



安裕資源有限公司

ANN JOO RESOURCES BERHAD (371152-U)

(Incorporated in Malaysia)

**ANN JOO RESOURCES BERHAD
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED
30 JUNE 2015**

ANN JOO RESOURCES BERHAD (371152-U)

The Board of Directors of Ann Joo Resources Berhad ("AJR" or the "Company") is pleased to announce the unaudited results for the second financial quarter ended 30 June 2015

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2015**

	3 months ended		6 months ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Revenue	501,271	606,329	1,021,916	1,292,395
Operating expenses	(503,103)	(594,689)	(1,003,755)	(1,257,754)
Other income	973	6,116	3,656	10,564
Finance costs	(15,410)	(13,640)	(30,591)	(27,421)
Share of results of associate	(3)	(6)	(8)	(9)
(Loss)/profit before tax	(16,272)	4,110	(8,782)	17,775
Income tax credit/(expense)	5,424	731	3,260	(417)
(Loss)/profit for the period	(10,848)	4,841	(5,522)	17,358
Other comprehensive income				
<u>Items that may be subsequently reclassified to profit or loss:</u>				
Foreign currency translation differences				
for foreign operations	322	(220)	1,238	(280)
Change in fair value of				
available-for-sale financial assets	1	2	-	3
<u>Net movement on cash flow hedge:</u>				
Gain arising during the period				
- Foreign currency forward contracts	10	-	10	-
Other comprehensive income/(loss) for the period, net of tax	333	(218)	1,248	(277)
Total comprehensive (loss)/income for the period	(10,515)	4,623	(4,274)	17,081
Loss/(profit) attributable to:				
Owners of the parent	(10,848)	4,841	(5,522)	17,358
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(10,515)	4,623	(4,274)	17,081
(Loss)/earnings per share (sen):				
Basic and diluted	(2.17)	0.97	(1.10)	3.47

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As at 30 June 2015

	30.06.2015	31.12.2014
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,059,499	1,077,284
Prepaid lease payments	11,066	11,165
Investment properties	4,081	4,105
Intangible assets	7,182	7,182
Investment in associates	300	8
Other investments	29	29
Deferred tax assets	71,968	67,445
	<u>1,154,125</u>	<u>1,167,218</u>
Current Assets		
Inventories	1,080,759	1,165,046
Receivables and prepayments	350,666	324,254
Derivative assets	10	-
Current tax assets	4,025	3,302
Cash and bank balances	68,049	61,812
	<u>1,503,509</u>	<u>1,554,414</u>
TOTAL ASSETS	<u>2,657,634</u>	<u>2,721,632</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,364)	(71,343)
Other reserves	83,795	82,547
Retained earnings	519,052	529,581
Total Equity	<u>1,054,191</u>	<u>1,063,493</u>
Non-current Liabilities		
Loans and borrowings	-	220,000
Provision for retirement benefits	6,156	6,238
Deferred tax liabilities	14,820	15,084
	<u>20,976</u>	<u>241,322</u>
Current Liabilities		
Loans and borrowings	1,388,242	1,183,539
Payables and accruals	192,533	231,400
Current tax liabilities	1,692	1,878
	<u>1,582,467</u>	<u>1,416,817</u>
Total Liabilities	<u>1,603,443</u>	<u>1,658,139</u>
TOTAL EQUITY AND LIABILITIES	<u>2,657,634</u>	<u>2,721,632</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.11</u>	<u>2.12</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Cash Flows
For the six months ended 30 June 2015

