Group | |
| Assets from disposal group held for sale | 150,872 |
| Liabilities from disposal group held for sale | (68,620) |
| Translation reserve | <u>(20,025)</u> |
| Net assets and liabilities | <u>62,227</u> |
| Loss on disposal of business | <u>(48,120)</u> |
| Fair value of consideration received | |
| - 10% equity interest in PMH and Press Metal International (Hubei) Ltd. | <u>14,107</u> |
| Net cash outflow arising from disposal of business | |
| Consideration received, satisfied in cash | - |
| Cash and cash equivalents disposed of | <u>(96)</u> |
| | <u>(96)</u> |

32. Business combinations (continued)

2013 (continued)

32.5 Disposal of a subsidiary

In December 2013, PMI disposed of its entire equity interest in Press Metal International Trading Ltd. for a total cash consideration of RMB3,000,000 (approximately RM1,624,000).

The following summarises the net effect of the major classes of consideration transferred, and the derecognised amounts of assets and liabilities disposed at the disposal date:

| | Group 2013 RM'000 |
|---|----------------------------------|
| Effects of disposal on the financial position of the Group | |
| Property, plant and equipment | 554 |
| Current assets | 84,466 |
| Current liabilities | (83,244) |
| Translation reserve | (162) |
| | <hr/> |
| Net assets and liabilities | 1,614 |
| Gain on disposal of a subsidiary | 10 |
| | <hr/> |
| Consideration received, satisfied in cash | 1,624 |
| Cash and cash equivalents disposed of | (11,287) |
| | <hr/> |
| Net cash outflow | <u>(9,663)</u> |

33. Subsequent event

In February 2015, the shareholders of the Company approved the conversion of all RCSLS held by AMSB and PACS without undertaking a mandatory takeover offer. This was subsequently approved by the Securities Commission.

Following the necessary approvals, AMSB and PACS converted all their RCSLS to 191,375,756 ordinary shares of RM0.50 each of the Company. In March 2015, the Securities Commission further approved the Company to early redeem and cancel all the remaining 517,733 unconverted RCSLS. This was completed via the repayment of RM1,139,013 by the Company to the RCSLS holders.

34. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|--|------------------|----------------|----------------|----------------|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | 1,119,309 | 578,184 | 332,859 | 203,664 |
| - unrealised | (74,014) | 39,574 | (27,751) | (36,856) |
| | <u>1,045,295</u> | <u>617,758</u> | <u>305,108</u> | <u>166,808</u> |
| Total share of retained earnings of an associate | | | | |
| - realised | 28,566 | 26,363 | - | - |
| - unrealised | (1,950) | (1,454) | - | - |
| | <u>1,071,911</u> | <u>642,667</u> | <u>305,108</u> | <u>166,808</u> |
| Add: Consolidation adjustments | <u>185,011</u> | <u>131,214</u> | <u>-</u> | <u>-</u> |
| Total retained earnings | <u>1,256,922</u> | <u>773,881</u> | <u>305,108</u> | <u>166,808</u> |

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Press Metal Berhad

(Company No. 153208 W)

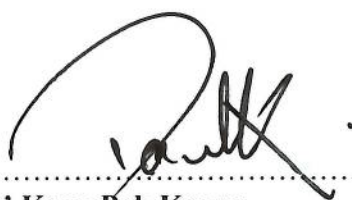
(Incorporated in Malaysia)

and its subsidiaries**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 12 to 122 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 on page 123 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Dato' Koon Poh Keong



.....
Dato' Koon Poh Tat

Petaling Jaya, Selangor

Date: **23 APR 2015**

Press Metal Berhad

(Company No. 153208 W)

(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Loo Tai Choong**, the officer primarily responsible for the financial management of Press Metal Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 123 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 23 APR 2015



Loo Tai Choong

Before me:



No. 17, Tingkat 1, Jalan 1/68E,
Off Jalan Sentul Manis,
51000 Kuala Lumpur.



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
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Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388 126
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Independent Auditors' Report to the members of Press Metal Berhad

(Company No. 153208 W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Press Metal Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 122.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

| |
|----------------------|
| Company No. 153208 W |
|----------------------|

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 123 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 153208 W

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG
Firm Number: AF 0758
Chartered Accountants



Foong Mun Kong
Approval Number: 2613/12/16(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 23 April 2015