

ANN JOO RESOURCES BERHAD (371152-U)

The Board of Directors of Ann Joo Resources Berhad is pleased to announce the unaudited results for the first financial quarter ended 31 March 2012

**Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income
For the three months ended 31 March 2012**

	3 months ended		3 months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	612,130	557,148	612,130	557,148
Operating expenses	(635,480)	(505,277)	(635,480)	(505,277)
Other income	26,555	8,032	26,555	8,032
Finance costs	(7,914)	(6,285)	(7,914)	(6,285)
Investing results	1	20	1	20
(Loss)/Profit before taxation	(4,708)	53,638	(4,708)	53,638
Taxation	3,929	(10,973)	3,929	(10,973)
(Loss)/Profit for the period	(779)	42,665	(779)	42,665
Other comprehensive (loss)/income, net of tax				
Foreign currency translation differences for foreign operations	(13)	(1)	(13)	(1)
Fair value changes of available-for-sale financial assets	11	22	11	22
Other comprehensive income/(loss) for the period, net of tax	(2)	21	(2)	21
Total comprehensive (loss)/income for the period	(781)	42,686	(781)	42,686
(Loss)/Profit attributable to:				
Owners of the parent	(1,041)	42,301	(1,041)	42,301
Non-controlling interests	262	364	262	364
(Loss)/Profit for the period	(779)	42,665	(779)	42,665
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(1,043)	42,322	(1,043)	42,322
Non-controlling interests	262	364	262	364
Total comprehensive (loss)/income for the period	(781)	42,686	(781)	42,686
(Loss)/Earnings per share (sen):				
Basic	(0.21)	8.42	(0.21)	8.42
Diluted	0.34	6.02	0.34	6.02

The condensed consolidated statements of profit and loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Financial Position
As at 31 December 2012

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000 Restated	As at 01.01.2011 RM'000 Restated
ASSETS			
Non-current Assets			
Property, plant and equipment	1,148,734	1,144,470	1,070,052
Prepaid lease payments	7,661	7,710	7,907
Investment properties	6,891	6,912	6,994
Investment in an associate	1,281	1,280	1,166
Other investments	273	262	303
Intangible assets	7,874	8,012	8,566
Deferred tax assets	27,178	20,430	10,614
	<u>1,199,892</u>	<u>1,189,076</u>	<u>1,105,602</u>
Current Assets			
Inventories	1,229,471	1,280,143	1,239,676
Receivables and prepayments, including derivatives	305,728	280,882	298,826
Current tax assets	8,886	6,328	1,726
Cash and cash equivalents	94,869	60,241	61,572
Assets classified as held for sale	4,100	-	-
	<u>1,643,054</u>	<u>1,627,594</u>	<u>1,601,800</u>
TOTAL ASSETS	<u>2,842,946</u>	<u>2,816,670</u>	<u>2,707,402</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share Capital	522,708	522,708	522,708
Treasury shares	(70,641)	(70,579)	(68,954)
Warrant Reserve	39,202	39,202	39,202
Other Reserves	78,665	78,667	78,688
Retained earnings	499,935	500,976	484,954
Total equity attributable to owners of the parent	<u>1,069,869</u>	<u>1,070,974</u>	<u>1,056,598</u>
Non-controlling interests	4,321	4,059	14,731
Total Equity	<u>1,074,190</u>	<u>1,075,033</u>	<u>1,071,329</u>
Non-current Liabilities			
Loans and borrowings	490,220	493,730	46,600
Employee benefits	7,364	7,154	7,591
Deferred tax liabilities	15,916	15,423	16,693
	<u>513,500</u>	<u>516,307</u>	<u>70,884</u>
Current Liabilities			
Payables and accruals	183,184	179,513	146,846
Loans and borrowings	1,071,049	1,043,842	1,414,644
Current tax liabilities	1,023	1,975	3,699
	<u>1,255,256</u>	<u>1,225,330</u>	<u>1,565,189</u>
Total Liabilities	<u>1,768,756</u>	<u>1,741,637</u>	<u>1,636,073</u>
TOTAL EQUITY AND LIABILITIES	<u>2,842,946</u>	<u>2,816,670</u>	<u>2,707,402</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.13</u>	<u>2.14</u>	<u>2.10</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Cash Flows
For the three months ended 31 March 2012

