PRESS METAL ALUMINIUM HOLDINGS BERHAD *(Company No.: 1198171-H)*
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NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A1. Basis of preparation

The condensed consolidated interim 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 condensed consolidated 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 which are effective for the annual periods beginning on or after 1 January 2018.

MFRS, 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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investment in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property - Transfer of Investment Property*

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by Group:

A1. Basis of preparation (continued)

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*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standard 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A1. Basis of preparation (continued)

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 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 which is not applicable to the Group. The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

A2. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 31 December 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.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A5. Changes in estimates

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

A6. Debt and equity securities

During the current financial year, the Company issued 118,064,918 new shares arising from the exercise of warrants.

There were no other debt and equity securities issued during the current financial year.

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
First interim 2018	1.5	58,031	19.06.2018
Second interim 2018	1.5	58,945	19.09.2018
Third interim 2018	2.0	79,011	27.12.2018

A8. Segmental information

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

The Group comprises the following main business segments:

(i) Smelting and extrusion

Manufacturing and marketing of aluminium and other related products.

(ii) Contracting and others

Contracting of aluminium and stainless steel products.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A8. Segmental information – *(cont'd)*

Business Segments

RM'000	**Smelting and extrusion**	**Contracting and others**	**Elimination**	**Total**
Revenue from external customers	9,101,160	57,365	-	9,158,525
Inter-segment revenue	1,686,297	4,865	(1,691,162)	-
Total revenue	**10,787,457**	**62,230**	**(1,691,162)**	**9,158,525**
Segment results	**1,090,847**	**(38,166)**		**1,052,681**
Share of associate's profit				2,707
Finance costs				(180,639)
Profit before tax				874,749
Taxation				(89,635)
Profit after tax				**785,114**

Geographical Segments

RM'000	Malaysia	Asia Region	Europe Region	American Region	Elimination	Total
Revenue from external customers	8,779,520	1,385,650	492,346	192,171	(1,691,162)	9,158,525
Segment assets by location	11,890,334	1,272,599	199,869	50,074	(5,244,600)	8,168,276
Investment in associates	46,945	32,440	-	-	-	79,385
	11,937,279	1,305,039	199,869	50,074	(5,244,600)	8,247,661

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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 on its property, plant and equipment.

A10. Material events subsequent to the balance sheet date

There were no material event subsequent to the end of the financial year to the date of issue of this report.

A11. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current quarter under review.

A12. Contingent liabilities and contingent assets

There were no material changes in contingent liabilities and contingent assets as at the date of this quarterly report.

A13. Capital commitments

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

	RM'000
Authorised property, plant and equipment expenditures not provided for in the financial statements	10,000
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A14. Related party transactions

	12 months ended 31.12.2018
The Group	RM'000
With the affiliated companies – PMB Technology Berhad Group:-	
-Sales of aluminium products	208,574
-Purchase of fabricated aluminium products and building materials	26,254
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NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

Review of performance

B1. Q4 2018 vs Q4 2017

The Group revenue increased from RM2.13 billion in Q4 2017 to RM2.25 billion in Q4 2018, representing an increase of RM120.55 million or 5.67%.

Higher revenue in Q4 2018 was mainly due to the completion of Leader Universal Aluminium Sdn. Bhd. (which has subsequently changed its name to Press Metal Aluminium Rods Sdn. Bhd. or "PMAR") acquisition on 30 March 2018. PMAR's revenue has since been consolidated into the Group revenue thereafter.

Profit before tax ("PBT") increased by RM1.23 million or 0.61% to RM201.93 million in Q4 2018 mainly contributed by PMAR.

Year on year 2018 vs 2017

The Group revenue increased by RM982.39 million or 12.02% from RM8.18 billion in 2017 to RM9.16 billion in 2018. Higher revenue was mainly due to higher metal price and contribution from PMAR's revenue as explained above.

PBT improved by RM66.00 million or 8.16% mainly due to the contribution from PMAR and insurance claim received during the year.

B2. Q4 2018 vs Q3 2018

Compared to the immediate preceding quarter Q3 2018, the Group PBT has decreased by RM39.23 million or 16.27% in Q4 2018. The decrease was mainly due to an one-off insurance claim amounting to RM60 million received in the preceding quarter.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B3. Current year's prospects

For 2019, aluminium demand is still expected to increase due to its inherent advantages and key characteristics, i.e. strong, durable, flexible, lightweight and corrosion-resistant, making it a versatile metal of choice for various industries.

The ongoing trade tension between the American and the Chinese has affected business sentiments for the past quarter. However, with both parties now having shown some progress in trade negotiations, sentiments appear to have improved.

Another positive factor for the market is the easing of its stand on interest rate hikes by the Federal Reserve for the current financial year, as higher interest rate will eventually translate into higher business cost.

Demand from China is also expected to pick up in anticipation of the government implementing stimulus programmes for the economy.

Going forward, market is expecting aluminium demand to outstrip supply. Consequently, aluminium prices should move positively. However, for the near term, the industry still faces uncertainty of the Brazil alumina refinery in resuming its full production capacity. As such, aluminium costs may remain high in the near term.

