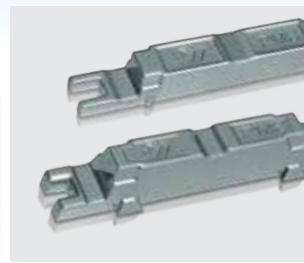


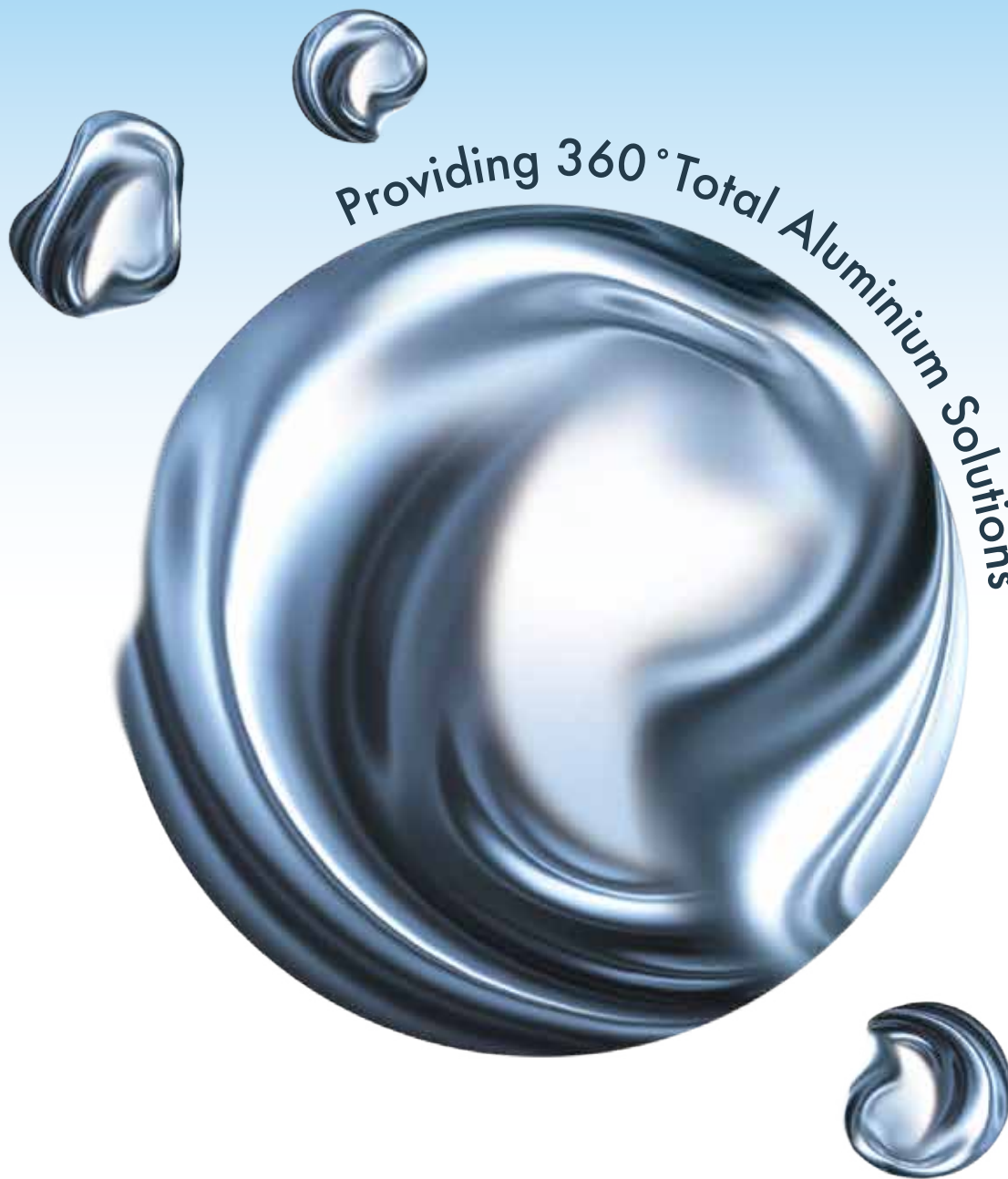
ANNUAL REPORT 2016

Smelting
Billets
Wire Rods Ingots
Extrusion Fabrication





Providing 360° Total Aluminium Solutions



Upstream & Downstream: 360° Aluminium Solutions

Press Metal's aluminium facilities and activities cover both upstream and downstream, because our vision here is to provide total solutions for all aluminium needs. We start with understanding our clients' objectives, then utilise innovation and R&D to tailor results that fulfil requirements in optimal, responsible and efficient ways.

