



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 FIRST QUARTER ENDED 31 MARCH 2016**

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 2015, except for the adoption of the following Amendments and Annual Improvements to Standards effective for the annual periods beginning on or after 1 January 2016.

- 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*
- 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 MFRs 2012-2014 Cycle

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



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

A1. Basis of preparation (cont'd)

Hedge Accounting

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.

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.



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A1. Basis of preparation (cont'd)

Standards issued but not yet effective

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

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

ii) MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendment 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*

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.

A2. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 2015 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 for the recognition of the second interim insurance claim in relation to the fire incident amounting to RM50 million as mentioned in Note B1, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the financial quarter under review. The insurance claim is expected to be finalised in the near future.



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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
Fourth interim 2015	1.5	19,483	25 March 2016

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 2016**

A8. Segmental information – continued

<i>Business Segments</i>						
RM'000	Smelting and extrusion	Trading	Others	Elimination	Total	
Revenue from external customers	1,141,814	118,738	29,433	-	1,289,985	
Inter-segment revenue	318,170	-	12,764	(330,934)	-	
Total revenue	1,459,984	118,738	42,197	(330,934)	1,289,985	
Segment results	154,108	6,282	774		161,164	
Share of associate's profit					535	
Financing cost					(24,462)	
Profit before tax					137,237	
Taxation					(14,055)	
Profit after tax					123,182	
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external Customers	1,282,773	242,381	70,263	25,502	(330,934)	1,289,985
Segment assets by location	8,893,078	1,996,977	101,243	19,633	(3,721,126)	7,289,805
Investment in associate	42,172	-	-	-	-	42,172
	8,935,250	1,996,977	101,243	19,633	(3,721,126)	7,331,977



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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 31 March 2016, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	185,650 =====

A14. Related Party Transactions

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group sales of aluminium products	28,481
Purchase of fabricated aluminium products and building materials	7,804 =====



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

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

Review of performance

B1. Q1 2016 vs Q1 2015

The Group registered a higher revenue of RM1.290 billion for Q1 2016 as compared to RM1.056 billion in Q1 2015, represents an increase of RM234.1 million or 22.2%. Higher revenue was principally due to the additional output by its Samalaju new phase which has been commissioning progressively.

The Group also achieved a higher profit before tax (PBT) which has increased by 95.6% from RM70.2 million to RM137.2 million. Higher profit was partly contributed by the increase in production output and lower finance costs incurred resulted from the retirement of its certain higher interest bearing debts.

Included in the PBT is the second interim insurance claim of RM50 million in relation to the fire incident occurred at its Samalaju Smelter in May 2015.

B2. Q1 2016 vs Q4 2015

The Group PBT of RM137.2 million in Q1 2016 was higher than RM77.9 million in Q4 2015 by RM59.3 million or 76.2%. Higher PBT was mainly due to the RM50 million insurance claim recognised in the current year quarter under review.



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B3. Current year's prospects

For the last couple of months, in general, prices of all commodities have recovered from their low which includes aluminium. Concerns of US hiking interest rate aggressively and the contraction in China economy have abated and as such the market has responded quite positively.

As for aluminium, due to the curtailments in year 2015, the supply and demand are now more in equilibrium and is being reflected in the current price level.

This price recovery will work out well for Press Metal as we will complete our third smelter production ramp up by the end of May. By then we will have a total smelting capacity of 760,000 mt and the largest in South East Asia.

So, barring unforeseen circumstances, the Board expects to achieve better result for this financial year.

B4. Profit forecast

Not applicable as no profit forecast was published.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

B5. Taxation

Taxation comprises the following:

	3 months ended 31.03.2016 RM'000
Current taxation	
Malaysian income tax	8,920
Foreign tax	355
Deferred tax	4,780

	14,055
	=====

B6. Retained Earnings

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Retained earnings:		
Realised	1,506,492	1,431,761
Unrealised	(128,398)	(129,277)
	-----	-----
	1,378,094	1,302,484
Total share of retained earnings of associate:		
Unrealised	(30,360)	(29,825)
	-----	-----
Total Group retained earnings	1,347,734	1,272,659
	=====	=====



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

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 March 2016

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	1,746,885	104,380	1,851,265
Short term	1,090,365	270,682	1,361,047
	<u>2,837,250</u>	<u>375,062</u>	<u>3,212,312</u>
	=====	=====	=====

Borrowings that are denominated in foreign currencies amounting to RM3,018 million are as follow:-

<u>Currency</u>		As at 31.03.2016 <u>million</u>
US Dollar	USD	697
Renminbi	RMB	451
Pound Sterling	GBP	4



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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 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.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

B10. Dividend

The Board of Directors has approved a first interim single tier dividend of 6% per ordinary share approximates RM 38,965,000 for the financial year ending 31 December 2016.

The Book Closure and Payment Dates for the aforesaid dividend are 18 May 2016 and 31 May 2016 respectively.

B11. Earnings Per Ordinary Share

(a) Basic earnings per share

	1st Quarter 3 months ended		Period-to-date 3 months ended	
	31.03.16	31.03.15	31.03.16	31.03.15
Profit attributable to shareholders (RM'000)	94,558	43,137	94,558	43,137
Weighted average number of ordinary shares ('000)	1,298,832	1,203,639	1,298,832	1,203,639
Basic earnings per share (sen)	7.28	3.58	7.28	3.58
	=====	=====	=====	=====



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

B11. Earnings Per Ordinary Share-cont'd

(b) Diluted earnings per share

	1st Quarter		Period-to-date	
	3 months ended		3 months ended	
	31.03.16	31.03.15	31.03.16	31.03.15
Profit attributable to shareholders (RM'000)	94,558	43,137	94,558	43,137
Weighted average number of ordinary shares ('000)	1,298,832	1,203,639	1,298,832	1,203,369
Warrants C ('000)	70,828	73,819	70,828	73,819
	-----	-----	-----	-----
	1,369,660	1,277,458	1,369,660	1,277,458
	=====	=====	=====	=====
Diluted earnings per share (sen)	6.90	3.38	6.90	3.38
	=====	=====	=====	=====



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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 Period-To-Date RM'000
Interest income	(196)	(196)
Other income including investment income	-	-
Interest expense	24,462	24,462
Depreciation and amortisation	55,691	55,691
Provision for and written off trade receivables	522	522
Provision for and written of inventories	-	-
unquoted investment or properties	-	-
Impairment of assets	-	-
Unrealised foreign exchange gain	(2,232)	(2,232)
Realised foreign exchange loss	2,384	2,384
Unrealised loss on derivatives	-	-
Realised gain on derivatives	(9,621)	(9,621)
Exceptional item		
-Insurance claim	(50,000)	(50,000)

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
3 May 2016