

ANN JOO RESOURCES BERHAD (371152-U)

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the quarter and twelve months ended 31 December 2012

	3 months ended		12 months ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue	396,226	500,252	2,080,639	2,237,320
Operating expenses	(372,944)	(493,145)	(2,124,194)	(2,154,156)
Other income	3,234	3,804	37,117	5,691
Finance costs	(8,123)	(5,649)	(30,419)	(24,234)
Investing results	35	(23)	71	114
(Loss)/Profit before taxation	18,428	5,239	(36,786)	64,735
Taxation	(8,470)	5,785	18,264	(2,622)
Profit/(Loss) for the period	9,958	11,024	(18,522)	62,113
Other comprehensive income/(loss)				
Foreign currency translation differences for foreign operations	2	1	(17)	3
Change in fair value of equity securities classified as available for sale	5	26	63	(24)
Income tax relating to components of other comprehensive income	212	-	212	-
Other comprehensive income/(loss) for the period, net of tax	219	27	258	(21)
Total comprehensive income/(loss) for the period	10,177	11,051	(18,264)	62,092
Profit/(Loss) attributable to:				
Owners of the parent	9,893	10,684	(19,137)	61,134
Non-controlling interests	65	340	615	979
Profit/(Loss) for the period	9,958	11,024	(18,522)	62,113
Total comprehensive income/(loss) attributable to:				
Owners of the parent	10,112	10,711	(18,879)	61,113
Non-controlling interests	65	340	615	979
Total comprehensive income/(loss) for the period	10,177	11,051	(18,264)	62,092
Earnings/(Loss) per share (sen):				
Basic	1.98	2.13	(3.82)	12.18
Diluted	1.78	1.89	(0.58)	9.93

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 31.12.2012 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	1,147,310	1,144,470	1,070,052
Prepaid lease payments	11,802	12,120	12,439
Investment properties	4,199	6,912	6,994
Investment in an associate	-	1,280	1,166
Other investments	252	262	303
Intangible assets	7,459	8,012	8,566
Deferred tax assets	47,475	19,253	9,403
	<u>1,218,497</u>	<u>1,192,309</u>	<u>1,108,923</u>
Current Assets			
Inventories	1,335,664	1,280,143	1,239,676
Receivables and prepayments, including derivatives	284,711	280,882	298,826
Current tax assets	11,107	6,328	1,726
Cash and cash equivalents	46,665	60,241	61,572
Assets classified as held for sale	16,707	-	-
	<u>1,694,854</u>	<u>1,627,594</u>	<u>1,601,800</u>
TOTAL ASSETS	<u>2,913,351</u>	<u>2,819,903</u>	<u>2,710,723</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share Capital	522,708	522,708	522,708
Treasury shares	(71,259)	(70,579)	(68,954)
Warrant Reserve	39,202	39,202	39,202
Other Reserves	80,844	82,766	82,787
Retained earnings	465,613	500,110	484,176
Total equity attributable to owners of the parent	1,037,108	1,074,207	1,059,919
Non-controlling interests	4,674	4,059	14,731
Total Equity	<u>1,041,782</u>	<u>1,078,266</u>	<u>1,074,650</u>
Non-current Liabilities			
Loans and borrowings	399,690	493,730	46,600
Employee benefits	5,459	7,154	7,591
Deferred tax liabilities	16,044	15,423	16,693
	<u>421,193</u>	<u>516,307</u>	<u>70,884</u>
Current Liabilities			
Payables and accruals	185,955	179,513	146,846
Loans and borrowings	1,259,700	1,043,842	1,414,644
Current tax liabilities	1,045	1,975	3,699
Liabilities classified as held for sale	3,676	-	-
	<u>1,450,376</u>	<u>1,225,330</u>	<u>1,565,189</u>
Total Liabilities	<u>1,871,569</u>	<u>1,741,637</u>	<u>1,636,073</u>
TOTAL EQUITY AND LIABILITIES	<u>2,913,351</u>	<u>2,819,903</u>	<u>2,710,723</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.07</u>	<u>2.14</u>	<u>2.11</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 twelve months ended 31 December 2012