With our own smelting plants seamlessly integrated with our extrusion and fabrication plants, we are able to meet our customers' high expectations.

Delivering total solutions require a 360° approach but it's also one where we are constantly and continuously strive to improve on, in view of the challenges both we and our clients face, in a world where the only constant is change.



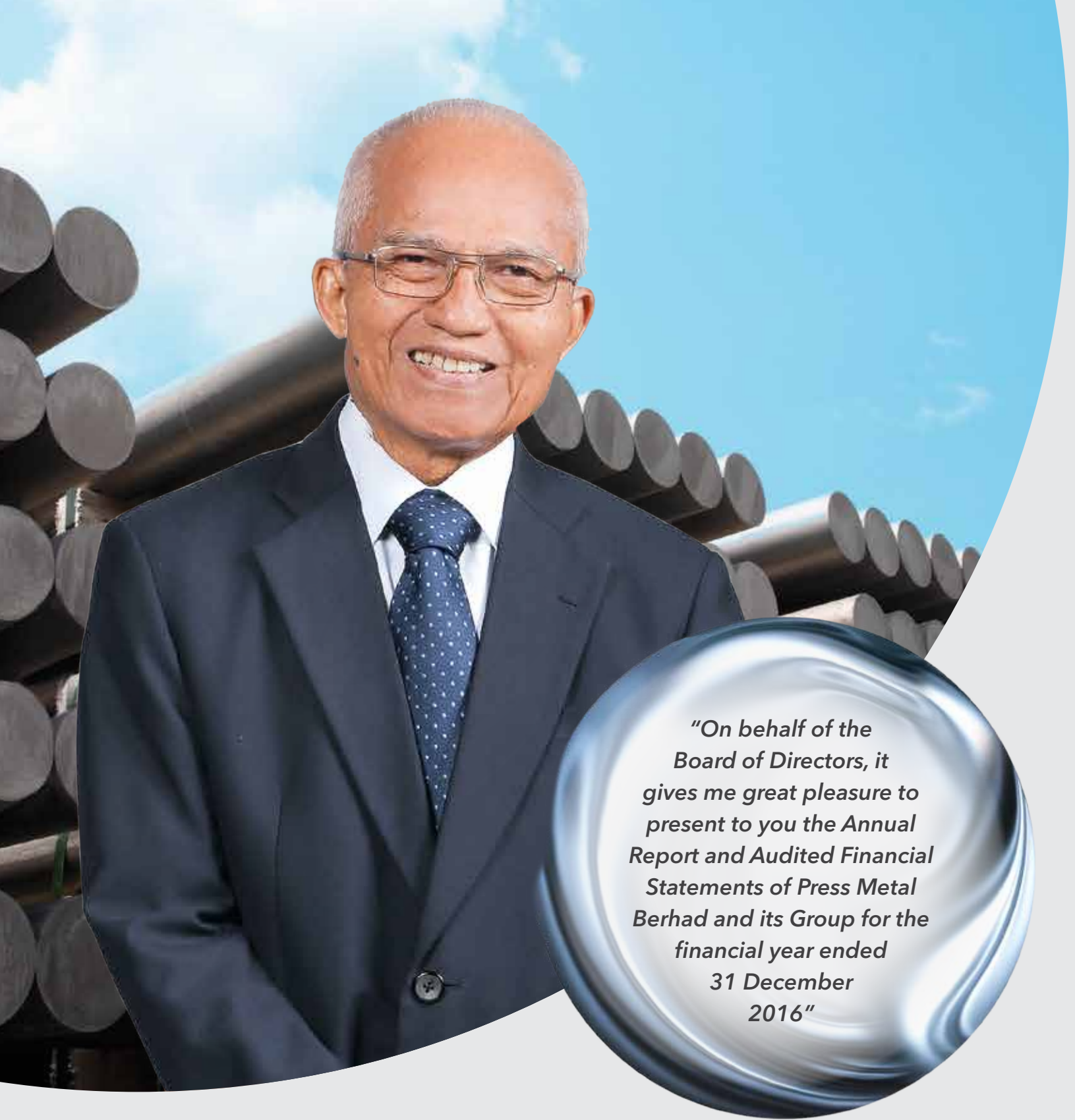
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*"On behalf of the
Board of Directors, it
gives me great pleasure to
present to you the Annual
Report and Audited Financial
Statements of Press Metal
Berhad and its Group for the
financial year ended
31 December
2016"*

