

EONMETALL GROUP BERHAD
(Company No. 631617 D)
(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2011**

	Three Months Ended		Period To Date Ended	
	31-Mar-11 RM'000	31-Mar-10 RM'000	31-Mar-11 RM'000	31-Mar-10 RM'000
Continuing Operations				
Revenue	25,885	24,912	25,885	24,912
Operating profit	2,595	3,476	2,595	3,476
Interest expense	(816)	(675)	(816)	(675)
Interest income	4	34	4	34
Share of profit / (loss) after tax of equity accounted associates	26	(341)	26	(341)
Profit before tax	1,809	2,494	1,809	2,494
Tax expense	(121)	(37)	(121)	(37)
Profit after tax from continuing operations	1,688	2,457	1,688	2,457
Other comprehensive income	-	-	-	-
Total comprehensive income	1,688	2,457	1,688	2,457
Profit after tax attributable to owners of the Company	1,688	2,457	1,688	2,457
Total comprehensive income attributable to owners of the Company	1,688	2,457	1,688	2,457
Earnings per share attributable to owners of the Company				
Basic earnings per share (sen)	0.99	1.44	0.99	1.44
Diluted earnings per share (sen)	NA	NA	NA	NA

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2010.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	At 31 March 2011 RM'000	Audited At 31 December 2010 RM'000
Assets		
Property, plant and equipment	110,403	104,873
Investment properties	6,555	6,489
Investment in associates	3,361	3,335
Deferred tax assets	2,267	2,267
Total non-current assets	<u>122,586</u>	<u>116,964</u>
Receivables, deposits and prepayments	22,119	15,831
Inventories	69,080	65,302
Current tax assets	174	174
Cash and cash equivalents	3,813	7,412
Total current assets	<u>95,186</u>	<u>88,719</u>
Total assets	<u>217,772</u>	<u>205,683</u>
Equity		
Share capital	85,585	85,585
Share premium	1,549	1,549
Share option reserve	792	792
Translation reserve	66	81
Statutory reserve	102	102
Retained earnings	43,954	42,266
Total equity attributable to owners of the Company	<u>132,048</u>	<u>130,375</u>
Liabilities		
Loans and borrowings	20,460	20,234
Deferred tax liabilities	2,694	2,694
Total non-current liabilities	<u>23,154</u>	<u>22,928</u>
Payables and accruals	17,285	12,751
Loans and borrowings	45,285	39,629
Total current liabilities	<u>62,570</u>	<u>52,380</u>
Total liabilities	<u>85,724</u>	<u>75,308</u>
Total equity and liabilities	<u>217,772</u>	<u>205,683</u>
	-	-
Net assets per share (RM)	<u>0.77</u>	<u>0.76</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2010.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2011

	← Attributable to owners of the Company →						
	← Non-distributable →				Distributable		
	Share capital	Share premium	Share option reserve	Statutory reserve	Translation reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	85,585	1,549	711	102	69	36,330	124,346
Total comprehensive income for the period	-	-	-	-	-	2,457	2,457
At 31 March 2011	85,585	1,549	711	102	69	38,787	126,803
At 1 January 2011	85,585	1,549	792	102	81	42,266	130,375
Foreign exchange translation differences	-	-	-	-	(15)	-	(15)
Net loss recognised directly in equity	-	-	-	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	-	1,688	1,688
At 31 March 2011	85,585	1,549	792	102	66	43,954	132,048

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 Decemcer 2010.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2011

	Period Ended	
	31-Mar-11 RM'000	31-Mar-10 RM'000
Cash flows from operating activities		
Profit after tax from continuing operations	1,809	2,494
Adjustments for:		
Depreciation of property, plant and equipment	1,904	1,864
Depreciation of investment properties	19	-
Interest expense	816	675
Interest income	(4)	(34)
Share of profit / (loss) after tax of equity accounted associates	(26)	341
Operating profit before changes in working capital	4,518	5,340
Changes in working capital:		
Inventories	(3,778)	6,152
Receivables, deposits and prepayments	(6,288)	5,451
Payables and accruals	4,534	3,060
Cash (used in) / generated from operations	(1,014)	20,003
Tax paid	(121)	(37)
Net cash (used in)/generated from operating activities	(1,135)	19,966
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,434)	(1,755)
Additions to investment properties	(85)	-
Interest received	4	34
Net cash used in investing activities	(7,515)	(1,721)
Cash flows from financing activities		
Short term borrowings, net	3,380	(18,008)
Drawdown of term loans	2,485	-
Repayment of term loans	(1,776)	(1,668)
(Repayment)/Drawdown of finance lease liabilities	(64)	463
Interest paid	(816)	(675)
Net cash generated from / (used in) financing activities	3,208	(19,888)
Net decrease in cash and cash equivalents	(5,442)	(1,643)
Effect of exchange rate changes	(15)	-
Cash and cash equivalents at beginning of period	2,396	11,452
Cash and cash equivalents at end of financial period	(3,061)	9,809
Notes:		
A) Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise :		
Cash & bank balances	3,613	9,595
Deposits with licensed banks (excluding deposits pledged)	200	290
Bank overdrafts	(6,874)	(76)
	(3,061)	9,809

