



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 FIRST QUARTER ENDED 31 MARCH 2011**

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 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 2010.

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 2010 except for the adoption of the following new FRSs, Amendments to certain FRSs and IC Interpretations for financial period beginning on 1 January 2011:

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopter Additional Exemption for First-time Adopters
Amendments to FRS 2	Share-based Payment Group Cash-settled Share Based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation – Classification of Rights Issues
Amendment to FRS 138	Intangible Assets
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Agreements (Not applicable to the Group)
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

A1. Basis of preparation (continued)

Changes in Accounting Policies (continued)

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impacts to the financial statements upon their first adoption.

FRS yet to be effective

As at the date of this report, The Group has yet to apply the following FRSs which were issued but not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate (Not applicable to the Group)



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

A2. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 31 December 2010 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

There was no dividend paid during the current financial period.

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) Contracting

Contracting of aluminium and stainless steel products.



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

A8. Segmental information – *continued*

<i>Business Segments</i>					
RM'000	Manufacturing & trading	Contracting	Elimination	Total	
Revenue from external customers	456,055	15,531	-	471,586	
Inter-segment revenue	441,171	-	(441,171)	-	
Total revenue	897,226	15,531	(441,171)	471,586	
Segment results	47,508	520		48,028	
Share of associate's profit				360	
Financing cost				(15,165)	
Profit before tax				33,223	
Taxation				(8,847)	
Profit after tax				24,376	
<i>Geographical Segments</i>					
	Malaysia	Asia Region	Europe Region	Elimination	Total
Revenue from external Customers	499,236	349,515	64,006	(441,171)	471,586
Segment assets by location	2,659,413	1,513,384	113,062	(1,557,307)	2,728,552
Investment in associate	28,363	-	-		28,363
	2,687,776	1,513,384	113,062	(1,557,307)	2,756,915



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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

There were no significant changes in the composition of the Group for the quarter under review.

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 31 March 2011, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditure not provided for in the financial statements	<u>17,000</u>

A14. Related Party Transactions

The Group

RM'000

With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	30,114
Purchase of fabricated aluminium products and building materials	19,596



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

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

B1. Review of performance

The Group has recorded a revenue of RM471.6 million in the current year quarter, representing an increase of RM76.6 million or 19.4% compared to RM395.0 million in the corresponding quarter last year. Higher revenue was due to the higher demand for both upstream and downstream operations.

Correspondingly, the Group profit before tax has also increased to RM33.2 million during the current year quarter as compared to RM22.5 million (excluding a RM18.0 million-negative goodwill) in the same quarter last year.

B2. Variation of results against preceding quarter

Profit before tax for the current year quarter was higher than the preceding quarter's by RM13.0 million mainly due to the higher metal price.

B3. Current year's prospects

The global economy has recovered much ground but its sustainability is not certain. The global business environment remains challenging in view of the rising inflationary costs, especially from high commodity and fuel prices, and fluctuating foreign currencies.

The growth of the domestic economy however is expected to be sustained, driven by the continued expansion in private consumption and the increase in private investment. Barring any unforeseen circumstances, the Group is expected to achieve satisfactory results for the financial year ending 31 December 2011.

B4. Profit forecast

Not applicable as no profit forecast was published.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

B5. Taxation

Taxation comprises the following:

	3 months ended 31.03.2011 RM'000
Current taxation	
Malaysian income tax	2,796
Foreign tax	918
Deferred tax	5,133

	8,847
	=====

The Group's effective tax rate for financial period-to-date is higher than the statutory tax rate due to certain non-tax deductible expenses.

B6. Retained Earnings

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Retained earnings:		
Realised	725,572	685,206
Unrealised	(103,246)	(84,729)
	-----	-----
	622,326	600,477
Total share of retained earnings of associate:		
Unrealised	(16,551)	(16,191)
	-----	-----
Total Group retained earnings	605,775	584,286
	=====	=====

B7. 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.

B8. 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.



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

B9. 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.



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

B9. Status of Corporate Proposals Announced and Pending Completion - *continued*

- (b) **Proposed Renounceable Rights Issue of up to RM323,735,042 Nominal Value of 8-year 6% Redeemable Convertible Secured Loan Stocks (“RCSLS”) at 100% of its Nominal Value Together With up to 147,152,292 Free Detachable New Warrants (“Warrant”) on the Basis of One (1) RM2.20 Nominal Value of RCSLS Together With One (1) Warrant for Every Three (3) Existing Ordinary Shares of RM0.50 Each Held in PMB on an Entitlement Date to be Determined (“Proposed Rights Issue”)**

On behalf of the Board of Directors of PMB, Alliance Investment Bank Berhad (“Alliance”) and Maybank Investment Bank Berhad (“Maybank IB”) (hereinafter referred to as the “Joint Advisers”) have on 15 April 2011 jointly announced that the Company proposed to undertake the above Proposed Rights Issue to part finance the 240,000 mt smelting project in the Samalaju Industrial park, Bintulu, Sarawak (“Samalaju Smelting Project”).

The details of Samalaju Smelting Project were announced by the Company on 5 April 2011 and the details of the Proposed Rights Issue are elaborated in the above mentioned announcement dated 15 April 2011.

The Joint Advisers have on 29 April 2011 announced that the application of the Proposed Rights Issue has been submitted to the Securities Commission (“SC”) and Bank Negara Malaysia (“BNM”) for their approval on 28 April 2011.

On 16 May 2011, the Joint Advisers further announced that BNM had, via its letter dated 12 May 2011 (which was received on 16 May 2011), approved the issuance of the Warrants under the Proposed Rights Issue to entitled shareholders of PMB who are non-residents.

The Joint Advisers have on 24 May 2011 submitted the listing application to Bursa Malaysia for approval.



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NOTES TO THE QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

B10. Group borrowing and debt securities as at 31 March 2011

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	279,500	62,137	341,637
Short term	116,437	830,885	947,322
	<u>395,937</u>	<u>893,022</u>	<u>1,288,959</u>

B11. 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.

B12. 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.

B13. Dividend

There was no dividend proposed during the current quarter under review.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

B14. 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 and year-to-date as set out below:-

	1st Quarter		Year-to-Date	
	3 months ended		3 months ended	
	31.03.11	31.03.10	31.03.11	31.03.10
Profit attributable to shareholders (RM'000)	21,489	32,390	21,489	32,390
Weighted average number of ordinary shares ('000)	431,804	365,514	431,804	365,514
Basic earnings per share (sen)	4.98	8.86	4.98	8.86
	=====	=====	=====	=====



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

(b) Diluted earnings per share

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

	1st Quarter		Year-to-Date	
	3 months ended		3 months ended	
	31.03.11	31.03.10	31.03.11	31.03.10
Profit attributable to shareholders (RM'000)	21,489	32,390	21,489	32,390
Weighted average number of ordinary shares ('000)	431,804	365,514	431,804	365,514
Employee Shares Option Scheme ('000)	12,843	17,892	12,843	17,892
	-----	-----	-----	-----
	444,647	383,406	444,647	383,406
	=====	=====	=====	=====
Basic earnings per share (sen)	4.83	*	4.83	*
	=====		=====	

* The diluted earnings per share is not show as the effect of the share options is anti-dilutive in the preceding year corresponding quarter.

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
30 May 2011