



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 2018**



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2018

| | 3 months ended | | 9 months ended | |
|--|-----------------------|------------------|-----------------------|------------------|
| | 30.9.2018 | 30.9.2017 | 30.9.2018 | 30.9.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 547,694 | 595,149 | 1,646,383 | 1,585,065 |
| Operating expenses | (522,499) | (528,545) | (1,494,156) | (1,372,690) |
| Other income | 22,953 | 2,489 | 25,644 | 10,438 |
| Finance costs | (10,916) | (9,786) | (28,608) | (30,250) |
| Share of results of associates | 2 | 4 | 4 | 11 |
| Profit before tax | 37,234 | 59,311 | 149,267 | 192,574 |
| Income tax expense | (2,850) | (12,074) | (32,738) | (42,718) |
| Profit for the period | 34,384 | 47,237 | 116,529 | 149,856 |
| Other comprehensive income | | | | |
| <u>Item that will not be reclassified</u> | | | | |
| <u>subsequently to profit or loss:</u> | | | | |
| Net change in revaluation of financial investments at fair value through other comprehensive income | (2) | 2 | (29) | 3 |
| <u>Items that will be reclassified</u> | | | | |
| <u>subsequently to profit or loss:</u> | | | | |
| Foreign currency translation differences for foreign operations | 595 | (370) | 607 | (1,350) |
| Cash flow hedges | 810 | - | 664 | 168 |
| Other comprehensive income/(loss) for the period, net of tax | 1,403 | (368) | 1,242 | (1,179) |
| Total comprehensive income for the period | 35,787 | 46,869 | 117,771 | 148,677 |
| Profit attributable to: | | | | |
| Owners of the parent | 34,384 | 47,237 | 116,529 | 149,856 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 35,787 | 46,869 | 117,771 | 148,677 |
| Earnings per share ("EPS") (sen): | | | | |
| Basic EPS | 6.40 | 9.28 | 22.01 | 29.69 |
| Diluted EPS | 5.60 | 7.75 | 19.18 | 24.68 |

The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Financial Position
As at 30 September 2018

| | 30.9.2018 | 31.12.2017 |
|---|------------------|-------------------|
| | RM'000 | RM'000 |
| | | (audited) |
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 989,440 | 1,001,544 |
| Prepaid lease payments | 10,061 | 10,208 |
| Investment properties | 3,928 | 3,964 |
| Intangible assets | 7,468 | 7,468 |
| Investment in associates | 503 | 499 |
| Other investments | 40 | 69 |
| Deferred tax assets | 9,486 | 21,802 |
| Total Non-current Assets | 1,020,926 | 1,045,554 |
| Current Assets | | |
| Inventories | 1,123,012 | 846,718 |
| Trade receivables | 403,541 | 394,997 |
| Other receivables, deposits and prepayments | 67,933 | 34,997 |
| Derivative assets | 810 | 216 |
| Current tax assets | 11,371 | 9,837 |
| Cash and bank balances | 32,538 | 56,529 |
| Total Current Assets | 1,639,205 | 1,343,294 |
| TOTAL ASSETS | 2,660,131 | 2,388,848 |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Owners of the Parent | | |
| Share Capital | 612,016 | 573,163 |
| Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component | 2,761 | 3,440 |
| Treasury shares | (71,554) | (74,156) |
| Other reserves | 76,402 | 69,793 |
| Retained earnings | 669,810 | 655,099 |
| Total Equity | 1,289,435 | 1,227,339 |
| Non-current Liabilities | | |
| Loans and borrowings | 1,257 | 1,384 |
| RCPS - Liability component | 42,589 | 51,969 |
| Provision for retirement benefits | 4,798 | 5,207 |
| Deferred tax liabilities | 41,635 | 28,792 |
| Total Non-current Liabilities | 90,279 | 87,352 |
| Current Liabilities | | |
| Loans and borrowings | 1,066,756 | 844,063 |
| Trade payables | 125,743 | 142,686 |
| Other payables, deposits and accruals | 86,462 | 86,740 |
| Derivative liabilities | - | 25 |
| Current tax liabilities | 1,456 | 643 |
| Total Current Liabilities | 1,280,417 | 1,074,157 |
| Total Liabilities | 1,370,696 | 1,161,509 |
| TOTAL EQUITY AND LIABILITIES | 2,660,131 | 2,388,848 |
| Net assets per share attributable to owners of the parent (RM) | 2.40 | 2.38 |