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2010

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2011

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

2. Significant Accounting Policies

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the Group's annual Audited Financial Statements for the year ended 31 December 2010 except for the adoption of the following new/revised Financial Reporting Standards (FRSs):-

Effective for financial periods beginning on or after 1 March 2010:-

Amendments to FRS 132 Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010:-

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 2	Share-based Payments
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9,	Reassessment of Embedded Derivatives

Effective for financial periods beginning on or after 1 January 2011:-

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settle Share Based Payment Transactions

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2. Significant Accounting Policies (cont'd)

Effective for financial periods beginning on or after 1 January 2011 (cont'd):-

Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Improvements to FRSs (2010)	

The adoption of the above new/revised FRSs does not have significant financial impact on the interim financial statements of the Group.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 was qualified and the details of the qualification are as described below:-

Basis for Qualified Opinion

“The work-in-progress and manufactured inventories of the Group include certain slow-moving metalwork machinery amounting to RM13.2 million that are without secured orders on hand. Out of this amount, a sum of RM2.9 million is under negotiation with potential buyers. The directors are of the opinion that these slow-moving inventories can be realised at above their carrying amounts and accordingly, no write-down is necessary.

We have not been able to establish the net realisable value of these inventories in view of the specialised nature of the inventories involved and the lack of comparable machinery costs in the market. Consequently, we were unable to determine whether any adjustments to these values of inventories were necessary.”

As at the date of this announcement, out of the slow-moving inventories of RM13.2 million, a sum of RM9.8 million (as compared to RM2.9 million as at 31 December 2010) is under negotiation with potential buyers and is expected to be realized at above their carrying amounts. Thus, the directors are of the opinion that no write-down is necessary for the current quarter under review. The directors shall monitor closely to the slow-moving inventories and will do the necessary adjustment if there is a need to do so.

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4. Seasonality of operations

The business operations of the Group are not significantly affected by any seasonal or cyclical factors.

5. Unusual items due to their nature, size or incidence

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

6. Material changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Issuances and repayment of debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

8. Dividends paid

No dividend was paid by the Company during the current quarter under review.

9. Segment revenue and results

Financial data by business segment for the Group:

	Period ended 31.03.2011	
	Revenue RM'000	Operating profit/(loss) RM'000
Machinery and equipment	3,040	(525)
Steel product and trading activity	22,838	3,452
All other segments	7	(332)
	<hr/> 25,885	<hr/> 2,595

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**SELECTED EXPLANATORY NOTES
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10. Revaluation of property, plant and equipment

Not applicable. No valuation policy was adopted for property, plant and equipment of the Group.

11. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the quarter under review which has not been reflected in this interim financial report.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter save as:

a) On 30 March 2011, the Board announced that its wholly owned subsidiary, Eonmetall International Limited (“EIL”) has established PT. Eonmetall Investment (PT. Eonmetall”) in Indonesia. The intended paid-up share capital of PT. Eonmetall will be USD1.0 million of which EIL holds 95% and the remaining 5% held by an individual party of Indonesia nationality. PT. Eonmetall will be principally involved in the industry of crude palm oil and essential oil, oil palm and jatropa plantation, trading, consultancy and management.

13. Changes in contingent liabilities or contingent assets

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	226,946	206,946

14. Capital commitments

The capital commitments as at 31 March 2011 were as follows:-

	As at 31.03.2011 RM'000
Contracted but not provided for	12,658

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15. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial period-to-date

During the quarter under review, the Group achieved revenue of RM25.9 million, representing an increase of RM1.0 million (from RM24.9 million to RM25.9 million) as compared to the corresponding quarter in the preceding year. The increase in revenue was attributed to the higher sales generated from machinery and equipment segment during current quarter under review.

However, the Group recorded a current quarter profit before tax ("PBT") of RM1.8 million, which represent a decrease of 28% as compared to the corresponding quarter previous year. The drop in PBT mainly due to lower margin generated from steel product and trading activity segment.

There were no material factors affecting the earnings and/ or revenue of the Group for the current quarter under review.

