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 Financial Reporting Standards ("FRS"), FRS 134 : Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Bhd ("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 2009. 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 2009.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2009, except for the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretation which are applicable to its financial statements:

FRS 7, Financial Instruments: Disclosures
FRS 8, Operating Segments
FRS 101, Presentation of Financial Statements (revised)
FRS 123, Borrowing Costs (revised)
FRS 139, Financial Instruments: Recognition and Measurement
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
Amendments to FRS 1 & FRS 127, First-time Adoption of Financial Reporting Standards and Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7, Financial Instruments: Disclosures
Amendments to FRS 8, Operating Segments
Amendments to FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 132, Financial Instruments: Presentation
- Puttable Financial Instruments and Obligations Arising on Liquidation
- Separation of Compound Instruments

Amendments to FRS 139, Financial Instruments: Recognition and Measurement
- Reclassification of Financial Assets
- Collective Assessment of Impairment for Banking Institutions

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 14, FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

FRS 101, Presentation of Financial Statements (revised)

Prior to adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of a 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 gains and losses that were recognised directly in equity in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and minority interest.

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

The effects on the comparatives to the Group on adoption of FRS 101 are as follows:

For the financial year ended 31 December 2009	Income statement as previously reported RM'000	Effects of adoption FRS 101 RM'000	Statement of comprehensive income as restated RM'000
Profit for the period	30,813	-	30,813
Other comprehensive income	-	214	214
Total comprehensive income			31,027
Total comprehensive loss attributable to:			
Owners of the parent			31,831
Minority interest			(804)
			31,027

With effect from 1 January 2010, the Group had restated rolls and moulds as inventories. As a result, the comparatives amounts in the consolidated statements of financial position have been restated as follows:

	As previously reported RM'000	Effect of changes in accounting policies RM'000	As restated RM'000
As at 31 December 2009			
Rolls and moulds	7,674	(7,674)	-
Inventories	883,307	7,674	890,981

FRS 117: Leases

Prior to 1 January 2010, the Group had stated leasehold land at cost less accumulated amortisation and impairment losses as Prepaid Land Lease Payments.

With effect from 1 January 2010, the Group had restated leasehold lands with remaining lease period above 50 years as Property, Plant and Equipment under FRS 117. As a result, the comparatives amounts in the consolidated statements of financial position have been restated as follows:

	As previously reported RM'000	Effect of changes in accounting policies RM'000	As restated RM'000
As at 31 December 2009			
Prepaid lease payments	58,595	(45,949)	12,646
Property,plant and equipment	815,169	53,332	868,501
Other reserve	(13,977)	(5,537)	(19,514)
Deferred tax liabilities	(14,694)	(1,846)	(16,540)

FRS 139, Financial Instruments: Recognition and Measurement

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

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 the 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 or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

• Financial instruments at fair value through profit or loss	At fair value through profit or loss
• Held-to-maturity investments	At amortised cost effective interest method
• Loans and receivables	At amortised cost effective interest method
• Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
• Loans and other financial liabilities	At amortised cost effective interest method

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively from 1 January 2010. The effects of the remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained earnings as disclosed in the statement of changes in equity.

The adoption of the above new policies has the following effects:

	Retained Earnings RM'000
As at 1 January 2010, as previously stated	398,134
Adjustments arising from adoption of FRS 139:	
- Fair value of equity securities classified as available-for-sale	(4)
- Recognition of derivatives previously not recognised	32
	28
As at 1 January 2010, as restated	398,162

FRS 8, Operating Segments

FRS 8 replaces FRS 114_{2004}, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business segments. Under FRS 8, the Group will present segment information in respect of its operating segments into manufacturing division, trading division and others.

IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

(a) goodwill;
(b) an investment in an equity instrument; or
(c) a financial asset carried at cost.

In accordance with the transitional provisions, the Group will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively.

The adoption of the other new and revised FRSs, IC Interpretations and Amendments has no material effect to the Group's consolidated financial statements of the quarter or the comparative consolidated financial statements of the prior financial year.

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 and the financial year.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

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

5. DEBT AND EQUITY SECURITIES

During the financial year ended 31 December 2010, the Company issued 900 new ordinary shares of RM 1.00 each pursuant to the conversion of warrants exercised at RM 2.50 each. As at 31 December 2010, out of the total 522,708,178 issued and fully paid ordinary shares, 20,590,800 shares were held as treasury shares at an average purchase price of RM 3.35 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 year under review.

6. DIVIDENDS PAID

During the financial year ended 31December 2010, the Company has paid :-

(a) a final dividend of 3 sen per share less income tax of 25% in respect of the financial year ended 31 December 2009 amounting to RM 11,298,070 on 15 June 2010;

(b) a first interim dividend of 6 sen per share less income tax of 25% in respect of the financial year ending 31 December 2010 amounting to RM 22,595,241 on 9 September 2010.