	12 months ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(36,786)	64,735
Adjustments for non-cash items	95,485	96,153
Operating profit before working capital changes	58,699	160,888
Changes in working capital		
Net change in current assets	(90,130)	(46,027)
Net change in current liabilities	9,075	32,282
Interest received	1,646	1,307
Interest paid	(27,984)	(21,671)
Tax paid	(15,376)	(20,979)
Tax refunded	417	927
Retirement benefits paid	(1,224)	(1,203)
Net cash flows from operating activities	(64,877)	105,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of non-controlling interests	-	(11,970)
Proceeds from disposal of property, plant and equipment	12,474	667
Purchase of property, plant and equipment	(58,654)	(107,465)
Net cash flows used in investing activities	(46,180)	(118,768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	124,662	60,970
Share buybacks	(680)	(1,625)
Interest paid	(2,436)	(2,563)
Dividends paid to shareholders	(17,540)	(43,958)
Dividends paid to non-controlling interests	-	(923)
Withdrawal of fixed deposit pledged	-	(4,049)
Net cash flows (used in)/from financing activities	104,006	7,852
Net change in cash and cash equivalents	(7,051)	(5,392)
Effects of foreign exchanges rate changes	3	12
Cash and cash equivalents at beginning of the financial year	53,768	59,148
Cash and cash equivalents at end of the financial year	46,720	53,768

Cash and cash equivalents

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

	12 months ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
Cash and bank balances	46,665	60,241
Cash and bank balances in assets classified held for sale	6,528	-
Pledged deposits	(6,473)	(6,473)
	46,720	53,768

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 twelve months ended 31 December 2012

	← Non-Distributable →			← Distributable →			Total equity
	Share capital	Warrant reserve	Reserve attributable to capital	Treasury shares	Retained earnings	Attributable to owners of the parent	Non-controlling interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012, as restated	522,708	39,202	82,766	(70,579)	500,110	1,074,207	4,059
Foreign currency translation differences for foreign operation	-	-	(17)	-	-	(17)	-
Change in fair value of equity securities classified as available for sale	-	-	63	-	-	63	-
Realisation of other equity reserves to retained earnings upon disposal of property, plant and equipment	-	-	(1,968)	-	1,968	-	-
Income tax relating to components of other comprehensive income	-	-	-	-	212	212	-
Total other comprehensive income for the period	-	-	(1,922)	-	2,180	258	-
(Loss)/Profit for the period	-	-	-	-	(19,137)	(19,137)	615
Total comprehensive (loss)/income for the period	-	-	(1,922)	-	(16,957)	(18,879)	615
Share buybacks	-	-	-	(680)	-	(680)	-
Dividends to owners of the Company	-	-	-	-	(17,540)	(17,540)	-
At 31 December 2012	522,708	39,202	80,844	(71,259)	465,613	1,037,108	4,674
At 1 January 2011, as restated	522,708	39,202	82,787	(68,954)	484,176	1,059,919	14,731
Foreign currency translation differences for foreign operation	-	-	3	-	-	3	-
Change in fair value of equity securities classified as available for sale	-	-	(24)	-	-	(24)	-
Total other comprehensive income for the period	-	-	(21)	-	-	(21)	-
Profit for the period	-	-	-	-	61,134	61,134	979
Total comprehensive income for the period	-	-	(21)	-	61,134	61,113	979
Share buybacks	-	-	-	(1,625)	-	(1,625)	-
Acquisition of non-controlling interests	-	-	-	-	(1,242)	(1,242)	(10,728)
Dividends to owners of the Company	-	-	-	-	(43,958)	(43,958)	-
Dividends to non-controlling interests	-	-	-	-	-	-	(923)
At 31 December 2011	522,708	39,202	82,766	(70,579)	500,110	1,074,207	4,059

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 RM121,724,845 at 1 January 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 condensed consolidated 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 quarter and for the financial year ended 31 December 2011 respectively.

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
<i>Within other reserves, the following reserves were affected:</i>			
Revaluation reserves	121,725	(121,725)	-
Other equity reserves	-	121,725	121,725

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
Retained earnings	500,192	(82)	500,110
Investment properties	6,994	(82)	6,912
** Within other reserves, the following reserves were affected:			
Revaluation reserves	121,725	(121,725)	-
Other equity reserves	-	121,725	121,725

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

Reconciliation for the quarter ended 31 December 2011

	FRS for the 3 months ended 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS for the 3 months ended 31.12.2011 RM'000
Operating expenses	(493,123)	(21)	(493,144)
Loss before tax	5,261	(21)	5,240
Loss after tax	11,046	(21)	11,025

