



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 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 second financial quarter ended 30 June 2016

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016**

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	584,659	501,271	1,074,184	1,021,916
Operating expenses	(479,999)	(503,103)	(955,576)	(1,003,755)
Other income	1,549	973	8,860	3,656
Finance costs	(10,757)	(15,410)	(24,617)	(30,591)
Share of results of associates	(12)	(3)	(15)	(8)
Profit/(loss) before tax	95,440	(16,272)	102,836	(8,782)
Income tax (expense)/credit	(3,045)	5,424	(4,920)	3,260
Profit/(loss) for the period	92,395	(10,848)	97,916	(5,522)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences				
for foreign operations	559	322	(1,206)	1,238
Change in fair value of				
available-for-sale financial assets	1	1	8	-
Net movement on cash flow hedge:				
- Foreign currency forward contracts	400	10	(55)	10
Other comprehensive income/(loss) for the period, net of tax	960	333	(1,253)	1,248
Total comprehensive income/(loss) for the period	93,355	(10,515)	96,663	(4,274)
Profit/(loss) attributable to:				
Owners of the parent	92,395	(10,848)	97,916	(5,522)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	93,355	(10,515)	96,663	(4,274)
Earnings per share ("EPS") (sen):				
Basic and diluted EPS	18.46	(2.17)	19.56	(1.10)

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 30 June 2016

	30.06.2016	31.12.2015
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,028,869	1,038,971
Prepaid lease payments	10,748	10,846
Investment properties	4,034	4,058
Intangible assets	7,182	7,182
Investment in associates	483	498
Other investments	37	29
Deferred tax assets	75,214	78,166
	<u>1,126,567</u>	<u>1,139,750</u>
Current Assets		
Inventories	657,222	951,990
Receivables and prepayments	311,223	287,080
Derivative assets	-	171
Current tax assets	5,248	4,139
Cash and bank balances	53,921	62,415
	<u>1,027,614</u>	<u>1,305,795</u>
TOTAL ASSETS	<u>2,154,181</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	84,882	86,135
Retained earnings	487,015	389,099
Total Equity	<u>1,023,233</u>	<u>926,576</u>
Non-current Liabilities		
Provision for retirement benefits	5,785	5,942
Deferred tax liabilities	14,630	14,230
	<u>20,415</u>	<u>20,172</u>
Current Liabilities		
Loans and borrowings	862,960	1,300,283
Payables and accruals	246,915	197,784
Current tax liabilities	658	730
	<u>1,110,533</u>	<u>1,498,797</u>
Total Liabilities	<u>1,130,948</u>	<u>1,518,969</u>
TOTAL EQUITY AND LIABILITIES	<u>2,154,181</u>	<u>2,445,545</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.04</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 six months ended 30 June 2016

	6 months ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	102,836	(8,782)
Adjustments for non-cash items	26,807	72,188
Operating profit before working capital changes	129,643	63,406
Changes in working capital		
Net change in current assets	287,787	42,383
Net change in current liabilities	49,127	(39,117)
Interest received	638	759
Interest paid	(20,944)	(23,367)
Tax paid	(2,973)	(3,825)
Tax refunded	188	1,320
Retirement benefits paid	(490)	(460)
Net cash flows generated from operating activities	442,976	41,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	1
Proceeds from disposal of property, plant and equipment	703	231
Acquisition of associate	-	(300)
Purchase of property, plant and equipment	(12,478)	(5,792)
Net cash flows used in investing activities	(11,775)	(5,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(434,828)	(18,121)
Share buybacks	(6)	(21)
Interest paid	(3,673)	(7,224)
Dividends paid to shareholders	-	(5,007)
Additional of fixed deposit pledged with licensed banks	(66)	(51)
Net cash flows used in financing activities	(438,573)	(30,424)
Net change in cash and cash equivalents	(7,372)	4,815
Effects of foreign exchanges rate changes	(1,188)	1,371
Cash and cash equivalents at beginning of year	58,709	57,018
Cash and cash equivalents at end of period	50,149	63,204

Cash and cash equivalents

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

	6 months ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Cash and bank balances	53,921	68,049
Less: Restricted bank balances	(3,772)	(4,845)
	50,149	63,204

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.

