



PRESS METAL BERHAD

(Company No.: 153208W)

Lot 6464, Batu 5 ¾, Jalan Kapar, Sementa, 42100 Klang,
Selangor Darul Ehsan, Malaysia.

Tel. : 603-3291-3188. Fax. : 603-3291-3637.

Notes to the interim financial report

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ('FRS') 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

(a) Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/ revised FRSs effective for the financial period beginning 1 January 2007:

FRS 124 Related Party Disclosures

FRS 117 Leases

The adoption of FRS 124 has no significant impact on the Group and the effect of changes in accounting policies arising from the adoption of FRS 117 is as follow:-



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Notes to the interim financial report

A1. Changes in Accounting Policies - *continued*

(b) FRS 117 : Leases

In prior years, the long term leasehold land and buildings for own use were classified as property, plant and equipment and stated at the historical costs less accumulated depreciation. The adoption of FRS 117 has resulted in a retrospective change in the classification of leasehold land and buildings for own use as prepaid lease payments and are amortised on a straight line basis over the lease term.

The reclassification of leasehold land and buildings had been accounted for retrospectively in accordance with FRS 117 by restating the balance sheet presentation as at 31 December 2006 as per 2.1 below.

A2. Comparatives

As at 31 December 2006	Previously stated RM'000	Adjustment FRS 117 RM'000	Restated RM'000
Property, plant and equipment	228,629	(17,887)	210,742
Prepaid lease payments	-	17,887	17,887

A3. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 31 December 2006 was not subject to any qualification.

A4. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

A5. Extraordinary and exceptional items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review and financial year-to-date.



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A6. Changes in estimates

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

A7. Debt and equity securities

There were no debt and equity securities issued during the current financial year-to-date.

A8. Dividends paid

The following dividends were paid during the financial period under review:-

- (i) The final dividend of 3% less 27% Malaysian Income Tax amounting to RM3,991,308 for the financial year ended 31 December 2006 was paid on 31 July 2007;
- (ii) A first interim dividend of 3% less 27% Malaysian Income Tax amounting to RM3,991,308 for the financial year ending 31 December 2007 was paid on 12 October 2007;

A9. 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) **Property Development**
Development of industrial parks, building and contracting of construction works.
- (iii) **Recycling**
Recycling of waste and provision of common waste water treatment.



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Notes to the interim financial report

A9. Segmental information – continued

<i>Business Segments</i>						
RM'000	Manufacturing & trading	Property Development	Recycling	Elimination	Total	
Revenue from external customers	957,146	-	1,795	-	958,941	
Inter-segment revenue	791,448	-	-	(791,448)	-	
Total revenue	1,748,594	-	1,795	(791,448)	958,941	
Segment results	115,994	(206)	119		115,907	
Share of associate's profit					2,857	
Negative goodwill					336,996	
Net financing cost					(20,801)	
Profit before tax					434,959	
Taxation					(12,171)	
Profit after tax					422,788	
<i>Geographical Segments</i>						
	Malaysia	Asia Region	Europe Region	Asia Pacific Region	Elimination	Total
Revenue from external Customers	666,155	890,821	137,130	56,283	(791,448)	958,941
Segment assets by location	800,991	1,264,115	152,560	43,734	(708,958)	1,552,442
Investment in associate	23,433	-	-	-	-	23,433
	824,424	1,264,115	152,560	43,734	(708,958)	1,575,875



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A10. 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.

A11. Material events subsequent to the balance sheet date

There was no material event subsequent to the end of the financial period reported.

A12. Changes in the composition of the Group

On 19 July 2007, K3 Metal Service Centre Sdn Bhd, a 51%-owned subsidiary of the Company, had entered into a Sale of Shares Agreement for the disposal of 1,800,000 ordinary shares of RM1.00 each, representing 53.46% of the stake to Sam's Metal Trading (Kuantan) Sdn Bhd and 510,000 ordinary shares of RM1.00 each, representing 51.0% of the stake in ML Metal Trading Sdn Bhd, for the cash consideration of RM3,231,111.17 and RM1,260,994.38 respectively.

