



# PRESS METAL BERHAD

(Company No.: 153208W)

Suite 61 & 62, Setia Avenue, No. 2, Jalan Setia Prima S U13/S

Setia Alam Seksyen U13, 40170 Shah Alam, Selangor D.E.

Tel. : 603-3362-2188. Fax. : 603-3362-2003.

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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **A1. Basis of preparation**

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

The Group has early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

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:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **A1. Basis of preparation – continued**

- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which are not applicable to the Group.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **A1. Basis of preparation – *continued***

The initial application of the standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods' financial statements upon their first adoption.

### **A2. Auditors' report**

The auditors' report of the audited financial statements for the financial year ended 2013 was not subject to any qualification.

### **A3. Seasonal or cyclical factors**

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

### **A4. Extraordinary and exceptional items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review and financial period-to-date.

### **A5. Changes in estimates**

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

### **A6. Debt and equity securities**

There were no debt and equity securities issued during the current financial period-to-date.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **A7. Dividends paid**

	<u>Sen</u> <u>(Tax exempt)</u>	<u>Total amount</u> <u>(RM'000)</u>	<u>Date of payment</u>
Second interim 2013	1	5,157	3 April 2014

### **A8. Segmental information**

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

The Group comprises the following main business segments:

(i) **Manufacturing & trading**

Manufacturing and marketing of aluminium and other related products.

(ii) **Contracting**

Contracting of aluminium and stainless steel products.



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## NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

### A8. Segmental information – continued

<i>Business Segments</i>						
RM'000	Manufacturing & trading	Contracting	Elimination	Total		
Revenue from external customers	878,850	18,255	-	897,105		
Inter-segment revenue	377,679	-	(377,679)	-		
<b>Total revenue</b>	<b>1,256,529</b>	<b>18,255</b>	<b>(377,679)</b>	<b>897,105</b>		
<b>Segment results</b>	<b>74,077</b>	<b>229</b>		<b>74,306</b>		
Share of associate's profit				524		
Financing cost				(38,441)		
<b>Profit before tax</b>				<b>36,389</b>		
Taxation				(8,956)		
<b>Profit after tax</b>				<b>27,433</b>		
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external Customers	1,003,855	197,974	55,072	17,883	(377,679)	897,105
Segment assets by location	6,188,888	1,716,994	81,204	19,185	(3,000,437)	5,005,834
Investment in associate	37,244	-	-	-	-	37,244
	6,226,132	1,716,994	81,204	19,185	(3,000,437)	5,043,078



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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

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

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

There was no material event subsequent to the end of the financial period reported.

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

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

### **A12. Contingent liabilities and contingent assets**

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

### **A13. Capital commitments**

As at 31 March 2014, the Group has no capital commitment not provided for in the financial statement.

### **A14. Related Party Transactions**

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	26,691
Purchase of fabricated aluminium products and building materials	3,283
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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **Disclosure requirements per Bursa Malaysia Securities Berhad's Listing Requirements – Part A of Appendix 9B**

#### **B1. Review of performance**

##### **Q1 2014 vs Q1 2013**

The Group has registered higher revenue of RM897.1 million in Q1 2014 as compared to RM724.2 million in Q1 2013, representing an increase of RM172.9 million or 23.9%. Higher revenue was mainly contributed by its Bintulu Smelting Plant which had achieved full operations in Q4 2013.

Despite substantial increase in revenue, profit before tax (“PBT”) has only marginally increased from RM35.3 million to RM36.4 million. This was mainly due to the lower metal price in Q1 2014 as compared to Q1 2013. In addition, PBT was also affected by an exceptional loss of RM2.2 million incurred by its Mukah Smelting Plant (“MSP”) during its re-commissioning stage in Q1 2014. MSP has subsequently achieved full operations in April 2014 and is expected to contribute positively in Q2 2014 onwards.

#### **B2. Variation of results against preceding quarter**

##### **Q1 2014 vs Q4 2013**

PBT of RM36.4 million in Q1 2014 was higher than a loss before tax of RM8.7 million in Q4 2013. Losses in Q4 2013 was mainly due to the assets written off amounting to RM40.5 million by its Mukah Smelting Plant arising from the aluminium pots damages caused by the power outage in June 2013.

#### **B3. Current year's prospects**

The overall business environment remains challenging. Higher cost environment and low commodity prices are the key challenges to our management. However, demand for aluminium remains strong and products premium has also increased.

Our management will remain focus in improving its operational efficiency and enhancing its value added products in order to stay competitive in the market.

Barring unforeseen circumstances, the Board expects to achieve a better result for this financial year.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B4. Profit forecast**

Not applicable as no profit forecast was published.

