

The Board of Directors of Ann Joo Resources Berhad is pleased to announce the unaudited results for the second financial quarter ended 30 June 2013

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2013

	3 months ended		6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Revenue	491,468	603,362	979,355	1,215,492
Operating expenses	(477,099)	(618,230)	(946,130)	(1,233,713)
Other income	2,406	8,707	4,482	15,265
Finance costs	(14,437)	(6,992)	(28,475)	(14,906)
Investing results	-	18	-	19
Profit/(Loss) before taxation	2,338	(13,135)	9,232	(17,843)
Taxation	(644)	8,412	2,190	12,341
Profit/(Loss) for the period	1,694	(4,723)	11,422	(5,502)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	51	23	49	10
Change in fair value of equity securities classified as available for sale	12	(18)	13	(7)
Other comprehensive loss for the period, net of tax	63	5	62	3
Total comprehensive income/(loss) for the period	1,757	(4,718)	11,484	(5,499)
Profit/(Loss) attributable to:				
Owners of the parent	1,694	(4,919)	11,422	(5,960)
Non-controlling interests	-	196	-	458
Profit/(Loss) for the period	1,694	(4,723)	11,422	(5,502)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	1,757	(4,914)	11,484	(5,957)
Non-controlling interests	-	196	-	458
Total comprehensive income/(loss) for the period	1,757	(4,718)	11,484	(5,499)
Earnings/(Loss) per share (sen):				
Basic	0.34	(0.98)	2.28	(1.19)
Diluted	0.34	(0.16)	2.28	0.18

The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As at 30 June 2013

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,127,386	1,147,310
Prepaid lease payments	11,703	11,802
Investment properties	4,176	4,199
Other investments	265	253
Intangible assets	7,182	7,459
Deferred tax assets	53,552	47,475
	<u>1,204,264</u>	<u>1,218,498</u>
Current Assets		
Inventories	1,536,587	1,339,427
Receivables and prepayments, including derivatives	310,097	284,286
Current tax assets	6,784	11,107
Cash and cash equivalents	45,174	46,652
Assets classified as held for sale	-	16,356
	<u>1,898,642</u>	<u>1,697,828</u>
TOTAL ASSETS	<u>3,102,906</u>	<u>2,916,326</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,272)	(71,259)
Warrant Reserve	-	39,202
Other Reserves	80,906	80,844
Retained earnings	515,892	465,268
Total equity attributable to owners of the parent	<u>1,048,234</u>	<u>1,036,763</u>
Non-controlling interests	-	4,674
Total Equity	<u>1,048,234</u>	<u>1,041,437</u>
Non-current Liabilities		
Loans and borrowings	351,500	399,690
Employee benefits	7,748	7,404
Deferred tax liabilities	16,029	16,043
	<u>375,277</u>	<u>423,137</u>
Current Liabilities		
Payables and accruals	207,562	187,334
Loans and borrowings	1,470,029	1,259,700
Current tax liabilities	1,804	1,045
Liabilities classified as held for sale	-	3,673
	<u>1,679,395</u>	<u>1,451,752</u>
Total Liabilities	<u>2,054,672</u>	<u>1,874,889</u>
TOTAL EQUITY AND LIABILITIES	<u>3,102,906</u>	<u>2,916,326</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.09</u>	<u>2.07</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 six months ended 30 June 2013

	6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	9,232	(17,843)
Adjustments for non-cash items	52,518	39,874
Operating profit before working capital changes	61,750	22,031
Changes in working capital		
Net change in current assets	(216,281)	50,444
Net change in current liabilities	20,695	36,262
Interest received	505	829
Interest paid	(27,785)	(13,868)
Tax paid	(5,186)	(10,776)
Tax refunded	6,484	347
Retirement benefits paid	(475)	(570)
Net cash flows (used in)/from operating activities	(160,293)	84,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiary	2,290	-
Proceeds from disposal of property, plant and equipment	94	6,958
Purchase of property, plant and equipment	(4,957)	(35,788)
Net cash flows used in investing activities	(2,573)	(28,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	155,663	(38,771)
Share buybacks	(13)	(62)
Interest paid	(690)	(1,038)
Dividends paid to shareholders	-	(17,540)
Net cash flows from/(used in) financing activities	154,960	(57,411)
Net change in cash and cash equivalents	(7,906)	(1,542)
Effects of foreign exchanges rate changes	(100)	(38)
Cash and cash equivalents at beginning of the financial year	47,400	53,768
Cash and cash equivalents at end of the financial year	39,394	52,188

