



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 THREE MONTHS ENDED
31 MARCH 2016**

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 first financial quarter ended 31 March 2016

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2016**

	3 months ended		3 months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	489,525	520,645	489,525	520,645
Operating expenses	(475,577)	(500,652)	(475,577)	(500,652)
Other income	7,311	2,683	7,311	2,683
Finance costs	(13,860)	(15,181)	(13,860)	(15,181)
Share of results of associates	(3)	(5)	(3)	(5)
Profit before tax	7,396	7,490	7,396	7,490
Income tax expense	(1,875)	(2,164)	(1,875)	(2,164)
Profit for the period	5,521	5,326	5,521	5,326
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences				
for foreign operations	(1,765)	916	(1,765)	916
Change in fair value of				
available-for-sale financial assets	7	(1)	7	(1)
Net movement on cash flow hedge:				
- Foreign currency forward contracts	(455)	-	(455)	-
Other comprehensive (loss)/income for				
the period, net of tax	(2,213)	915	(2,213)	915
Total comprehensive income for the period	3,308	6,241	3,308	6,241
Profit attributable to:				
Owners of the parent	5,521	5,326	5,521	5,326
Total comprehensive income attributable to:				
Owners of the parent	3,308	6,241	3,308	6,241
Earnings per share ("EPS") (sen):				
Basic and diluted EPS	1.10	1.06	1.10	1.06

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 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As at 31 March 2016

	31.03.2016	31.12.2015
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,033,049	1,038,971
Prepaid lease payments	10,797	10,846
Investment properties	4,046	4,058
Intangible assets	7,182	7,182
Investment in associates	495	498
Other investments	36	29
Deferred tax assets	77,439	78,166
	<u>1,133,044</u>	<u>1,139,750</u>
Current Assets		
Inventories	761,693	951,990
Receivables and prepayments	312,853	287,080
Derivative assets	-	171
Current tax assets	4,679	4,139
Cash and bank balances	74,501	62,415
	<u>1,153,726</u>	<u>1,305,795</u>
TOTAL ASSETS	<u>2,286,770</u>	<u>2,445,545</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,372)	(71,366)
Other reserves	83,922	86,135
Retained earnings	394,620	389,099
Total Equity	<u>929,878</u>	<u>926,576</u>
Non-current Liabilities		
Provision for retirement benefits	5,811	5,942
Deferred tax liabilities	14,733	14,230
	<u>20,544</u>	<u>20,172</u>
Current Liabilities		
Loans and borrowings	1,159,157	1,300,283
Payables and accruals	176,078	197,784
Derivative liabilities	400	-
Current tax liabilities	713	730
	<u>1,336,348</u>	<u>1,498,797</u>
Total Liabilities	<u>1,356,892</u>	<u>1,518,969</u>
TOTAL EQUITY AND LIABILITIES	<u>2,286,770</u>	<u>2,445,545</u>
Net assets per share attributable to owners of the parent (RM)	<u>1.86</u>	<u>1.85</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Cash Flows
For the three months ended 31 March 2016

	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,396	7,490
Adjustments for non-cash items	(41,186)	34,386
Operating profit before working capital changes	(33,790)	41,876
Changes in working capital		
Net change in current assets	226,140	(71,050)
Net change in current liabilities	(21,339)	(24,069)
Interest received	199	540
Interest paid	(11,207)	(11,514)
Tax paid	(1,421)	(1,966)
Tax refunded	188	1,320
Retirement benefits paid	(395)	(185)
Net cash flows generated from/(used in) operating activities	158,375	(65,048)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	1
Proceeds from disposal of property, plant and equipment	-	224
Purchase of property, plant and equipment	(6,072)	(2,355)
Net cash flows used in investing activities	(6,072)	(2,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/drawdown of bank borrowings	(139,231)	65,045
Share buybacks	(6)	(21)
Interest paid	(2,653)	(3,667)
Additional of fixed deposit pledged with licensed banks	(41)	(50)
Net cash flows (used in)/generated from financing activities	(141,931)	61,307
Net change in cash and cash equivalents	10,372	(5,871)
Effects of foreign exchanges rate changes	1,673	955
Cash and cash equivalents at beginning of year	58,709	57,018
Cash and cash equivalents at end of period	70,754	52,102

Cash and cash equivalents

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

	3 months ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Cash and bank balances	74,501	56,946
Less: Pledged deposits	(3,747)	(4,844)
	70,754	52,102

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**

	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 2016	522,708	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	5,521	5,521
Other comprehensive loss for the period	-	(2,213)	-	-	(2,213)
Total comprehensive income/(loss) for the period	-	(2,213)	-	5,521	3,308
Share buybacks	-	-	(6)	-	(6)
At 31 March 2016	522,708	83,922	(71,372)	394,620	929,878
At 1 January 2015	522,708	82,547	(71,343)	529,581	1,063,493
Profit for the period	-	-	-	5,326	5,326
Other comprehensive income for the period	-	915	-	-	915
Total comprehensive income for the period	-	915	-	5,326	6,241
Share buybacks	-	-	(21)	-	(21)
At 31 March 2015	522,708	83,462	(71,364)	534,907	1,069,713

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2016**

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 2015. 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 2015.