	6 months ended	
	30.06.2015	30.06.2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(8,782)	17,775
Adjustments for non-cash items	72,188	61,006
Operating profit before working capital changes	63,406	78,781
Changes in working capital		
Net change in current assets	42,383	378,599
Net change in current liabilities	(39,117)	(170)
Interest received	759	528
Interest paid	(23,367)	(18,879)
Tax paid	(3,825)	(3,541)
Tax refunded	1,320	3,099
Retirement benefits paid	(460)	(664)
Net cash flows generated from operating activities	41,099	437,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1	-
Proceeds from disposal of property, plant and equipment	231	3,396
Acquisition of associate	(300)	-
Purchase of property, plant and equipment	(5,792)	(7,016)
Net cash flows used in investing activities	(5,860)	(3,620)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(18,121)	(411,798)
Share buybacks	(21)	(33)
Interest paid	(7,224)	(8,542)
Dividends paid to shareholders	(5,007)	(10,012)
Additional of fixed deposit pledged with licensed banks	(51)	1,080
Net cash flows used in financing activities	(30,424)	(429,305)
Net change in cash and cash equivalents	4,815	4,828
Effects of foreign exchanges rate changes	1,371	(367)
Cash and cash equivalents at beginning of year	57,018	47,025
Cash and cash equivalents at end of period	63,204	51,486

Cash and cash equivalents

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

	6 months ended	
	30.06.2015	30.06.2014
	RM'000	RM'000
Cash and bank balances	68,049	56,186
Less: Pledged deposits	(4,845)	(4,700)
	63,204	51,486

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Statements of Changes in Equity
For the six months ended 30 June 2015**

	----- Non-distributable -----		----- Distributable -----		
	Share capital RM'000	Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2015	522,708	82,547	(71,343)	529,581	1,063,493
Loss for the period	-	-	-	(5,522)	(5,522)
Other comprehensive income for the period	-	1,248	-	-	1,248
Total comprehensive income/(loss) for the period	-	1,248	-	(5,522)	(4,274)
Share buybacks	-	-	(21)	-	(21)
Dividends to owners of the Company	-	-	-	(5,007)	(5,007)
At 30 June 2015	522,708	83,795	(71,364)	519,052	1,054,191
At 1 January 2014	522,708	82,007	(71,284)	515,764	1,049,195
Profit/(loss) for the period	-	-	-	17,358	17,358
Other comprehensive income for the period	-	(277)	-	-	(277)
Total comprehensive (loss)/income for the period	-	(277)	-	17,358	17,081
Share buybacks	-	-	(33)	-	(33)
Realisation of other equity reserves to retained earnings upon disposal of property, plant and equipment	-	(441)	-	441	-
Dividends to owners of the Company	-	-	-	(10,012)	(10,012)
At 30 June 2014	522,708	81,289	(71,317)	523,551	1,056,231

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2015**

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (“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 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 2014. 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 2014.

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 2014, 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

On 1 January 2015, the Group adopted the following amended MFRSs mandatory for annual financial period beginning on or after 1 January 2015.

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

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

1.2 MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorisation 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 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure initiative
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
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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1. BASIS OF PREPARATION (CONTINUED)

1.2 MFRSs and Amendments to MFRSs issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 January 2016 (continued)

Amendments to MFRS 10, Investment Entities: Applying the Consolidation
MFRS 12 and MFRS 128 Exception
Annual Improvements to MFRSs 2012 – 2014 Cycle

Effective for financial periods beginning on or after 1 January 2017

MFRS 15 Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 as issued by International
Accounting Standards Board (“IASB”) in July 2014)

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 Group’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 2015.

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 six months results ended 30 June 2015.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, there were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities. As at 30 June 2015, out of the total 522,708,178 issued and fully paid ordinary shares, 22,127,300 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.

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6 DIVIDENDS PAID

During the financial period ended 30 June 2015, the Company has paid a final single tier dividend of 1 sen per share in respect of the financial year ended 31 December 2014 amounting to RM5,006,510 on 23 June 2015 (6 months ended 30 June 2014: RM10,012,418).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the six months ended 30 June 2015 were as follows:-