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statements of Changes in Equity**
For the nine months ended 30 September 2018

| | ----- Non-distributable ----- | | | ----- Distributable ----- | | Total equity RM'000 |
|--|-------------------------------|-----------------------------------|--------------------------|---------------------------|-----------------------------|------------------------|
| | Share capital RM'000 | RCPS - Equity component RM'000 | Other reserves RM'000 | Treasury shares RM'000 | Retained earnings RM'000 | |
| At 1 January 2018 | 573,163 | 3,440 | 69,793 | (74,156) | 655,099 | 1,227,339 |
| Profit for the period | - | - | - | - | 116,529 | 116,529 |
| Other comprehensive income for the period | - | - | 1,242 | - | - | 1,242 |
| Total comprehensive income for the period | - | - | 1,242 | - | 116,529 | 117,771 |
| Dividends to owners of the Company | - | - | - | - | (101,818) | (101,818) |
| Conversion of RCPS | 38,853 | (679) | - | - | - | 38,174 |
| Long Term Incentive Plan ("LTIP"): | | | | | | |
| - Share-based payments expenses | - | - | 7,969 | - | - | 7,969 |
| - Share transferred | - | - | (2,602) | 2,602 | - | - |
| At 30 September 2018 | 612,016 | 2,761 | 76,402 | (71,554) | 669,810 | 1,289,435 |
| At 1 January 2017 | 522,842 | 3,926 | 86,920 | (71,389) | 525,840 | 1,068,139 |
| Profit for the period | - | - | - | - | 149,856 | 149,856 |
| Other comprehensive loss for the period | - | - | (1,179) | - | - | (1,179) |
| Total comprehensive income for the period | - | - | (1,179) | - | 149,856 | 148,677 |
| Transition to no par value regime ¹ | 22,665 | - | (22,665) | - | - | - |
| Share buybacks | - | - | - | (2,767) | - | (2,767) |
| Dividends to owners of the Company | - | - | - | - | (76,126) | (76,126) |
| Conversion of RCPS | 20,583 | (363) | 217 | - | - | 20,437 |
| Long Term Incentive Plan ("LTIP"): | | | | | | |
| - Share-based payments expenses | - | - | 4,236 | - | - | 4,236 |
| At 30 September 2017 | 566,090 | 3,563 | 67,529 | (74,156) | 599,570 | 1,162,596 |

¹ Pursuant to Section 618(2) of the Companies Act 2016 ("New Act") which came into effect on 31 January 2017, the credit standing in the share premium account of RM22,665,000 has been transferred to and became part of the share capital account. Pursuant to Section 618(3) of the New Act, the Group may exercise its rights to use the credit amounts from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Cash Flows
For the nine months ended 30 September 2018

| | 9 months ended | |
|--|-----------------------|------------------|
| | 30.9.2018 | 30.9.2017 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 149,267 | 192,574 |
| Adjustments for non-cash items | 81,721 | 61,683 |
| Operating profit before working capital changes | 230,988 | 254,257 |
| Changes in working capital | | |
| Net change in current assets | (324,391) | (5,969) |
| Net change in current liabilities | (17,892) | 15,223 |
| Interest received | 1,530 | 1,235 |
| Interest paid | (26,706) | (27,470) |
| Tax paid | (8,316) | (4,718) |
| Tax refunded | 28 | 396 |
| Retirement benefits paid | (499) | (1,790) |
| Net cash flows (used in)/generated from operating activities | (145,258) | 231,164 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 19 | 13 |
| Proceeds from disposal of property, plant and equipment | 110 | 4,319 |
| Purchase of property, plant and equipment | (20,196) | (23,125) |
| Net cash flows used in investing activities | (20,067) | (18,793) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net drawdown/(repayment) of bank borrowings | 215,269 | (134,434) |
| Share buybacks | - | (2,767) |
| Proceeds from the conversion of RCPS | 28,060 | 15,022 |
| Interest paid | (55) | (74) |
| Dividends paid to shareholders | (101,818) | (76,126) |
| Dividend paid to holders of RCPS | (1,112) | (1,484) |
| Withdrawal of fixed deposit pledged with licensed banks | - | 3,755 |
| Net cash flows generated from/(used in) financing activities | 140,344 | (196,108) |
| Net change in cash and cash equivalents | (24,981) | 16,263 |
| Effects of foreign exchanges rate changes | 990 | (1,461) |
| Cash and cash equivalents at beginning of period | 56,520 | 51,169 |
| Cash and cash equivalents at end of period | 32,529 | 65,971 |

Cash and cash equivalents

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

| | 9 months ended | |
|--------------------------------|-----------------------|------------------|
| | 30.9.2018 | 30.9.2017 |
| | RM'000 | RM'000 |
| Cash and bank balances | 32,538 | 65,988 |
| Less: Restricted bank balances | (9) | (17) |
| | 32,529 | 65,971 |

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

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 2017. 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 2017.

