

**NOTES TO THE QUARTERLY REPORT**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**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 2016 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 2017, except for the adoption of the following Amendments and Annual Improvements to Standards:-

***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- MFRS 3, Business Combinations (Annual Improvements to MFRS Standard 2015-2017 Cycle)
- MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 123, *Borrowing Costs* (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

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**A1. Basis of preparation (cont'd)**

*MFRS, Interpretations and amendments effective for annual periods beginning on or after 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 plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2 and Amendments to MFRS 4 which are not applicable to the Group; and
- from the annual period beginning on 1 January 2019 for the accounting standard and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The accounting standard that is effective for the annual period beginning on or after 1 January 2021 is not applicable to the Group.

**A2. Auditors' report**

The auditors' report of the audited financial statements for the financial year ended 2017 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.

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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 changes in estimates during the financial quarter under review and financial period-to-date.

**A7. Dividends paid**

	Tax exempt (sen per share)	Total amount (RM'000)	Date of payment
Fourth interim 2017	1.5	57,991	03.04.2018

**A8. Segmental information**

Segmental information is presented in respect of the Group's business segments.

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 – cont'd**

<i>Business Segments</i>						
<b>RM'000</b>	<b>Smelting and extrusion</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>		
Revenue from external customers	2,112,521	12,915	-	2,125,436		
Inter-segment revenue	304,892	20,242	(325,134)	-		
<b>Total revenue</b>	<b>2,417,413</b>	<b>33,157</b>	<b>(325,134)</b>	<b>2,125,436</b>		
<b>Segment results</b>	<b>259,275</b>	<b>(6,242)</b>		<b>253,033</b>		
Share of associate's profit				538		
Finance costs				(43,332)		
Profit before tax				210,239		
Taxation				(17,675)		
<b>Profit after tax</b>				<b>192,564</b>		
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external customers	1,942,943	335,570	129,076	42,981	(325,134)	2,125,436
Segment assets by location	11,424,249	1,617,825	169,388	38,363	(5,307,454)	7,942,371
Investment in associate	45,419	32,440	-	-	-	77,859
	11,469,668	1,650,265	169,388	38,363	(5,307,454)	8,020,230

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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-to-date 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.

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**A13. Capital commitments**

As at 31 March 2018, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	170,000
	=====

**A14. Related party transactions**

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	46,465
Purchase of fabricated aluminium products and building materials	10,957
	=====

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

**Review of performance**

**B1. Q1 2018 vs Q1 2017**

The Group revenue increased from RM1.93 billion in Q1 2017 to RM2.13 billion in Q1 2018, representing an increase of RM191.21 million or 9.9%. Our smelting plants continued to operate at full capacity and higher revenue was mainly attributable to the higher metal price during the current year quarter.

In line with the increase in revenue, profit before tax (“PBT”) has also increased from RM199.33 million to RM210.24 million, increased by RM10.91 million or 5.5%. Such improvement was mainly due to the higher metal price during the current year quarter under review.

**B2. Q1 2018 vs Q4 2017**

Compared to the preceding quarter, the Group PBT has shown an increase of RM9.54 million or 4.8% from RM200.70 million in Q4 2017 to RM210.24 million in Q1 2018 as a result of stronger metal price.

**B3. Current year's prospects**

The Company recognises that there will be continuous shifts and reactions in global aluminium markets caused by unsettled development from U.S. sanctions. Recent production volume disruption from Brazil has caused sudden spike in alumina prices. The management is closely monitoring the changing market landscape and has control measures in place, to respond to price volatilities on both aluminium and raw material fronts. Such external shocks have proven the resilience of aluminium prices which could benefit producers like Press Metal.

Looking forward, we are focusing on streamlining our acquisition of Leader Universal Aluminium and expanding our value-added capacity.

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**B4. Profit forecast**

Not applicable as no profit forecast was published.

**B5. Taxation**

Taxation comprises the following:

	<b>3 months ended</b>
	<b>31.03.2018</b>
	<b>RM'000</b>
Malaysian income tax	30
Foreign tax	7,998
Deferred tax	9,647
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	17,675
	=====

**B6. Retained earnings**

	<b>As at</b>	<b>As at</b>
	<b>31.03.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Retained earnings:		
Realised	2,161,658	2,005,641
Unrealised	(154,293)	(149,291)
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	2,007,365	1,856,350
Total share of retained earnings of associate:		
Unrealised	(33,607)	(33,069)
	-----	-----
Total Group retained earnings	1,973,758	1,823,281
	=====	=====



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**B7. Status of Corporate Proposals Announced and Pending Completion**

**Joint Venture**

On 20 September 2016, the Company announced that PMB had entered into a joint venture agreement with Sunstone Development Co., Ltd, a company incorporated in China whereby the Company has agreed to participate in the establishment and operation of a new joint venture company, namely Shandong Sunstone & PMB Carbon Ltd., Co., in China for the primary purpose of manufacturing of pre-baked carbon anodes.

The Company has on 22 January 2018 injected RMB52.8 million (approximately RM32.4 million) being the investment cost for this joint venture and currently, the plant construction is in progress.

Save as above, there were no corporate proposals announced but pending completion during the financial quarter.