	Manufacturing RM'000	Trading RM'000	Investment holding, property management and others RM'000	Adjustments and elimination RM'000	Total RM'000
REVENUE					
External customers	683,740	337,138	1,038	-	1,021,916
Inter-segment	306,343	90,502	16,602	(413,447)	-
	<u>990,083</u>	<u>427,640</u>	<u>17,640</u>	<u>(413,447)</u>	<u>1,021,916</u>
RESULTS					
Segment results	7,961	5,916	7,180	-	21,057
Finance costs					(30,591)
Interest income					760
Share of associate result					(8)
Income tax expense					<u>3,260</u>
Loss for the period					<u>(5,522)</u>
Segment assets	<u>2,132,848</u>	<u>609,098</u>	<u>117,110</u>	<u>(201,422)</u>	<u>2,657,634</u>
Segment liabilities	<u>1,346,298</u>	<u>445,570</u>	<u>30,512</u>	<u>(218,937)</u>	<u>1,603,443</u>

7.2 Geographical Segments

	<u>RM'000</u>
Revenue from external customers	
Malaysia	998,267
Singapore	<u>23,649</u>
Non-current assets	
Malaysia	1,152,129
Singapore	<u>1,996</u>

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8 (LOSS)/PROFIT BEFORE TAX

	3 months ended	6 months ended
	30.06.2015	30.06.2015
	RM'000	RM'000
(Loss)/profit before tax is arrived at after charging:		
Amortisation of prepaid lease payments	49	98
Depreciation of investment properties	12	24
Depreciation of property, plant and equipment	11,860	23,669
Interest expenses	15,410	30,591
Inventories written down to net realization value	6,826	12,795
Allowance for diminution in value of raw materials	2,063	4,146
and after crediting:		
Bad debts recovered	7	8
Foreign exchange gain/(loss)		
- realised	6,262	1,074
- unrealised	(96)	(1,991)
Gain on disposal of property, plant and equipment	4	191
Interest income	219	760

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 13 May 2015, a wholly owned subsidiary of the Company, Ann Joo Metal Sdn Bhd (“AJM”), acquired a 30% equity interest in Anjung Jasa Sdn Bhd (“AJASA”) and thereby, AJASA become an associate 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.

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12 CAPITAL COMMITMENTS

The capital commitments as at 30 June 2015 were as follows:-

	<u>RM'000</u>
(a) contracted but not provided for	12,066
(b) approved but not contracted for	<u>2,368</u>

13 REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM501.27 million, a decrease of RM105.06 million or 17% as compared to the revenue of RM606.33 million for the corresponding quarter of the preceding year. This was mainly due to depressed selling prices of various steel products due to influx of artificially cheap Chinese steel products as well as slowing business activities impacted by post-GST implementation. The Group posted a loss before tax (“LBT”) of RM16.27 million for the current quarter as compared to a profit before tax (“PBT”) of RM4.11 million for the corresponding quarter of the preceding year. Lower profitability was mainly attributable to drastic fall in selling prices which resulted in further recognition of inventories written down to net realisable value of RM6.83 million, coupled with margin squeeze due to tumbling international steel prices and surge in imported steel products from China.

Manufacturing revenue decreased by RM82.48 million to RM343.91 million for the current quarter compared to RM426.39 million for the corresponding quarter of the preceding year. Lower revenue was mainly attributable to depressed selling prices in both the local and export markets. The division recorded segment loss of RM7.57 million for the current quarter against segment profit of RM3.41 million for the corresponding quarter of the preceding year. The segment loss was mainly attributable to steep plunge in selling prices which resulted in further recognition of inventory written down to net realizable value of RM5.62 million and margin squeeze. On a year-to-date basis, the division recorded a segment profit of RM7.96 million as compared to segment profit of RM17.87 million for the corresponding period of the preceding year.