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 2017, except for the following new and amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of New MFRSs, Amendments to MFRSs and IC Interpretation

On 1 January 2018, the Group adopted the following new MFRSs, amendments to MFRSs and IC Interpretation mandatory for annual financial period 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 |
| Amendments to MFRS 1 | Annual Improvements to MFRS Standards 2014–2016 Cycle |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 128 | Annual Improvements to MFRS Standards 2014–2016 Cycle |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

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



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

1 BASIS OF PREPARATION (CONTINUED)

1.1 Adoption of New MFRSs, Amendments to MFRSs and IC Interpretation (continued)

Effective for financial periods beginning on or after 1 January 2019

| | |
|------------------------|---|
| MFRS 16 | Leases |
| Amendments to MFRS 3 | Annual Improvements to MFRS Standards 2015–2017 Cycle |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to MFRS 11 | Annual Improvements to MFRS Standards 2015–2017 Cycle |
| Amendments to MFRS 112 | Annual Improvements to MFRS Standards 2015–2017 Cycle |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |
| Amendments to MFRS 123 | Annual Improvements to MFRS Standards 2015–2017 Cycle |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |

Effective for financial periods beginning on or after 1 January 2020

| | |
|------------------------|---|
| Amendments to MFRS 2 | Shared-based Payments |
| Amendment to MFRS 3 | Business Combinations |
| Amendments to MFRS 6 | Exploration for and Evaluation of Mineral Resources |
| Amendment to MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 101 | Presentation of Financial Statements |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to MFRS 134 | Interim Financial Reporting |
| Amendment to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| Amendment to MFRS 138 | Intangible Assets |
| Amendments to:- | |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| IC Interpretation 20 | Stripping Cost in the Production Phase of a Surface Mine |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| IC Interpretation 132 | Intangible Assets – Web Site Costs |

Effective for financial periods beginning on or after 1 January 2021

| | |
|---------|---------------------|
| MFRS 17 | Insurance Contracts |
|---------|---------------------|

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 |
|------------------------------------|---|

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 16 *Leases*. The Group is still in the progress of assessing the financial impacts of MFRS 16.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

2 SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Except for 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 2018.

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 2018.

5 DEBT AND EQUITY SECURITIES

5.1 Redeemable Convertible Cumulative Preference Shares ("RCPS")

During the quarter under review, 1,037,200 RCPS were converted into 1,037,200 ordinary shares of the Company. As a result, the issued ordinary share capital of the Company increased from 558,874,214 ordinary shares to 559,911,414 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

5.2 Treasury shares

During the quarter under review, there were no cancellations, resale or repurchase of any treasury shares. As at 30 September 2018, out of total 559,911,414 issued paid ordinary shares, 22,235,900 shares were held as treasury shares at an average price of RM3.22 per share.

Save as disclosed above, there were no issuances, cancellations, resale or repayment of debt and equity securities during the quarter ended 30 September 2018.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

6 DIVIDENDS PAID

The following dividends were paid during the current and previous corresponding financial year ending:

| | 30.9.2018 | 30.9.2017 |
|---|-------------------|-------------------|
| First interim dividend | | |
| For the financial year ending/ended | 31 December 2018 | 31 December 2017 |
| Approved and declared on | 27 August 2018 | 22 August 2017 |
| Date paid | 27 September 2018 | 21 September 2017 |
| Number of ordinary shares on which dividends were paid ('000) | 537,676 | 510,226 |
| Interim dividend per share (single-tier) | 6 sen | 6 sen |
| Net dividend paid (RM'000) | 32,261 | 30,614 |
| Second interim dividend | | |
| For the financial year ended | 31 December 2017 | 31 December 2016 |
| Approved and declared on | 23 February 2018 | 21 February 2017 |
| Date paid | 21 May 2018 | 19 May 2017 |
| Number of ordinary shares on which dividends were paid ('000) | 535,049 | 505,680 |
| Interim dividend per share (single-tier) | 13 sen | 9 sen |
| Net dividend paid (RM'000) | 69,557 | 45,511 |
| First semi-annual RCPS dividend | | |
| For the financial year ending/ended | 31 December 2018 | 31 December 2017 |
| Approved and declared on | 25 May 2018 | 23 May 2017 |
| Date paid | 21 June 2018 | 16 June 2017 |
| Number of RCPS on which dividends were paid ('000) | 88,974 | 118,745 |
| Dividend per share (single-tier) | 1.25 sen | 1.25 sen |
| Net dividend paid (RM'000) | 1,112 | 1,484 |



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

7 PROFIT BEFORE TAX

| | 3 months ended 30.9.2018 RM'000 | 9 months ended 30.09.2018 RM'000 |
|--|--|---|
| Profit before tax is arrived at after charging: | | |
| Allowance for inventories written down | 1,691 | 6,359 |
| Depreciation and amortisation | 12,155 | 32,099 |
| Finance cost | | |
| - Interest expenses | 10,287 | 26,761 |
| - RCPS unwinding of discount | 629 | 1,847 |
| LTIP share-based payments expenses | 2,656 | 7,968 |
| Net (reversal of)/impairment loss on receivables | (356) | 1,607 |
| Foreign exchange loss | | |
| - Realised foreign exchange (gain) | (374) | (3,528) |
| - Unrealised foreign exchange loss | 5,705 | 8,102 |
| and after crediting: | | |
| Bad debts recovered | 23 | 248 |
| Compensation for delay in plant completion | 25,211 | 25,211 |
| Gain on disposal of property, plant and equipment | 73 | 105 |
| Interest income | 578 | 1,549 |

8 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.