Chairman's Statement

The Memorable 2016

The year 2016 was quite a memorable year for Press Metal Group.

The Group celebrated its 30th anniversary in May 2016, a very significant milestone in its history. Starting then as Press Metal Aluminium Industries Sdn Bhd as a small extrusion company in Selangor, it changed to its current name with its listing on the Second Board of the then Kuala Lumpur Stock Exchange. Thereafter, it took an ambitious step venturing into China quadrupling its extrusion capacity and then building its own aluminium smelters in Sarawak -- Press Metal has indeed come a long way to becoming a globally integrated aluminium corporation today. With the completion of the Samalaju Phase 2 smelter in Sarawak, Press Metal owned not only the largest smelting capacity in South East Asia, but also one of the largest smelters in a single location in the world.

For financial year 2016, the Group achieved a record-high Revenue of RM6.65 billion. This was mainly contributed by increased production output, improvement of aluminium prices as well as the strengthening of the US Dollar against the Ringgit Malaysia. It is an impressive 53.88% jump from that of RM4.32 billion in 2015. Correspondingly, Profit Before Tax (PBT) of the Group increased by 190.91%, from RM231.9 million in a financial year 2015 to RM674.8 million.

As we continue to strengthen our position in the aluminium industry, our shareholders are being rewarded for their continuous support through generous dividend payouts, share split, bonus issue and share price appreciation.

For financial year 2016, the Group declared and paid a total dividend of RM170.9 million or 8.5 sen per ordinary share on average.

Appreciation & Acknowledgement

We are very grateful to have unwavering support of all our stakeholders including our shareholders, business associates, financiers, government agencies and regulatory authorities, throughout our exciting journey of growth and expansion. We look forward to your continued support in the many years to come.

On behalf of the Board, I would like to express the Board's sincere gratitude to our longest serving Independent Director, Tuan Haji Mohamad Faiz bin Abdul Hamid, who had opted to retire in 2016, after serving the Board since its listing in 1993. Tuan Haji was also the Chairman of our Audit Committee and member of Nomination and Remuneration Committees. His experience, wisdom and selfless guidance and support rendered over the years of our public listed history have been invaluable to the success of the Group. Thank you, Tuan Haji and we wish you all the best in your future undertakings.

I would also like to take this opportunity to welcome our new Independent Director, Puan Noor Alina binti Mohamad Faiz to the Board. Puan Alina is a lawyer by profession and she is the first female director in the history of Press Metal Berhad.

During my 22 years of service as the Chairman of the Board, I have witnessed and appreciate very much the vision, foresight, hard work and perseverance of my fellow directors, the management team as well as members of staff, which have succeeded in taking the Group to its commendable and leading position today. Well done and thank you.

**Dato' Wira (Dr.) Megat Abdul Rahman
bin Megat Ahmad**
Chairman
April 2017



"Press Metal believes the global aluminium industry is in a more balance situation than in the past couple of years. Demand is expected to grow at a healthy pace but supply growth will face more challenges"

Management Discussion & Analysis by Group CEO

1. INTRODUCTION

Press Metal was incorporated in 1986 in Malaysia as a private limited company and was subsequently converted into a public company in 1993 and listed on the then Kuala Lumpur Stock Exchange.