Reconciliation for the financial 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)	(82)	(2,154,156)
Profit before tax	64,817	(82)	64,735
Profit after tax	62,195	(82)	62,113

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

Amendments to MFRS 10 Consolidated Financial Statements

MFRS 11	Joint Arrangements
Amendments to MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
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
Improvements to MFRS	Annual Improvements 2009 – 2011 Cycle

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 quarter and year ended 31 December 2012.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that had any material effect on the quarter and year ended 31 December 2012 results.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 200,800 shares of its issued share capital from the open market at an average purchase price of RM1.33 per share. As at 31 December 2012, out of the total 522,708,178 issued and fully paid ordinary shares, 22,037,300 shares were held as treasury shares at an average purchase price of RM3.23 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 quarter ended 31 December 2012.

6. DIVIDENDS PAID

During the financial year ended 31 December 2012, the Company has paid a final single tier dividend of 3.50 sen per share in respect of the financial year ended 31 December 2011 amounting to RM 17,539,609 on 21 June 2012 (31 December 2011: final dividend of 6.34 sen per share less income tax of 25% and first interim tax exempt dividend of 4 sen per share).

7. SEGMENTAL INFORMATION

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

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	1,338,456	740,963	1,219		
Inter-company transactions	721,602	117,658	31,377	(870,636)	
Total sales	<u>2,060,058</u>	<u>858,621</u>	<u>32,596</u>	<u>(870,636)</u>	<u>2,080,639</u>
RESULTS					
Segment results	(53,347)	35,607	10,186	(530)	(8,084)
Finance cost					(30,419)
Interest income					1,646
Investing Results					71
Taxation					18,264
Loss for the year					<u>(18,522)</u>
ASSETS					
	<u>2,335,081</u>	<u>597,739</u>	<u>1,030,850</u>	<u>(1,050,319)</u>	<u>2,913,351</u>
LIABILITIES					
	<u>1,571,117</u>	<u>437,253</u>	<u>47,434</u>	<u>(184,235)</u>	<u>1,871,569</u>

8. PROFIT BEFORE TAX

	3 months ended 31.12.2012 RM'000	12 months ended 31.12.2012 RM'000
Profit before tax is arrived at after charging:		
(Reversal)/Allowance for inventories written down to net realisable value	(34,381)	23,388
Allowance for impairment losses of receivables	380	380
Amortisation of intangible assets	138	553
Amortisation of prepaid lease payments	110	319
Bad debts written off	15	49
Depreciation of investment properties	12	56
Depreciation of property, plant and equipment	12,454	47,507
Interest expenses	8,123	30,419
Loss on disposal of investment properties	11	18
Loss on disposal of other investments	2	2
Property, plant and equipment written off	27	31
Reversal of fair value gain on derivative	3	0
and after crediting:		
Bad debts recovered	135	843
Dividend	0	1
Gain on disposal of property, plant and equipment	21	3,075
Gain on foreign exchange - realised	16,649	26,852
(Loss)/Gain on foreign exchange - unrealised	(14,130)	2,799
Interest income	191	1,646
Reversal of allowance for impairment losses of receivables	170	1,150

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

The valuations of property, plant and equipment, prepaid lease payments 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.

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).

On 5 December 2012, the Company had entered into a Sales and Purchase Agreement with Marubeni-Itochu Steel Inc. and Marubeni-Itochu Steel (Malaysia) Sdn Bhd to dispose of the Company's entire shareholding in Anshin Precision Industries Sdn Bhd ("API") comprising of 4,448,825 ordinary shares of RM1.00 each with a total consideration of RM8,897,650. The agreement was completed on 7 January 2013 and API ceased to be a subsidiary of the Company accordingly.

On 2 January 2013, the Company announced that its wholly-owned subsidiaries, Ann Joo (Sarawak) Sdn Bhd ("AJSarawak"), will be wound up by way of members' voluntary winding-up. AJSarawak which used to be in the business of selling hardware and steel materials has ceased operation since 2007. On 18 February 2013, the Company announced that Lian Tiong Steel Fabrication & Civil Engineering Sdn Bhd ("Lian Tiong"), a wholly-owned subsidiary of AJSarawak, will be wound up by way of members' voluntary winding-up. Lian Tiong used to be in the business of trading of steel products but has ceased operation since 2007.

