



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 THIRD QUARTER ENDED 30 SEPTEMBER 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 save for an equity gain on disposal of 20% shares equity of its subsidiary, Press Metal Bintulu Sdn Bhd as disclosed in the second quarterly report.

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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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 |
| First interim 2014 | 5 | 26,620 | 19 June 2014 |
| Second interim 2014 | 5 | 27,300 | 12 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2014**

A8. Segmental information – continued

| <i>Business Segments</i> | | | | | | |
|---------------------------------|--|--------------------|--------------------|--------------------|-------------|-----------|
| RM'000 | Manufacturing & trading | Contracting | Elimination | Total | | |
| Revenue from external customers | 2,870,462 | 55,556 | - | 2,926,018 | | |
| Inter-segment revenue | 1,127,407 | - | (1,127,407) | - | | |
| Total revenue | 3,997,869 | 55,556 | (1,127,407) | 2,926,018 | | |
| Segment results | 332,478 | 825 | | 333,303 | | |
| Share of associate's profit | | | | 1,433 | | |
| Financing cost | | | | (98,508) | | |
| Profit before tax | | | | 236,228 | | |
| Taxation | | | | (29,261) | | |
| Profit after tax | | | | 206,967 | | |
| <i>Geographical Segments</i> | | | | | | |
| | Malaysia | Asia Region | Europe Region | American Region | Elimination | Total |
| Revenue from external Customers | 3,079,422 | 730,893 | 194,333 | 48,777 | (1,127,407) | 2,926,018 |
| Segment assets by location | 6,465,227 | 1,852,569 | 103,201 | 19,214 | (3,211,607) | 5,228,604 |
| Investment in associate | 38,154 | - | - | - | - | 38,154 |
| | 6,503,381 | 1,852,569 | 103,201 | 19,214 | (3,211,607) | 5,266,758 |



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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 September 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 | 104,838 |
| Purchase of fabricated aluminium products and building materials | 10,045 |
| | ===== |



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

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

B1. Review of performance

Q3 2014 vs Q3 2013

The Group registered higher revenue of RM1,028.7 million in Q3 2014 as compared to RM794.5 million in Q3 2013. Revenue increased by RM234.2 million or 29.5% mainly due to the following:-

- (i) Higher metal selling price, both aluminium price quoted in the London Metal Exchange (LME) as well as the premium which has been trending upwards;
- (ii) Higher production output by the Bintulu Smelting Plant which had achieved full production capacity in Q4 2013 and the Mukah Smelting Plant which was shut down in July 2013 due to power outage had resumed full operations in April 2014.

The Group recorded a profit before tax (PBT) of RM116.3 million in Q3 2014 as opposed to a loss before tax of RM48.4 million in Q3 2013. Major contributing factors to the significant increase in profit were:-

- (i) Improved metal selling price and higher production output by both Bintulu and Mukah Smelting Plants as explained above;
- (ii) Non-recurrence of a loss on disposal of Hubei Press Metal Huasheng Aluminium & Electric Co. Ltd.'s assets amounting to RM51.6 million incurred in Q3 2013;

B2. Variation of results against preceding quarter

Q3 2014 vs Q2 2014

PBT of RM116.3 million for Q3 2014 was also higher than the preceding quarter of RM83.6 million. Increase in PBT was mainly due to higher metal selling price as mentioned in B1 above.



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

B3. Current year's prospects

The demand for aluminium remained to be strong in the third quarter and the momentum is expected to continue till end of the year. Thus, barring unforeseen circumstances, the Board foresees that the Group should achieve significant improvement in financial results for the year.

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:

| | 9 months ended 30.09.2014 RM'000 |
|----------------------|---|
| Current taxation | |
| Malaysian income tax | 1,812 |
| Foreign tax | 2,131 |
| Deferred tax | 25,318 |
| | ----- |
| | 29,261 |
| | ===== |

B6. Retained Earnings

| | As at 30.09.2014 RM'000 | As at 31.12.2013 RM'000 |
|--|--|--|
| Retained earnings: | | |
| Realised | 1,432,523 | 906,078 |
| Unrealised | (113,309) | (107,288) |
| | ----- | ----- |
| | 1,319,214 | 798,790 |
| Total share of retained earnings of associate: | | |
| Unrealised | (26,342) | (24,909) |
| | ----- | ----- |
| Total Group retained earnings | 1,292,872 | 773,881 |
| | ===== | ===== |



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

B7(a). 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 had been satisfied by the Company on 30 September 2014.



