

The Board of Directors of Ann Joo Resources Berhad is pleased to announce the unaudited results for the third financial quarter ended 30 September 2014

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2014

	3 months ended		9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue	508,459	506,645	1,800,855	1,501,709
Operating expenses	(482,313)	(514,274)	(1,740,067)	(1,476,113)
Other income	4,549	2,414	15,114	6,896
Finance costs	(14,115)	(14,794)	(41,537)	(43,270)
Investing results	(6)	-	(15)	-
Profit/(Loss) before taxation	16,574	(20,009)	34,350	(10,778)
Taxation	(3,015)	10,071	(3,432)	12,261
Profit/(Loss) for the period	13,559	(9,938)	30,918	1,483
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	260	224	(19)	274
Change in fair value of available-for-sale financial assets	1	2	4	15
Available-for-sale financial assets - reclassified to profit or loss	-	(104)	-	(104)
Other comprehensive income/(loss) for the period, net of tax	261	122	(15)	185
Total comprehensive income/(loss) for the period	13,820	(9,816)	30,903	1,668
Profit/(Loss) attributable to:				
Owners of the parent	13,559	(9,938)	30,918	1,483
Non-controlling interests	-	-	-	-
Profit/(Loss) for the period	13,559	(9,938)	30,918	1,483
Total comprehensive income/(loss) attributable to:				
Owners of the parent	13,820	(9,816)	30,903	1,668
Non-controlling interests	-	-	-	-
Total comprehensive income/(loss) for the period	13,820	(9,816)	30,903	1,668
Earnings/(Loss) per share (sen):				
Basic	2.71	(1.98)	6.18	0.30
Diluted	2.71	(1.98)	6.18	0.30

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 30 September 2014

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,086,363	1,117,367
Prepaid lease payments	11,335	11,484
Investment properties	4,117	4,152
Investment in an associate	13	28
Other investments	21	17
Intangible assets	7,182	7,182
Deferred tax assets	64,270	61,238
	<u>1,173,301</u>	<u>1,201,468</u>
Current Assets		
Inventories	1,066,031	1,449,827
Receivables and prepayments, including derivatives	361,520	387,249
Current tax assets	3,104	6,760
Cash and cash equivalents	34,404	52,805
	<u>1,465,059</u>	<u>1,896,641</u>
TOTAL ASSETS	<u>2,638,360</u>	<u>3,098,109</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,343)	(71,284)
Other Reserves	81,551	82,007
Retained earnings	537,111	515,764
Total equity attributable to owners of the parent	<u>1,070,027</u>	<u>1,049,195</u>
Non-controlling interests	-	-
Total Equity	<u>1,070,027</u>	<u>1,049,195</u>
Non-current Liabilities		
Loans and borrowings	260,000	304,480
Employee benefits	6,454	6,703
Deferred tax liabilities	15,523	15,629
	<u>281,977</u>	<u>326,812</u>
Current Liabilities		
Payables and accruals	220,268	202,131
Loans and borrowings	1,064,167	1,518,574
Current tax liabilities	1,921	1,397
	<u>1,286,356</u>	<u>1,722,102</u>
Total Liabilities	<u>1,568,333</u>	<u>2,048,914</u>
TOTAL EQUITY AND LIABILITIES	<u>2,638,360</u>	<u>3,098,109</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.14</u>	<u>2.10</u>

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 nine months ended 30 September 2014

	9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	34,350	(10,778)
Adjustments for non-cash items	86,971	88,500
Operating profit before working capital changes	121,321	77,722
Changes in working capital		
Net change in current assets	403,767	(263,612)
Net change in current liabilities	17,450	10,356
Interest received	731	784
Interest paid	(41,033)	(42,279)
Tax paid	(6,477)	(7,842)
Tax refunded	4,096	7,851
Retirement benefits paid	(908)	(661)
Net cash flows generated from/(used in) operating activities	498,947	(217,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash and cash equivalents acquired	(161)	-
Proceeds from disposal of subsidiary	-	2,290
Proceeds from disposal of property, plant and equipment	4,568	94
Purchase of property, plant and equipment	(10,601)	(9,247)
Proceeds from disposal of other investments	-	254
Net cash flows used in investing activities	(6,194)	(6,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(500,550)	220,344
Share buybacks	(59)	(25)
Interest paid	(504)	(990)
Dividends paid to shareholders	(10,012)	-
Withdrawal of fixed deposit pledged with licensed banks	1,080	-
Net cash flows (used in)/generated from financing activities	(510,045)	219,329
Net change in cash and cash equivalents	(17,292)	(4,961)
Effects of foreign exchanges rate changes	(29)	186
Cash and cash equivalents at beginning of year	47,025	47,400
Cash and cash equivalents at end of period	29,704	42,625

Cash and cash equivalents

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

	9 months ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Cash and bank balances	34,404	48,405
Pledged deposits	(4,700)	(5,780)
	29,704	42,625

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 nine months ended 30 September 2014