Cash and cash equivalents

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

	6 months ended	
	30.06.2013 RM'000	30.06.2012 RM'000
Cash and bank balances	45,174	58,661
Pledged deposits	(5,780)	(6,473)
	39,394	52,188

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 six months ended 30 June 2013

	←-----Non-Distributable-----→			←-----Distributable-----→			Total equity RM'000	
	Share capital RM'000	Warrant reserve RM'000	Reserve attributable to capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Attributable to owners of the parent RM'000		Non-controlling interests RM'000
At 1 January 2013	522,708	39,202	80,844	(71,259)	465,268	1,036,763	4,674	1,041,437
Foreign currency translation differences for foreign operation	-	-	49	-	-	49	-	49
Transferred to retained profits upon expiry of Warrants 2008/2013	-	(39,202)	-	-	39,202	-	-	-
Change in fair value of equity securities classified as available for sale	-	-	13	-	-	13	-	13
Total other comprehensive income for the period	-	(39,202)	62	-	39,202	62	-	62
Profit for the period	-	-	-	-	11,422	11,422	-	11,422
Total comprehensive income for the period	-	(39,202)	62	-	50,624	11,484	-	11,484
Share buybacks	-	-	-	(13)	-	(13)	-	(13)
Impact on non-controlling interest arising on disposal of interest in subsidiary	-	-	-	-	-	-	(4,674)	(4,674)
At 30 June 2013	522,708	0	80,906	(71,272)	515,892	1,048,234	0	1,048,234

At 1 January 2012

Foreign currency translation differences for foreign operation	-	-	10	-	-	10	-	10
Change in fair value of equity securities classified as available for sale	-	-	(7)	-	-	(7)	-	(7)
Realisation of other equity reserves to retained earnings upon disposal of property, plant and equipment	-	-	(300)	-	300	-	-	-
Total other comprehensive loss for the period	-	-	(297)	-	300	3	-	3
Loss for the period	-	-	-	-	(5,960)	(5,960)	458	(5,502)
Total comprehensive loss for the period	-	-	(297)	-	(5,660)	(5,957)	458	(5,499)
Share buybacks	-	-	-	(62)	-	(62)	-	(62)
Dividends to owners of the Company	-	-	-	-	(17,540)	(17,540)	-	(17,540)
At 30 June 2012	522,708	39,202	82,469	(70,641)	476,910	1,050,648	4,517	1,055,165

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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 Main Market 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 2012. 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 2012.

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 2012, except for the following new and revised MFRSs, IC Interpretations and Amendments to MFRSs and IC Interpretation which are applicable to its financial statements:

1.1 Adoption of MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to IC Interpretations and MFRS 2009 – 2011 Cycle	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group, except for the following:

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 Presentation of Items of Other Comprehensive Income change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

The adoption of this amendment affects presentation only and has no financial impact on the Group's financial statements.

1.2 Amendments to MFRSs issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosure
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Where applicable, the Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

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 six months ended 30 June 2013.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that had any material effect on the quarter and six months ended 30 June 2013 results.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, there were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities. As at 30 June 2013, out of the total 522,708,178 issued and fully paid ordinary shares, 22,047,300 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.

6. DIVIDENDS PAID

No dividend was paid during the six months ended 30 June 2013 (six months ended 30 June 2012 : 3.5 sen per share final single tier dividend).

