

P.A. RESOURCES BERHAD (Company No. 664612-X)
(Incorporated in Malaysia)

P.A. RESOURCES BERHAD

Unaudited Interim Financial Statements

For Quarter Ended 30 June 2010

P.A. RESOURCES BERHAD (664612-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2010**

(The figures have not been audited)

	As at 30-Jun-10 RM'000	As at 31-Mar-10 (Audited) RM'000 Restated
ASSETS		
Non-current assets		
Property, plant and equipment	77,316	75,922
Goodwill on consolidation	120	120
Trade receivable	3,131	5,787
	<u>80,567</u>	<u>81,829</u>
Current assets		
Inventories	32,536	32,871
Trade receivables	21,233	15,359
Other receivables, prepayments and deposits	4,417	2,004
Tax recoverable	1,705	1,705
Cash and bank balances	9,024	9,210
	<u>68,915</u>	<u>61,149</u>
Total assets	<u>149,482</u>	<u>142,978</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	66,792	66,792
Reserves	(34,442)	(35,560)
	<u>32,350</u>	<u>31,232</u>
Minority interest	573	466
Total equity	<u>32,923</u>	<u>31,698</u>
LIABILITIES		
Non-current liabilities		
Borrowings	23,790	26,034
	<u>23,790</u>	<u>26,034</u>
Current liabilities		
Trade payables	5,601	4,319
Other payables and accruals	2,264	2,119
Borrowings	84,782	78,808
Deferred taxation	122	-
	<u>92,769</u>	<u>85,246</u>
Total liabilities	<u>116,559</u>	<u>111,280</u>
Total equity and liabilities	<u>149,482</u>	<u>142,978</u>
Net assets per share attributable to equity holders of the Company (sen)	<u>25.31</u>	<u>24.44</u>

The condensed consolidated Statement of Financial Position should be read in conjunction with the Audited financial statements for the financial year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010**

(The figures have not been audited)

	3 months ended	
	30-Jun-10	30-Jun-09
	RM'000	RM'000
Revenue	22,618	26,571
Cost of sales	(19,299)	(25,520)
Gross profit	3,319	1,051
Other income	50	25
Other operating expenses	(279)	(255)
Distribution and administrative expenses	(992)	(1,012)
Operating profit / (loss)	2,098	(191)
Finance costs	(1,436)	(859)
Profit / (Loss) before taxation	662	(1,050)
Tax expenses	-	-
Profit / (Loss) for the period	662	(1,050)
Other comprehensive Income		
Revaluation of land and buildings	2,437	-
Currency translation differences	16	46
Income tax relating to components of other comprehensive income	(122)	-
Total comprehensive income for the period	2,993	(1,004)
Profit attributable to:		
Owner of the Company	555	(985)
Minority Interest	107	(65)
Total comprehensive income attributable to:	662	(1,050)
Owner of the Company	2,886	(939)
Minority Interest	107	(65)
Earnings per share for profit attributable to the owners of the Company:		
Basic earnings per share (sen)	0.43	(0.77)
Earnings per share for profit from continuing operation attributable to the owners of the Company:		
Basic earnings per share (sen)	2.26	(0.73)

The condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

P.A. RESOURCES BERHAD (664612-X)
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010**

(The figure have not been audited)

	Attributable to equity holders of the Company					Minority Interest	Total Equity	
	<-----Non-distributable----->			Distributable				
	Share Capital	Share Premium	Treasury Shares	Revaluation Reserves	Translation Reserve	Revenue Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 April 2009	66,792	4,215	(3,045)	3,557	25	(21,894)	-	49,650
Subscription of shares in a subsidiary	-	-	-	-	-	-	490	490
Total comprehensive income for the period	-	-	-	-	46	(985)	(65)	(1,004)
As at 30 June 2009	66,792	4,215	(3,045)	3,557	71	(22,879)	425	49,136
As at 1 April 2010, as previously stated	66,792	4,215	(3,045)	3,499	(28)	(40,201)	466	31,698
-effect of adopting FRS 139	-	-	-	-	-	(1,768)	-	(1,768)
As at 1 April 2010, as restated	66,792	4,215	(3,045)	3,499	(28)	(41,969)	466	29,930
Total comprehensive income for the period	-	-	-	2,315	16	555	107	2,993
As at 30 June 2010	66,792	4,215	(3,045)	5,814	(12)	(41,414)	573	32,923

