



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 NINE MONTHS ENDED
30 SEPTEMBER 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 third financial quarter ended 30 September 2015

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

	3 months ended		9 months ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Revenue	325,470	508,459	1,347,386	1,800,855
Operating expenses	(394,826)	(482,313)	(1,398,581)	(1,740,067)
Other income	433	4,549	4,089	15,114
Finance costs	(14,874)	(14,115)	(45,465)	(41,537)
Share of results of associate	(4)	(6)	(12)	(15)
(Loss)/profit before tax	(83,801)	16,574	(92,583)	34,350
Income tax credit/(expense)	1,516	(3,015)	4,776	(3,432)
(Loss)/profit for the period	(82,285)	13,559	(87,807)	30,918
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences				
for foreign operations	2,818	260	4,056	(19)
Change in fair value of				
available-for-sale financial assets	(4)	1	(4)	4
Available-for-sale financial assets - reclassified to profit or loss				
Net movement on cash flow hedge:				
Gain arising during the period				
- Foreign currency forward contracts	706	-	716	-
Other comprehensive income/(loss) for the period, net of tax	3,520	261	4,768	(15)
Total comprehensive (loss)/income for the period	(78,765)	13,820	(83,039)	30,903
Loss/(profit) attributable to:				
Owners of the parent	(82,285)	13,559	(87,807)	30,918
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(78,765)	13,820	(83,039)	30,903
Earnings per share ("EPS") (sen):				
Basic and diluted EPS	(16.44)	2.71	(17.54)	6.18

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 September 2015

	30.09.2015	31.12.2014
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,051,644	1,077,284
Prepaid lease payments	11,017	11,165
Investment properties	4,069	4,105
Intangible assets	7,182	7,182
Investment in associates	296	8
Other investments	25	29
Deferred tax assets	76,103	67,445
	<u>1,150,336</u>	<u>1,167,218</u>
Current Assets		
Inventories	1,078,869	1,165,046
Receivables and prepayments	283,516	324,254
Derivative assets	716	-
Current tax assets	3,631	3,302
Cash and bank balances	50,314	61,812
	<u>1,417,046</u>	<u>1,554,414</u>
TOTAL ASSETS	<u>2,567,382</u>	<u>2,721,632</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,366)	(71,343)
Other reserves	87,315	82,547
Retained earnings	436,767	529,581
Total Equity	<u>975,424</u>	<u>1,063,493</u>
Non-current Liabilities		
Loans and borrowings	-	220,000
Provision for retirement benefits	5,979	6,238
Deferred tax liabilities	15,034	15,084
	<u>21,013</u>	<u>241,322</u>
Current Liabilities		
Loans and borrowings	1,373,690	1,183,539
Payables and accruals	195,805	231,400
Derivative liability	56	-
Current tax liabilities	1,394	1,878
	<u>1,570,945</u>	<u>1,416,817</u>
Total Liabilities	<u>1,591,958</u>	<u>1,658,139</u>
TOTAL EQUITY AND LIABILITIES	<u>2,567,382</u>	<u>2,721,632</u>
Net assets per share attributable to owners of the parent (RM)	<u>1.95</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 nine months ended 30 September 2015

	9 months ended	
	30.09.2015	30.09.2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(92,583)	34,350
Adjustments for non-cash items	157,229	86,971
Operating profit before working capital changes	64,646	121,321
Changes in working capital		
Net change in current assets	59,837	403,767
Net change in current liabilities	(37,610)	17,450
Interest received	1,057	731
Interest paid	(35,110)	(26,716)
Tax paid	(6,295)	(6,477)
Tax refunded	1,320	4,096
Retirement benefits paid	(754)	(908)
Net cash flows generated from operating activities	47,091	513,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary	-	(161)
Interest Received	1	-
Proceeds from disposal of property, plant and equipment	245	4,568
Acquisition of associate	(300)	-
Purchase of property, plant and equipment	(9,430)	(10,601)
Net cash flows used in investing activities	(9,484)	(6,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(37,484)	(500,550)
Share buybacks	(23)	(59)
Interest paid	(10,355)	(14,821)
Dividends paid to shareholders	(5,007)	(10,012)
Additional of fixed deposit pledged with licensed banks	1,124	1,080
Net cash flows used in financing activities	(51,745)	(524,362)
Net change in cash and cash equivalents	(14,138)	(17,292)
Effects of foreign exchanges rate changes	3,764	(29)
Cash and cash equivalents at beginning of year	57,018	47,025
Cash and cash equivalents at end of period	46,644	29,704

Cash and cash equivalents

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

	9 months ended	
	30.09.2015	30.09.2014
	RM'000	RM'000
Cash and bank balances	50,314	34,404
Less: Pledged deposits	(3,670)	(4,700)
	46,644	29,704

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.