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

B7(b). Status of Corporate Proposals Announced and Pending Completion

- (i) **Proposed bonus issue of up to 584,934,441 new ordinary shares of RM0.50 each in PMB to be credited as fully paid-up on the basis of one (1) Bonus Shares for every existing share held on an entitlement date to be determine (“Proposed Bonus Issue”);**
- (ii) **Proposed increase in the authorised share capital of PMB from RM500,000,000 comprising 1,000,000 shares to RM1,000,000 comprising 2,000,000 shares to facilitate the Proposed Bonus Issue (“Proposed IASC”);**
- (iii) **Proposed amendments to the Memorandum and Articles of Association of PMB to facilitate the Proposed IASC (“Proposed Amendments”);**
- (iv) **Proposed Amendments to the Deed Poll dated 20 July 2011 Constituting the warrants 2011/2019 of the Company (“Proposed Amendments to the Deed Poll”)**
(Collectively Referred to as “Proposal”)

On 12 August 2014 and 2 September 2014, Maybank Investment Bank Berhad, on behalf of Board, announced that the Company proposes to undertake the Proposals.

The Company had on 2 September 2014 announced that the applications to the relevant authorities for the Proposals shall be made within two (2) months from the date of 12 August 2014 Announcement (“Initial Announcement”) instead of within 1 month as stated in the Initial Announcement as the Company requires more time to prepare the same in view of the proposed amendments to the deed poll dated 20 July 2011 constituting the warrants 2011/2019 of the Company.

On 18 September 2014, the Company had announced that the listing application for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue and the additional Warrants C to be issued pursuant to the adjustment to the number of outstanding Warrants C as a consequences of the Proposed Bonus Issue as well as the new Shares to be issued arising from the exercise of the additional Warrants C has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) on 18 September 2014.

On 29 September 2014, the Company had announced that Bursa Securities has, vide its letter dated 26 September 2014 approved the proposals.

The Company had on 23 October 2014 announced that the shareholders and warrant holder of PMB have at the extraordinary general meeting (“EGM”) of PMB held same day, unanimously approved all the resolution set out in the notice of EGM dated 1 October 2014.



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

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

| | Secured (RM'000) | Unsecured (RM'000) | Total (RM'000) |
|------------|---------------------|-----------------------|-------------------|
| Long term | 892,620 | - | 892,620 |
| Short term | 671,556 | 415,828 | 1,087,384 |
| | <u>1,564,176</u> | <u>415,828</u> | <u>1,980,004</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 Summons 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.



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

B10. Dividend

The Board of Directors has approved a third interim tax exempt dividend of 12% per ordinary share prior to the Bonus Issue or equivalent to 6% per ordinary share upon the completion of the Bonus Issue on 11 November 2014, for the financial year ending 31 December 2014.

The Book Closure and Payment Dates for the aforesaid dividend are 14 November 2014 and 27 November 2014 respectively.

B11. Earnings Per Ordinary Share

(a) Basic earnings per share

| | 3rd Quarter | | Period-to-date | |
|--|-------------------------------|-----------------|-----------------------|-----------------|
| | 3 months ended | | 9 months ended | |
| | 30.09.14 | 30.09.13 | 30.09.14 | 30.09.13 |
| Profit/ (Loss) attributable to shareholders (RM'000) | 82,653 | (1,649) | 170,710 | 43,638 |
| Weighted average number of ordinary shares ('000) | 527,006 | 507,894 | 524,830 | 508,634 |
| Basic earnings/(loss) per share (sen) | 15.68 | (0.32) | 32.53 | 8.58 |
| | ===== | ===== | ===== | ===== |



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014**

B11. Earnings Per Ordinary Share-cont'd

(b) Diluted earnings per share

| | 3rd Quarter | | Period-to-date | |
|--|-------------------------------|-----------------|-----------------------|-----------------|
| | 3 months ended | | 9 months ended | |
| | 30.09.14 | 30.09.13 | 30.09.14 | 30.09.13 |
| Profit/ (Loss) attributable to shareholders (RM'000) | 82,653 | (1,649) | 170,710 | 43,638 |
| Weighted average number of ordinary shares ('000) | 527,006 | 507,894 | 524,830 | 508,634 |
| Redeemable Convertible Loan Stock ("RCSLS") | 97,291 | 144,112 | 97,291 | 144,112 |
| Warrants C ('000) | 75,338 | 80,684 | 75,338 | 80,684 |
| | ----- | ----- | ----- | ----- |
| | 699,635 | 732,690 | 697,459 | 733,430 |
| | ===== | ===== | ===== | ===== |
| Diluted earnings/(loss) per share (sen) | 11.81 | (0.23) | 24.48 | 5.95 |
| | ===== | ===== | ===== | ===== |

The above basic and diluted earnings per share are calculated based on the pre-bonus issue scenario.



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NOTES TO THE QUARTERLY REPORT **FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 income | (130) | (373) |
| Other income including investment income | - | - |
| Interest expense | 31,076 | 98,508 |
| Depreciation and amortisation | 53,791 | 165,731 |
| Provision for and written off trade receivables | 241 | 241 |
| Provision for and written off inventories | - | - |
| (Gain)/ loss on disposal of quoted or unquoted investment or properties | 41 | 1,158 |
| Impairment of assets | - | - |
| Unrealised foreign exchange loss | 22,588 | 15,098 |
| Realised foreign exchange loss | 4,024 | 2,091 |
| (Gain)/ loss on derivatives | - | - |
| Exceptional item | - | - |

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
30 October 2014