Trading revenue decreased by RM22.76 million to RM156.84 million for the current quarter compared to RM179.60 million for the corresponding quarter of the preceding year. Lower revenue was due to depressed selling price. The division recorded a segment profit of RM2.40 million for the current quarter against segment profit of RM9.95 million for the correspondence quarter of the preceding year. Lower profitability was mainly due to sluggish market conditions and price suppression by the influx of Chinese steel products. On a year-to-date basis, the division recorded a segment profit of RM5.92 million as compared to segment profit of RM19.76 million for the corresponding period of the preceding year.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM501.27 million in the current quarter, RM19.38 million lower than the revenue of RM520.65 million for the preceding quarter. Lower revenue was mainly due to depressed selling prices of various steel products. The Group registered a LBT of RM16.27 million for the current quarter as compared to a PBT of RM7.49 million in the preceding quarter. Lower profitability for the current quarter was mainly attributable to steep plunge in selling prices which resulted in further recognition of inventory written down to net realizable value of RM6.83 million and margin squeeze.

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15 PROSPECT

China remains the key factor that persistently disrupts the global steel industry with China expected to export more than 100 million mt of steel in 2015. The structural reformation and consolidation to be undertaken by the Chinese government with an objective to eliminate severe excess capacity will be a great challenge for them. In addition, the relentless financial aid provided by the Chinese government to the loss-making and inefficient steel mills will be a hindrance to its efforts to eliminate excess capacity.

On the domestic front, short term market phenomenon is expected to be negatively affected by the spillover effects of the post-GST implementation, political uncertainty and huge import tonnage from China. The effects of the reinstatement of the 5% import duty on carbon steel bars and wire rods effective 11 June 2015 and the enforcement of CIDB (Amendment) Act 2011 on 1 July 2015 that are expected to curb the threat of influx of artificially cheap Chinese steel products have yet to be felt.

Given the unabated influx of Chinese steel products which dominated more than half of the market share with the surge in import tonnage of steel bars and wire rods by 200% and 65% in the first half of 2015 year-on-year and the unreasonably low prices offered by the loss-making Chinese steel mills, the market outlook is expected to be challenging despite the Group's efforts to reduce production cost. Thus, the prospect of the Group for the remaining period of the year will be extremely challenging.

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 2015.

17 INCOME TAX

The income tax expenses/(credit) comprise of:-

	3 months ended 30.06.2015 RM'000	6 months ended 30.06.2015 RM'000
Income tax		
Current period	169	1,546
Over provision in prior years	(15)	(15)
	<hr/> 154	<hr/> 1,531
Deferred tax		
Current period	(4,989)	(4,202)
Under provision in prior years	(589)	(589)
	<hr/> (5,578)	<hr/> (4,791)
	<hr/> (5,424)	<hr/> (3,260)

The Group's effective tax rate for the quarter and year-to-date was higher compared to statutory tax rate of 25%, mainly due to expenses not deductible for tax purposes.

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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 2015 were as follows:-

	<u>RM'000</u>
Short term borrowings:	
Secured	260,000
Unsecured	<u>1,128,242</u>
	<u>1,388,242</u>
Long term borrowings:	
Secured	<u>-</u>
Total borrowings	<u>1,388,242</u>

The Group's borrowings are denominated in Ringgit Malaysia, except for approximately RM59.46 million (USD15.74 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 current quarter ended 30 June 2015 (2nd quarter 2014: 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 six month ended 30 June 2015 as set out below:

		<u>3 months ended</u> <u>30.06.2015</u>	<u>6 months ended</u> <u>30.06.2015</u>
Total loss attributable to owners of the parent	(RM'000)	(10,848)	(5,522)
Weighted average number of ordinary shares in issue or issuable	('000)	500,581	500,581
Basic loss per share	(sen)	<u>(2.17)</u>	<u>(1.10)</u>

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23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 June 2015 were analysed as follows:

	30.06.2015	31.12.2014
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	640,559	659,542
Unrealised	69,002	60,059
	<u>709,561</u>	<u>719,601</u>
Total share of retained earnings from associate:		
Realised	(30)	8
	<u>709,531</u>	<u>719,609</u>
Less: Consolidated adjustments	(190,479)	(190,028)
	<u>519,052</u>	<u>529,581</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 27 August 2015.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
27 August 2015
Selangor Darul Ehsan