



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 2012**

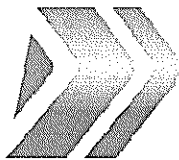
A1. Basis of preparation

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 SECOND QUARTER ENDED 30 JUNE 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)

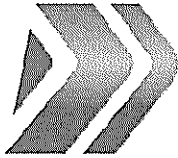
The Malaysian Accounting Standard Board (MASB) had on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

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.

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.



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NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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 tax exempt ordinary dividend amounting to RM4,427,788 for the financial year ended 31 December 2011 was paid on 27 July 2012.

A9. Segmental information

Segmental information is presented in respect of the Group's business segment.

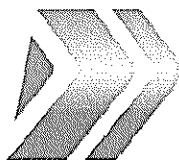
The Group comprises the following main business segments:

(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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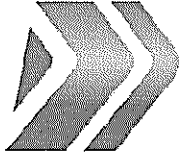
NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A9. Segmental information – *continued*

<i>Business Segments</i>					
RM'000	Manufacturing & trading	Contracting	Elimination	Total	
Revenue from external customers	1,001,029	46,417	-	1,047,446	
Inter-segment revenue	797,807	-	(797,807)	-	
Total revenue	1,798,836	46,417	(797,807)	1,047,446	
Segment results	97,361	676	-	98,037	
Share of associate's profit				956	
Financing cost				(42,249)	
Profit before tax				56,744	
Taxation				(9,662)	
Profit after tax				47,082	
<i>Geographical Segments</i>					
	Malaysia	Asia Region	Europe Region	Elimination	Total
Revenue from external Customers	1,139,782	647,164	58,307	(797,807)	1,047,446
Segment assets by location	4,695,048	1,856,845	94,649	(2,688,267)	3,958,275
Investment in associate	33,254				33,254
	4,728,302	1,856,845	94,649	(2,688,267)	3,991,529

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.



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NOTES TO THE QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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.

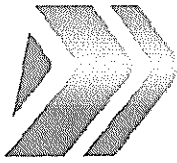
A14. Capital commitments

As at 30 June 2012, the Group has the following known commitments:

	RM'000
Authorised property, plant and equipment expenditure not provided for in the financial statements	282,000
	=====

A15. Related Party Transactions

<u>The Group</u>	RM'000
With the affiliated companies – PMB Technology Berhad Group	
Sales of aluminium products	62,249
Purchase of fabricated aluminium products and building materials	7,363
	=====



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NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 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's turnover of RM522.4 million for the current year quarter was lower by RM70.8 million or 11.9% as compared to RM593.3 million recorded in the same quarter last year. The decrease in turnover was mainly due to lower aluminium price in the current year quarter under review.

The Group's profit before tax ("PBT") of RM24.0 million for the current year quarter was lower by RM12.8 million or 34.8% as compared to RM36.8 million recorded in the corresponding quarter last year. Lower PBT was mainly due to lower aluminium price and higher financing costs incurred.

B2. Variation of results against preceding quarter

PBT for the current year quarter was lower than the preceding quarter by RM8.8 million or 26.8%. The decrease in PBT was mainly due to the lower aluminium price as compared to the preceding quarter.

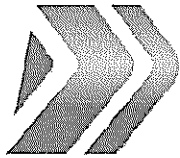
B3. Current year's prospects

The global business environment is expected to remain challenging in view of the persistent Eurozone's debt crisis and the weaker recovery in the U.S. economy coupled with the slower growth experienced in China for the first half of the year.

The Board remains cautious in view of the uncertain economic conditions. Nevertheless, the Board will endeavour to achieve a satisfactory result for the Group with the implementation of appropriate marketing strategies and more stringent cost saving measures.

B4. Profit forecast

Not applicable as no profit forecast was published.



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NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

B5. Taxation

Taxation comprises the following:

	6 months ended 30.06.2012 <i>RM'000</i>
Current taxation	
Malaysian income tax	6,526
Foreign tax	236
Deferred tax	(3,699)

	3,063
	=====

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.

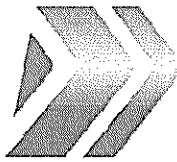
B6. Retained Earnings

	As at 30.06.2012 <i>RM'000</i>	As at 31.12.2011 <i>RM'000</i>
Retained earnings:		
Realised	869,040	834,839
Unrealised	(146,725)	(148,528)
	-----	-----
	722,315	686,311
Total share of retained earnings of associate:		
Unrealised	(21,442)	(20,486)
	-----	-----
Total Group retained earnings	700,873	665,825
	=====	=====

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 (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



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NOTES TO THE QUARTERLY REPORT **FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

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.

B8. Group borrowing and debt securities as at 30 June 2012

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
Long term	704,337	8,900	713,237
Short term	215,884	871,598	1,087,482
	<u>920,221</u>	<u>880,498</u>	<u>1,800,719</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.



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B10. Dividend

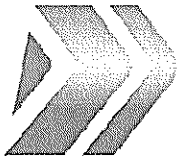
An interim tax exempt dividend of 2% per ordinary share has been declared by the Board of Directors for the financial year ending 31 December 2012. The Book Closure and Payment Dates for the aforesaid dividend are 14 September 2012 and 10 October 2012 respectively.

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:-

	2nd Quarter		Period-to-Date	
	3 months ended		6 months ended	
	30.06.12	30.06.11	31.06.12	31.06.11
Profit attributable to shareholders (RM'000)	19,229	23,256	41,842	44,746
Weighted average number of ordinary shares ('000)	440,058	435,620	439,858	433,726
Basic earnings per share (sen)	<u>4.37</u>	<u>5.34</u>	<u>9.51</u>	<u>10.32</u>



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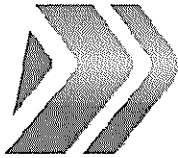
(b) Diluted earnings per share

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:-

	2nd Quarter		Period-to-Date	
	3 months ended		6 months ended	
	30.06.12	30.06.11	30.06.12	30.06.11
Profit attributable to shareholders (RM'000)		23,256		44,746
Weighted average number of ordinary shares ('000)		435,620		433,726
Employee Shares Option Scheme ('000)		5,605		5,605
	-----	-----	-----	-----
		441,225		439,331
	=====	=====	=====	=====
Diluted earnings per share (sen)	*	5.27	*	10.19
	=====	=====	=====	=====

* No diluted earnings per share is shown for 2nd quarter and 6 months ended 30.06.2012 as the above ESOS has lapsed on 26 June 2012.

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 SECOND QUARTER ENDED 30 JUNE 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	18,770	42,249
Depreciation and amortisation	25,456	51,501
Accretion of discount on RCSLS	2,200	4,400
Realised foreign exchange gain	(3,279)	(3,850)
Unrealised foreign exchange gain	6872	(879)
Finance income	(15)	(45)

On behalf of the Board

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