Other than the above mentioned, there were no significant changes in the composition of the Group for the quarter under review.

A13. 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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Notes to the interim financial report

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

B1. Review of performance

The Group has in the third quarter ended 30 September 2007 recorded a turnover of RM291 million (third quarter 2006 – RM214 million) and profit before tax (“PBT”) of RM373 million (third quarter 2006 – RM6 million). Excluding the negative goodwill of RM337 million as mentioned in the Note B8(a), the PBT is recorded at RM36 million, an increase of RM30 million or 500% as compared to the corresponding period last year.

The increase in revenue and PBT of the Group is mainly due to the contribution from its aluminium extrusion and smelting plants operating in the People's Republic of China and the recognition of the negative goodwill as mentioned above.

B2. Variation of results against preceding quarter

Excluding the negative goodwill, the Group's PBT increased to RM36 million for the third quarter ended 30 September 2007 as compared to the preceding quarter of RM31 million.

B3. Current year's prospects

The Group's operations in the People's Republic of China via its aluminium extrusion and smelting plants are contributing positively to the Group performance in 2007.

Barring unforeseen circumstances, the Board is optimistic of the prospects of the Group for the remaining period of the financial year.

B4. Profit forecast

Not applicable as no profit forecast was published.



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B5. Taxation

Taxation comprises the following:

	9 months ended
	30.9.2007
	RM'000
Current taxation	
Malaysian income tax	8,867
Foreign tax	75
Deferred tax	3,229

	12,171
	=====

The Group's effective tax rate for the current quarter and financial year-to-date is lower than the statutory tax rate due to utilisation of reinvestment allowance and tax exempt status granted for its two plants operating in China and also the negative goodwill recognised is non-taxable.

B6. Profit / Loss on disposal of unquoted investments and properties

There were no sale of unquoted investments during the current quarter and financial year-to-date.

B7. Purchases or Disposals of Quoted Securities

There were no purchases or disposals of any quoted securities during the financial quarter under review and financial year-to-date.



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Notes to the interim financial report

B8. Status of Corporate Proposals Announced and Pending Completion

(a) Acquisition of China Smelting Plant

On 28 November 2006, the Company has entered into a sale and purchase agreement and the relevant supplemental agreements (collectively known as “SPA”) with Hubei Huasheng Aluminium & Electric Co. Ltd (HHAЕ), Qianjiang City Qiansheng State-Owned Enterprise (QCQ) and Qianjiang City Huashin State-Owned Enterprise for the acquisition of all the assets, including non-current and current assets and certain current liabilities, excluding long-term bank borrowings, interest payable and tax liabilities of HHAЕ, which are located in Hubei province in the People’s Republic of China (“PRC”), for a total cash consideration of RMB 360 million (approximately RM168 million based on an exchange rate of RMB1: RM0.466).

The acquisition of the entire Assets and assumption of Certain Liabilities from HHAЕ has been undertaken through a company incorporated in the PRC, Hubei Press Metal Huasheng Aluminium & Electric Co. Ltd., which is 90% held by the Company whilst the remaining 10% is held by QCQ.

The Group is entitled to the revenue and profit deriving from the Hubei Smelting Plant pursuant to a sale and purchase agreement and a Custody Agreement signed with the relevant parties. The Custody Agreement allows the Group to take custody of the Hubei Smelting Plant and be entitled to revenue generated pending the finalisation of the transfer of the plant.

The Group assumed control over Hubei Smelting Plant upon making the first payment of the total purchase price. The pledge on the assets acquired has been discharged subsequently and the said assets have been transferred to HHAЕ during the quarter ended 30 September 2007. As such, a negative goodwill being the excess of the net fair value of the assets acquired and liabilities assumed over the cost of acquisition amounting to RM337.0 million is therefore recognised as an income in the financial statement ended 30 September 2007.