	3 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(4,708)	53,638
Adjustments for non-cash items	5,430	15,156
Operating profit before working capital changes	722	68,794
Changes in working capital		
Net change in current assets	20,038	45,283
Net change in current liabilities	4,001	8,538
Interest received	250	288
Interest paid	(7,376)	(5,621)
Tax paid	(5,836)	(6,687)
Retirement benefits paid	(78)	(138)
Net cash flows from/(used in) operating activities	11,721	110,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-controlling interests	-	(12,006)
Proceeds from disposal of property, plant and equipment	2	100
Purchase of property, plant and equipment	(20,026)	(30,951)
Net cash flows used in investing activities	(20,024)	(42,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	43,683	(63,575)
Share buybacks	(62)	(56)
Interest paid	(537)	(664)
Dividends paid to non-controlling interests	-	(923)
Withdrawal of deposits	-	(18)
Net cash flows from financing activities	43,084	(65,236)
Net change in cash and cash equivalents	34,781	2,364
Effects of foreign exchanges rate changes	(153)	(1)
Cash and cash equivalents at beginning of the financial year	53,768	59,148
Cash and cash equivalents at end of the financial year	88,396	61,511

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statements of cash flows comprise:

	3 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000
Cash and bank balances	94,869	63,952
Pledged deposits	(6,473)	(2,441)
	88,396	61,511

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Changes in Equity
For the three months ended 31 March 2012

	← Non-Distributable →			← Distributable →			Total equity RM'000	
	Share capital RM'000	Warrant reserve RM'000	Reserve attributable to capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000		Non-controlling interests RM'000
At 1 January 2012, as previously stated	522,708	39,202	82,766	(70,579)	500,192	1,074,289	4,059	1,078,348
- Effects of transition to MFRS	-	-	(4,099)	-	784	(3,315)	-	(3,315)
At 1 January 2012, as restated	522,708	39,202	78,667	(70,579)	500,976	1,070,974	4,059	1,075,033
Foreign currency translation differences for foreign operation	-	-	(13)	-	-	(13)	-	(13)
Change in fair value of equity securities classified as available for sale	-	-	11	-	-	11	-	11
Total other comprehensive income for the year	-	-	(2)	-	-	(2)	-	(2)
Profit for the year	-	-	-	-	(1,041)	(1,041)	262	(779)
Total comprehensive income for the year	-	-	(2)	-	(1,041)	(1,043)	262	(781)
Share buybacks	-	-	-	(62)	-	(62)	-	(62)
At 31 March 2012	522,708	39,202	78,665	(70,641)	499,935	1,069,869	4,321	1,074,190

At 1 January 2011, as previously stated

- Effects of transition to MFRS

At 1 January 2011, as restated

Foreign currency translation differences for foreign operation

Change in fair value of equity securities classified as

available for sale

Total other comprehensive income for the year

Profit for the year

Total comprehensive income for the year

Share buybacks

Acquisition of non-controlling interests

Dividends paid

At 31 March 2011

522,708	39,202	82,787	(68,954)	484,176	1,059,919	14,731	1,074,650
-	-	(4,099)	-	778	(3,321)	-	(3,321)
522,708	39,202	78,688	(68,954)	484,954	1,056,598	14,731	1,071,329
-	-	(1)	-	-	(1)	-	(1)
-	-	22	-	-	22	-	22
-	-	21	-	-	21	-	21
-	-	-	-	42,301	42,301	364	42,665
-	-	21	-	42,301	42,322	364	42,686
-	-	-	(56)	-	(56)	-	(56)
-	-	-	-	(1,278)	(1,278)	(10,728)	(12,006)
-	-	-	-	-	-	(923)	(923)
522,708	39,202	78,709	(69,010)	525,977	1,097,586	3,444	1,101,030

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)
("AJR" or "THE COMPANY")

EXPLANATORY NOTES

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS"), MFRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRSs"). The Group has adopted the MFRS Framework issued by the Malaysian accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS Framework was introduced by the MASB in order to fully converge Malaysia's existing FRS Framework with the International Financial Reporting Standards ("IFRS") Framework issued by the International Accounting Standards Board.

These interim financial statements are the Group's first MFRS compliant interim financial statements and hence MFRS 1: *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The date of transition to the MFRS Framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 1.1 below.

1.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirement under FRS and MFRS are similar, the significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3: *Business Combinations* ("MFRS 3"), prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

- i) The classification of former business combinations under FRS is maintained;
- ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment

The Group has previously adopted revaluation model for its property comprising land and buildings and revalue the assets every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value under FRS 116: *Property, Plant and Equipment*.

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its property, plant and equipment using the cost model under MFRS 116: *Property, Plant and Equipment*. At the date of transition to MFRS, the Group uses previous revaluation at or before the date of transition as deemed cost. Accordingly, the revaluation reserves of RM117,625,773 at 1 January 2011, 31 March 2011 and 31 December 2011 were reclassified to other equity reserves. Both the revaluation reserves and other equity reserves were grouped under other reserves in the statements of financial position.

