



# 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.

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## **NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **A1. Basis of preparation**

The Interim Financial Report is unaudited and has been prepared in compliance with the Financial Reporting Standard ('FRS') 134: Interim Financial Reporting issued by Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and shall be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/ revised FRSs effective for the financial period beginning 1 January 2008:

FRS 107 - Cash Flow Statements

FRS 111 - Construction Contracts

FRS 112 - Income Taxes

FRS 118 - Revenue

FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

The adoption of these new/ revised FRSs is not expected to have any significant financial impact on the financial statements of the Group upon their initial application.

As at the date of this report, the Group has not applied the new standard FRS 139 – Financial Statement: Recognition and Measurement which the effective date has yet to be announced. It is expected that no material impact on the financial statements when the Group applies this new standard.

### **A.2 Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007

### **A3. Auditors' report**

The auditors' report of the audited financial statements for the financial year ended 31 December 2007 was not subject to any qualification.



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## **NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **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 period-to-date.

### **A6. Changes in estimates**

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

### **A7. Debt and equity securities**

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

### **A8. Dividends paid**

There was no dividend paid during the current financial period.

### **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 QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

### A9. Segmental information – continued

<i>Business Segments</i>					
RM'000	Manufacturing & trading	Property Development	Recycling	Elimination	Total
Revenue from external customers	302,336	-	253	-	302,589
Inter-segment revenue	243,463	-	-	(243,463)	-
<b>Total revenue</b>	<b>545,799</b>	<b>-</b>	<b>253</b>	<b>(243,463)</b>	<b>302,589</b>
<b>Segment results</b>	<b>22,968</b>	<b>(129)</b>	<b>(176)</b>		<b>22,663</b>
Share of associate's profit					500
Financing cost					(9,535)
<b>Profit before tax</b>					<b>13,628</b>
Taxation					(1,878)
<b>Profit after tax</b>					<b>11,750</b>
<i>Geographical Segments</i>					
	Malaysia	Asia Region	Europe Region	Elimination	Total
Revenue from external Customers	221,773	274,917	49,362	(243,463)	302,589
Segment assets by location	1,021,456	1,439,576	115,143	(957,549)	1,618,626
Investment in associate	22,829	-	-	-	22,829
	1,044,285	1,439,576	115,143	(957,549)	1,641,455



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **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**

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 QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

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

#### **B1. Review of performance**

For the first quarter of 2008, the Group recorded a revenue of RM302.6 million (1st quarter 2007 - RM300.6 million) and a profit before tax of RM13.6 million (1st quarter 2007 - RM30.7 million).

There was no significant fluctuation in group revenue generated. However, PBT is lower compared to the corresponding quarter of 2007 mainly due to the escalating raw material cost, in particular coal used in power plant.

The management has focused on more value-added products to help improve its profit margin. The timely completion of the phase 2 extrusion expansion in China in the 2<sup>nd</sup> quarter of 2008 is in line with this objective.

#### **B2. Variation of results against preceding quarter**

The current quarter PBT of RM13.6 million is higher than the preceding quarter's (RM9.6 million) as the preceding quarter's PBT was affected by the higher unrealised foreign exchange loss.

#### **B3. Current year's prospects**

Although the Group has a challenging start for the year due to the escalating energy cost, the Group has nonetheless recorded a positive result in the current quarter. Going forward, the Group will continue to focus on expanding its marketing network and producing more value-added products to improve its performance and profitability.



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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **B4. Profit forecast**

Not applicable as no profit forecast was published.

### **B5. Taxation**

Taxation comprises the following:

	<b>3 months ended</b>
	<b>31.3.2008</b>
	<b>RM'000</b>
<b>Current taxation</b>	
Malaysian income tax	603
Foreign tax	343
Deferred tax	932
	-----
	1,878
	=====

The Group's effective tax rate for the current quarter and financial year-to-date is lower than the statutory tax rate mainly due to tax incentive granted for its two plants operating in China.

### **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 QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **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 (HHAE), 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 HHAE, 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 HHAE 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 HHAE 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 has therefore been recognised as an income in the third quarter 2007.



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## NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

### **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 (“Mukah Smelting Plant”) 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 (“SEB”) whose principal activities are generation, transmission, distribution and sale of energy) for the supply of electricity for the proposed smelting plant.

On 11 February 2008, the Company signed a Memorandum of Understanding with SEB for additional 510MW electricity for its Mukah Smelting Plant by 2010. This will increase the total power availability to 600MW with conditions attached.

### **B9. Group borrowing and debt securities as at 31 March 2008**

	<u>Secured</u> <u>(RM'000)</u>	<u>Unsecured</u> <u>(RM'000)</u>	<u>Total</u> <u>(RM'000)</u>
Long term	9,922	167,322	177,244
Short term	13,824	386,719	400,543
	<u>23,746</u>	<u>554,041</u>	<u>577,787</u>
	=====	=====	=====





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## **NOTES TO THE QUARTERLY REPORT** **FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

### **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.

### **B11. Material Litigation**

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

- The company had vide its solicitor commenced a winding up process against Chin Foh Trading Sdn Bhd (“CFT”) for a claim of RM 10,422,503.99 for good sold and delivered. The Court has fixed 10 July 2008 for a hearing;
- 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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## NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2008

### **B13. Earnings Per Ordinary Share**

#### **(a) Basic earnings per share**

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

		<b>Current Quarter 31.3.2008 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.3.2007 RM'000</b>
Profit attributable to shareholders	<i>(RM'000)</i>	11,431 -----	25,161 -----
Weighted average number of ordinary shares	<i>('000)</i>	364,570	351,585
Basic earnings per share	<i>(sen)</i>	3.14 =====	7.16 =====

#### **(b) Diluted earnings per share**

The diluted earnings per share is not shown as the effect of the share options is anti-dilutive.

**On behalf of the Board**

**Koon Poh Ming**  
**Executive Vice Chairman**  
22 May 2008