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

P.A. RESOURCES BERHAD (664612-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2010**

(The figures have not been audited)

	3 months ended	
	30-Jun-10	30-Jun-09
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	662	(1,050)
Adjustments for:		
Depreciation of property, plant and equipment	1,294	1,187
Foreign exchange gain	(34)	-
Gain on disposal of property, plant and equipment	-	(5)
Interest expenses	1,416	820
Interest income	(1)	(25)
Operating profit before working capital changes	3,337	927
Decrease in inventories	335	480
Increase in contract work in progress	(984)	-
(Increase) / Decrease in receivables	(6,415)	4,195
Increase in payables	1,427	303
Cash (used in) / generated from operations	(2,300)	5,905
Interest received	1	25
Interest paid	(1,416)	(820)
Income tax paid	-	(201)
Net cash (used in) / generated from operating activities	(3,715)	4,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from subscription of shares in a subsidiary	-	490
Purchase of property, plant and equipment	(262)	(7,985)
Proceeds from disposal of property, plant and equipment	-	42
Net cash used in investing activities	(262)	(7,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in short term borrowings	2,176	(8,739)
Drawdown of term loans	2,157	9,304
Repayment of term loans	(524)	(209)
Repayment of hire purchase liabilities	(35)	(106)
Increase in fixed deposits	(27)	(325)
Net cash generated from / (used in) financing activities	3,747	(75)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(230)	(2,619)
Effect of foreign exchange fluctuations	16	24
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,513	13,692
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,299	11,097
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank overdraft	-	(14)
Deposits, cash in hand and at banks	9,024	14,069
Fixed deposits pledged	(2,725)	(2,958)
	6,299	11,097

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

NOTES TO THE INTERIM FINANCIAL REPORT

(The figures have not been audited)

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted for the interim financial report are consistent with those of the audited financial statements for the year ended 31 March 2010 except for the adoption of the following new FRSs and Interpretations, and amendment to certain FRSs and Interpretations which are applicable and relevant for the financial period beginning 1 April 2010:

- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101 (revised): Presentation of Financial Statements
- FRS 123 (revised): Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 7: Financial Instruments: Disclosures
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- FRSs contained in the document entitled "Improvements to FRSs (2009)"
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Company upon their initial application other than as disclosed below:

FRS 8, Operating Segments

FRS 8 is effective for financial statements of the Group for the year ending 31 March 2011. FRS 8, which replaces FRS 114₂₀₀₄, FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purpose. As a result, the Group segmental reporting has been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This Standard does not have any impact on the financial position and results of the Group.

FRS 101 (revised), Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements.

With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income.

Amendment to FRS 117, Leases

Leasehold land is classified as a finance lease if the Group has substantially all the risks and rewards incidental to ownership. Previously, leasehold land was classified as an operating lease. Following the amendment to FRS 117, the classification of leasehold land has been changed from operating to finance lease. The effect of the change which is adjusted for retrospectively is disclosed below.

	As previously stated RM'000	FRS 117 RM'000	As restated RM'000
Balances as at 31 March 2010			
Property, plant and equipment	-	785	785
Prepaid land lease payment	785	(785)	-

FRS 139: Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognized on their settlement dates. Outstanding derivatives at the balance sheet date were not recognized. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives are recognized at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, the Group classifies its financial assets and financial liabilities in the following categories:

<u>Pre-FRS 139</u>	<u>Post-FRS 139</u>
Private-debt instruments	Loans and receivables
Long-term borrowings	Financial liabilities at amortised cost

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit and loss, transaction costs directly attributable to the acquisition of the instruments. Subsequent to their initial recognition, the financial assets and liabilities are measured as follows:

Loans and other financial liabilities

At amortized cost effective interest rate method.

Loans and receivables

Non-current receivables, previously measured at invoice amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortized cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

The Group has applied the new policies prospectively in relation to the financial instruments above in accordance with FRS 139. The effects of the re-measurement on 1 April 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits. Comparatives are not restated.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report for the audited financial statements of the Group for the year ended 31 March 2010 was not subject to any qualification.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business of the Group was not affected materially by any seasonally or cyclical factors for the quarter under review.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There are no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

6. CHANGES IN ESTIMATES

There was no material changes in the estimates used for the presentation of this interim financial statement.

