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 2015

A1. Basis of preparation

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Significant Accounting Policies

The accounting policies adopted in these interim financial statements are consistent with those adopted for the financial year ended 31 December 2014, except for the adoption of the following Amendments and Annual Improvements to Standards effective for the annual periods beginning on or after 1 January 2015.

- Amendments to MFRS 119, *Defined Benefit Plans: Employee Contribution*
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above standards, amendments and annual improvement did not have any material financial impacts to the Group.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

A1. Basis of preparation (Cont'd)

Cash flow hedge (Cont'd)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Standards issued but not yet effective

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

- 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

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

A1. Basis of preparation (Cont'd)

Standards issued but not yet effective (Cont'd)

i) ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016* (Cont'd)**

- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiatives

- 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 127, Separate Financial Statements – Equity Method in Separate Financial Statements

- Annual Improvements to MFRSs 2012-2014 Cycle

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

- MFRS 15, Revenue from Contracts with Customers

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

- MFRS 9, Financial Instruments (2014)

The Group intends to adopt the above standards as and when they become effective in the respective financial periods. The adoption of the above is not expected to have any material impacts to the financial statements of the Group.

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A2. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 2014 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 flow 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.

A7. Dividends paid

	Sen (Tax exempt)	Total amount (RM'000)	Date of payment
Fourth interim 2014	3	38,788	12 March 2015
First interim 2015	3	38,953	2 June 2015
Second interim 2015	1.5	19,483	10 September 2015
Third interim 2015	1.5	19,482	28 December 2015

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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A8. Segmental information – *continued*

Business Segments

RM'000	**Smelting and extrusion**	**Trading**	**Others**	**Elimination**	**Total**
Revenue from external customers	3,779,744	508,525	118,405	-	4,406,674
Inter-segment revenue	1,392,365	-	202,017	(1,594,382)	-
Total revenue	**5,172,109**	**508,525**	**320,422**	**(1,594,382)**	**4,406,674**
Segment results	**324,566**	**9,329**	**617**		**334,512**
Share of associate's profit					2,237
Financing cost					(103,487)
Profit before tax					233,262
Taxation					(68,917)
Profit after tax					**164,345**

Geographical Segments

	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external Customers	4,387,066	1,180,134	325,727	108,129	(1,594,382)	4,406,674
Segment assets by location	8,415,705	2,223,830	143,494	23,065	(3,474,295)	7,331,799
Investment in associate	40,664	-	-	-	-	40,664
	8,456,369	2,223,830	143,494	23,065	(3,474,295)	7,372,463

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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 2015, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	254,839
	======

A14. Related Party Transactions

The Group	RM'000
With the affiliated companies – PMB Technology Berhad Group sales of aluminium products	165,295
Purchase of fabricated aluminium products and building materials	22,603
	======

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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

B1. Review of performance

Q4 2015 vs Q4 2014

The Group achieved a higher revenue of RM1.387 billion for Q4 2015 as compared to RM1.134 billion in Q4 2014, represents an increase of RM252.6 million or 22.3%. The increase was mainly due to the higher extrusion sales during the quarter and the strengthening of US Dollar against Malaysian Ringgit in which, all our smelting products sales are denominated in US Dollar.

The Group also achieved a higher profit before tax ("PBT") which increased by 28.2% from RM60.8 million to RM77.9 million. Higher profit was mainly contributed by lower finance costs incurred on outstanding term loans for operation of which, the amount has been reduced via repayments and the full conversion of its Redeemable Convertible Secured Loan Stock (RCSLS).

Year-on- Year

The Group recorded a revenue of RM4.407 billion in 2015 as compared to RM4.091 billion in 2014. The increase of RM315.6 million was mainly due to the strengthening of US Dollar against Ringgit Malaysia.

The Group PBT was lower by 23.3% from RM304.1 million to RM233.3 million. Lower PBT was mainly due to the lower London Metal Exchange (LME) metal price, foreign exchange loss incurred and asset impairment by its Samalaju plant.

B2. Q4 2015 vs Q3 2015

The Group PBT of RM77.9 million in Q4 2015 was higher than RM42.3 million in Q3 2015. The profit achieved was mainly derived from its Samalaju Smelting Plant which has resumed full operations during the quarter under review.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

B3. Current year's prospects

The last couple of months we have witnessed commodities prices falling to a very low level which we have not experienced for quite a long while already. As for aluminium, the recent low price is not sustainable and a few big established industry players have curtailed some large quantity of production. Even China which has grown tremendously in the last few years have finally realised that the high growth strategy is not benefiting the industry and started to reduce its production capacity.

Press Metal has always subscribed to the low cost operations model so that we can remain competitive for the long run when the industry faces a downturn. Our model of low investment cost and low operating cost will help us to prevail in such situation.