7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the six months ended 30 June 2013 were as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	619,752	358,385	1,218		
Inter-company transactions	367,786	124,045	15,773	(507,604)	
Total sales	<u>987,538</u>	<u>482,430</u>	<u>16,991</u>	<u>(507,604)</u>	<u>979,355</u>
RESULTS					
Segment results	17,617	11,694	11,334	(3,443)	37,202
Finance cost					(28,475)
Interest income					505
Taxation					2,190
Profit for the period					<u>11,422</u>
ASSETS					
	<u>2,486,974</u>	<u>698,046</u>	<u>1,031,823</u>	<u>(1,113,937)</u>	<u>3,102,906</u>
LIABILITIES					
	<u>1,722,151</u>	<u>545,341</u>	<u>39,646</u>	<u>(252,466)</u>	<u>2,054,672</u>

8. PROFIT BEFORE TAX

	3 months ended 30.06.2013 RM'000	6 months ended 30.06.2013 RM'000
Profit before tax is arrived at after charging:		
Allowance/(Reversal of allowance) for inventories written down to net realisable value	2,265	(5,297)
Amortisation of intangible assets	138	277
Amortisation of prepaid lease payments	49	98
Depreciation of investment properties	12	24
Depreciation of property, plant and equipment	12,016	24,104
Interest expenses	14,437	28,475
Loss on foreign exchange - realised	1,396	4,485
Loss on foreign exchange - unrealised	8,278	6,300
and after crediting:		
Bad debts recovered	1	26
Gain on disposal of property, plant and equipment	93	94
Gain on disposal of subsidiary	-	1,247
Interest income	355	505
Reversal of allowance for impairment losses of receivables	235	335

9. 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.

10. CHANGES IN THE COMPOSITION OF THE GROUP

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 financial period under review.

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 30 June 2013 were as follows:-

Commitments in respect of capital expenditure :

	<u>RM'000</u>
(a) contracted but not provided for	28,089
(b) approved but not contracted for	7,235

13. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM491.47 million, a decrease of RM111.89 million or 19% as compared to the revenue of RM603.36 million for the corresponding quarter of the preceding year. For the first half of the year, the Group's revenue of RM979.36 million, decreased by RM236.13 million or 19% as compared to the revenue of RM1.22 billion for the first half of the preceding year. This was mainly attributable to depressed international steel market as a result of overcapacity situation worldwide and influx of China imported products in the region.

The Group posted a profit before tax ("PBT") of RM2.34 million for the current quarter as compared to a loss before tax ("LBT") of RM13.14 million for the corresponding quarter of the preceding year. On a year-to-date basis, the Group recorded a PBT of RM9.23 million as compared to LBT of RM17.84 million for the corresponding period of the preceding year. Higher profitability was boosted by better cost structure arising from continued improvement in production efficiency.

Manufacturing revenue decreased by RM101.42 million to RM302.50 million for the current quarter compared to RM403.92 million for the corresponding quarter of the preceding year. For the first half of the year, the segment revenue decreased by RM219.33 million to RM619.75 million. Lower revenue was mainly attributable to sharp decline in export tonnages coupled with the subdued steel prices driven down by weak market sentiment. Nevertheless, the division recorded segment profit of RM11.15 million for the current quarter against segment loss of RM13.67 million for the corresponding quarter of the preceding year. On a year-to-year basis, the division recorded a segment profit of RM17.62 million as compared to segment loss of RM27.30 million for the corresponding period of the preceding year. The profitability was mainly attributable to significant improvement and enhancement in cost structure.

Trading revenue decreased by RM10.64 million to RM188.50 million for the current quarter compared to RM199.14 million for the corresponding quarter of the preceding year. On a year-to-date basis, the segment revenue decreased by RM17.41 million to RM358.39 million compared to RM375.80 million in the corresponding period of the preceding year. The division's segment profit decreased by RM1.71 million to RM2.90 million for the current quarter and by RM6.68 million to RM11.69 million for the first half of the year. This was mainly due to the sharp decline in steel prices of various steel products thus resulted in recognition of an allowance for inventories written down to net realizable value of RM2.27 million.

14. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM491.47 million in the current quarter, RM3.58 million higher than the revenue of RM487.89 million for the preceding quarter. The Group registered a PBT of RM2.34 million for the current quarter compared to a PBT of RM6.89 million for the preceding quarter. Lower profitability was mainly due to the recognition of unrealized loss on foreign exchange of RM8.28 million and allowance for inventories written down to net realizable value of RM2.27 million despite an improved operating profit.