	←-----Non-Distributable-----→			←-----Distributable-----→			
	Share capital	Warrant reserve	Reserve attributable to capital	Treasury shares	Retained earnings	Attributable to owners of the parent	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	(19)	-	-	(19)	(19)
Change in fair value of available-for-sale financial assets	-	-	4	-	-	4	4
Total other comprehensive loss for the period	-	-	(15)	-	-	(15)	(15)
Profit for the period	-	-	-	-	30,918	30,918	30,918
Total comprehensive income for the period	-	-	(15)	-	30,918	30,903	30,903
Realisation of other equity reserves to retained earnings upon disposal of property, plant and equipment	-	-	(441)	-	441	-	-
Share buybacks	-	-	-	(59)	-	(59)	(59)
Dividends to owners of the Company	-	-	-	-	(10,012)	(10,012)	(10,012)
At 30 September 2014	522,708	-	81,551	(71,343)	537,111	1,070,027	1,070,027

At 1 January 2013

522,708	39,202	80,844	(71,259)	465,268	1,036,763	4,674	1,041,437
-	-	274	-	-	274	-	274
-	(39,202)	-	-	39,202	-	-	-
-	-	15	-	-	15	-	15
-	-	(104)	-	-	(104)	-	(104)
-	(39,202)	185	-	39,202	185	-	185
-	-	-	-	1,483	1,483	-	1,483
-	(39,202)	185	-	40,685	1,668	-	1,668
-	-	-	(25)	-	(25)	-	(25)
-	-	-	-	-	-	(4,674)	(4,674)
522,708	-	81,029	(71,284)	505,953	1,038,406	-	1,038,406

At 30 September 2013

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	

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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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 and nine months ended 30 September 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 and nine months ended 30 September 2014 results.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 20,000 shares of its issued share capital from the open market at an average purchase price of RM1.32 per share. As at 30 September 2014, out of the total 522,708,178 issued and fully paid ordinary shares, 22,107,300 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 financial period under review.

6. DIVIDENDS PAID

During the financial period ended 30 September 2014, the Company has paid an interim single-tier dividend of 2 sen per share in respect of the financial year ending 31 December 2014 amounting to RM10,012,418 on 30 June 2014 (9 months ended 30 September 2013: Nil).

7. SEGMENTAL INFORMATION

The segment revenue, segment results and segment assets for the six months ended 30 September 2014 were as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	1,284,110	515,726	1,020		
Inter-company transactions	488,980	224,398	24,609	(737,988)	
Total sales	<u>1,773,090</u>	<u>740,124</u>	<u>25,629</u>	<u>(737,988)</u>	<u>1,800,855</u>
RESULTS					
Segment results	37,035	28,244	9,842	49	75,170
Finance cost					(41,537)
Interest income					732
Investing results					(15)
Taxation					<u>(3,432)</u>
Profit for the period					<u><u>30,918</u></u>
ASSETS	<u>2,347,621</u>	<u>578,704</u>	<u>1,045,936</u>	<u>(1,333,901)</u>	<u>2,638,360</u>
LIABILITIES	<u>1,531,380</u>	<u>414,649</u>	<u>43,858</u>	<u>(421,554)</u>	<u>1,568,333</u>

8. PROFIT BEFORE TAX

	3 months ended 30.09.2014 RM'000	9 months ended 30.09.2014 RM'000
Profit before tax is arrived at after charging:		
Allowance for impairment losses of receivables	-	3,608
Amortisation of prepaid lease payments	49	148
Depreciation of investment properties	12	35
Depreciation of property, plant and equipment	11,771	35,027
Interest expenses	14,115	41,537
(Reversal of)/ Inventories written down to net realisable value	(3,978)	13,327
and after crediting:		
Bad debts recovered	1	2
Bargain purchase gain on acquisition of subsidiary	35	35
Foreign exchange gain/(loss):		
- realised	7,223	9,703
- unrealised	(4,501)	867
Gain on disposal of property, plant and equipment	1,061	2,626
Interest income	204	732
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 agreement was completed on 11 September 2014 and DSSC became a wholly-owned subsidiary of AJM accordingly.

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 September 2014 were as follows:-

Commitments in respect of capital expenditure :

	<u>RM'000</u>
(a) contracted but not provided for	11,567
(b) approved but not contracted for	8,743

13. REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM508.46 million, a slight increase of RM1.81 million as compared to the revenue of RM506.65 million for the corresponding quarter of the preceding year. For the nine months ended 30 September 2014, the Group's revenue of RM1.80 billion, increased by RM299.15 million or 20% as compared to the revenue of RM1.50 billion for the correspondence period of the preceding year. This was mainly attributable to higher tonnage sold notwithstanding depressed selling prices affected by the continued influx of artificially cheap steel products from China.

The Group achieved a profit before tax ("PBT") of RM16.57 million for the current quarter as compared to a loss before tax ("LBT") of RM20.01 million for the corresponding quarter of the preceding year. On a year-to-date basis, the Group recorded a PBT of RM34.35 million as compared to LBT of RM10.78 million for the corresponding period of the preceding year. Higher profitability was mainly attributable to improved operation profit arising from lower material cost and productivity improvement despite depressed selling price affected by the rampant dumping by Chinese steel mills.