Save as disclosed above, there were no significant changes in the composition of the Group during the quarter and year ended 31 December 2012.

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 December 2012 were as follows:-

Commitments in respect of capital expenditure :

	<u>RM'000</u>
(a) contracted but not provided for	37,808
(b) approved but not contracted for	30,352

14. ASSETS/(LIABILITIES) HELD FOR SALES

On 5 December 2012, the Company had entered into a Sales and Purchase Agreement to dispose of the Company's entire shareholding in Anshin Precision Industries Sdn Bhd ("API") and the disposal was completed on 7 January 2013. As at 31 December 2012, the assets and liabilities of API were as follows:-

	<u>RM'000</u>
Assets classified as held for sale:	
Property, plant and equipment	1,516
Investment in associate	1,350
Other investments	70
Deferred tax assets	155
Receivables, deposits and prepayments	5,342
Inventories	1,746
Cash and cash equivalents	6,528
Total assets classified as held for sale	<u>16,707</u>
Liabilities classified as held for sale:	
Provision for employee benefits	21
Payables and accruals	3,626
Tax liabilities	29
Total liabilities classified as held for sale	<u>3,676</u>
Total net assets	<u>13,031</u>

15. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM396.23 million, a decrease of 21% from RM500.25 million for the corresponding quarter of the preceding year. For the financial year ended 31 December 2012, the Group's revenue was RM2.08 billion, a marginal decrease of 7% compared to RM2.24 billion for the preceding financial year. This was mainly attributable to decreased export tonnage coupled with lower steel prices of manufactured products amid sluggish international market.

The Group posted a profit before tax ("PBT") of RM18.43 million for the current quarter as compared to PBT of RM5.24 million for the corresponding quarter of the preceding year, mainly attributable to improved cost structure and market conditions. On a year-on-year basis, the Group recorded a loss before tax ("LBT") of RM36.79 million as compared to PBT of RM64.74 million in the preceding year. Lower profitability was a result of lower selling price coupled with higher cost of sales of both Manufacturing and Trading Divisions.

Manufacturing revenue decreased by RM106.84 million to RM218.69 million for the current quarter compared RM325.53 million for the corresponding quarter of the preceding year. On the year-on-year basis, the segment revenue decreased by RM232.67 million to RM1.34 billion. Lower revenue was mainly due to decreased export tonnage coupled with lower selling prices as a result of the rampant dumping of construction steel mainly by Chinese mills globally. The division recorded segment profit of RM20.98 million for the current quarter as compared to segment loss of RM0.23 million for the corresponding quarter of the preceding year. However, on a year-on-year basis, the division posted a segment loss of RM53.35 million against a segment profit of RM40.45 million for the preceding year. The segment loss was mainly attributable to depressed selling price that was dampened by influx of China imported products in the region despite remarkable cost improvements following the successful execution of the production stabilization and optimization program in conjunction with the commissioning of all auxiliary components of the blast furnace in the second half of the year. In addition, the profitability was also affected by high cost of sales resulted from the progressive absorption of the blast furnace initial start-up cost during the first half of the year.

Trading revenue increased by RM2.81 million to RM177.24 million for the current quarter compared to RM174.43 million for the corresponding quarter of the preceding year. On a year-on-year basis, the segment revenue increased by RM75.97 million to RM740.96 million compared to RM664.99 million in the preceding year. Higher revenue was mainly attributable to the effective marketing strategies for market share expansion thus resulted in higher sales tonnage coupled with improved demand from various economic sectors. Nevertheless, the segment profit decreased by RM5.58 million to RM3.16 million for the current quarter as compared to segment profit of RM8.74 million for the corresponding quarter of the preceding year due to declined steel prices. On a year-on-year basis, the division recorded a profit of RM35.61 million as compared to segment profit of RM40.34 million for the preceding year. The marginal decrease in profitability was mainly attributable to the slump in steel prices worldwide as a result of downturn in steel industry.

16. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM396.23 million in the current quarter was RM72.69 million or 15% lower than the revenue of RM468.92 million for the preceding quarter. Lower revenue was mainly due to lower export tonnage and steel prices which was hindered by rampant dumping activities by China steel mills globally. The Group registered a PBT of RM18.43 million for the current quarter compared to LBT of RM37.37 million for the preceding quarter. The significant improvement in profitability was mainly attributable to an improved cost structure arising from the successful execution of the productivity improvement and cost stabilization and optimization program coupled with the recovery in market sentiments that resulted in a reversal of the allowance for inventories written down to net realizable value of RM34.38 million in the current quarter.

