



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 FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 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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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.

A5. Changes in estimates

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

A6. Debt and equity securities

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



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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
Second interim 2014	5	27,300	12 September 2014
Third interim 2014	3	32,986	27 November 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 FOURTH QUARTER ENDED 31 DECEMBER 2014

A8. Segmental information – continued

<i>Business Segments</i>						
RM'000	Manufacturing & trading	Contracting	Elimination	Total		
Revenue from external customers	3,980,440	80,155	-	4,060,595		
Inter-segment revenue	1,602,331	-	(1,602,331)	-		
Total revenue	5,582,771	80,155	(1,602,331)	4,060,595		
Segment results	439,797	1,505		441,302		
Share of associate's profit				1,834		
Financing cost				(146,149)		
Profit before tax				296,987		
Taxation				(30,407)		
Profit after tax				266,580		
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external Customers	4,320,574	1,007,044	256,748	78,560	(1,602,331)	4,060,595
Segment assets by location	6,361,628	1,916,618	123,038	21,506	(3,037,985)	5,384,805
Investment in associate	38,555	-	-	-	-	38,555
	6,400,183	1,916,618	123,038	21,506	(3,037,985)	5,423,360



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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 year 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 December 2014, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures Not provided for in the financial statements	745,000
	=====

A14. Related Party Transactions

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group sales of aluminium products	144,764
Purchase of fabricated aluminium products and building materials	9,840
	=====



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

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

B1. Review of performance

Q4 2014 vs Q4 2013

The Group achieved a record revenue of RM1.134 billion for the 4th quarter of the year, a substantial increase of RM327.0 million or 40% as compared to RM807.6 million recorded in the prior year's correspondence quarter.

The higher revenue achieved was due to higher production output from the recovery of its Mukah Smelting Plant (shut down in June 2013 due to power outage and resumed full operation in April 2014), coupled with higher metal selling price during the current quarter under review.

In tandem with the higher revenue, the Group's operating profit also increased substantially. However, due to mark-to-market foreign exchange loss provision, primarily on our US Dollar denominated borrowings, the Group reported a profit before tax (PBT) of RM60.8 million in Q4 2014 after accounting for the RM80.9 million of unrealised foreign exchange loss.

Without this provision of exceptional item, the adjusted PBT for Q4 2014 is RM141.7 million, which rose significantly from a loss before tax of RM4.6 million (adjusted from loss before tax of RM4.9 million minus unrealised foreign exchange loss of RM0.3 million) in Q4 2013.



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

B1. Review of performance – *continued*

Year-on-Year

For the whole year, the Group achieved a record revenue of RM4.06 billion, an increase of RM938.9 million or 30% compared to RM3.12 billion in financial year 2013. Higher output by both Mukah and Bintulu smelting plants had contributed to this significant increase in the Group's revenue.

For the year ended 31.12.2014, the Group reported a PBT of RM297.0 million, after accounting for an unrealised foreign exchange loss of RM95.3 million as explained above.

However, excluding the unrealised foreign exchange loss of RM95.3 million, the Group would have recorded a PBT of RM392.3 million, a substantial increase of RM366.5 million as compared to the adjusted PBT of RM28.2 million in 2013 (excluding unrealised foreign exchange loss of RM19.4 million).

B2. Variation of results against preceding quarter

Q4 2014 vs Q3 2014

The reported PBT for Q4 2014 and Q3 2014 were RM60.8 million and RM116.2 million respectively, after accounting for the unrealised foreign exchange losses of RM80.9 million and RM22.6 million in these two quarters. Excluding the above unrealised losses, PBT would have been adjusted to RM141.7 million and RM138.8 million respectively.



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

B3. Current year's prospects

The global economy is expected to grow stronger in 2015 than last year 2014, with a forecasted growth rate of 3.5% according to International Monetary Fund (IMF).

Demand for aluminium is expected to continue to grow as well as aluminium remains the metal of choice for many industries (such as automobile, aeroplane, high speed rail) and consumer related applications (such as smartphones, tablets and household appliances).

As both of our smelters in Sarawak are running at full capacity now, the Group should be able to generate 10% more volume for this financial year as compared to previous year. In addition, as the Group continues to increase our value-add product mix, the Group should also see its profit margin to improve.