Manufacturing revenue increased by RM23.89 million to RM347.84 million for the current quarter compared to RM323.95 million for the corresponding quarter of the preceding year. For the nine months ended 30 September 2014, the segment revenue increased by RM328.18 million to RM1.28 billion. The higher revenue was mainly attributable to higher sales tonnage notwithstanding the sluggish selling prices affected by influx of artificially cheap China's steel products. The division recorded a segment profit of RM19.17 million for the current quarter against segment loss of RM5.90 million for the corresponding quarter of the preceding year. On a year-to-date basis, the division recorded a segment profit of RM37.04 million as compared to segment profit of RM11.72 million for the corresponding period of the preceding year. The higher profitability was mainly due to lower material costs especially iron ore and coke prices that have declined to a normalized level as envisaged. Another key factor contributing to better earnings was the continuation of productivity improvements across the processes i.e. the iron-making plant, steel-making plant and the rolling mills.

Trading revenue decreased by RM22.07 million to RM160.28 million for the current quarter compared to RM182.35 million for the corresponding quarter of the preceding year. On a year-to-date basis, the segment revenue decreased by RM28.49 million to RM515.73 million compared to RM544.22 million in the corresponding period of the preceding year. Lower revenue was due to depressed selling price as a result of the exacerbated dumping activities by China's mills even with higher sales tonnage. Nevertheless, the division recorded a segment profit of RM8.49 million for the current quarter against segment loss of RM1.97 million for the correspondence quarter of the preceding year. On a year-to-date basis, the division recorded a segment profit of RM28.24 million as compared to segment profit of RM9.73 million for the corresponding period of the preceding year. The improvement in the divisional profitability was mainly attributable to higher sales tonnage for market share expansion domestically and regionally.

14. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM508.46 million in the current quarter, RM97.87 million lower than the revenue of RM 606.33 million for the preceding quarter. Lower revenue was mainly due to lower tonnage sold and selling price suppressed by the persistent dumping of artificially cheap imported steel products from China. Nevertheless, the Group registered a PBT of RM16.57 million for the current quarter compared to a PBT of RM4.11 million for the preceding quarter. Higher profitability for the current quarter was mainly attributable to an improved operation profit arising from better cost structure and lower material cost despite facing tremendous pressure from the rampant dumping by Chinese steel mills.

15. PROSPECT

Domestic demand for construction steel is expected to be very strong. However, main threat faced by the Group is still the uncontrollable dumping of steel products by China that continues to flood and dominate more than half of the market share for certain steel products. Steel prices are expected to remain sluggish until the imposition of effective trade measures and changes in policy by either Malaysian and/or Chinese government to address the dumping issue. On the other hand, raw material prices are envisaged to stay low in the near future on the back of softening demand by China's mills and ongoing supply overhang.

Given the challenging market outlook, the Group will continue to strive for productivity improvement and uphold our position as the cost leader leveraging on the current material price level and synergies of vertical integration of iron and steel production. However, any significant improvement in earnings is heavily dependent on the effectiveness of curbing the dumped import from China. Barring any unforeseen circumstances, the Group is expected to continue the current performance in the remaining period of the year.

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 30.09.2014 RM'000	9 months ended 30.09.2014 RM'000
Income tax		
Current period	2,587	6,390
Underprovision in prior year	179	179
	<u>2,766</u>	<u>6,569</u>
Deferred tax		
Current period	553	(2,833)
Overprovision in prior year	(304)	(304)
	<u>249</u>	<u>(3,137)</u>
	<u>3,015</u>	<u>3,432</u>

The Group's effective tax rate for the quarter and year-to-date was lower compared to statutory tax rate of 25%, mainly due to availability of tax incentives.

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 30 September 2014 were as follows:-

	RM'000
Short term borrowings :	
Secured	87,990
Unsecured	976,177
	<u>1,064,167</u>
Long term borrowing :	
Secured	<u>260,000</u>
Total borrowings	<u>1,324,167</u>

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM35.39 million (USD10.82 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

The Board of Directors does not recommend any interim dividend in respect of the quarter ended 30 September 2014 (3rd 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 and the nine months ended 30 September 2014 as set out below:

		<u>3 months ended</u> <u>30.09.2014</u>	<u>9 months ended</u> <u>30.09.2014</u>
Total profit attributable to owners of the parent	(RM'000)	13,559	30,918
Weighted average number of ordinary shares in issue or issuable	('000)	500,614	500,625
Basic earnings per share	(sen)	<u>2.71</u>	<u>6.18</u>

23. REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 September 2014 were analysed as follows:

	<u>30.09.2014</u> <u>RM'000</u>	<u>31.12.2013</u> <u>RM'000</u>
Total retained earnings of the Company and its subsidiaries:		
Realised	661,178	654,661
Unrealised	64,957	50,037
	<u>726,135</u>	<u>704,698</u>
Total share of retained earnings from an associated company		
Realised	13	28
	<u>726,148</u>	<u>704,726</u>
Less: Consolidation adjustments	<u>(189,037)</u>	<u>(188,962)</u>
Total group retained earnings	<u>537,111</u>	<u>515,764</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 26 November 2014.

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