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities for the financial period ended 30 June 2010.

8. DIVIDENDS PAID

No dividend was paid during the current financial period.

9. SEGMENT INFORMATION

In the prior year's audited consolidated financial statements, the basis of segmentation was on a primary format of business segment and a secondary format of geographical segment. In the current quarter ended 30 June 2010 and for the current financial year ending 31 March 2011, the basis of segmentation has been changed to operating segment based on information reported internally to the chief operating decision-maker. The adoption of FRS 8 has no material impact on the presentation of operating segment information.

<u>3 months period ended</u> <u>30-06-2010</u>	Extrusion and fabrication RM'000	Aluminium billets and tolling RM'000	Construction contract RM'000	Others RM'000	Total RM'000
Revenue					
Total sales	16,994	3,937	2,878	-	23,809
Inter-segment sales	(1,191)	-	-	-	(1,191)
External sales	15,803	3,937	2,878	-	22,618
Results					
Profit from operations	1,372	498	303	(75)	2,098
Finance costs					(1,436)
Taxation					-
Profit after taxation					662

9. SEGMENTAL INFORMATION (CONT'D)

<u>3 months period ended 30-06-2010</u>	Extrusion and fabrication RM'000	Aluminium billets and tolling RM'000	Construction contract RM'000	Others RM'000	Total RM'000
Assets					
Segment assets	98,185	47,932	2,933	432	149,482
Liabilities					
Segment liabilities	(78,978)	(36,060)	(1,153)	(368)	(116,559)
Other information:					
Capital expenditure	203	-	59	-	262
Depreciation	1,087	186	21	-	1,294
<u>3 months period ended 30-06-2009</u>	Extrusion and fabrication RM'000	Aluminium billets and tolling RM'000	Construction contract RM'000	Others RM'000	Total RM'000
Revenue					
Total sales	16,874	9,697	-	-	26,571
Inter-segment sales	-	-	-	-	-
External sales	16,874	9,697	-	-	26,571
Results					
Profit from operations	222	(218)	(132)	(63)	(191)
Finance costs					(859)
Taxation					-
Loss after taxation					(1,050)
Assets					
Segment assets	106,248	52,868	1,301	462	160,879
Liabilities					
Segment liabilities	(74,298)	(36,818)	(408)	(219)	(111,743)
Other information:					
Capital expenditure	5,015	2,575	395	-	7,985
Depreciation	1,005	182	-	-	1,187

10. VALUATION OF PROPERTY, PLANT & EQUIPMENT

The valuations of property, plant and equipment have been brought forward without any amendments from the previous audited financial statements for the financial year ended 31 March 2010 except as disclosed below:

The valuation of the freehold land and factory building was carried out by TD Aziz Sdn. Bhd., an external independent firm of valuers, on 3 May 2010 using the comparative method.

Details of the external independent valuer involved were:

Chockalingan P. Mohan (Registered Valuer)
16th Floor, Menara Akademi Etiqa,
No. 23, Jalan Melaka,
50100 Kuala Lumpur.

The resultant surplus were credited to revaluation reserves during the quarter.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter other than the corporate proposals as mentioned in Note 23.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the quarter ended 30 June 2010.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 March 2010.

14. CAPITAL COMMITMENTS

There was no material capital commitment as at 30 June 2010.

**PART B - NOTES PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD**

15. PERFORMANCE REVIEW

For the quarter under review, the Group recorded revenue of RM22.62 million, a decrease of approximately 14.87% as compared to RM26.57million for the preceding year corresponding quarter. The Group recorded a pre-tax profit of RM0.66 million as compared to a pre-tax loss of RM1.05 million for the preceding year corresponding quarter. The drop in revenue for the current quarter as compared to the preceding year corresponding quarter is attributable to the billet and tolling segment. The increase in profit was due to the increase in sales of higher value added products which resulted in higher margin.