16. Material change in Profit before Taxation reported on as compared with the immediate preceding quarter.

	Individual quarter ended	
	31.03.2011	31.12.2010
	RM'000	RM'000
Revenue	25,885	16,356
Profit / (loss) before tax	1,809	(2,646)

The Group's Profit before tax increased by RM4.4 million (from loss before tax of RM2.6 million to profit before tax of RM1.8 million), 169% as compared to the immediate preceding quarter mainly due to higher sales generated from steel product and trading activity segment. It was also due to the allowance for doubtful debts of RM1.6 million made in preceding quarter.

17. Commentary of Prospects

Barring any unforeseen circumstances, the Board of Directors of Eonmetall anticipates the performance of the group for the financial year 2011 to improve.

18. Variance of actual and forecast profit

Not applicable. The Group did not publish any profit forecast for the financial quarter under review.

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19. Taxation

	3 months ended 31.03.2011 RM'000	Period to date ended 31.03.2011 RM'000
Current taxation	(121)	(121)

20. Unquoted investments and/ or properties

There were no material purchases or disposals of unquoted investment and/or properties in the current quarter and financial period-to-date.

21. Quoted investments

There were no material purchases or disposals of quoted investment during the current quarter and financial period-to-date.

22. Status of corporate proposal announced

There were no corporate proposal announced but not completed as at the date of this announcement.

23. Group borrowings

The Group's borrowings as at the end of the current reporting period are as follows: -

	Payable within 12 months RM' 000	Payable after 12 months RM' 000
RM denominated borrowings		
<u>Secured</u>		
Term loans	7,280	19,734
Hire purchases	235	726
	7,515	20,460

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23. Group borrowings (cont'd)

Unsecured

Bank overdrafts	6,874	-
Bankers' acceptances	27,793	-
Revolving credit	2,500	-
	37,167	-

Total RM denominated borrowing	44,682	20,460
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USD denominated borrowings

Unsecured

Trade loan	603	-
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Total borrowings	45,285	20,460
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24. Off balance sheet financial instrument

There were no financial instrument negotiated with off balance sheet risk at the date of issuance of this report.

25. Changes in material litigation

There was no material litigation as at the date of the interim financial statements apart from:

Eonmetall Industries Sdn Bhd vs (1) Lai Chin Yang (2) Megasteel Sdn Bhd (Pulau Pinang High Court Suit No. 22-285-2010)

Eonmetall Industries Sdn. Bhd. ("EMI"), a wholly-owned subsidiary of the Company had via its solicitors filed a Writ of Summons in the High Court in Pulau Pinang ("Court") against Mr. Lai Chin Yang and Megasteel Sdn. Bhd. ("Defendants").

In the Writ, EMI has claimed for general damages and exemplary damages amounting to RM20 million to be paid jointly and severally by the Defendants over the slander or defamatory statement made against EMI. Details of the claims are as follows:

- i) General damages of RM10 million;
- ii) Exemplary damages of RM10 million;
- iii) Interest rate of 8% per annum from 22 April 2010;
- iv) Defendants to pay EMI's cost of the legal proceeding on indemnity basis; and
- v) Other relief deemed fair by the Court.

The defendants have counter-claimed on the basis that the defamation suit is an abuse of the court process.

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26. Dividends

The Board of Eonmetall had on 21 February 2011 recommended a final dividend of 5.0% tax exempt in respect of the financial year ended 31 December 2010 subject to the approval of the shareholders at the forthcoming Annual General Meeting on 27 June 2011. The final dividend if approved, will be paid on 8 September 2011 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 12 August 2011.

27. Realized and Unrealized Profits/Losses

The following analysis of realized and unrealized retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realized and Unrealized Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits of Eonmetall Group Berhad and its subsidiaries:		
- Realized	84,462	83,962
- Unrealized	1,616	1,042
Total share of retained profits from associated companies:		
- Realized	1,921	1,895
- Unrealized	-	-
Total share of retained profits from jointly controlled entities:		
- Realized	-	-
- Unrealized	-	-
Less: Consolidation adjustments	(44,045)	(44,633)
Total group retained profits as per consolidation accounts	<u>43,954</u>	<u>42,266</u>

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**SELECTED EXPLANATORY NOTES
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28. Earnings per share

The earnings per share was computed based on the net profit divided by the weighted average number of shares in issue:

	Three months ended 31.03.2011	Period to date ended 31.03.2011
Profit after tax attributable to owners of the Company (RM'000)	1,688	1,688
Basic :		
Weighted average number of shares in issue ('000)	171,171	171,171
Basic earnings per share (sen)	<u>0.99</u>	<u>0.99</u>
Diluted :		
Diluted earnings per share (sen)	<u>NA</u>	<u>NA</u>

Fully diluted earnings per share has not been calculated and presented as the effect of the employees' share options is anti-dilutive.

By order of the Board

Dato Goh Cheng Huat
Managing Director

DATED THIS 27th May 2011