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 2015, 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 2016, the Group adopted the following new and amended MFRSs mandatory for annual financial period 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, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 – 2014 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.

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 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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Deferred to a date to be determined by MASB

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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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 other than for MFRS 9 *Financial Instruments* and MFRS 16 *Leases*. The Group is still in the progress of assessing the financial impact of MFRS 9 and MFRS 16.

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 three months ended 31 March 2016.

4 NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had any material effect on the three months results ended 31 March 2016.

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

5 DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 10,000 shares of its issued share capital from the open market at an average price of RM0.63 per share. As at 31 March 2016, out of the total 522,708,178 issued and fully paid ordinary shares, 22,139,300 shares were held as treasury shares at an average purchase price of RM3.22 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 31 March 2016.

6 DIVIDENDS PAID

No dividend was paid during the quarter ended 31 March 2016.

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the three months ended 31 March 2016 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	345,597	143,410	518	-	489,525
Inter-segment	40,501	37	6,168	(46,706)	-
	<u>386,098</u>	<u>143,447</u>	<u>6,686</u>	<u>(46,706)</u>	<u>489,525</u>
RESULTS					
Segment results	6,091	11,404	3,592	(27)	21,060
Finance costs					(13,860)
Interest income					199
Share of associates results					(3)
Income tax expense					(1,875)
Profit for the period					<u>5,521</u>
Segment assets	<u>2,045,083</u>	<u>498,030</u>	<u>121,489</u>	<u>(377,832)</u>	<u>2,286,770</u>
Segment liabilities	<u>1,387,554</u>	<u>334,101</u>	<u>30,549</u>	<u>(395,312)</u>	<u>1,356,892</u>

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

7 SEGMENTAL INFORMATION (CONTINUED)

7.2 Geographical Segments

	3 months ended 31.03.2016 RM'000
Revenue from external customers	
Malaysia	481,946
Singapore	7,579
Non-current assets	
Malaysia	1,053,360
Singapore	2,209

8 PROFIT BEFORE TAX

	3 months ended 31.03.2016 RM'000
Profit before tax is arrived at after charging:	
Allowance for diminution in value of raw materials	977
Amortisation of prepaid lease payments	49
Depreciation of investment properties	12
Depreciation of property, plant and equipment	11,776
Interest expenses	13,860
and after crediting:	
Bad debts recovered	1
Foreign exchange gain	
- realised	2,085
- unrealised	4,921
Interest income	199
Reversal of inventories written down to net realisable value	18,466

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

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 2016 were as follows:-

	<u>RM'000</u>
(a) contracted but not provided for	10,613
(b) approved but not contracted for	<u>6,490</u>

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM489.53 million in the quarter ended 31 March 2016 ("1Q16"), a decrease of RM31.12 million or 6% as compared to the revenue of RM520.65 million in the quarter ended 31 March 2015 ("1Q15"). Manufacturing revenue increased by RM5.77 million to RM345.60 million in 1Q16 as compared to RM339.83 million in 1Q15 mainly due to the higher sales tonnages for both domestic and export markets despite a lower selling price particularly pig iron and steel bar prices fell 34% and 20% respectively as compared to 1Q15. Whereas Trading revenue decreased by RM36.89 million to RM143.41 million in 1Q16 as compared to RM180.30 million in 1Q15. This was mainly due to selling price being lower than 1Q15.

In 1Q16, steel prices have gradually recovered although still relatively lower than those registered in 1Q15. With the improved pricing and sales tonnage in the current quarter, the Group took the opportunity to realise its inventories brought forward from the previous financial year which were valued at a much lower cost. The Group has also revisited the costing of the remaining unsold inventories brought forward against their net realisable value which resulted in a reversal of inventories value previously written down to net realisable value of RM18.47 million. Besides, favourable foreign exchange differences and improved cost structure despite a much lower selling price quarter-on-quarter have also played a positive role allowing the Group to attain a profit before tax ("PBT") of RM7.40 million in 1Q16 as compared to RM7.49 million in 1Q15. Both Manufacturing and Trading segments contributed positively to the Group, recording a segmental operating profit of RM6.09 million and RM11.40 million respectively in 1Q16 as compared to RM15.53 million and RM3.52 million respectively in 1Q15.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM489.53 million in the current quarter, RM75.99 million higher than the revenue of RM413.54 million for the preceding quarter. Higher revenue was mainly contributed by a broad recovery in steel prices coupled with higher sales tonnage of both Manufacturing and Trading divisions. The Group posted a PBT of RM7.40 million for the current quarter as compared to loss before tax ("LBT") of RM47.96 million in the preceding quarter. The PBT for the current quarter was mainly attributable to recovery in selling prices hence a reversal of inventories written down to net realisable value of RM18.47 million in current quarter as compared to RM3.71 million in the preceding quarter.