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**Condensed Consolidated Statements of Changes in Equity
For the six months ended 30 June 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	-	-	-	97,916	97,916
Other comprehensive loss for the period	-	(1,253)	-	-	(1,253)
Total comprehensive (loss)/income for the period	-	(1,253)	-	97,916	96,663
Share buybacks	-	-	(6)	-	(6)
At 30 June 2016	522,708	84,882	(71,372)	487,015	1,023,233
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

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 SIX MONTHS ENDED 30 JUNE 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.

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative

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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 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Clarifications to 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 impacts 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 quarter and six months ended 30 June 2016.

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 2016.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, there were no issuances, cancellations, resale or repayment of debt and equity securities. As at 30 June 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.

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6 DIVIDENDS PAID

No dividend was paid during the financial period ended 30 June 2016 (6 months ended 30 June 2015: RM5,006,510).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the six months ended 30 June 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	750,405	322,741	1,038	-	1,074,184
Inter-segment	132,365	88	12,024	(144,477)	-
	<u>882,770</u>	<u>322,829</u>	<u>13,062</u>	<u>(144,477)</u>	<u>1,074,184</u>
RESULTS					
Segment results	99,649	22,850	4,525	(194)	126,830
Finance costs					(24,617)
Interest income					638
Share of associates results					(15)
Income tax expense					(4,920)
Profit for the period					<u>97,916</u>
Segment assets	<u>1,768,213</u>	<u>574,501</u>	<u>127,909</u>	<u>(316,442)</u>	<u>2,154,181</u>
Segment liabilities	<u>1,042,848</u>	<u>386,502</u>	<u>36,658</u>	<u>(335,057)</u>	<u>1,130,948</u>

7.2 Geographical Segments

	6 months ended 30.06.2016 RM'000
Revenue from external customers	
Malaysia	1,063,829
Singapore	10,355
Non-current assets	
Malaysia	1,049,155
Singapore	2,161

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8 PROFIT BEFORE TAX

	3 months ended 30.06.2016 RM'000	6 months ended 30.06.2016 RM'000
Profit before tax is arrived at after charging:		
Allowance for diminution in value of raw materials	3,157	4,134
Allowance for doubtful debts	568	568
Amortisation of prepaid lease payments	49	98
Depreciation of investment properties	12	24
Depreciation of property, plant and equipment	10,070	21,846
Interest expenses	10,757	24,617
and after crediting:		
Bad debts recovered	-	1
Interest income	439	638
Net foreign exchange gain	826	7,832
Recovery of specific doubtful debts	357	357
Reversal of inventories written down to net realisable value	864	19,330

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.

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12 CAPITAL COMMITMENTS

The capital commitments as at 30 June 2016 were as follows:-

	<u>RM'000</u>
(a) contracted but not provided for	14,996
(b) approved but not contracted for	<u>5,881</u>

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM584.66 million in the quarter ended 30 June 2016 ("2Q16"), an increase of RM83.39 million or 16% as compared to the revenue of RM501.27 million in the quarter ended 30 June 2015 ("2Q15"). Riding on the improved market sentiments and recovery in steel prices, which led to higher selling price and tonnage sold, both Manufacturing and Trading segments' revenue increased by RM60.90 million and RM22.49 million from its reported revenue in 2Q15 of RM343.91 million and RM 156.84 million to RM404.81 million and RM179.33 million respectively in 2Q16.

The Group registered a profit before tax ("PBT") of RM95.44 million in 2Q16 as compared to loss before tax ("LBT") of RM16.27 million in 2Q15 as a result of recovery in selling price of various steel products despite persistent influx of Chinese steel products. Higher profitability was also attributable to significant earnings contribution from our investment in hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") technology which has enabled the Group to vastly improve its cost structure. Both Manufacturing and Trading Divisions contributed positively to the Group, recorded a segmental operating profit of RM93.56 million and RM11.45 million respectively in 2Q16 as compared to segmental operating loss of RM7.57 million and segmental operating profit RM2.40 million respectively in 2Q15.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM584.66 million in 2Q16, RM95.13 million higher than the revenue of RM489.53 million for 1Q16. The Group posted a PBT of RM95.44 million in the current quarter, RM88.04 million higher than the PBT of RM7.40 million recorded in the preceding quarter. Higher revenue for the current quarter were mainly attributable to recovery in selling prices of various steel products. Higher profitability for the current quarter was mainly attributable to volatility in selling prices and an improved cost structure derived from our investment in the hybrid BF-EAF technology.