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Notes to the interim financial report

B8. Status of Corporate Proposals Announced and Pending Completion - *continued*

(b) Proposed development of a smelting plant in Sarawak

The Company has on 11 July 2007 announced that it has obtained approval from Sarawak State Planning Authority to develop a smelting plant in Mukah, Sarawak and the related and ancillary industries. The Company has paid a premium of RM7,750,000 for the alienation of the Mukah land measuring approximately 366 hectares or 905 acres. The smelting plant development will be undertaken by its 80% owned subsidiary, Press Metal Sarawak Sdn Bhd.

The Company has on the same date announced that it has entered into a power supply agreement with Syarikat SESCO Berhad (a wholly owned subsidiary of Sarawak Energy Berhad whose principal activities are generation, transmission, distribution and sale of energy) for the supply of electricity for the proposed smelting plant.

B9. Group borrowing and debt securities as at 30 September 2007

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	12,176	63,395	75,571
Short term	19,123	484,194	503,317
	<u>31,299</u>	<u>547,589</u>	<u>578,888</u>
	=====	=====	=====

B10. Financial Instruments with off Balance Sheet Risk

There were no financial instruments with off balance sheet risk as at the date of this quarterly report.



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B11. Material Litigation

There is no material litigation pending as at the date of this quarterly report except for:

- PMB had filed a suit against Shine Aluminium Industries (M) Sdn Bhd for an amount of RM447,888.52 in respect of unpaid invoices;
- The company had vide its solicitor commenced a winding up process against Chin Foh Trading Sdn Bhd (“CFT”) to claim for the amount of RM 10,422,503.99 for good sold and delivered. The Court has fixed for hearing of the said matter on 28 February 2008;
- Certain customers of PMB Development Sdn Bhd (“PMBD”), a subsidiary of the Company, have filed legal suits in the year 1998 to recover approximately RM609,790 from PMBD for breach of a term in the sales and purchase agreements. Based on legal opinion obtained, the Directors believe that PMBD has a good defence and accordingly, no provision for loss has been made in the financial statements.

B12. Dividend

There was no dividend proposed during the current financial period.



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B13. Earnings Per Ordinary Share

(a) Basic earnings per share

The basic earnings per share of the Group has been computed by dividing the net profit attributable to shareholders for the financial quarter as set out below:-

		Current Quarter 30.9.2007 RM'000	Preceding Year Corresponding Quarter 30.9.2006 RM'000
Profit attributable to shareholders	<i>(RM'000)</i>	362,952 -----	4,921 -----
Weighted average number of ordinary shares	<i>('000)</i>	358,919	319,908
Basic earnings per share	<i>(sen)</i>	101.13 =====	1.54 =====



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Notes to the interim financial report

B13. Earnings Per Ordinary Share - continued

(b) Diluted earnings per share

The diluted earnings per share of the Group has been computed by dividing the net profit attributable to shareholders for the financial quarter as set out below:-

		Current Quarter 30.9.2007 RM'000	Preceding Year Corresponding Quarter 30.9.2006 RM'000
Profit attributable to shareholders	<i>(RM'000)</i>	362,952	4,921
		-----	-----
Weighted average number of ordinary shares	<i>('000)</i>	358,919	319,908
Effect of unexercised warrants	<i>('000)</i>	63,980	63,980
Effect of unexercised employees' share option 2002/2007	<i>('000)</i>	-	4,229
Effect of unexercised employees' share option scheme 2007/2012	<i>('000)</i>	35,783	-
		-----	-----
		458,682	388,117
		-----	-----
Diluted earnings per share	<i>(sen)</i>	79.13	1.27
		=====	=====

On behalf of the Board

Koon Poh Ming
Executive Vice Chairman
30 November 2007