17. PROSPECT

The global economy is expected to gain traction and strengthen further, particularly in the developing countries and emerging regions. The economic growth will provide a boost to the steel use industries and mitigate the negative impact of subdued demand from most western industrialized countries as the Euro zone debt crisis has gradually eased while the US fiscal cliff is expected to be addressed by end of first quarter of the year. Signs of improvement in global steel market begin to emerge buoyed by a surge in steel prices and reviving global economy. China has seen a surge in domestic demand and improved sentiments which are triggered by stimulus measures by the government. Steel demand is expected to be strongly spurred by the urbanization activities and infrastructure stimulus measures initiated by the government of the developing countries and emerging markets. Nevertheless, the high volatility in the prices of key materials, overcapacity in steel sector globally and rampant dumping by China continue to pose great challenges to the steel players.

Strong domestic demand will continue to be the main driver of growth, supported by the spending on the construction activities and infrastructure projects under the Economic Transformation Program and Tenth Malaysia Plan.

The Group will remain focus on cost optimization and stabilisation program for the integration of its iron and steel production processes and productivity improvement program and is now ready to embark on product development activities for the production of high grade and engineering steel products. Meanwhile, the regional business expansion embarked on by Trading Division is expected to further contribute to the Group's performance in 2013. The Board takes cognizance of the impact of the high volatility and uncertainty in steel industry on the Group's performance. With a forward view to the year 2013, the Board is of the opinion that the performance of the Group would be boosted by an improved cost structure and recovery in steel market provided the dumping activity from China is restrained.

18. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

19. TAXATION

The tax expenses/ (income) comprise of:

	3 months ended 31.12.2012 RM'000	12 months ended 31.12.2012 RM'000
Income tax		
Current year taxation	1,971	9,271
Underprovision in prior year	-	9
	<u>1,971</u>	<u>9,280</u>
Deferred tax		
Relating to origination and reversal of temporary differences	6,499	(26,412)
Overprovision in prior year	-	(1,132)
	<u>6,499</u>	<u>(27,544)</u>
	<u>8,470</u>	<u>(18,264)</u>

The Group's effective tax rate for the financial year was lower compared to statutory tax rate of 25%, mainly due to recognition of deferred tax for the loss made by certain operation companies coupled with the 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 December 2012 were as follows:-

	<u>RM'000</u>
Short term borrowings :	
Secured	94,040
Unsecured	1,165,660
	<u>1,259,700</u>
Long term borrowing :	
Secured	<u>399,690</u>
Total borrowings	<u>1,659,390</u>

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM464.36 million (USD151.65 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 final dividend in respect of the financial year ended 31 December 2012.

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 quarter and year ended 31 December 2012 as set out below:

		<u>3 months ended</u> <u>31.12.2012</u>	<u>12 months ended</u> <u>31.12.2012</u>
Total profit/(loss) attributable to owners of the parent	(RM'000)	9,893	(19,137)
Weighted average number of ordinary shares in issue or issuable	('000)	500,680	501,018
Basic earnings per share	(sen)	<u>1.98</u>	<u>(3.82)</u>

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue has been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the quarter and year ended 31 December 2012 as set out below:

		<u>3 months ended</u> <u>31.12.2012</u>	<u>12 months ended</u> <u>31.12.2012</u>
Adjusted profit attributable to owners of the parent	(RM'000)	13,598	(4,396)
Adjusted weighted average number of ordinary shares in issue or issuable	('000)	762,034	762,371
Diluted earnings per share	(sen)	<u>1.78</u>	<u>(0.58)</u>

25. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 December 2012 were analysed as follows:

	31.12.2012	31.12.2011
	<u>RM'000</u>	<u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
Realised	601,313	676,651
Unrealised	50,040	4,431
	<u>651,353</u>	<u>681,082</u>
Total share of retained earnings from an associated company		
Realised	(1,030)	233
Unrealised	(34)	(18)
	<u>650,289</u>	<u>681,297</u>
Less: Consolidation adjustments	<u>(184,676)</u>	<u>(181,187)</u>
Total group retained earnings	<u><u>465,613</u></u>	<u><u>500,110</u></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 26 February 2013.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
26 February 2013
Selangor Darul Ehsan