15. PROSPECT

The outlook of the global steel market remains challenging as it continues to be weighed down by weak global economic performance and slower-than-expected economic growth in China. Market sentiment is affected by oversupply situation, volatile material prices and persistent dumping by Chinese mills. While the beginnings of a turnaround in the steel market can be discerned from the slight improvement of steel prices following the recovery in the scrap and iron ore prices, the sustainability of this trend remain uncertain. In the third quarter of the year, demand is expected to be influenced by seasonality effects such as Ramadan month and festive season in the Middle East Region and domestic market as well as monsoon season in the southern part of China and its neighbouring countries.

Domestic demand remains resilient, supported by the spending on construction activities and infrastructure projects. Nevertheless, the rampant dumping activities will still continue to be a threat to the Group as the anti-dumping measures imposed by the Government have yet to effectively halt the influx of imported products from China. The Group will continue to emphasize on strategic procurement activities and inventory management strategy which all the while have been in place. In addition, the regional trading business expansion is expected to further strengthen our market presence in Southeast Asia region.

The performance of the Group for the remaining period of the year would be dependent on the international steel market sentiment especially China as well as the effectiveness of the anti-dumping measures imposed by the Government. Also, volatility in foreign exchange rates is expected to affect the Group's performance going forward.

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 2013.

17. TAXATION

The tax expenses/ (income) comprise of:-

	3 months ended 30.06.2013 <u>RM'000</u>	6 months ended 30.06.2013 <u>RM'000</u>
Income tax		
- Current year	2,643	4,669
- Overprovision in prior year	(770)	(770)
	<u>1,873</u>	<u>3,899</u>
Deferred tax		
- Current year	(1,229)	(1,191)
- Overprovision in prior year	-	(4,898)
	<u>(1,229)</u>	<u>(6,089)</u>
	<u>644</u>	<u>(2,190)</u>

The Group's effective tax rate for the current quarter and year-to-date was higher than the statutory tax rate of 25%, mainly due to deferred tax assets on current year losses not recognised by certain subsidiaries coupled with certain expenses which were not deductible for tax purposes.

18. STATUS OF CORPORATE PROPOSALS

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

19. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 June 2013 were as follows:-

	<u>RM'000</u>
Short term borrowings :	
Secured	94,040
Unsecured	<u>1,375,989</u>
	<u>1,470,029</u>
Long term borrowing :	
Secured	<u>351,500</u>
Total borrowings	<u><u>1,821,529</u></u>

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM589.67 million (USD186.54 million) and RM0.51 million (EUR0.12 million) of the above borrowings which are denominated in US dollars and Euro respectively.

20. MATERIAL LITIGATION

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

21. DIVIDEND

The Board of Directors does not recommend any interim dividend in respect of the quarter ended 30 June 2013 (2nd quarter 2012: Nil).

22. 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 the six months ended 30 June 2013 as set out below:

		<u>3 months ended</u> <u>30.06.2013</u>	<u>6 months ended</u> <u>30.06.2013</u>
Total profit attributable to owners of the parent	(RM'000)	1,694	11,422
Weighted average number of ordinary shares in issue or issuable	('000)	500,661	500,664
Basic earnings per share	(sen)	<u>0.34</u>	<u>2.28</u>

23. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 June 2013 were analysed as follows:

	30.06.2013	31.12.2012
	<u>RM'000</u>	<u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
Realised	653,008	601,127
Unrealised	<u>46,877</u>	<u>50,040</u>
	699,885	651,167
Total share of retained earnings from an associated company		
Realised	-	(1,030)
Unrealised	<u>-</u>	<u>(34)</u>
	699,885	650,103
Less: Consolidation adjustments	<u>(183,993)</u>	<u>(184,835)</u>
Total group retained earnings	<u><u>515,892</u></u>	<u><u>465,268</u></u>

24. STATUS OF AUDIT QUALIFICATION

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

25. 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 28 August 2013.

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