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 2010

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 Standards Board and paragraph 9.22 and Appendix 9B 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 2009.

The significant accounting policies adopted in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2009.

Changes in Accounting Policies
The significant accounting policies applied in this interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009 except for the adoption of the following new FRSs, Amendments to certain FRSs and Interpretations for financial period beginning on 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	Presentation of Financial Statements
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellation
Amendments to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 101	Presentation of Financial Statements
Amendment to FRS 123	Borrowing costs

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A1. Basis of preparation – *continued*

Changes in Accounting Policies – *continued*

Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments: Presentation
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Improvements to FRSs (2009)	Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

(i) FRS 8 Operating Segments

Upon the adoption of FRS 8, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A1. Basis of preparation – *continued*
Changes in Accounting Policies – *continued*

(ii) FRS 101 (revised), Presentation of Financial Statements

In accordance with FRS101 (revised), a complete set of financial statements comprises a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and the notes to the financial statements.

In adopting FRS 101(revised), the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information has been represented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

(iii) FRS 117, Leases

The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendments to FRS 117.

The following comparative figures have been restated:-

	31 December 2009	
Cost (RM'000)	As restated	As previously stated
Property, plant and equipment	98,582	-
Prepaid lease payments	-	98,582

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A1. Basis of preparation – *continued*

Changes in Accounting Policies **–** *continued*

(iv) FRS 139, Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items (collectively called financial instruments).

A financial instrument is recognised in the financial statements only when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value. Subsequent measurement of the financial instruments at the end of the period reflects the designation of the financial instruments.

Financial Assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest ("EIR") method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the statement of comprehensive income.

Financial Liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Under the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. The adoption of FRS 139 does not have any significant impact on the profit for the financial period-to-date.

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NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A2. Auditors' report
The auditors' report of the audited financial statements for the financial year ended 31 December 2009 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 flows during the financial quarter under review and financial period-to-date.

A5. Changes in estimates
There were no changes in estimates during the financial quarter under review and financial period-to-date.

A6. Debt and equity securities
There were no debt and equity securities issued during the current financial period-to-date.

A7. Dividends paid
The final tax exempt ordinary dividend amounting to RM3,678,902 for the financial year ended 31 December 2009 was paid on 23 July 2010.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

A8. 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 2010

A8. Segmental information – *continued*

Business Segments

RM'000	**Manufacturing & trading**	**Property Development**	**Recycling**	**Elimination**	**Total**
Revenue from external customers	844,065	-	454	-	844,519
Inter-segment revenue	770,583	-	-	(770,583)	-
Total revenue	**1,614,648**	**-**	**454**	**(770,583)**	**844,519**
Segment results	**90,993**	**(568)**	**(18)**		**90,407**
Share of associate's profit					745
Financing cost					(29,601)
Profit before tax					**61,551**
Taxation					(10,378)
Profit after tax					**51,173**

Geographical Segments

	Malaysia	**Asia Region**	**Europe Region**	**Elimination**	**Total**
Revenue from external Customers	884,359	625,475	105,268	(770,583)	844,519
Segment assets by location	2,756,918	1,478,466	102,644	(1,830,989)	2,507,039
Investment in associate	27,034	-	-	-	27,034
	2,783,952	1,478,466	102,644	(1,830,989)	2,534,073

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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 of its property, plant and equipment.

A10. Material events subsequent to the balance sheet date

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

A11. Changes in the composition of the Group

The Company has on 28 January 2010 announced that it had entered into 3 deeds with Chen Gang to acquire 4,000,000 shares of HK$1.00 each, representing the remaining 20% of the issued and paid-up share capital of Press Metal (HK) Limited, for a total consideration of RMB20,000,000.

A negative goodwill amounting to RM18.0 million arising from the above acquisition has been recognised in the first quarter Group results.

A12. Contingent liabilities and contingent assets

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

A13. Capital commitments

As at 30 June 2010, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditure not provided for in the financial statements	15,000

A14. Related Party Transactions

The Group

	RM'000
With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	45,051
Purchase of fabricated aluminium products and building materials	2,987

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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

B1. Review of performance

The Group has achieved higher revenue of RM449.5 million in the current year quarter compared to RM281.7 million in the corresponding quarter last year, representing an increase of 59.6%. Higher revenue was mainly due to the contribution from the smelting plant in Mukah, Sarawak ("Mukah Smelting Plant").

Correspondingly, the Group has achieved a higher profit before tax from operations of RM20.9 million in the current year quarter compared to RM14.6 million in the same quarter last year.

B2. Variation of results against preceding quarter

The Group's profit before tax of RM20.9 million was lower than the preceding quarter's RM22.5 million (excluding an RM18.0 million negative goodwill arising from the acquisition of shares from the minority interest as mentioned in A11 above). Lower profitability was due to the slight weakening of metal price in the second quarter 2010.

B3. Current year's prospects

Since last year's financial crisis, there are an increasing number of countries reporting positive growth. Our Group, with substantial operations and business in China and other Asia region where the economies are expected to grow at a healthy rate, is expected to continue generating positive result.

B4. Profit forecast

Not applicable as no profit forecast was published.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

B5. Taxation

Taxation comprises the following:

	3 months ended 30.6.2010 ***RM'000***
Current taxation	
Malaysian income tax	2,564
Foreign tax	943
Deferred tax	1,382

	4,889
	======

The Group's effective tax rate for financial period-to-date is lower than the statutory tax rate due to tax incentives enjoyed by certain subsidiaries.

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

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

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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 Hashing 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.

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

(b) Proposed development of a smelting plant in Sarawak ("Mukah Smelting Plant")

The Company has on 11 July 2007 announced that it has obtained approval from Sarawak State Planning Authority to develop the 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 ("PMS").

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 PMS's 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 which amends and supercedes the Supply Agreement and the Technical Agreement dated 11 July 2007 and 5 October 2007 respectively.

PMB has on 30 October 2008 announced that PMS has secured a syndicated loan of RM355 million to finance the design, construction, operation and maintenance of its Mukah Selting Plant. Further, on 5 August 2009, the syndicated loan has increased to RM430 million with an additional RM75 million secured from the syndicated financial institution.

Mukah Smelting Plant has achieved the commercial operation date ("COD") for its first annual 50,000 mt capacity on 1 November 2009. With the commissioning of this 50,000 mt capacity, PMS is expected to contribute significantly to the Group.

NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

B9. Group borrowing and debt securities as at 30 June 2010

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	344,352	180,874	525,226
Short term	113,526	659,186	772,712
	457,878	840,060	1,297,938

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 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. The court has fixed the hearing for respective cases.

B12. Dividend

An interim tax exempt dividend of 2% per ordinary share has been declared by the Board of Directors for the financial year ending 31 December 2010. The Book Closure and Payment Dates for the aforesaid dividend are 30 September 2010 and 7 October 2010 respectively.

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NOTES TO THE QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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 30.6.2010 RM'000	Preceding Year Corresponding Quarter 30.6.2009 RM'000
Profit attributable to shareholders	*(RM'000)*	15,224	13,723
		----------	----------
Weighted average number of ordinary shares	*('000)*	367,986	364,752
Basic earnings per share	*(sen)*	4.14	3.76
		=====	=====

(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

Dato' Koon Poh Keong
Group Chief Executive Officer
12 August 2010