15 PROSPECT

The global steel market witnessed a broad recovery in prices since January 2016 and rally in March-April. This worldwide price normalisation across all steel products was prompted by the Chinese government's initiatives to close down loss-making and outdated steel capacity by 100 to 150 million tonnes within next five years. In a nutshell, the price recovery from the historical low level is expected to significantly improve the operating results of steel industry as the risk of Chinese mills to export steel products at loss is remote. Notwithstanding the recent market upturn, the global steel prices will still remain highly volatile.

On the domestic front, there is a temporary supply shortage caused by Chinese mills cancelling export orders for both semi-finished and finished products. This is the result of Malaysia being overly reliant on the imported steel materials since 2013. With the absence of billet supply from China, certain local mills are unable to supply as resumption of their own idling steel making plants will take some time. The Group has been trying its best to mitigate the supply shortage phenomena by selling off its inventories and increase production output. The Group will continue to focus on improving its productivity by integrating blast furnace to rolling mills to maximize production output in order to meet the overwhelming demand as well as to further enhance our cost competitiveness.

With the rolling out of numerous mega projects such as the MRT II, LRT Line III and Menara Warisan Merdeka, the Group expects local steel demand to accelerate in second half of the year.

Riding on improved market sentiments and recovery in both domestic and international steel prices to significantly above 2015 lows, the Group's performance is expected to turnaround with an improved result for the remaining period of 2016. However, the Group's profitability is still largely dependent on the effectiveness of the governments to curb steel overcapacity in China and China's imports to Malaysia.

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 2016.

17 INCOME TAX

The income tax expenses comprise of:-

	3 months ended 31.03.2016 RM'000
Income tax	
Current period	631
Deferred tax	
Current period	1,244
	<u>1,875</u>

The Group's effective tax rate for the financial period were higher than the statutory tax rate mainly due to non-recognition of deferred tax assets arose from a subsidiary and non-recognition of deferred tax assets arose from a subsidiary and expenses not deductible for tax purposes.

ANN JOO RESOURCES BERHAD (371152-U)
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18 STATUS OF CORPORATE PROPOSALS

On 24 May 2016, the Company had made an announcement that the Company is proposing to undertake the following:

- a) a renounceable rights issue of up to 125,142,220 new redeemable convertible cumulative preference shares of RM0.01 each in Ann Joo (“RCPS”) convertible into ordinary shares of RM1.00 each in Ann Joo Resources Berhad (“Ann Joo Shares” or “Shares”) on the basis of 1 RCPS for every 4 existing Ann Joo Shares held on an entitlement date to be determined later (“Proposed Rights Issue of RCPS”);
- b) proposed establishment of a long term incentive plan of up to 15% of the issued and paid-up ordinary share capital of Ann Joo (excluding treasury shares) at any time during the period of the long term incentive plan, for the selected key personnel and/or senior management of Ann Joo and its subsidiaries (“Ann Joo Group” or the “Group”) who fulfil the eligibility criteria (“Proposed LTIP”);
- c) proposed dividend reinvestment plan that provides the shareholders of Ann Joo with the option to elect to reinvest their cash dividends declared by Ann Joo (whether interim, final, special or any other cash dividends) in new Ann Joo Shares (“Proposed DRP”);
- d) proposed increase in the authorised share capital of Ann Joo from RM1,000,000,000 comprising 1,000,000,000 Ann Joo Shares to RM1,005,000,000 comprising 1,000,000,000 Ann Joo Shares and 500,000,000 RCPS (“Proposed IASC”); and
- e) proposed amendments to the Memorandum and Articles of Association of Ann Joo to facilitate the Proposed IASC and the issuance of the RCPS pursuant to the Proposed Rights Issue of RCPS (“Proposed Amendments”).

(Collectively known as the “Proposals”)

Save as disclosed above, 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 2016 were as follows:-

	<u>RM’000</u>
Short term borrowings:	
Secured	184,665
Unsecured	974,492
Total borrowings	<u>1,159,157</u>

The Group’s borrowings are denominated in MYR, except for approximately RM81.95 million (USD20.97 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.

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

21 DIVIDEND

The Board of Directors does not recommend any interim dividend in respect of the financial year ending 31 December 2016 (1Q15: 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 three months ended 31 March 2016 as set out below:

		3 months ended 31.03.2016
Total profit attributable to owners of the Parent	(RM’000)	5,521
Weighted average number of ordinary shares in issue or issuable	(’000)	500,566
Basic and diluted EPS	(sen)	<u>1.10</u>

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2016 were analysed as follows:

	31.03.2016 RM’000	31.12.2015 RM’000
Total retained earnings of the Company and its subsidiaries:		
Realised	504,979	504,298
Unrealised	80,186	73,473
	<u>585,165</u>	<u>577,771</u>
Total share of retained earnings from associate:		
Realised	(35)	(32)
	<u>585,130</u>	<u>577,739</u>
Less: Consolidated adjustments	(190,510)	(188,640)
Total group retained earnings	<u>394,620</u>	<u>389,099</u>

24 STATUS OF AUDIT QUALIFICATION

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

ANN JOO RESOURCES BERHAD (371152-U)
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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 24 May 2016.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
24 May 2016
Selangor Darul Ehsan