



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 FOURTH QUARTER ENDED 31 DECEMBER 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
Amendments to FRS 2	Additional Exemption for First-time Adopters 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 FOURTH QUARTER ENDED 31 DECEMBER 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)

A2. Malaysia Financial Reporting Standards (MFRS)

The Malaysian Accounting Standard Board (MASB) had on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

A3. Auditors' report

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

8-year 6% Redeemable Convertible Secured Loan Stocks ("RCSLS") at 100% of its nominal value with free detachable warrants ("Warrant")

The Company has on 23 August 2011 issued 145,684,940 RCSLS and 145,684,940 Warrants pursuant to the proposed renounceable rights issue announced on 15 April 2011. The RCSLS and Warrants were subsequently listed in the Main Market of Bursa Malaysia Securities Berhad on 26 August 2011.

A8. Dividends paid

Dividends paid for the respective financial period are:

	Sen (Tax exempt)	Total Amount RM'000	Date of payment
Interim 2011 Ordinary	1.0	<u>4,392</u>	28 October 2011
Final 2010 Ordinary	1.0	<u>4,391</u>	28 July 2011



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

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) **Contracting**

Contracting of aluminium and stainless steel products.



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

A9. Segmental information – continued

<i>Business Segments</i>					
RM'000	Manufacturing & trading	Contracting	- Elimination		Total
Revenue from external customers	2,190,181	92,834	-		2,283,015
Inter-segment revenue	1,930,448	-	(1,930,448)		-
Total revenue	4,120,629	92,834	(1,930,448)		2,283,015
Segment results	200,587	1,986			202,573
Share of associate's profit					4,158
Financing cost					(78,759)
Profit before tax					127,972
Taxation					(25,939)
Profit after tax					102,033
<i>Geographical Segments</i>					
	Malaysia	Asia Region	Europe Region	Elimination	Total
Revenue from external Customers	2,296,134	1,673,249	244,080	(1,930,448)	2,283,015
Segment assets by location	4,055,247	1,670,543	105,079	(2,353,347)	3,477,522
Investment in associate	32,161	-	-		32,161
	4,087,408	1,670,543	105,079	(2,353,347)	3,509,683



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

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.

A14. Capital commitments

As at 31 December 2011, the Group has the following known commitments:

Authorised property, plant and equipment expenditure not provided for in the financial statements	RM'000 510,000
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A15. Related Party Transactions

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	139,177
Purchase of fabricated aluminium products and building materials	48,347



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

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

B1. Review of performance

Current quarter compared to the corresponding quarter of the preceding year (three months)

The Group recorded a turnover of RM636.5 million during the current quarter under review, a substantial increase of RM249.5 million or 64.5% compared to RM386.9 million in the corresponding quarter last year. The increase in turnover was mainly due to the Mukah Smelting Plant in Sarawak had achieved full operation capacity (120,000mt per annum) during the quarter.

The Group profit before tax had increased by RM6.1 million or 28.1% in the current quarter to RM27.9 million as compared to RM21.8 million in the corresponding quarter last year. Higher profit before tax was principally due to higher output generated by the Mukah Smelting Plant.

Current financial year compared to the last financial year (twelve months)

For the full year, the turnover had increased from RM1.69 billion to RM2.28 billion, growth by RM584.2 million or 34.4% as compared to the preceding year. Higher turnover was primarily due to the increase of its Mukah Smelting Plant output during the year.

Similarly, profit before tax for the Group had also increased from RM103.3 million to RM127.9 million. An increase of RM12.4 million or 13.9% was in line with the increase in turnover.



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

B2. Variation of results against preceding quarter

Profit before tax for the current year quarter was lower than the preceding quarter's by RM2.1 million or 7.1% mainly due to the increase in the finance costs for the quarter under review.

B3. Current year's prospects

The sentiment for the current year is cautiousness largely in view of the debt crisis in Euro Zone. Overall, most economist are of the opinion that the economy will grow at a moderate pace.

Press Metal Group will continue to work within this challenging environment by putting greater effort in controlling cost, producing good quality products and improving our customer services. In addition, with the expansion of our upstream operations which will generate some economy of scale, the management will endeavour to achieve a satisfactory result.

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:

	12 months ended
	31.12.2011
	RM'000
Current taxation	
Malaysian income tax	8,266
Foreign tax	4,748
Deferred tax	12,925

	25,939
	=====

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



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

B6. Retained Earnings

	As at 31.12.2011	As at 31.12.2010
	<i>RM'000</i>	<i>RM'000</i>
Retained earnings:		
Realised	837,717	685,206
Unrealised	(149,943)	(84,729)
	<u>687,774</u>	<u>600,477</u>
Total share of retained earnings of associate:		
Unrealised	(20,349)	(16,191)
Total Group retained earnings	<u><u>667,425</u></u>	<u><u>584,286</u></u>



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

B7. 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 (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 has therefore been recognised as an income in the third quarter 2007.



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NOTES TO THE QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

B8. Group borrowing and debt securities as at 31 December 2011

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	391,397	16,529	407,926
Short term	224,095	871,282	1,095,377
	<u>615,492</u>	<u>887,811</u>	<u>1,503,303</u>

B9. 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.

B10. Dividend

The Board of Directors has recommended a final tax exempt dividend of 1.0 sen in respect of the financial year ended 31 December 2011. This dividend will be proposed at the forthcoming Annual general Meeting for shareholders' approval.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

B11. 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:-

	4th Quarter		Year-to-Date	
	3 months ended		12 months ended	
	31.12.11	31.12.10	31.12.11	31.12.10
Profit attributable to shareholders (RM'000)	27,044	21,649	91,922	83,493
Weighted average number of ordinary shares ('000)	439,380	412,326	436,232	381,791
Basic earnings per share (sen)	<u>6.16</u>	<u>5.25</u>	<u>21.07</u>	<u>21.87</u>



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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:-

	4th Quarter		Year-to-Date	
	3 months ended		12 months ended	
	31.12.11	31.12.10	31.12.11	31.12.10
Profit attributable to shareholders (RM'000)	27,044	21,649	91,922	83,493
Weighted average number of ordinary shares ('000)	439,380	412,326	436,232	381,791
Employee Shares Option Scheme ('000)	5,251	11,396	5,251	11,396
	<u>444,631</u>	<u>423,722</u>	<u>441,483</u>	<u>446,304</u>
Basic earnings per share (sen)	<u>6.08</u>	<u>5.11</u>	<u>20.82</u>	<u>21.23</u>

* The diluted earnings per share does not take into account the effect of Redeemable Convertible Secured Loan Stock ("RCSLS") and warrants as they are anti-dilutive.



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NOTES TO THE QUARTERLY REPORT **FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

B12. Note to the Condensed Consolidated Income Statement

Profit before tax is arrived at after charging/ (crediting) the following items:

	Current Quarter RM'000	Current Financial Year To-date RM'000
	-	
	-	
Interest expense	29,187	78,759
Depreciation and amortization	22,116	91,320
Provision for and write off receivables	734	734
Impairment of assets	257	257
Unrealised foreign exchange loss	636	2,947
Realised foreign exchange loss	780	3,588
Property, plant and equipment written off	-	3,670
Share based payment	160	644
Dividend income	-	(322)
Finance income	(382)	(1,733)

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
27 February 2012