Press Metal started as an aluminium extruder some 30 years ago producing the semi-finished aluminium extruded products. In 2007, Press Metal decided to move upstream expanding into aluminium smelting producing primary aluminium materials such as ingots and billets.

Since then, Press Metal has increased its annual smelting capacity from 120,000 tonnes to 760,000 tonnes and is the largest aluminium smelter in Malaysia and South East Asia.

Products, Markets and Manufacturing Bases

Press Metal as an Aluminium Extruder

Press Metal has a total of 160,000 tonnes annual extrusion capacity. The extrusion products cover a wide range of industries ranging from aluminium facade for building construction to aluminium components for solar panel, automotive, electrical and electronic appliances.

Press Metal has an extrusion plant in Peninsular Malaysia, located in Kapar, Selangor with an annual capacity of 40,000 tonnes. Its products are basically distributed in Malaysia, Singapore, Australia and America.

Press Metal's second extrusion plant with an annual production capacity of 120,000 tonnes is located in Guangzhou, China. This plant is owned and operated by its wholly-owned subsidiary namely Press Metal International Limited ("PMI"). PMI supplies extrusion products mainly to the local market and European region.

For a more effective marketing network, Press Metal has set up the following subsidiaries to explore and expand its extrusion market share worldwide. These subsidiaries are headed by the respective country heads that have many years of working experience in the aluminium industry: -

Subsidiaries	Target Customers and Market Segments
1. Press Metal UK Limited	European region
2. Press Metal Aluminium (Australia) Pty. Ltd.	Australia continent
3. Press Metal North America Inc	American region including Brazil and Mexico

Press Metal as an Aluminium Smelter

Press Metal builds, owns and operates the first-ever aluminium smelting plant in Malaysia via its 80%-owned subsidiary, Press Metal Sarawak Sdn Bhd ("PMS") which commenced operations in 2009 (Mukah Smelter). The Mukah smelter is located in Mukah, Sarawak and has an annual production capacity of 120,000 tonnes. Its main product is aluminium billets, a value-added product casted from the molten produced by its aluminium electrolysis pots. PMS sells its product to the local extrusion manufacturers as well as to manufacturers in South East Asia region and to as far as Brazil and Mexico.

Subsequently, Press Metal via its 80%-owned subsidiary, Press Metal Bintulu Sdn Bhd ("PMB") set up its second smelting plant in Samalaju, Sarawak with an annual capacity of 640,000 tonnes. PMB's main products are that of primary ingots and alloy ingots. Alloy ingot is another form of value-added product catering for the car wheel manufacturers.

Corporate Statement

Excellence is the ultimate criteria at Press Metal. From our upstream and downstream products to the quality system and processes we installed in every plant, we strive to be excellent in all aspects. Our ultimate goal is the satisfaction of our customers in terms of product quality and timely delivery.

Corporate Objectives and Strategies

Press Metal's core-objective is to provide quality products for the global customers for a reasonable return for all of its stakeholders. Press Metal employs a simple strategy that is to diversify its product mix, producing value-added products for higher return and continually exploring new market segments both domestically and internationally.

- **High Quality Products**

Our primary aluminium ingot is that of Good Western standard which is registered with the London Metal Exchange (LME). We ensure each ingot produced by us does meet the stringent criteria set by LME and guarantee to meet the customers satisfaction.

- **Value-added Products**

Apart from the basic ingot, Press Metal has been focusing on producing more value-added products to generate higher return such as billets, alloy ingots and aluminium rods.

2. OVERVIEW OF BUSINESS ENVIRONMENT

Global Aluminium Trade

Aluminium is a remarkable material due to its light weight and corrosion resistivity. Aluminium is widely used in packaging, consumer durables, aerospace industry and building construction such as building formworks and facade.

Today, aluminium is being used to construct vehicle replacing steel, to reduce the vehicle weight and improve the fuel consumption. Further, there is increasing trend where aluminium is used to replace copper in the electric cables industry.

3. FINANCIAL REVIEW

Revenue

Press Metal Group recorded a substantial increase in revenue for the financial year ended 31 December 2016 as compared to the previous financial year. Revenue increased by RM2.33 billion or 53.88% from RM4.32 billion to RM6.65 billion.