7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the financial period ended 31 December 2010 were as follows:

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	1,311,537	519,045	1,294		
Inter-company transactions	160,349	125,255	338,082	(623,686)	
Total sales	1,471,886	644,300	339,376	(623,686)	1,831,876
RESULTS					
Segment results	128,039	31,432	319,591	(322,102)	156,960
Finance cost					(18,365)
Interest income					951
Share of results of an associate					390
Taxation					(19,308)
Profit for the period					120,628
ASSETS	2,126,814	454,155	1,012,613	(884,488)	2,709,094
LIABILITIES	1,347,865	302,722	72,602	(88,849)	1,634,340

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

The property, plant and equipment, prepaid lease payments and investment properties of the Group have been revalued by an independent valuer on an open market basis during the financial period under review. The property, plant and equipment, prepaid lease payments and investment properties have been stated at cost or fair value less accumulated depreciation.

9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the 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.

10. CHANGES IN THE COMPOSITION OF THE GROUP

The Group had, on 25 January 2011, entered into a share sale agreement with SHH Holdings Sdn Bhd and Chuan Huat Hardware Holdings Sdn Bhd (collectively referred to as the "Vendors") to acquire 3,000,000 and 2,700,000 ordinary shares of RM1.00 each ("Acquisition Share") respectively in Anshin Steel Processor Sdn Bhd ("ASP") from the Vendors for a cash consideration of RM 2.10 per share totaling RM 11,970,000.00 ("Acquisition"). The Acquisition Shares represents 38% of the share capital of ASP.The Acquisition was completed on 11 February 2011 and ASP became a wholly-owned subsidiary of the Company.

Save as disclosed above, there were no significant changes in the composition of the Group for the current quarter and financial year.

11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

12. CAPITAL COMMITMENTS

The capital commitments as at 31 December 2010 were as follows:

Commitments in respect of capital expenditure :

		RM'000
(a)	contracted but not provided for	100,109
(b)	approved but not contracted for	60,090

13. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded higher revenue of RM 428.56 million, an increase of RM 152.17 million or 55% as compared to the revenue of RM 276.39 million for the corresponding quarter of the preceding year. For the financial year ended 31 December 2010, the Group's revenue was RM 1.83 billion, increased by RM 528.87 million or 41% as compared to the revenue of RM 1.30 billion for the preceding financial year ended 31 December 2009.

The increase in revenue was mainly attributable to an improved sales tonnage and selling prices of various steel products for both the domestic and export markets.

The Group achieved a profit before tax ("PBT") of RM 2.53 million for the current quarter, RM 23.41 million or 90% lower than the PBT of RM 25.94 million for the corresponding quarter of the preceding year. Lower profitability was mainly due to time-lag effects of steel price recovery coupled with higher cost of sales despite continuous improvement in operational efficiency during the quarter under review.

On a year-on-year basis, the Group recorded a PBT of RM 139.94 million, RM103.6 mil or 285% higher than the PBT of RM 36.34 million for the corresponding period of the preceding year. This significant improvement in profitability was primarily driven by continuous improvement in productivity and effective execution of strategic procurement and inventory management policies that enable the group to benefit from the recovery in steel demand coupled with better selling prices in both domestic and international market despite intermittent market corrections were experienced during the financial year.

14. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group recorded revenue of RM 428.56 million for the current quarter was 28% higher than the revenue of RM 333.93 million for the preceding quarter. The Group registered a PBT of RM 2.53 million for the current quarter, RM 10.99 million or 81% lower than the PBT of RM 13.52 million for the preceding quarter. The increase in revenue was mainly attributable to higher export tonnage of various steel products whereas lower PBT was mainly attributable to time-lag effects of steel price recovery during the current quarter and higher recognition of foreign exchange gains in the preceding quarter.

15. PROSPECTS

The sentiment in international construction steel market is expected to further improve with the signs of stabilization in major countries' financial conditions and restocking activities worldwide. With the improving economic fundamentals in most emerging markets and developed countries, various governments are anticipated to continuously place heavy focus on construction and infrastructure developments to further pump-prime their economies which will boost the global steel consumption especially the demand for construction steel.

The outlook for domestic steel industry is bright with the resurgence of various infrastructure and development projects under the Tenth Malaysia Plan, the Economic Transformation Program and Budget 2011 which will require vast amount of steel. Amongst others, the 52 high impact projects with RM 12.5 billion spending under the Public-Private Partnership initiatives and the 19 entry point projects worth RM 67 billion under the Economic Transformation Program will be implemented progressively.

With the imminent completion of the blast furnace project, the Group expects to gain significant operational synergies from productivity improvement and to yield substantial cost savings via the integration of the iron and steel production.

The Group will continuously be on the lookout for opportunities to grow its market presence in both the domestic and the regional markets which have shown signs of strong recovery in steel consumption.

Riding on the sound financial position and sizable stock level, the Group is expected to benefit from the upswing price movement and improved steel demand both domestically and internationally. Barring any adverse developments, the Group is confident to achieve a better performance in the year 2011.

16. 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 2010.

17. TAXATION

The tax figures comprise:-

	3 months ended 31.12.2010 RM'000	12 months ended 31.12.2010 RM'000
Malaysian taxation		
- current year taxation		
subsidiary companies	857	14,840
- deferred taxation		
subsidiary companies	4,131	4,468
	4,988	19,308

The Group’s effective tax rate for the current quarter was higher compared to the statutory tax rate of 25% mainly due to non-deductibility of certain operating expenses for tax purposes and the reversal of deferred tax assets upon the determination of tax incentives entitlement for the year.