### **B5. Taxation**

Taxation comprises the following:

	<b>3 months ended</b> <b>31.03.2014</b> <b>RM'000</b>
Current taxation	
Malaysian income tax	1,456
Foreign tax	-
Deferred tax	7,500
	-----
	8,956
	=====

### **B6. Retained Earnings**

	<b>As at 31.03.2014</b> <b>RM'000</b>	<b>As at 31.12.2013</b> <b>RM'000</b>
Retained earnings:		
Realised	934,732	906,078
Unrealised	(112,545)	(107,288)
	-----	-----
	822,187	798,790
Total share of retained earnings of associate:		
Unrealised	(25,432)	(24,909)
	-----	-----
Total Group retained earnings	796,755	773,881
	=====	=====





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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B7. Status of Corporate Proposals Announced and Pending Completion**

- (i) Memorandum of Understanding (“MOU”) between the Company and Sumitomo Corporation;**
- (ii) Proposed Disposal of Press Metal Bintulu Sdn Bhd’s (“PMBSB”) equity by the Company to Sumitomo Corporation**

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The Company had on 12 April 2013 announced that it had entered into a MOU with Sumitomo Corporation (“SC”), with a view to dispose of twenty per cent (20%) equity interest in its wholly-owned subsidiary, PMBSB to SC.

On 1 November 2013, Maybank Investment Bank Berhad, on behalf of the Board, announced that the Company had entered into a conditional sale and purchase agreement with Summit Global Management XII B.V. (“SGM”), a subsidiary of SC for the proposed disposal of 20% equity interest (after completion of the Capitalisation) held by the Company in PMBSB for a provisional cash consideration of USD140.049 million or equivalent to approximately RM443.955 million.

On even date, the Company also entered into a conditional shareholders’ agreement with SGM to regulate the term and conditions of the respective obligations and rights of the Company and SGM in relation to ownership and management of the business and affairs of PMBSB.

The above transaction has been approved by the shareholders via the extraordinary general meeting held on 5 March 2014.

On 1 April 2014, the Company had announced that the provisional cash consideration of USD 140.049 million or equivalent to approximately RM 456.63 million for the Disposal has been fully received by Company from SGM.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B8. Group borrowing and debt securities as at 31 March 2014**

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	840,123	-	840,123
Short term	701,248	815,584	1,516,832
	<u>1,541,371</u>	<u>815,584</u>	<u>2,356,955</u>
	=====	=====	=====

### **B9. Material Litigation**

The Company had on 17 February 2014 announced that the Company has not reached an acceptable agreement with its insurers on the claims arising from the power outage incident at PMS's smelting plant in Mukah, Sarawak and accordingly, has on the same date served to the lead insurer, a Writ of Summon and Statement of Claim filed vide Kuala Lumpur High Court in respect of a suit commenced by PMS through its solicitors ("Suit"). PMS is claiming against, inter alia, an indemnity in respect of all losses and damages arising from the power outage incident at PMS's smelting plant in Mukah, Sarawak and for any other or further relief for PMS which the Court deems just and fit.

The solicitors of PMS are of the opinion that PMS has a good case for its claims.

For the financial year ended 2013, PMS has provided an estimated RM90 million for both operating losses and assets written off.

No accrual of insurance claim has been made in the Group income statement for the financial year ended 31 December 2013.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B10. Dividend**

The Board of Directors has approved an interim tax exempt dividend of 10% per ordinary share for the financial year ending 31 December 2014. The Book Closure and Payment Dates for the aforesaid dividend are 13 June 2014 and 19 June 2014 respectively.

### **B11. Earnings Per Ordinary Share**

#### **(a) Basic earnings per share**

The basic earnings per share of the Group have been computed by dividing the net profit attributable to shareholders for the financial quarter and period-to-date as set out below:-

	<b>1st Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.03.14</b>	<b>31.03.13</b>	<b>31.03.14</b>	<b>31.03.13</b>
Profit attributable to shareholders (RM'000)	28,031	25,246	28,031	25,246
Weighted average number of ordinary shares ('000)	511,855	507,778	511,855	507,778
Basic earnings per share (sen)	5.48	4.97	5.48	4.97
	=====	=====	=====	=====



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B11. Earnings Per Ordinary Share-cont'd**

#### **(b) Diluted earnings per share**

The diluted earnings per share of the Group have been computed by dividing the net profit attributable to shareholders for the financial quarter and period-to-date as set out below:-

	<b>1st Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.03.14</b>	<b>31.03.13</b>	<b>31.03.14</b>	<b>31.03.13</b>
Profit attributable to shareholders (RM'000)	28,031	-	28,031	-
	-----		-----	
Weighted average number of ordinary shares ('000)	511,855	-	511,855	-
Redeemable Convertible Loan Stock ("RCSLS") ('000)	130,838	-	130,838	-
Warrants C ('000)	80,684	-	80,684	-
	-----	-----	-----	-----
	723,377	-	723,377	-
	=====	=====	=====	=====
Diluted earnings per share (sen)	3.88	*	3.88	*
	=====	=====	=====	=====

\* Not applicable as the Redeemable Convertible Secured Loan Stock with detachable warrants are anti-dilutive.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

### **B12. Note to the Condensed Consolidated Income Statement**

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

	<b>Current Quarter RM'000</b>	<b>Current Financial Period To-Date RM'000</b>
Interest expense	38,441	38,441
Depreciation and amortisation	56,992	56,992
Realised foreign exchange loss	(2,016)	(2,016)
Unrealised foreign exchange loss	(4,245)	(4,245)
Finance income	(122)	(122)
Loss on disposal of fixed assets	1,041	1,041

**On behalf of the Board**

**Dato' Koon Poh Keong**  
**Group Chief Executive Officer**  
29 May 2014