(c) Investment Property

Under FRS 140: *Investment Property*, the Group measured its investment properties initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its investment properties using the cost model under MFRS 140: *Investment Property*. At the date of transition to MFRS, the Group uses previous fair value at or before the date of transition as deemed cost and apply the depreciation policy consistent with property, plant and equipment. As a result, the depreciation of investment properties of RM20,559 and RM82,236 were charged for the financial period ended 31 March 2011 and for the financial year ended 31 December 2011 respectively.

(d) Prepaid lease payments

Previously, the Group measured prepaid lease payments on operating leasehold land in accordance with the transitional provision in FRS 117: *Leases* ("FRS 117"). The transitional provision allowed the Group to carry the previously revalued leasehold land at the unamortised carrying amount when the Group first applied FRS 117 in 2006.

However, the above transitional provision is not available under MFRS 117: *Leases*. The Group has to restate the revalued prepaid lease payments to their original costs and any revaluation surplus is retrospectively adjusted.

The impact arising from the change in prepaid lease payments is summarized as follows:-

Condensed Consolidated Statements of Financial Position

	As at 1.1.2011	As at 31.3.2011	As at 31.12.2011
		Increased/(Decreased)	
Prepaid lease payments	(4,532,331)	(4,501,998)	(4,410,999)
Revaluation reserves	(4,099,072)	(4,099,072)	(4,099,072)
Retained earnings	777,741	799,824	866,073
Deferred tax assets	1,211,000	1,202,750	1,178,000

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

	As at 31.3.2011	As at 31.12.2011
	Increased/(Decreased)	
Deferred tax expenses	8,250	33,000
Amortisation of prepaid lease payments	(30,333)	(121,332)

The reconciliations of financial statements for comparative periods and of financial statements at the date of transition reported under FRS and MFRS are provided below:-

Condensed Consolidated Statements of Financial Position

Reconciliation as at 1 January 2011

	FRS as at 1.1.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 1.1.2011 RM'000
Other reserves **	82,787	(4,099)	78,688
Retained earnings	484,176	778	484,954
Prepaid lease payments	12,439	(4,532)	7,907
Deferred tax assets	9,403	1,211	10,614
** Within other reserves, the following reserves were affected:			
Revaluation reserves	121,725	(121,725)	-
Other equity reserves	-	117,626	117,626

Reconciliation as at 31 March 2011

	FRS as at 31.3.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.3.2011 RM'000
Other reserves **	82,808	(4,099)	78,709
Retained earnings	525,198	779	525,977
Prepaid lease payments	12,360	(4,502)	7,858
Investment properties	6,994	(21)	6,973
Deferred tax assets	5,979	1,203	7,182
** Within other reserves, the following reserves were affected:			
Revaluation reserves	121,725	(121,725)	-
Other equity reserves	-	117,626	117,626

Reconciliation as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.12.2011 RM'000
Other reserves **	82,766	(4,099)	78,667
Retained earnings	500,192	784	500,976
Prepaid lease payments	12,120	(4,410)	7,710
Investment properties	6,994	(82)	6,912
Deferred tax assets	19,253	1,177	20,430
<i>** Within other reserves, the following reserves were affected:</i>			
Revaluation reserves	121,725	(121,725)	-
Other equity reserves	-	117,626	117,626

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

Reconciliation for the quarter ended 31 March 2011

	FRS for the quarter ended 31.3.2011 RM'000	Effect of transition to MFRS RM'000	MFRS for the quarter ended 31.3.2011 RM'000
Operating expenses	(505,286)	9	(505,277)
Profit before tax	53,629	9	53,638
Tax expenses	(10,965)	(8)	(10,973)
Profit after tax	42,664	1	42,665

Reconciliation for the year ended 31 December 2011

	FRS for the year ended 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS for the year ended 31.12.2011 RM'000
Operating expenses	(2,154,074)	39	(2,154,035)
Profit before tax	64,817	39	64,856
Tax expenses	(2,622)	(33)	(2,655)
Profit after tax	62,195	6	62,201

1.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group.

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

2. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Except for the major festive seasons when activities slow down, the pace of the Company's business generally moves in tandem with the performance of the economy.

3. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the current quarter results.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 30,000 shares of its issued share capital from the open market at an average purchase price of RM2.05 per share. As at 31 March 2012, out of the total 522,708,178 issued and fully paid ordinary shares, 21,576,500 shares were held as treasury shares at an average purchase price of RM3.27 per share. The share buyback transactions were financed by internally generated funds.