15 PROSPECT

The global steel market witnessed a spike in prices in March-April. The surge in prices was mainly prompted by the Chinese government's initiatives to deal with closure of loss-making, excess steel-making capacity and zombie companies. Nevertheless, steel prices softened on slowing construction activity in many markets mainly disrupted by seasonal lulls such as heavy rainfall in part of China, summer holidays, Ramadan months and festive season in various regions including home country. Steel prices started to rise again in second half of the year with the recovery in demand in tandem with expectation of acceleration of the capacity cutting in China. Steel market is expected to remain highly volatile and is set to rise on the real impact from China's capacity cut and demand boosts.

On the domestic front, steel demand is expected to be fundamentally driven by the rollout of numerous mega infrastructure projects including MRT II, LRT Line III and TRX, as well as the construction of major high-rise buildings such as Menara Warisan Merdeka. The imposition of trade measures on China by certain neighbouring countries, also creates large regional opportunities. This provides the Group with flexibility of selling to domestic and/or export markets, depending on price and market conditions.

Our investments in blast furnace coupled with seamless integration with the existing Electric Arc Furnace has finally realised its true potential. This hybrid technology not just enables the Group to be among the lowest cost producer in this region but also provides the much needed operational flexibility in dealing with highly volatile market conditions. The Group's operational flexibility in terms of feed material selection, production mode, product mix as well as pricing strategies will continue to be the main focus for competitiveness enhancement and growth sustainability.

Riding on improved market sentiments and price normalization in both domestic and international markets, the Group's performance is expected to remain satisfactory for the remaining period of 2016. However, the Group's profitability is still largely dependent on the effectiveness of the Chinese government to eliminate steel overcapacity as well as Malaysian government to curb the imports of steel products into 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.

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17 INCOME TAX

The income tax expenses comprise of:-

	3 months ended 30.06.2016 RM'000	6 months ended 30.06.2016 RM'000
Income tax		
Current period	928	1,559
Deferred tax		
Current period	2,117	3,361
	<u>3,045</u>	<u>4,920</u>

The Group's effective tax rate for the financial period were lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets of RM 21.18 million and RM 24.61 million for the quarter and six months ended 30 June 2016 respectively.

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) proposed 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 ("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 preference shares ("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 referred to as the "Proposals")

On 13 July 2016, the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad.

Save as disclosed above, there were no other corporate proposals announced but not completed as at the date of this report.

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19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 June 2016 were as follows:-

Unsecured short term borrowings	RM'000 <u>862,960</u>
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The Group's borrowings are denominated in MYR, except for approximately RM69.52 million (USD17.25 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.

21 DIVIDEND

On 15 August 2016, the Board of Directors approved and declared a special single-tier dividend of 6 sen per ordinary share in respect of the financial year ending 31 December 2016. The declaration of this special dividend is in conjunction with the Group's 70th Anniversary and will be paid on 28 October 2016 to the Depositors registered in the Record of Depositors at the close of the business on 10 October 2016 (2Q2015: 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 six months ended 30 June 2016 as set out below:

		3 months ended 30.06.2016	6 months ended 30.06.2016
Total profit attributable to owners of the Parent	(RM'000)	92,395	97,916
Weighted average number of ordinary shares in issue or issuable	('000)	500,569	500,572
Basic and diluted EPS	(sen)	<u>18.46</u>	<u>19.56</u>

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23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 June 2016 were analysed as follows:

	30.06.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	605,180	504,298
Unrealised	71,243	73,473
	<u>676,423</u>	<u>577,771</u>
Total share of retained earnings from associate:		
Realised	(47)	(32)
	<u>676,376</u>	<u>577,739</u>
Less: Consolidated adjustments	(189,361)	(188,640)
Total group retained earnings	<u>487,015</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.

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 15 August 2016.

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