The Group will continue to focus on value-added contribution, which is expected to increase our margins, and to look out for strategic expansion opportunities.

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:

	12 months ended 31.12.2018 ***RM'000***
Malaysian income tax	4,587
Foreign tax	23,882
Deferred tax	61,166
	89,635

The effective tax rate of the Group was lower than the prevailing statutory tax rate due to the tax incentives granted to its subsidiaries.

B6. Retained earnings

	As at 31.12.2018 ***RM'000***	**As at 31.12.2017** ***RM'000***
Retained earnings:		
Realised	2,402,513	2,005,641
Unrealised	(178,741)	(149,291)
	2,223,772	1,856,350
Total share of retained earnings of associate:		
Unrealised	(35,133)	(33,069)
Total Group retained earnings	2,188,639	1,823,281

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B7. Status of Corporate Proposals Announced and Pending Completion

Sunstone Joint Venture

On 20 September 2016, the Group announced that it had entered into a joint venture agreement with Sunstone Development Co., Ltd, a company incorporated in China whereby the Group 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 Group 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 has just commissioned its manufacturing operations.

JAA Joint Venture

The Group has on 17 October 2018 announced that Press Metal Bintulu Sdn. Bhd. (“PMBintulu”), an 80%-owned subsidiary of the Group has entered into an asset sale agreement (“ASA”) with ITOCHU Minerals & Energy of Australia Pty. Ltd. (“IMEA”) and ITOCHU Corporation (“ITOCHU”), the holding company of IMEA, for the acquisition of 50.00% of equity interest in Japan Alumina Associate (Australia) Pty. Ltd. (“JAA”) for a total cash purchase consideration of AUD250.0 million (equivalent to approximately RM739.0 million), subject to the terms and conditions as stipulated in the ASA (“Proposed Acquisition”).

The Proposed Acquisition is expected to be completed in the first quarter of 2019.

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

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B8. Group borrowings and debt securities as at 31 December 2018

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	419,279	1,634,109	2,053,388
Short term	422,008	458,389	880,397
	841,287	2,092,498	2,933,785

Borrowings that are denominated in foreign currencies amounting to RM2,671 million are as follow: -

Currency		As at 31.12.2018 million
US Dollar	USD	563
Renminbi	RMB	438
Pound Sterling	GBP	15

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B9. Derivative Financial Instruments

(a) Details of derivative financial instruments

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

	Nominal value RM'000	Fair value assets/(liabilities) RM'000
Commodity swaps		
- Less than 1 year	7,617,654	44,992
- 1 year to 3 years	611,706	(19,144)
- More than 3 years	-	-
	8,229,360	25,848
Forward exchange contracts		
- Less than 1 year	1,791,415	14,569
- 1 year to 3 years	1,231,136	109
- More than 3 years	-	-
	3,022,551	14,678

The Group entered into commodity swaps to hedge its highly probable forecast physical alumimium 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.

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 polices 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 year are as follows: -

Type of financial liabilities	Basis of fair value measurement	Reason for gain	Fair value gain/(loss)	
			Current quarter 31.12.2018 RM'000	Current year-to-date 31.12.2018 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	54,567	766,080
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	(20,919)	(147,718)
Total			33,648	618,362

NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

B10. Material Litigation

There was no pending material litigation as at the date of this report.

B11. Dividend

The Board of Directors has approved a fourth interim single tier dividend of 1.5 sen per ordinary share, amounting approximately of RM59,429,000 for the financial year ended 31 December 2018.

The Book Closure and Payment Dates for the aforesaid dividend are 18 March 2019 and 2 April 2019 respectively.

B12. Earnings per ordinary share

(a) Basic earnings per share

	4th Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Profit attributable to shareholders (RM'000)	156,407	150,189	629,980	593,379
Weighted average number of ordinary shares ('000)	3,947,810	3,774,956	3,894,632	3,737,402
Basic earnings per share (sen)	3.96	3.98	16.18	15.88
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NOTES TO THE QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

(b) Diluted earnings per share

	4th Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Profit attributable to shareholders (RM'000)	156,407	150,189	629,980	593,379
Weighted average number of ordinary shares ('000)	3,947,810	3,774,956	3,894,632	3,737,402
Warrants C ('000)	80,890	188,717	80,938	179,993
	4,028,700	3,963,673	3,975,570	3,917,395
Diluted earnings per share (sen)	3.88	3.79	15.85	15.15

PRESS METAL ®

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B13. 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	(1,362)	(6,423)
Other income including investment income	-	-
Interest expense	44,620	187,062
Depreciation and amortisation	93,323	389,377
Provision for and write off of trade receivables	(366)	56
Provision for and write off of inventories	-	-
(Gain) or loss on disposal of quoted or unquoted investment or properties	1,433	909
Impairment of assets	-	-
Realised foreign exchange (gain)/loss	(24,087)	(108,248)
Unrealised foreign exchange (gain)/loss	(3,987)	(5,818)
(Gain) or loss on derivatives	3,663	106,082
Property, plant and equipment written off	19,078	33,105
Exceptional item:-		
- Gross Insurance claim	-	(60,000)

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
26 February 2019