ANN JOO RESOURCES BERHAD (371152-U)

The Board of Directors of Ann Joo Resources Berhad is pleased to announce the unaudited results for the first financial quarter ended 31 March 2014

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2014

	3 months ended		3 months ended	
	31.03.2014 RM'000	31.03.2013 RM'000	31.03.2014 RM'000	31.03.2013 RM'000
Revenue	686,067	495,464	686,067	495,464
Operating expenses	(663,064)	(475,497)	(663,064)	(475,497)
Other income	4,448	965	4,448	965
Finance costs	(13,782)	(14,038)	(13,782)	(14,038)
Investing results	(3)	-	(3)	-
Profit before taxation	13,666	6,894	13,666	6,894
Taxation	(1,148)	2,834	(1,148)	2,834
Profit for the period	12,518	9,728	12,518	9,728
Other comprehensive income				
<u>Items that may be subsequently reclassified to profit or loss:</u>				
Foreign currency translation differences for foreign operations	(60)	(1)	(60)	(1)
Change in fair value of available-for-sale financial assets	1	-	1	-
Other comprehensive loss for the period, net of tax	(59)	(1)	(59)	(1)
Total comprehensive income for the period	12,459	9,727	12,459	9,727
Profit attributable to:				
Owners of the parent	12,518	9,728	12,518	9,728
Non-controlling interests	-	-	-	-
Profit for the period	12,518	9,728	12,518	9,728
Total comprehensive income attributable to:				
Owners of the parent	12,459	9,727	12,459	9,727
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	12,459	9,727	12,459	9,727
Earnings per share (sen):				
Basic	2.50	1.94	2.50	1.94
Diluted	2.50	1.94	2.50	1.94

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 2013 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 March 2013

	As at 31.03.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,104,934	1,117,367
Prepaid lease payments	11,434	11,484
Investment properties	4,140	4,152
Investment in an associate	26	28
Other investments	18	17
Intangible assets	7,182	7,182
Deferred tax assets	61,810	61,238
	1,189,544	1,201,468
Current Assets		
Inventories	1,233,764	1,449,827
Receivables and prepayments, including derivatives	371,888	387,249
Current tax assets	4,134	6,760
Cash and cash equivalents	75,800	52,805
	1,685,586	1,896,641
TOTAL ASSETS	2,875,130	3,098,109
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,317)	(71,284)
Other Reserves	81,507	82,007
Retained earnings	528,723	515,764
Total equity attributable to owners of the parent	1,061,621	1,049,195
Non-controlling interests	-	-
Total Equity	1,061,621	1,049,195
Non-current Liabilities		
Loans and borrowings	300,970	304,480
Employee benefits	6,736	6,703
Deferred tax liabilities	15,674	15,629
	323,380	326,812
Current Liabilities		
Payables and accruals	197,166	202,131
Loans and borrowings	1,291,436	1,518,574
Current tax liabilities	1,527	1,397
	1,490,129	1,722,102
Total Liabilities	1,813,509	2,048,914
TOTAL EQUITY AND LIABILITIES	2,875,130	3,098,109
Net assets per share attributable to owners of the parent (RM)	2.12	2.10

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 three months ended 31 March 2014

	3 months ended	
	31.03.2014	**31.03.2013**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,666	6,894
Adjustments for non-cash items	39,429	15,601
Operating profit before working capital changes	53,095	22,495
Changes in working capital		
Net change in current assets	216,703	(88,531)
Net change in current liabilities	(4,861)	285
Interest received	275	149
Interest paid	(13,348)	(13,659)
Tax paid	(1,913)	(2,675)
Tax refunded	3,011	6,484
Retirement benefits paid	(189)	(220)
Net cash flows generated from/(used in) operating activities	252,773	(75,672)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiary	-	2,290
Proceeds from disposal of property, plant and equipment	2,896	1
Purchase of property, plant and equipment	(4,008)	(2,203)
Net cash flows (used in)/generated from investing activities	(1,112)	88
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(227,774)	75,888
Share buybacks	(33)	(13)
Interest paid	(434)	(379)
Net cash flows (used in)/generated from financing activities	(228,241)	75,496
Net change in cash and cash equivalents	23,420	(88)
Effects of foreign exchanges rate changes	(425)	(99)
Cash and cash equivalents at beginning of year	47,025	47,400
Cash and cash equivalents at end of period	70,020	47,213

Cash and cash equivalents

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

	3 months ended	
	31.03.2014	**31.03.2013**
	RM'000	**RM'000**
Cash and bank balances	75,800	52,993
Pledged deposits	(5,780)	(5,780)
	70,020	47,213

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 three months ended 31 March 2014