ANN JOO RESOURCES BERHAD (371152-U)

**Condensed Consolidated Statements of Changes in Equity
For the nine months ended 30 September 2015**

	----- Non-distributable -----		----- Distributable -----		Total equity RM'000
	Share capital RM'000	Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2015	522,708	82,547	(71,343)	529,581	1,063,493
Loss for the period	-	-	-	(87,807)	(87,807)
Other comprehensive income for the period	-	4,768	-	-	4,768
Total comprehensive income/(loss) for the period	-	4,768	-	(87,807)	(83,039)
Share buybacks	-	-	(23)	-	(23)
Dividends to owners of the Company	-	-	-	(5,007)	(5,007)
At 30 September 2015	522,708	87,315	(71,366)	436,767	975,424
At 1 January 2014	522,708	82,007	(71,284)	515,764	1,049,195
Profit/(loss) for the period	-	-	-	30,918	30,918
Other comprehensive income for the period	-	(15)	-	-	(15)
Total comprehensive (loss)/income for the period	-	(15)	-	30,918	30,903
Share buybacks	-	-	(59)	-	(59)
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 September 2014	522,708	81,551	(71,343)	537,111	1,070,027

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 NINE MONTHS ENDED 30 SEPTEMBER 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 2018

MFRS 9 Financial Instruments (IFRS 9 as issued by International
Accounting Standards Board (“IASB”) in July 2014)
MFRS 15 Revenue from Contracts with Customers

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 nine months ended 30 September 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 nine months results ended 30 September 2015.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 2,000 shares of its issued share capital from the open market at an average price of RM0.73 per share. As at 30 September 2015, out of the total 522,708,178 issued and fully paid ordinary shares, 22,129,300 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 repayment of debt and equity securities during the quarter ended 30 September 2015.

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6 DIVIDENDS PAID

During the financial period ended 30 September 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 (9 months ended 30 September 2014: RM10,012,418).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the nine months ended 30 September 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	894,029	451,799	1,558	-	1,347,386
Inter-segment	437,298	126,949	24,904	589,151	-
	<u>1,331,327</u>	<u>578,748</u>	<u>26,462</u>	<u>589,151</u>	<u>1,347,386</u>
RESULTS					
Segment results	(60,816)	2,251	10,557	(156)	(48,164)
Finance costs					(45,465)
Interest income					1,058
Share of associates results					(12)
Income tax credit					4,776
Loss for the period					<u>(87,807)</u>
Segment assets	<u>2,052,925</u>	<u>610,626</u>	<u>117,610</u>	<u>(213,779)</u>	<u>2,567,382</u>
Segment liabilities	<u>1,346,241</u>	<u>449,145</u>	<u>29,407</u>	<u>(232,835)</u>	<u>1,591,958</u>

7.2 Geographical Segments

	<u>RM'000</u>
Revenue from external customers	
Malaysia	1,315,644
Singapore	31,742
	<u>1,347,386</u>
Non-current assets	
Malaysia	1,147,806
Singapore	2,530
	<u>1,150,336</u>

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8 (LOSS)/PROFIT BEFORE TAX

	3 months ended 30.09.2015 RM'000	9 months ended 30.09.2015 RM'000
(Loss)/profit before tax is arrived at after charging:		
Amortisation of prepaid lease payments	49	148
Depreciation of investment properties	12	36
Depreciation of property, plant and equipment	11,756	35,425
Derivative loss	56	-
Interest expenses	14,874	45,465
Foreign exchange loss/(gain)		
- realised	(1,082)	(46)
- unrealised	7,849	7,730
Inventories written down to net realization value	51,480	64,275
Loss/(gain) on disposal of property, plant and equipment	9	(182)
Allowance for diminution in value of raw materials	1,526	5,672
and after crediting:		
Bad debts recovered	-	8
Interest income	298	1,058

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 September 2015 were as follows:-

	<u>RM'000</u>
(a) contracted but not provided for	10,222
(b) approved but not contracted for	<u>1,857</u>

13 REVIEW OF PERFORMANCE

During the quarter under review, the Group recorded revenue of RM325.47 million, a decrease of RM182.99 million or 36% as compared to the revenue of RM508.46 million for the corresponding quarter of the preceding year. This was mainly due to depressed selling prices and lower sale tonnage of various steel products due to influx of artificially cheap Chinese steel products particularly the import of steel bars exceeded a million tons in the nine months of 2015, surged 147% year-on-year. The Group posted a loss before tax ("LBT") of RM83.80 million for the current quarter as compared to a profit before tax ("PBT") of RM16.57 million for the corresponding quarter of the preceding year. The LBT for the current quarter was mainly attributable to margin erosion and additional inventories written down to net realisable value of RM51.48 million that were triggered by tumbling steel prices and surge in imported steel products from China. Besides, weakening in MYR has also resulted in net foreign exchange loss of RM6.77 million.