The Group’s effective tax rate for the financial year was lower compared to statutory tax rate of 25%, mainly due to the utilisation of tax benefits arising from the exemption of income for the value of increased exports under the Income Tax (Exemption) (No. 17) Order, 2005.

18. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

On 3 June 2010, the Company's subsidiary, Ann Joo Management Services Sdn Bhd ("AJMS"), completed the disposal of a piece of industrial land together with a single-storey office cum warehouse situated on Lot 2171, Section 66 Kuching Town Land District to TCT Property Sdn Bhd for the for a cash consideration of RM 2,200,000.

On 9 July 2010, the Company's subsidiary, Anshin Steel Industries Sdn Bhd, completed the disposal of a piece of industrial land located on Lot 9041, Kampung Tengah, 42000 Telok Gong, Klang, Selangor Darul Ehsan to Komill Land Sdn Bhd for a cash consideration of RM 2,457,132.44.

Save as disclosed above, there were no significant sales of unquoted investments and/or properties during the financial period under review.

19. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities during the financial period under review.

The available-for-sale investments in quoted securities as at 31 December 2010 were as follows:-

		RM
(i)	at cost	399,434
(ii)	at carrying value	229,067
(iii)	at market value	229,067

20. STATUS OF CORPORATE PROPOSALS

Ann Joo Integrated Steel Sdn Bhd ("AJIS"), the wholly-owned subsidiary of the Company, had on 10 February 2011 signed the transaction documents in relation to a proposed redeemable bonds of RM 500 million ("Bonds") with Affin Investment Bank Berhad as the lead arranger, facility agent and issue agent together with Affin Bank Bhd, Alliance Investment Bank Bhd, OCBC Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Bhd as the joint lead managers for the Bonds and Pacific Trustees Berhad as the trustee and the security trustee for the Bonds. The Bonds shall have a tenure of up to five years from the date of first issuance.

The Securities Commission had vide its letter dated 27 December 2010 approved AJIS's Bonds application. The proceeds to be raised from the Bonds shall be utilised to refinance the amount drawn under AJIS's existing RM400.0 million Syndicated Revolving Credit Facility and the remaining RM100.0 million to part finance the construction and completion of AJIS's blast furnace project located in Seberang Perai, Penang.

Save as disclosed above, 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 December 2010 were as follows :-

	RM'000
Short term borrowings :-	
- Secured	414,040
- Unsecured	1,000,476
	1,414,516
Long term borrowing :-	
- Secured	46,600
Total borrowings	1,461,116

The Group's total short term borrowings are denominated in Ringgit Malaysia, except for approximately RM 407.21 million (USD 124.30 million) of short-term borrowings which are unsecured and denominated in US dollars.

22. FINANCIAL INSTRUMENTS

The relevant accounting policies and the effects of the adoption of new accounting policies are disclosed in Note 1 Basis or Preparation.

The details of the outstanding derivative financial instruments as at 31 December 2010 are as follows:-

Type of derivatives	Notional amount RM'000	Cash requirements RM'000	Fair value RM'000	Fair value net gain RM'000
Currency forward contracts				
- less than 1 year	83,919	-	85,569	1,650

The above currency forward contracts were executed with creditworthy financial institutions in Malaysia. The Group is of the view that the credit risk of non-performance by the financial institutions concerned is remote on the basis of their financial strength.

23. MATERIAL LITIGATION

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

24. DIVIDEND

On 24 February 2011, the Board of Directors recommended a final dividend of 6.34 sen per share (less income tax of 25%) in respect of the financial year ended 31 December 2010 for the shareholders' approval in the forthcoming AGM. The entitlement date and payment date for the proposed final dividend will be determined and announced at a later date.

25. 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 and the financial year as set out below:-

		3 months ended 31.12.2010	12 months ended 31.12.2010
Total (loss) / profit attributable to owners of the parent	(RM'000)	(2,722)	120,006
Weighted average number of ordinary shares in issue or issuable	('000)	502,117	502,200
Basic earnings per share	(sen)	(0.54)	23.90

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 financial year as set out below:-

		3 months ended 31.12.2010	12 months ended 31.12.2010
Adjusted (loss) /profit attributable to owners of the parent	(RM'000)	983	134,707
Adjusted weighted average number of ordinary shares in issue or issuable	('000)	763,470	763,553
Diluted earnings per share	(sen)	0.12	17.64

26. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 December 2010 and 30 September 2010 is analysed as follows:

	31/12/2010 RM'000	30/9/2010 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	641,820	639,020
- Unrealised	1,070	9,325
	642,890	648,345
Total share of retained earnings from an associated company		
- Realised	390	349
- Unrealised	-	-
	643,280	648,694
Less: Consolidation adjustments	(159,918)	(161,684)
Total group retained earnings	483,362	487,010

27. STATUS OF AUDIT QUALIFICATION

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

28. 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 24 February 2011.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
24 February 2011
Selangor Darul Ehsan