Further, as our 3rd Phase 320,000 mt expansion with its civil construction work well underway and with a targeted production to commission in the last quarter of this financial year, it should have some volume contribution for this financial year.

The completion of this expansion will give us a total smelting capacity of 760,000 mt, a substantial increase of 73% from the current capacity of 440,000 mt. This shall establish Press Metal as the largest aluminium producer in this region and a significant aluminum player in the world.

Barring unforeseen circumstances, the Board is looking forward to another good year and generating a good return for all our stakeholders.

B4. Profit forecast

Not applicable as no profit forecast was published.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

B5. Taxation

Taxation comprises the following:

	12 months ended 31.12.2014 RM'000
Current taxation	
Malaysian income tax	1,676
Foreign tax	3,739
Deferred tax	24,992

	30,407
	=====

B6. Retained Earnings

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Retained earnings:		
Realised	1,398,171	906,078
Unrealised	(117,282)	(107,288)
	-----	-----
	1,280,889	798,790
Total share of retained earnings of associate:		
Unrealised	(26,743)	(24,909)
	-----	-----
Total Group retained earnings	1,254,146	773,881
	=====	=====

B7. Status of Corporate Proposals Announced and Pending Completion

There were no corporate proposals announced but pending completion during the financial quarter.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

B8. Group borrowing and debt securities as at 31 December 2014

	<u>Secured</u> <u>(RM'000)</u>	<u>Unsecured</u> <u>(RM'000)</u>	<u>Total</u> <u>(RM'000)</u>
Long term	954,973	-	954,973
Short term	742,896	482,692	1,225,588
	<u>1,697,869</u>	<u>482,692</u>	<u>2,180,561</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 allowing the said application for a stay of proceedings pending arbitration. On 4 November 2014, the Company announced that the Court of Appeal has dismissed PMS appeal on 30 October 2014. Subsequently, PMS has filed the motion for leave to appeal to the Federal Court on 28 November 2014. The leave application is pending hearing before the Federal Court.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014**

B10. Dividend

The Board of Directors has approved a fourth interim tax exempt dividend of 6% per ordinary share for the financial year ended 31 December 2014 which approximates RM33,026,000.

The Book Closure and Payment Dates for the aforesaid dividend are 3 March 2015 and 12 March 2015 respectively.

B11. Earnings Per Ordinary Share

(a) Basic earnings per share

	4th Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.14	31.12.13	31.12.14	31.12.13
Profit/ (Loss) attributable to shareholders (RM'000)	42,023	(28,679)	212,733	14,959
Weighted average number of ordinary shares ('000)	854,494	509,545	608,511	508,607
Basic earnings/(loss) per share (sen)	<u>4.92</u>	<u>(5.58)</u>	<u>34.96</u>	<u>2.94</u>



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

B11. Earnings Per Ordinary Share-cont'd

(b) Diluted earnings per share

	4th Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.14	31.12.13	31.12.14	31.12.13
Profit attributable to shareholders (RM'000)	42,023	-	212,733	-
Weighted average number of ordinary shares ('000)	854,494	-	608,511	-
Redeemable Convertible Loan Stock ("RCSLS")	194,582	-	194,582	-
Warrants C ('000)	75,338	-	75,338	-
	<u>1,124,414</u>	<u>-</u>	<u>878,431</u>	<u>-</u>
Diluted earnings per share (sen)	<u>3.74</u>	<u>*</u>	<u>24.22</u>	<u>*</u>

* Not applicable as the effects of RCSLS and warrants remain an-dilutive as at 31 December 2013.



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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 Year To-Date RM'000
Interest income	(1,567)	(1,940)
Other income including investment income	-	-
Interest expense	43,391	146,149
Depreciation and amortisation	51,931	217,662
Provision for and written off trade receivables	679	920
Provision for and written off inventories	-	-
(Gain)/ loss on disposal of quoted or unquoted investment or properties	3,574	4,732
Impairment of assets	-	-
Unrealised foreign exchange loss	80,945	95,349
Realised foreign exchange loss	10,292	10,686
(Gain)/ loss on derivatives	(8,898)	(13,380)
Exceptional item	-	-

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
12 February 2015