The demand for aluminium will continue to grow as the world consumption is still growing and more and more applications are using aluminium as the input material. So, as supply growth is cut back, we believe the market will find the equilibrium sooner and the aluminium price will then reflect such scenario.

Meanwhile, the management is committed to continue to be vigilant in the day to day operations and to bring up the 3rd phase expansion on a timely manner to meet our customers' requirements. As of to date, the production ramp up is on schedule and should be completed by the mid of this year, Press Metal would then have 760,000 mt of production capacity, one of the largest smelters in a single location.

So, barring unforeseen circumstances, the Board has high degree of expectation to achieve a better result for this financial year, providing a satisfaction return for all our stakeholders.

B4. Profit forecast

Not applicable as no profit forecast was published.

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B5. Taxation

Taxation comprises the following:

	12 months ended 31.12.2015 *RM'000*
Current taxation	
Malaysian income tax	8,238
Foreign tax	7,351
Deferred tax	53,328 *

	68,917
	======

* The deferred tax is inclusive of an additional provision for its new Phase at Samalaju plant.

B6. Retained Earnings

	As at 31.12.2015 *RM'000*	**As at 31.12.2014** *RM'000*
Retained earnings:		
Realised	1,432,918	1,400,813
Unrealised	(127,584)	(117,275)
	1,305,334	1,283,538
Total share of retained earnings of associate:		
Unrealised	(28,852)	(26,616)
Total Group retained earnings	1,276,482	1,256,922
	=======	=======

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NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

B7. Status of Corporate Proposals Announced and Pending Completion

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

B8. Group borrowing and debt securities as at 31 December 2015

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	1,146,246	175,627	1,321,873
Short term	1,856,387	211,558	2,067,945
	3,002,633	387,185	3,389,818

Borrowings that are denominated in foreign currencies are as follow amounting to RM3,287 million.

Currency		As at 31.12.15 Million
US Dollar	USD	690
Renminbi	RMB	467
Pound Sterling	GBP	2

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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 12 June 2014, the Court allowed Etiqa's application for stay of proceeding for reference of the matter to Arbitration.

After seeking legal advice from its solicitors, PMS filed an appeal to the Court of Appeal against the Court's decision allowing the said application for a stay of proceedings pending arbitration. The Court of Appeal dismissed PMS' appeal on 30 October 2014. Subsequently, PMS filed the motion for Leave to Appeal to the Federal Court on 28 November 2014. The leave application was successful where the Federal Court granted PMS Leave to Appeal on 26 March 2015. The Notice of Appeal to the Federal Court has thereafter been filed on the 2 April 2015 and the Federal Court has proceeded with the hearing of the Appeal on 17 September 2015. The Federal Court has reserved its decision to a date to be fixed.

NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

B10. Dividend

The Board of Directors has approved a fourth interim single tier dividend of 3% per ordinary share or approximately RM19,483,000 for the financial year ended 31 December 2015.

The Book Closure and Payment Dates for the aforesaid dividend are 14 March 2016 and 25 March 2016 respectively.

B11. Earnings Per Ordinary Share

(a) Basic earnings per share

	4th Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.15	**31.12.14**	**31.12.15**	**31.12.14**
Profit attributable to shareholders (RM'000)	38,798	42,023	136,169	214,910
Weighted average number of ordinary shares ('000)	1,298,831	854,494	1,274,974	1,063,571
Basic earnings per share (sen)	2.99	4.92	10.68	20.21
	=====	=====	=====	=====

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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

(b) Diluted earnings per share

	4th Quarter 3 months ended		**Year-to-date 12 months ended**	
	31.12.15	**31.12.14**	**31.12.15**	**31.12.14**
Profit attributable to shareholders (RM'000)	38,798	42,023	136,169	226,773
Weighted average number of ordinary shares ('000)	1,298,831	854,494	1,274,974	1,063,571
Redeemable Convertible Loan Stock ("RCSLS") ('000)	-	194,582	-	193,802
Warrants C ('000)	81,172	75,338	81,172	74,525
	1,380,003	1,124,414	1,356,146	1,331,898
Diluted earnings per share (sen)	2.81	3.74	10.04	17.03

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

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	(2,837)	(3,588)
Other income including investment income	-	-
Interest expense	24,600	103,487
Depreciation and amortisation	56,283	225,063
Provision for and written off trade receivables	869	1,469
Provision for and written of inventories	-	-
unquoted investment or properties	-	-
Impairment of assets	-	50,288
Unrealised foreign exchange (gain)/ loss	-	71,626
Realised foreign exchange loss	75,038	152,743
Unrealised loss on derivatives	-	95
Realised gain on derivatives	-	-
Exceptional item		
-Insurance claim	-	(20,000)

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
25 February 2016