	<——Non-Distributable		——>	<——Distributable	——>			
	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	Total equity RM'000
At 1 January 2014	522,708	-	82,007	(71,284)	515,764	1,049,195	-	1,049,195
Foreign currency translation differences for foreign operation	-	-	(60)	-	-	(60)	-	(60)
Change in fair value of available-for-sale financial assets	-	-	1	-	-	1	-	1
Total other comprehensive loss for the period	-	-	(59)	-	-	(59)	-	(59)
Profit for the period	-	-	-	-	12,518	12,518	-	12,518
Total comprehensive income for the period	-	-	(59)	-	12,518	12,459	-	12,459
Realisation of other equity reserves to retained earnings upon disposal of property, plant and equipment	-	-	(441)	0	441	-	-	-
Share buybacks	-	-	-	(33)	-	(33)	-	(33)
At 31 March 2014	522,708	0	81,507	(71,317)	528,723	1,061,621	0	1,061,621
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	-	-	(1)	-	-	(1)	-	(1)
Transfer to retained profits upon expiry of Warrants 2008/2013	-	(39,202)	-	-	39,202	-	-	-
Total other comprehensive loss for the period	-	(39,202)	(1)	-	39,202	(1)	-	(1)
Profit for the period	-	-	-	-	9,728	9,728	-	9,728
Total comprehensive income for the period	-	(39,202)	(1)	-	48,930	9,727	-	9,727
Share buybacks	-	-	-	(13)	-	(13)	-	(13)
Dividends to owners of the Company	-	-	-	-	-	-	(4,674)	(4,674)
At 31 March 2013	522,708	-	80,843	(71,272)	514,198	1,046,477	-	1,046,477

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 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 2013. 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 2013.

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 2013, except for the following new and revised Amendments to MFRSs and Issue Committee Interpretations ("IC Interpretation") which are applicable to its financial statements:

1.1 Adoption of Amendments to MFRSs and IC Interpretation

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	Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting levies
IC Interpretation 21	Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

1.2 MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorization of these interim financial statements, the following MFRSs and 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 July 2014

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

To be announced by Malaysian Accounting Standards Board ("MASB")

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

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 ended 31 March 2014.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had any material effect on the quarter ended 31 March 2014 results.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 30,000 shares of its issued share capital from the open market at an average purchase price of RM1.11 per share. As at 31 March 2014, out of the total 522,708,178 issued and fully paid ordinary shares, 22,087,300 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 March 2014.

6. DIVIDENDS PAID

No dividend was paid during the quarter ended 31 March 2014.

7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the period ended 31 March 2014 were as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	509,884	175,843	340		
Inter-company transactions	171,110	69,026	7,798	(247,934)	
Total sales	680,994	244,869	8,138	(247,934)	686,067
RESULTS					
Segment results	14,460	9,811	2,823	82	27,176
Finance cost					(13,782)
Interest income					275
Investing results					(3)
Taxation					(1,148)
Profit for the period					12,518
ASSETS	2,429,478	635,539	1,050,770	(1,240,657)	2,875,130
LIABILITIES	1,617,407	482,220	43,239	(329,357)	1,813,509

8. PROFIT BEFORE TAX

	3 months ended 31.03.2014 RM'000
Profit before tax is arrived at after charging:	
Allowance for impairment losses of receivables	3,608
Amortisation of prepaid lease payments	49
Depreciation of investment properties	12
Depreciation of property, plant and equipment	11,554
Interest expenses	13,782
Inventories written down to net realisable value	17,943
and after crediting:	
Bad debts recovered	1
Derivative gain	11
Foreign exchange gain:	
- realised	197
- unrealised	2,245
Gain on disposal of property, plant and equipment	1,559
Interest income	275
Reversal of allowance for impairment losses of receivables	31

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 30 December 2013, a wholly-owned subsidiary of the Company, Ann Joo Metal Sdn. Bhd. ("AJM"), had entered into a Shares Sale Agreement ("SSA") with Cheong Soh Fan and Lee Chow Chin ("the Vendors") for the acquisition of the entire shareholdings in Deluxe Steel Service Centre Sdn. Bhd. ("DSSC") comprising 200,000 ordinary shares of RM1.00 each for a total cash consideration of RM2.00. The completion of the SSA is pending fulfillment of the conditions precedent of the agreement. Upon completion of SSA, DSSC will be a wholly-owned subsidiary of AJM.

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 31 March 2014 were as follows:-

Commitments in respect of capital expenditure :

		RM'000
(a)	contracted but not provided for	11,803
(b)	approved but not contracted for	8,690

13. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM686.07 million, an increase of 38% or RM190.61 million from RM495.46 million for the corresponding quarter of the preceding year. The higher revenue was from higher sales tonnage despite lower selling prices suppressed by influx of artificially cheap Chinese steel products. The Group posted a profit before tax ("PBT") of RM13.67 million for the current quarter as compared to PBT of RM6.89 million for the corresponding quarter of the preceding year. The higher profitability was a result of a better cost structure arising from consistent productivity improvement despite continued depressed steel prices that caused the recognition of an allowance for inventory written down to net realisation value of RM17.94 million.

