



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 FISRT QUARTER ENDED 31 MARCH 2012**

A1. Basis of preparation

The Interim Financial Report is unaudited and has been prepared in compliance with the Malaysian Financial Reporting Standard (“MFRS”) 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 2011. This Quarterly Report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

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 2011 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 FISRT QUARTER ENDED 31 MARCH 2012**

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.

At the date of this report, the Board is still assessing the impact of adopting the MFRS and anticipates to disclose such impact in the coming quarter report.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

A3. Auditors' report

The auditors' report of the audited financial statements for the financial year ended 31 December 2011 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

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) Contracting

Contracting of aluminium and stainless steel products.



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NOTES TO THE QUARTERLY REPORT FOR THE FISRT QUARTER ENDED 31 MARCH 2012

A9. Segmental information – continued

| <i>Business Segments</i> | | | | | |
|---------------------------------|-------------------------|---------------|------------------|----------------|-----------|
| RM'000 | Manufacturing & trading | Contracting | Elimination | Total | |
| Revenue from external customers | 501,852 | 23,209 | - | 525,061 | |
| Inter-segment revenue | 427,749 | - | (427,749) | - | |
| Total revenue | 929,601 | 23,209 | (427,749) | 525,061 | |
| Segment results | 55,271 | 496 | | 55,767 | |
| Share of associate's profit | | | | 478 | |
| Financing cost | | | | (23,479) | |
| Profit before tax | | | | 32,766 | |
| Taxation | | | | (6,599) | |
| Profit after tax | | | | 26,167 | |
| <i>Geographical Segments</i> | | | | | |
| | Malaysia | Asia Region | Europe Region | Elimination | Total |
| Revenue from external Customers | 579,301 | 315,945 | 57,564 | (427,749) | 525,061 |
| Segment assets by location | 4,539,983 | 1,719,193 | 94,649 | (2,622,372) | 3,731,453 |
| Investment in associate | 32,776 | - | - | | 32,776 |
| | 4,572,759 | 1,719,193 | 94,649 | (2,622,372) | 3,764,229 |



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

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 March 2012, the Group has the following known commitments:

| | |
|--|-------------------|
| | RM'000 |
| Authorised property, plant and equipment expenditure not provided for in the financial statements | 180,000 |
| | <u> </u> |

A15. Related Party Transactions

| | |
|--|-------------------|
| <u>The Group</u> | RM'000 |
| With the affiliated companies – PMB Technology Berhad Group | |
| Sales of aluminium products | 27,425 |
| Purchase of fabricated aluminium products and building materials | 4,125 |
| | <u> </u> |



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NOTES TO THE QUARTERLY REPORT **FOR THE FISRT QUARTER ENDED 31 MARCH 2012**

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 RM525.1 million during the current year quarter, registering an increase of RM53.5 million or 11.3% compared to the corresponding quarter last year. The increase in turnover was mainly contributed by its Mukah Smelting Plant in Sarawak which had achieved full operation capacity (120,000mt per annum) during the fourth quarter last year.

The Group profit before tax for the current year quarter was RM32.7 million, marginally lower by approximately RM0.5 million or 1.4% compared to the same quarter last year. Despite higher turnover, lower profit before tax was mainly due to higher finance costs during the current quarter under review.

B2. Variation of results against preceding quarter

Profit before tax for the current year quarter was higher than the preceding quarter by RM4.8 million or 17.3%. The increase in profit before tax was mainly due to the higher metal price as compared to the preceding quarter.



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

B3. Current year's prospects

For the remaining of the current financial year, the Board is of the opinion that the outlook will remain cautious.

Press Metal Group will continue to work within this challenging environment with greater effort focusing on controlling cost, producing good quality products and improving customer services to achieve a satisfactory result.

B4. Profit forecast

Not applicable as no profit forecast was published.

B5. Taxation

Taxation comprises the following:

| | 3 months ended 31.03.2012 RM'000 |
|----------------------|---|
| Current taxation | |
| Malaysian income tax | 2,041 |
| Foreign tax | 2,032 |
| Deferred tax | 2,526 |
| | ----- |
| | <u>6,599</u> |

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 FISRT QUARTER ENDED 31 MARCH 2012

B6. Retained Earnings

| | As at 31.03.2012 | As at 31.12.2011 |
|--|------------------|------------------|
| | <i>RM'000</i> | <i>RM'000</i> |
| Retained earnings: | | |
| Realised | 857,772 | 834,839 |
| Unrealised | (148,370) | (148,528) |
| | <hr/> | <hr/> |
| | 709,402 | 686,311 |
| Total share of retained earnings of associate: | | |
| Unrealised | (20,964) | (20,486) |
| | <hr/> | <hr/> |
| Total Group retained earnings | 688,438 | 665,825 |
| | <hr/> <hr/> | <hr/> <hr/> |



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NOTES TO THE QUARTERLY REPORT **FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

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 FISRT QUARTER ENDED 31 MARCH 2012

B8. Group borrowing and debt securities as at 31 March 2012

| | Secured (RM'000) | Unsecured (RM'000) | Total (RM'000) |
|------------|---------------------|-----------------------|-------------------|
| Long term | 584,875 | 18,573 | 603,448 |
| Short term | 226,907 | 916,079 | 1,142,986 |
| | <u>811,782</u> | <u>934,652</u> | <u>1,746,434</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

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 2012**

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:-

| | 1st Quarter | | Period-to-Date | |
|--|-----------------------|-----------------|-----------------------|-----------------|
| | 3 months ended | | 3 months ended | |
| | 31.03.12 | 31.03.11 | 31.03.12 | 31.03.11 |
| Profit attributable to shareholders (RM'000) | 22,613 | 21,489 | 22,613 | 21,489 |
| Weighted average number of ordinary shares ('000) | 439,502 | 431,804 | 439,502 | 431,804 |
| Basic earnings per share (sen) | <u>5.14</u> | <u>4.98</u> | <u>5.14</u> | <u>4.98</u> |



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NOTES TO THE QUARTERLY REPORT FOR THE FISRT QUARTER ENDED 31 MARCH 2012

(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 period-to-date as set out below:-

| | 1st Quarter 3 months ended | | Period-to-Date 12 months ended | |
|--|-------------------------------|----------------|-----------------------------------|----------------|
| | 31.03.12 | 31.03.11 | 31.03.12 | 31.03.11 |
| Profit attributable to shareholders (RM'000) | 22,613 | 21,489 | 22,613 | 21,489 |
| Weighted average number of ordinary shares ('000) | 439,502 | 431,804 | 439,502 | 431,804 |
| Employee Shares Option Scheme ('000) | 4,954 | 12,843 | 4,954 | 12,843 |
| | <u>444,456</u> | <u>444,647</u> | <u>444,456</u> | <u>444,647</u> |
| Basic earnings per share (sen) | <u>5.09</u> | <u>4.83</u> | <u>5.09</u> | <u>4.83</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 FISRT QUARTER ENDED 31 MARCH 2012**

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 Period To-date RM'000 |
|----------------------------------|---------------------------------------|--|
| Interest expense | 23,479 | 23,479 |
| Depreciation and amortization | 26,045 | 26,045 |
| Share based payment | 164 | 164 |
| Realised foreign exchange gain | (571) | (571) |
| Unrealised foreign exchange gain | (6,751) | (6,751) |
| Finance income | 30 | 30 |

On behalf of the Board

Dato' Koon Poh Keong
Group Chief Executive Officer
29 May 2012