



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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)*



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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.



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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

Save as disclosed in note B7 to this quarterly report on the disposal of 20% share equity of its subsidiary, Press Metal Bintulu Sdn Bhd ("PMBSB"), there were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review and financial period-to-date.

Arising from the above mentioned disposal, the Group has generated a gain on disposal amounting to RM405.4 million which is recognised as an equity gain and reflected in the Group's consolidated statement of changes in equity in accordance with MFRS 10 which states "changes in a parent's ownership interest in as subsidiary that do not result in the parent losing control of the subsidiary are equity transaction".



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

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.

A7. Dividends paid

	Sen (Tax exempt)	Total amount (RM'000)	Date of payment
Second interim 2013	1	5,157	3 April 2014
First interim 2014	5	26,620	19 June 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.



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.

NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

A8. Segmental information – continued

<i>Business Segments</i>						
RM'000	Manufacturing & trading	Contracting	Elimination	Total		
Revenue from external customers	1,858,452	38,866	-	1,897,318		
Inter-segment revenue	713,559	-	(713,559)	-		
Total revenue	2,572,011	38,866	(713,559)	1,897,318		
Segment results	185,666	830		186,496		
Share of associate's profit				909		
Financing cost				(67,432)		
Profit before tax				119,973		
Taxation				(18,918)		
Profit after tax				101,055		
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external Customers	1,985,724	463,978	124,991	36,184	(713,559)	1,897,318
Segment assets by location	6,360,613	1,692,969	101,629	21,475	(3,195,626)	4,981,060
Investment in associate	37,630	-	-	-	-	37,630
	6,398,243	1,692,969	101,629	21,475	(3,195,626)	5,018,690



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 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	34,238
Purchase of fabricated aluminium products and building materials	3,630
	=====



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

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

B1. Review of performance

Q2 2014 vs Q2 2013

The Group recorded higher revenue of RM1,000.2 million in Q2 2014 compared to RM795.3 million in Q2 2013, representing an increase of RM204.9 million or 25.8%. Substantial increase in revenue was mainly contributed by its Bintulu Smelting Plant which had achieved full operation in Q4 2013.

In tandem with the higher revenue, the Group profit before tax ("PBT") has also increased from RM26.8 million to RM83.6 million, marking an increase of RM56.8 million. Higher profitability was principally due to higher aluminium selling price and sales volume.

B2. Variation of results against preceding quarter

Q2 2014 vs Q1 2014

PBT of RM83.6 million for Q2 2014 was also higher than the preceding quarter of RM36.4 million. Increase in PBT was mainly due to the following:

- (i) Improving of metal selling price, both London Metal Exchange ("LME")'s aluminium price and the delivery premium have been trending up compared to the preceding quarter;
- (ii) Increase in sales volume, in particular, the operation of Mukah Smelting Plant had recovered fully since April 2014.



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

B3. Current year's prospects

The economy sentiment had improved for the first half of the year. As a results, demand has also increased including raw materials such as aluminium. World aluminium consumption was estimated to be up by 6.8% year-on-year. Two major consuming countries namely China and America led the increase as we saw China continued investment in infrastructure and America experiences a strong boost from the automotive sector.

With some western smelters reduced some capacity in the beginning of this year, the market is facing a deficit for the first time as compared to the last few surplus years. As a result, aluminium price has bounced back from the low of this year and expects to remain firm for the remaining of the year.

The Board of directors are cautiously optimistic that, barring unforeseen circumstances, the Group should be able to achieve a much better results compared to last year.

B4. Profit forecast

Not applicable as no profit forecast was published.



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

B5. Taxation

Taxation comprises the following:

	6 months ended 30.06.2014 RM'000
Current taxation	
Malaysian income tax	1,880
Foreign tax	378
Deferred tax	16,660

	18,918
	=====

B6. Retained Earnings

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Retained earnings:		
Realised	1,376,173	906,078
Unrealised	(117,408)	(107,288)
	-----	-----
	1,258,765	798,790
Total share of retained earnings of associate:		
Unrealised	(25,818)	(24,909)
	-----	-----
Total Group retained earnings	1,232,947	773,881
	=====	=====



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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**

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 the Company from SGM.

On 30 June 2014, the Company has received from SGM, a further cash consideration of USD 20.579 million or equivalent to about RM66.069 million pursuant to the Price Adjustment after Closing, for the actual equity value of PMBSB Shares transferred by the Company to SGM based on Closing Balance Sheet as at 31 March 2014.

The Closing Conditions stipulated in the SPA remain substantially satisfied by the Company with the remaining conditions, as agreed with SGM, to be satisfied by 30 September 2014 or such other date as may be agreed in writing between SGM and the Company.



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

B8. Group borrowing and debt securities as at 30 June 2014

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	810,706	-	810,706
Short term	637,314	486,806	1,124,120
	<u>1,448,020</u>	<u>486,806</u>	<u>1,934,826</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 ("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.

On 17 February 2014, the Company had announced that the Court had on 12 June 2014 allowed Etiqa's application for stay of proceeding for reference of the matter to Arbitration.

After seeking legal advice from its solicitors, PMS has filed an appeal to the Court of Appeal against the Court's decision.



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

B10. Dividend

The Board of Directors has approved a second 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 27 August 2014 and 12 September 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:-

	2nd Quarter		Period-to-date	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.14	30.06.13	30.06.14	30.06.13
Profit attributable to shareholders (RM'000)	60,026	20,041	88,057	45,287
Weighted average number of ordinary shares ('000)	518,879	507,845	517,010	508,537
Basic earnings per share (sen)	11.57	3.95	17.03	8.91
	=====	=====	=====	=====



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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:-

	2nd Quarter		Period-to-date	
	3 months ended		6 months ended	
	30.06.14	30.06.13	30.06.14	30.06.13
Profit attributable to shareholders (RM'000)	60,026	20,041	88,057	45,287
	-----	-----	-----	-----
Weighted average number of ordinary shares ('000)	518,879	507,845	517,010	508,537
Redeemable Convertible Loan Stock ("RCSLS") ('000)	113,638	144,305	113,638	144,305
Warrants C ('000)	80,684	80,684	80,684	80,684
	-----	-----	-----	-----
	713,201	732,834	711,332	733,526
	=====	=====	=====	=====
Diluted earnings per share (sen)	8.42	2.73	12.38	6.17
	=====	=====	=====	=====



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.

NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

B12. Note to the Condensed Consolidated Income Statement

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

	Current Quarter RM'000	Current Financial Period To-Date RM'000
Interest expense	28,991	67,432
Depreciation and amortisation	54,948	111,940
Realised foreign exchange loss/ (gain)	84	(1,932)
Unrealised foreign exchange loss	(3,245)	(7,490)
Finance income	(121)	(243)
Loss on disposal of fixed assets	76	1,117

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
12 August 2014