Manufacturing revenue increased by RM186.03 million to RM509.88 million for the current quarter compared to RM323.85 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher sales tonnage to both domestic market and international market. The division recorded a segment profit of RM14.46 million for the current quarter against segment profit of RM6.47 million for the corresponding quarter of the preceding year. The improved profitability was mainly due to better operational profit arising from continuous productivity improvement albeit persistent depressed steel prices which had resulted in recognition of an allowance for inventory written down to net realisation value of RM18.58 million.

Trading revenue increased by RM4.64 million to RM175.84 million for the current quarter compared to RM171.20 million for the corresponding quarter of the preceding year. The division recorded a segment profit of RM9.81 million for the current quarter against segment profit of RM8.79 million for the corresponding quarter of the preceding year. The improvement in both revenue and profitability were mainly attributable to higher sales tonnage as a result of aggressive market and business expansion domestically and regionally.

14. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM686.07 million in the current quarter, RM32.98 million higher than the revenue of RM653.09 million for the preceding quarter. Higher revenue was attributable to higher sales tonnage to both domestic market and international market. The Group registered a PBT of RM13.67 million for the current quarter compared to a PBT of RM15.26 million for the preceding quarter. Slightly lower profitability for the current quarter was mainly due to the recognition of an allowance for inventory written down to net realisation value of RM17.94 million as a result of sluggish market conditions and persistent depressed steel prices.

15. PROSPECT

The global economy is expected to strengthen moderately with the recovery in advanced economies and developing countries through expenditure on construction and infrastructure projects. However, caution will still be exercised as steel oversupply and rampant dumping by China still shades the industry. China is forecasted to continue steel production beyond its consumption needs in the coming future. Nevertheless, prices of iron ore and coke that had surged to an abnormal level, began to fall since the third quarter of year 2013 and are predicted to continuously slide to a normalised level as compared to scrap price. This would further enhance the competitiveness of blast furnace operators including Ann Joo.

Domestically, the demand for steel is supported by the spur in spending on construction activities and infrastructure projects. The imposition of import licensing for alloy wire rods enforced since the beginning of the year is expected to moderately mitigate the ineffectiveness of the anti-dumping duties on carbon wire rods. Ann Joo and other domestic steel mills are joining efforts to appeal for trade actions against rampant dumping of steel bars by Chinese mills, which increased more than nine-fold in the past two years and is expected to surge further in the near future. Domestic steel players are also affected by hikes in electricity and natural gas tariff effective from 1 January 2014 and 1 May 2014 respectively. The impact to the Group would be less severe and partially mitigated by lower energy consumption due to the use of hot metal charging technology that reduces electricity consumption and generation of blast furnace off-gas as substitution of natural gas.

Notwithstanding the challenging market outlook, the Group is well-positioned to benefit from the blast furnace investment with synergies of vertical integration of iron and steel production. Our competitive edge would also be further enhanced via the execution of effective inventory management, strategic procurement policy and aggressive marketing strategies. The extent the Group could enjoy of the benefits brought by our blast furnace investment, would be largely relying on the effectiveness and timeliness of the Government's efforts to curb raging dumping activities by Chinese steel mills.

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 2014.

17. TAXATION

The tax expenses comprise of:-

	3 months ended 31.03.2014 RM'000
Income tax	1,675
Deferred tax	(527)
	1,148

The Group's effective tax rate for the quarter was lower than the statutory tax rate of 25%, mainly due to utilisation of unabsorbed capital allowances and tax losses by certain subsidiaries which deferred tax asset was not accounted for previously.

18. STATUS OF CORPORATE PROPOSALS

Save as disclosed in Note 10 under changes in the composition of the group, 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 31 March 2014 were as follows:-

	RM'000
Short term borrowings :	
Secured	94,040
Unsecured	1,197,396
	1,291,436
Long term borrowing :	
Secured	300,970
Total borrowings	1,592,406

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM414.39 million (USD126.81 million) of the above borrowings which are denominated in US Dollar.

20. MATERIAL LITIGATION

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

21. DIVIDEND

On 26 May 2014, the Board of Directors approved and declared a first interim single tier dividend of 2 sen per share in respect of the financial year ending 31 December 2014. The first interim dividend will be paid on 30 June 2014 to the Depositors registered in the Record of Depositors at the close of the business on 12 June 2014 (1st quarter 2013: 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 ended 31 March 2014 as set out below:

		3 months ended 31.03.2014
Total profit attributable to owners of the parent	(RM'000)	12,518
Weighted average number of ordinary shares in issue or issuable	('000)	500,640
Basic earnings per share	(sen)	2.50

23. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2014 were analysed as follows:

	31.03.2014 RM'000	31.12.2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	653,164	654,661
Unrealised	63,736	50,037
	716,900	704,698
Total share of retained earnings from an associated company		
Realised	26	28
	716,926	704,726
Less: Consolidation adjustments	(188,203)	(188,962)
Total group retained earnings	528,723	515,764

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 26 May 2014.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
26 May 2014
Selangor Darul Ehsan