Substantial increase in the revenue was mainly contributed by the completion of production ramp-up of its Samalaju Phase 2 smelter in May 2016 which had doubled its production capacity from 320,000 to 640,000 tonnes per annum. Higher revenue also attributable by its Samalaju Phase 1 smelter which resumed operations after the fire incident in May 2015.

Manufacturing costs

The Group's manufacturing costs (cost of sales) for the year increased from RM3.58 billion to RM5.59 billion i.e., increased by RM2.01 billion or 55.98%. Increase in the cost of sales was in tandem with the increase in the revenue.

Expenses

Other operating expenses which include the distribution, administrative and other expenses decreased by RM175.54 million or 28.87%. The decrease was mainly due to the lower foreign exchange realised loss during the year amounted to RM7.00 million as compared to RM239.55 million in 2015. Higher foreign exchange realised loss in 2015 was attributable to the weakening of Ringgit Malaysia/ US Dollar exchange rate.

Finance Costs

Finance costs increased by RM62.57 million or 64.03% from RM97.73 million to RM160.30 million. Increase in finance costs was primarily due to the financing costs associated with the Samalaju Phase 2 smelter project which ceased to be capitalised following its completion of production ramp-up in May 2016.

Taxation

Taxation remained almost the same as compared to last year despite the substantial increase in the pre-tax profit. This was mainly due to the 15-year pioneer status enjoyed by its subsidiary, PMB which operates the Samalaju smelting plants.

Profit Attributable to Equity Holders of the Company

The profit after tax and non-controlling interest increased from RM132.35 million to RM483.57 million, in tandem with the higher revenue generated.

Liquidity and Capital Resources

Press Metal Group's cash position improved from RM305.12 million as at 31 December 2015 to RM377.68 million as at 31 December 2016. Net cash generated from operating activities was RM936.40 million of which RM424.75 million was used for Samalaju Phase 2 capital expenditure, RM242.35 million was repaid for bank borrowings and RM154.71 million for dividend payout to its shareholders and to non-controlling interests of a subsidiary.

Gearing

The Group's gearing reduced from 1.3 to 1.1 during the year, mainly contributed by the increase in its shareholders' net worth and reduction in its borrowings due to loan repayments.

Dividend

Press Metal Berhad has declared the following interim single-tier dividends for the financial year ended 31 December 2016:-

Dividends	Sen per share
1st interim 2016	3.0
2nd interim 2016	3.0
3rd interim 2016	1.0
4th interim 2016	1.5
Total	8.5

4. OUTLOOK OF FUTURE PROSPECTS

For 2017, International Monetary Fund projected global growth of about 3.7% as compared to 3.4% projected in 2016. The outlook for advanced economies has improved for 2017 as a result of stronger activity in the second half of 2016 with the fiscal stimulus in the United States. Growth prospects for emerging and developing markets are projected to be slightly softened due to the tightening of financial conditions especially in India, Brazil and Mexico.

However, in view of the overall improved sentiment, commodities prices are expected to increase over the year in 2017.

With the strong infrastructure demand and real estate investment in China and the expectation of fiscal easing in the United States, prices for base metal including aluminium are expected to be strengthened. Since the beginning of the year, aluminium price has increased from about USD1,700 to USD1,950 per tonne.

The market anticipates that the price may trade at the current level as supply and demand are in a very tight balance. In addition, the Chinese government has been very concerned of the environment pollution lately and has ordered industries such as aluminium to reduce its production.

Press Metal believes the global aluminium industry is in a more balance situation than in the past couple of years. Demand is expected to grow at a healthy pace but supply growth will face more challenges. As such, the Board and management is cautiously optimistic that for this fiscal year, the Group should perform better with the benefit of full production from our three smelter lines of 760,000 tonnes capacity and higher value-added products output.

LIGHT *yet*
STRONG





Aluminium used in cars lowers the weight, thus providing fuel efficiency while reducing energy consumption and greenhouse gas emissions.

Pure aluminium is soft enough to carve, but when mixed with other metals to form alloys, it can provide the strength of steel at only one-third of the weight. Without aluminium, there would be no commercial air travel.