Save as disclosed above, there were no issuances, cancellations, resale or repayments of debt and equity securities during the financial period under review.

6. DIVIDENDS PAID

No dividend was paid during the financial period-to-date.

7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the financial period ended 31 March 2012 were as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	435,160	176,659	311		
Inter-company transactions	172,988	21,291	7,647	(201,926)	
Total sales	<u>608,148</u>	<u>197,950</u>	<u>7,958</u>	<u>(201,926)</u>	612,130
RESULTS					
Segment results	(13,633)	13,760	2,842	(14)	2,955
Finance cost					(7,914)
Interest income					250
Investing Results					1
Taxation					<u>3,929</u>
Profit for the year					<u>(779)</u>
ASSETS	<u>2,392,057</u>	<u>588,484</u>	<u>1,051,605</u>	<u>(1,189,200)</u>	<u>2,842,946</u>
LIABILITIES	<u>1,596,207</u>	<u>439,398</u>	<u>53,734</u>	<u>(320,583)</u>	<u>1,768,756</u>

8. PROFIT BEFORE TAX

	3 months ended 31.03.2012 RM'000	3 months ended 31.03.2012 RM'000
Profit before tax is arrived at after charging:		
Allowance for inventories written down to net realisable value	5,684	5,684
Amortisation of intangible assets	138	138
Amortisation of prepaid lease payments	49	49
Depreciation of investment properties	21	21
Depreciation of property, plant and equipment	11,660	11,660
Fair value loss on derivative	2	2
Interest expenses	7,914	7,914
Property, plant and equipment written off	1	1
and after crediting:		
Bad debts recovered	276	276
Gain on disposal of property, plant and equipment	2	2
Gain on foreign exchange		
- realised	5,353	5,353
- unrealised	19,996	19,996
Interest income	250	250
Reversal of allowance for impairment losses of receivables	494	494

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

The valuations of property, plant and equipment and investment properties have been brought forward without amendments from the previous annual report. Upon transition to MFRS, the Group used the previous revaluation at or before the date of transition as deemed cost for property, plant and equipment and investment properties.

Upon transition to MFRS, the Group restated the revalued prepaid lease payments to their original costs as no revaluation is permitted.

10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter in respect of which this announcement is made.

11. CHANGES IN THE COMPOSITION OF THE GROUP

On 6 January 2012, the Company incorporated a new wholly-owned subsidiary in Singapore under the name of Ann Joo Metal (Singapore) Pte Ltd with an issued and paid-up capital of SGD1.00 (RM2.44).

Save as disclosed above, there were no significant changes in the composition of the Group during the financial period under review.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

13. CAPITAL COMMITMENTS

The capital commitments as at 31 March 2012 were as follows:

Commitments in respect of capital expenditure :

	<u>RM'000</u>
(a) contracted but not provided for	52,578
(b) approved but not contracted for	29,507

14. ASSETS CLASSIFIED AS HELD FOR SALE

The assets classified as held for sale are recognised at the lower of carrying amount or fair value. Major classes of assets classified as held for sale on the consolidated statements of financial position are as follows:-

	<u>31.03.2012</u>
	<u>RM'000</u>
Property, plant and equipment	4,100

15. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM612.13 million, an increase of RM54.98 million or 10% as compared to the revenue of RM557.15 million for the corresponding quarter of the preceding year. The improved performance was mainly due to higher sales tonnage contributed from both Manufacturing and Trading Divisions. The Group posted a loss before tax ("LBT") of RM4.71 million for the current quarter as compared to a profit before tax ("PBT") of RM53.64 million for the corresponding quarter of the preceding year. Lower profitability was mainly attributable to continued absorption of initial start-up cost pending the stabilization and optimization of the blast furnace operations.

Manufacturing revenue increased by RM39.07 million to RM435.16 million in current quarter compared to revenue of RM396.09 in the corresponding quarter of the preceding year. The segment recorded loss of RM13.63 million in the current quarter, decreased by RM56.33 million compared to segment profit of RM42.70 million in the corresponding quarter of the preceding year. The higher revenue was mainly due to higher sales tonnage which was boosted by improved domestic demand. The segment loss was mainly due to higher cost of sales attributable to continued absorption of initial start-up cost of the blast furnace operations and an allowance for inventories written down to net realizable value of RM5.61 million.

Trading revenue increased by RM15.87 million to RM176.66 million in current quarter compared to RM160.79 million in the corresponding quarter of the preceding year. The segment profits decreased by RM2.74 million to RM13.76 million in the current quarter compared to segment profit of RM16.50 million in the corresponding quarter of the preceding year. Lower profit of the segment was mainly due to increase in cost of sales in current quarter despite higher sale tonnage achieved from the recovery in steel consumption of various economic sectors.

16. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group recorded revenue of RM612.13 million in the current quarter was RM111.88 million or 22% higher than the revenue of RM500.25 million for the preceding quarter mainly attributable to higher sales tonnage contributed from both Manufacturing and Trading Divisions. The Group registered a LBT of RM4.71 million in the current quarter compared to a PBT of RM5.27 million in the preceding quarter. LBT was mainly attributable to continued absorption of initial start up cost of the blast furnace operations and an allowance for inventories written down to net realizable value of RM5.68 million during the quarter under review.

17. PROSPECT

The outlook of global steel market remains challenging on the back of uncertainties and volatilities in the global economy and the still unresolved Euro zone sovereign debt crisis. Despite the recent record high in steel production and export figures of China, the world's largest steel producing country, its continued efforts to restructure the economy and to contain the real estate bubble had resulted in a slowdown of steel demand. Nevertheless, signs of stability are now emerging and the recovery in steel demand is expected to resume in the second half of the year driven by the strength in infrastructure and construction activities. The urbanization and surging infrastructure development, especially in emerging and developing economies will continue to fuel the steel demand.

On the local front, steel demand is visibly improving in tandem with the growth of construction activities. The full swing in construction activities of mega projects under Economic Transformation Program such as the MRT lines, LRT extensions, KLIA 2 is expected to support the consumption of steel products.

The Group will continue to focus on its productivity improvement program, strategic procurement activities and inventory management strategy supplementing the production expansion via the integration of its iron and steel production processes for operational synergies. Moving forward, the Group remains cautious for the remaining period of the year 2012.

18. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2012.

19. TAXATION

The tax figures comprise of:

	3 months ended 31.03.2012 <u>RM'000</u>	3 months ended 31.03.2012 <u>RM'000</u>
Income tax		
Current year taxation	2,327	2,327
Deferred tax		
Relating to origination and reversal of temporary differences	<u>(6,256)</u> <u>(3,929)</u>	<u>(6,256)</u> <u>(3,929)</u>

The Group's effective tax rate for the current quarter was lower compared to statutory tax rate of 25%, mainly due to availability of tax incentives.

20. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report.

21. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 31 March 2012 were as follows:-

	<u>RM'000</u>
Short term borrowings :	
Secured	54,040
Unsecured	<u>1,017,009</u>
	<u>1,071,049</u>
Long term borrowing :	
Secured	<u>490,220</u>
Total borrowings	<u><u>1,561,269</u></u>

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM679.44 million (USD221.46 million) of the above borrowings which are denominated in US dollars.

22. MATERIAL LITIGATION

There was no material litigation against the Group as at the date of this report.

23. DIVIDEND

The Board of Directors does not recommend any interim dividend for the current quarter ended 31 March 2012 (1st quarter 2011: Nil).

24. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit attributable to owners of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the current quarter as set out below:

		<u>3 months ended</u> <u>31.03.2012</u>	<u>3 months ended</u> <u>31.03.2012</u>
Total loss attributable to owners of the parent	(RM'000)	(1,041)	(1,041)
Weighted average number of ordinary shares in issue or issuable	('000)	501,151	501,151
Basic earnings per share	(sen)	<u><u>(0.21)</u></u>	<u><u>(0.21)</u></u>

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the current quarter and the financial year as set out below:

		<u>3 months ended 31.03.2012</u>	<u>3 months ended 31.03.2012</u>
Adjusted profit attributable to owners of the parent	(RM'000)	2,624	2,624
Adjusted weighted average number of ordinary shares in issue or issuable	('000)	762,504	762,504
Diluted earnings per share	(sen)	<u>0.34</u>	<u>0.34</u>

25. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2012 was analysed as follows:

	<u>31.03.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	633,756	676,651
Unrealised	<u>46,256</u>	<u>4,431</u>
	680,012	681,082
Total share of retained earnings from an associated company		
Realised	234	233
Unrealised	<u>(18)</u>	<u>(18)</u>
	680,228	681,297
Less: Consolidation adjustments	<u>(180,293)</u>	<u>(180,321)</u>
Total group retained earnings	<u>499,935</u>	<u>500,976</u>

26. STATUS OF AUDIT QUALIFICATION

There was no audit qualification on the audit report of the preceding annual financial statements.

27. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2012.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Mabel Tio Mei Peng (MAICSA 7009237)
 Company Secretaries
 31 May 2012
 Selangor Darul Ehsan