16. QUARTERLY RESULTS COMPARISON

The Group's revenue as compared to the immediate preceding quarter has slightly increased from RM21.09 to RM22.62 million. The Group recorded a pre-tax profit of RM0.66 million as compared to the immediate preceding quarter pre-tax loss of RM15.77 million. Compared to the preceding quarter, the result for the current quarter has improved as there are no losses arising from impairment of stock or trade receivables.

17. CURRENT YEAR PROSPECTS

The Board expects the remaining period for the financial year ending 31 March 2011 to be challenging given that the outlook for the domestic and global economy is still uncertain. Nevertheless, the Group will amongst others continue to place great emphasis in cost management, product improvement and credit control.

18. PROFIT FORECAST OR PROFIT GUARANTEE

No profit forecast or profit guarantee has been issued by the Group.

19. RELATED PARTY TRANSACTIONS

- (i) There were no related party transactions entered into by the Company and/or its subsidiaries during the financial period to date.
- (ii) There were no transactions with the directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

19. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel for the period ended 30 June 2010 is as follows:

	Executive Director RM'000	Non Executive Director RM'000	Other Senior Personnel RM'000	Total RM'000
(a) Short term employment benefit				
- Amount paid	261	-	103	364
- Provision		23	-	23
(b) Post-employment benefit				
- Amount paid	32	-	13	45
(c) Benefit In kind	7	-	-	7
	<u>300</u>	<u>23</u>	<u>116</u>	<u>439</u>

20. TAXATION

	Current Quarter 30-June-2010 RM'000	Current Year To Date 30-June-2010 RM'000
Current period:		
- current taxation	-	-
- deferred taxation	-	-
	<u>-</u>	<u>-</u>

No deferred tax assets have been recognized in respect of tax losses for the group.

21. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposals of unquoted investments and properties during the financial period under review.

22. MARKETABLE SECURITIES

The Group did not deal in any quoted investments.

23. STATUS OF CORPORATE PROPOSALS

At an Extraordinary General Meeting held on 11 February 2010, the shareholders approved the proposed renounceable rights issue of up to 66,792,000 Rights Shares on the basis of one (1) Rights Share for every two (2) existing shares held together with up to 66,792,000 Warrants on the basis of one (1) free Warrant for every one (1) Rights Share subscribed for.

As announced on 23 July 2010, the Company completed the implementation of the Right Issue with warrants. 63,901,650 Rights Shares together with 63,901,650 Warrants issued pursuant to the Rights Issue with Warrants. The new shares and warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 July 2010.

There were no corporate proposals that have been announced by the Group but not completed as at date of this announcement.

24. GROUP BORROWINGS

The Group's borrowings as at 30 June 2010 comprise the following:-

	RM'000	RM'000
(a) Current		
Trade bills payable (Secured)	56,807	
Revolving credit (Secured)	10,000	
Hire purchase liabilities	<u>90</u>	66,897
Term loans (Secured)		<u>17,884</u>
		<u><u>84,781</u></u>
(b) Non-current		
Term loans (Secured)		23,747
Hire purchase liabilities		<u>43</u>
		<u><u>23,790</u></u>

The above banking securities of the Group are secured by way of:-

- (a) The Group's freehold land and factory buildings;
- (b) The Group's leasehold land and building;
- (c) Fixed deposits of the Group; and
- (d) Corporate guarantee given by the Company
- (e) Joint and several guarantees by certain directors.

25. OUTSTANDING DERIVATIVES AND FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group has not entered into any type of derivatives in the current interim quarter.

As at 30 June 2010, the Group does not have any financial liabilities measured at fair value through profit or loss.

26. CHANGES IN MATERIAL LITIGATIONS

There were no material litigation against the Company and its subsidiaries.

27. DIVIDEND

No dividend has been recommended for the current quarter.

28. EARNINGS PER SHARE

The basic earnings per share for the financial year has been calculated based on the Group's net profit attributable to shareholders of RM0.55 million for the 3 months ended 30 June 2010 over the number of ordinary shares in issue during the period of 127,803,300 (excluding treasury shares 5,780,700 retained by the Company).

	Current Quarter 30-June-2010	Cumulative Current Period 30-June-2010
Net profit for the period (RM'000)	555	555
Weighted average number of ordinary shares in issue ('000)	127,803	127,803
Basic earnings per share (sen)	0.43	0.43

29. 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 25 August 2010.