Manufacturing revenue decreased by RM137.55 million to RM210.29 million for the current quarter compared to RM347.84 million for the corresponding quarter of the preceding year. Lower revenue was mainly attributable to depressed selling prices and lower tonnage sold in both the local and export markets. The division recorded segment loss of RM68.78 million for the current quarter against segment profit of RM19.17 million for the corresponding quarter of the preceding year. The segment loss was mainly attributable to 1) steep plunge in selling prices which resulted in margin erosion and thus further recognition of inventory written down to net realizable value of RM48.44 million, 2) net forex loss of RM5.56 million caused by weakening in MYR against USD. On a year-to-date basis, the division recorded a segment loss of RM60.82 million as compared to segment profit of RM37.04 million for the corresponding period of the preceding year.

Trading revenue decreased by RM45.62 million to RM114.66 million for the current quarter compared to RM160.28 million for the corresponding quarter of the preceding year. Lower revenue was mainly attributable to depressed selling price and lower sale tonnage. The division recorded a segment loss of RM3.67 million for the current quarter against segment profit of RM8.49 million for the correspondence quarter of the preceding year. The segment loss was mainly due to further suppressed steel prices and thus margin erosion and recognition of inventories written down to net realizable value of RM3.04 million and net forex loss of RM1.19 million. On a year-to-date basis, the division recorded a segment profit of RM2.25 million as compared to segment profit of RM28.24 million for the corresponding period of the preceding year.

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14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM325.47 million in the current quarter, RM175.80 million lower than the revenue of RM501.27 million for the preceding quarter. Lower revenue was mainly due to depressed selling prices and lower sale tonnage of various steel products. The Group registered a LBT of RM83.80 million for the current quarter as compared to LBT of RM16.27 million in the preceding quarter. The LBT for the current quarter was mainly attributable to steep plunge in selling prices which resulted in margin erosion and further recognition of inventory written down to net realizable value of RM51.48 million, as well as net forex exchange loss of RM6.77 million caused by weakening in MYR against USD.

15 PROSPECT

The outlook of global steel industry continue to be weighed down by the world oversupply situation primarily caused by overproduction in China and the hope for an imminent elimination of excess capacity remains dim. Following the recent devaluation of the Chinese Yuan, there is potential of more aggressive exports by the Chinese steel mills in the short term despite gross loss of CNY28.12 billion registered by large and medium size steel mills in the nine months of 2015 as reported by the China Iron and Steel Association.

On the domestic front, the local market is expected to be under persistent threat of imports of steel products from China. Despite the reinstatement of 5% import duty on bars and wire rods since June 2015, China steel bar import surged to 180,000 mt in September 2015. The industry players continue to work jointly with the relevant authorities to curb the huge import tonnage from China.

Given the challenging economic conditions and market outlook, the Group will continue to embark on various productivity improvement programs to lower the production cost leveraging on the current material price and blast furnace technology. Nevertheless, the performance of the Group for the remaining period of the year is heavily dependent on the price trend of steel products and the effectiveness of enforcement activities to curb the influx of imports.

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.

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17 INCOME TAX

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

	3 months ended 30.09.2015 RM'000	9 months ended 30.09.2015 RM'000
Income tax		
Current period	1,051	2,597
Under provision in prior years	1,361	1,346
	<u>2,412</u>	<u>3,943</u>
Deferred tax		
Current period	(831)	(5,033)
Over provision in prior years	(3,097)	(3,686)
	<u>(3,928)</u>	<u>(8,719)</u>
	<u>(1,516)</u>	<u>(4,776)</u>

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 September 2015 were as follows:-

	RM'000
Short term borrowings:	
Secured	258,707
Unsecured	1,114,983
Total borrowings	<u>1,373,690</u>

The Group's borrowings are denominated in MYR, except for approximately RM121.68 million (USD27.66 million) of the above borrowings which are denominated in USD.

20 MATERIAL LITIGATION

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

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21 DIVIDEND

The Board of Directors does not recommend any interim dividend in respect of the current quarter ended 30 September 2015 (3rd quarter 2014: nil).

22 EARNINGS PER SHARE (“EPS”)

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 nine month ended 30 September 2015 as set out below:

		3 months ended 30.09.2015	9 months ended 30.09.2015
Total loss attributable to owners of the parent	(RM'000)	(82,285)	(87,807)
Weighted average number of ordinary shares in issue or issuable	('000)	500,585	500,585
Basic and diluted EPS	(sen)	<u>(16.44)</u>	<u>(17.54)</u>

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

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

	30.09.2015 RM'000	31.12.2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	557,212	659,542
Unrealised	67,921	60,059
	<u>625,133</u>	<u>719,601</u>
Total share of retained earnings from associate:		
Realised	(34)	8
	<u>625,099</u>	<u>719,609</u>
Less: Consolidated adjustments	(188,332)	(190,028)
Total group retained earnings	<u>436,767</u>	<u>529,581</u>

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23 STATUS OF AUDIT QUALIFICATION

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

24 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 2015.

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