**B8. Group borrowing and debt securities as at 31 March 2018**

	<u>Secured</u> <u>(RM'000)</u>	<u>Unsecured</u> <u>(RM'000)</u>	<u>Total</u> <u>(RM'000)</u>
Long term	525,641	1,522,542	2,048,183
Short term	653,276	410,186	1,063,462
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	1,178,917	1,932,728	3,111,645
	=====	=====	=====

Borrowings that are denominated in foreign currencies amounting to RM2,915 million are as follow: -

<u>Currency</u>		As at 31.03.2018 <u>million</u>
US Dollar	USD	648
Renminbi	RMB	489
Pound Sterling	GBP	20

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**B9. Derivative Financial Instruments**

(a) Details of derivative financial instruments

Details of derivative financial instrument that are outstanding as at 31 March 2018 are as follows:

	Nominal value RM'000	Fair value assets/ (liabilities) RM'000
Commodity swaps		
- Less than 1 year	3,874,483	(133,931)
- 1 year to 3 years	2,107,716	(102,246)
- More than 3 years	-	-
	-----	-----
	5,982,199	(236,177)
	=====	=====
Forward exchange contracts		
- Less than 1 year	1,201,129	143,237
- 1 year to 3 years	398,620	34,527
- More than 3 years	-	-
	-----	-----
	1,599,749	177,764
	=====	=====

The Group entered into commodity swaps to hedge its highly probable forecast physical aluminium delivery that are expected to occur at various dates in the future. The commodity swaps have maturity dates which match the expected occurrence of these transactions.

The Group entered into the forward exchange contracts to hedge its highly probable forecast transactions denominated in foreign currency expected to occur in the future. Such contracts have maturity dates that match the expected occurrence of these transactions.

These financial instruments are stated at fair value based on the financial institutions' quote.

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**B9. Derivative Financial Instruments** (cont'd)

(a) Details of derivative financial instruments (cont'd)

All the derivatives were contracted with creditworthy financial institutions to mitigate the credit risk, market risk and liquidity risk associated with the derivatives.

There is no cash requirement for these derivatives other than the repayment obligation for the bank borrowings.

There have been no changes made to the accounting policies associated with those derivatives since the end of the previous financial year ended 31 December 2017.

(b) Fair value changes in financial liabilities

The gain arising from fair value changes of financial liabilities for the current quarter and financial period-to-date are as follows:-

Type of financial liabilities	Basis of fair value measurement	Reason for gain	Fair value gain/(loss)	
			Current quarter 31.03.2018 RM'000	Current period-to-date 31.03.2018 RM'000
Commodity swaps	Difference between the commodity swaps contracted price and the market forward price	Commodity price differential between the contracted price and market forward price which have moved in favour/(not in favour) of the Group	504,053	504,053
Forward exchange contracts	Difference between the contracted foreign exchange rates and the market forward rate	Foreign exchange rate differential between the contracted rate and the market forward rate which have moved in favour of the Group	15,367	15,367
<b>Total</b>			<b>519,420</b>	<b>519,420</b>

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**B10. 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").

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.

Subsequently, PMS filed an appeal to the Court of Appeal against the High Court's decision in 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 Federal Court granted PMS Leave to Appeal on 26 March 2015. After hearing the Appeal, the Federal Court had on 15 August 2016 upheld the decision of the High Court and Court of Appeal which allowed Etiqa's application for stay of the court proceeding pending reference of the matter to arbitration.

Subsequently, PMS has on 24 November 2016 issued a Notice of Arbitration to Etiqa for commencement of the Arbitration and has on 20 January 2017 made a written request to the Director of Kuala Lumpur Regional Centre of Arbitration ("KLRCA") for registration and commencement of the Arbitration.

Therefore, PMS's claim against Etiqa for, inter alia, an indemnity in respect of its losses and damages arising from the power outage incident at PMS's smelting plant in Mukah, Sarawak is now pending in the arbitration proceedings. The solicitors of PMS are of the opinion that PMS has a good case for its claim.

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**B11. Dividend**

The Board of Directors has approved a first interim single tier dividend of 1.5 sen per ordinary share, approximate of RM58,000,000 for the financial year ending 31 March 2018.

The Book Closure and Payment Dates for the aforesaid dividend are 5 June 2018 and 19 June 2018 respectively.

**B12. Earnings per ordinary share**

**(a) Basic earnings per share**

	<b>1st Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.03.18</b>	<b>31.03.17</b>
Profit attributable to shareholders (RM'000)	150,477	148,049	150,477	148,049
Weighted average number of ordinary shares ('000)	3,860,132	3,707,711	3,860,132	3,707,711
Basic earnings per share (sen)	3.90	3.99	3.90	3.99

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**B12. Earnings per ordinary share-*cont'd***

**(b) Diluted earnings per share**

	<b>1st Quarter</b>		<b>Period-to-date</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>31.03.18</b>	<b>31.03.17</b>	<b>31.03.18</b>	<b>31.03.17</b>
Profit attributable to shareholders (RM'000)	150,477	148,049	150,477	148,049
Weighted average number of ordinary shares ('000)	3,860,132	3,707,711	3,860,132	3,707,711
Warrants C ('000)	159,357	257,775	159,357	257,775
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	4,019,489	3,965,486	4,019,489	3,965,486
	=====	=====	=====	=====
Diluted earnings per share (sen)	3.74	3.73	3.74	3.73
	=====	=====	=====	=====

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**B13. Note to the Condensed Consolidated Income Statement**

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

	<b>Current Quarter RM'000</b>	<b>Current Financial Period-To-Date RM'000</b>
Interest income	(1,063)	(1,063)
Other income including investment income	-	-
Interest expense	44,395	44,395
Depreciation and amortisation	99,224	99,224
Provision for and written off trade receivables	260	260
Provision for and written of inventories	-	-
unquoted investment or properties	-	-
Realised foreign exchange gain	(14,753)	(14,753)
Unrealised foreign exchange gain	(8,836)	(8,836)
Unrealised loss on derivatives	-	-
Realised loss on derivatives	-	-
Exceptional item	-	-

**B14. Comparative figures**

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

**On behalf of the Board**

**Tan Sri Dato' Koon Poh Keong**  
**Group Chief Executive Officer**  
 17 May 2018