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 QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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.

A2. 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
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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

The final dividend of 4% less 26% Malaysian Income Tax amounting to RM5,394,883 for the financial ended 31 December 2007 was paid on 1 July 2008.

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.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A9. Segmental information – *continued*

Business Segments

RM'000	**Manufacturing & trading**	**Property Development**	**Recycling**	**Elimination**	**Total**
Revenue from external customers	608,182	-	378	-	608,560
Inter-segment revenue	601,993	-	-	(601,993)	-
Total revenue	**1,210,175**	**-**	**378**	**(601,993)**	**608,560**
Segment results	**49,033**	**(194)**	**178**		**49,017**
Share of associate's profit					1,050
Financing cost					(18,284)
Profit before tax					**31,783**
Taxation					(4,118)
Profit after tax					**27,665**

Geographical Segments

	Malaysia	**Asia Region**	**Europe Region**	**Elimination**	**Total**
Revenue from external Customers	485,431	615,916	109,206	(601,993)	608,560
Segment assets by location	1,009,111	1,335,709	115,143	(761,871)	1,698,092
Investment in associate	23,379	-	-	-	23,379
	1,032,490	1,335,709	115,143	(761,871)	1,721,471

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NOTES TO THE QUARTERLY REPORT
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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

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 SECOND QUARTER ENDED 30 JUNE 2008

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

B1. Review of performance

The Group revenue for the current year 2nd quarter (RM306.0 million) was lower by RM23.3 million (or 7.1%) compared to the preceding year corresponding quarter (RM329.3 million). Similarly, profit before tax (RM18.1 million) was also lower than the preceding year same quarter (RM30.9 million) by RM12.8 million (or 41.4%).

Decline in profitability was mainly due to the effect of the escalating coal price which has substantially increased the operating costs of our China coal-fired power plant that generates and supplies electricity to our smelting plant.

In response to the coal price hike, the Management has since concentrated on more value-added aluminium products such as the expansion of the extrusion capacity which has been commissioned towards end of the current quarter to improve its profit margin.

B2. Variation of results against preceding quarter

Profit before tax for the current quarter (RM18.1 million) was higher than the preceding quarter (RM13.6 million) by RM4.5 million (or 33.1%) mainly due to the increase in sales of higher margin fabricated products and increase in aluminium base price during the current quarter under review.

B3. Current year's prospects

The market environment has turned more cautious amidst rising costs, tight credit conditions and higher energy costs. However, the Group will continue to focus on expanding its marketing reach and value added services to further improve its performance and profitability.

B4. Profit forecast

Not applicable as no profit forecast was published.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B5. Taxation

Taxation comprises the following:

	3 months ended 30.6.2008 *RM'000*
Current taxation	
Malaysian income tax	304
Foreign tax	106
Deferred tax	1,830

	2,240
	======

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 exempt status 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.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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, PMB signed a Memorandum of Understanding ("MOU") with SEB requesting an additional of 510MW electricity supply for its Mukah Smelting Plant by 2010. This will increase the total electricity supply from 90MW to 600MW with certain provisions to be achieved as stated in the MOU.

Subsequently, the Company has on 1 July 2008 executed a Power Purchase Agreement ("PPA") with Syarikat SESCO in connection to the increase of power supply to 600MW. The PPA supercedes the Supply Agreement and the Technical Agreement dated 11 July 2007 and 5 October 2007 respectively.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B9. Group borrowing and debt securities as at 30 June 2008

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	9,922	170,523	180,445
Short term	13,824	499,234	513,058
	23,746	669,757	693,503

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:

- 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 7 November 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

The Board of Directors has declared an interim dividend of 1.5% less 26% Malaysian Income Tax totalling RM2,023,376 for the financial year ending 31 December 2008. The Book Closure and Payment Dates for the aforesaid dividend are 8 September 2008 and 7 October 2008 respectively.

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NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 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:-

		Current Quarter 30.6.2008 RM'000	Preceding Year Corresponding Quarter 30.6.2007 RM'000
Profit attributable to shareholders	*(RM'000)*	15,605	27,152
		----------	----------
Weighted average number of ordinary shares	*('000)*	364,570	356,128
Basic earnings per share	*(sen)*	4.28	7.62
		=====	=====

(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
21 August 2008