9 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

10 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

11 CAPITAL COMMITMENTS

The capital commitments as at 30 September 2018 were as follows:

| | RM'000 |
|-------------------------------------|---------------|
| (a) contracted but not provided for | 10,051 |
| (b) approved but not contracted for | 17,851 |

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018****12 REVIEW OF PERFORMANCE**

| | <u>3 months ended</u> | | <u>Changes</u> (%) | <u>9 months ended</u> | | <u>Changes</u> (%) |
|--|----------------------------|----------------------------|-----------------------|----------------------------|----------------------------|-----------------------|
| | <u>30.9.2018</u> RM'000 | <u>30.9.2017</u> RM'000 | | <u>30.9.2018</u> RM'000 | <u>30.9.2017</u> RM'000 | |
| Revenue | | | | | | |
| Manufacturing | 414,875 | 516,279 | (19.64) | 1,303,700 | 1,309,371 | (0.43) |
| Trading | 290,795 | 208,056 | 39.77 | 808,792 | 600,313 | 34.73 |
| Investment holding, property management and others | 7,779 | 6,557 | 18.64 | 23,389 | 19,659 | 18.97 |
| Adjustments and elimination | (165,755) | (135,743) | 22.11 | (489,498) | (344,278) | 42.18 |
| Group revenue | 547,694 | 595,149 | (7.97) | 1,646,383 | 1,585,065 | 3.87 |
| Segment profit | | | | | | |
| Manufacturing | 44,127 | 57,239 | (22.91) | 157,748 | 179,959 | (12.34) |
| Trading | 996 | 10,298 | (90.33) | 12,318 | 39,541 | (68.85) |
| Investment holding, property management and others | 1,792 | 1,086 | 65.01 | 5,788 | 2,676 | 116.29 |
| Adjustments and elimination | 655 | (111) | (690.09) | 468 | (611) | (176.60) |
| | 47,570 | 68,512 | (30.57) | 176,322 | 221,565 | (20.42) |
| Finance costs | (10,916) | (9,786) | 11.55 | (28,608) | (30,250) | (5.43) |
| Interest income | 578 | 581 | (0.52) | 1,549 | 1,248 | 24.12 |
| Share of results of associates | 2 | 4 | (50.00) | 4 | 11 | (63.64) |
| Profit before tax | 37,234 | 59,311 | (37.22) | 149,267 | 192,574 | (22.49) |

Lower revenue in the third quarter of 2018 (“3Q2018”) compared to the third quarter of 2017 (“3Q2017”) was mainly due to lower tonnage sold amidst soft market demand.

Higher revenue in nine months of 2018 (“9M2018”) compared to the corresponding period of the preceding year was attributed to higher selling price of which was in line with the uptrend of international steel prices in first half of 2018.

Lower profitability in 3Q2018 and also 9M2018 was mainly attributable to i) lower tonnage sold, ii) margin erosion triggered by rising cost of scrap metal, coking coal and iron ore, and iii) net forex loss on weakened Malaysian Ringgit (“MYR”) against United States Dollar (“USD”). The decline in profitability was partially mitigated by improved production efficiency and the recognition of compensation for delay in plant completion of RM25.21 million arising from the awards of an arbitration in 3Q2018.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

| | 3 months ended | | Changes (%) |
|-------------------|---------------------|---------------------|----------------|
| | 30.9.2018 RM'000 | 30.6.2018 RM'000 | |
| Revenue | 547,694 | 509,625 | 7.47 |
| Profit before tax | 37,234 | 29,312 | 27.03 |

Higher revenue in 3Q2018 was due to higher export tonnage sold. Selling prices were, however, lower in 3Q2018. Higher profitability was due to recognition of compensation for delay in plant completion of RM25.21 million arising from the awards of an arbitration.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the nine months ended 30 September 2018 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 | 842,010 | 804,027 | 346 | - | 1,646,383 |
| Inter-segment | 461,690 | 4,765 | 23,043 | (489,498) | - |
| | 1,303,700 | 808,792 | 23,389 | (489,498) | 1,646,383 |
| RESULTS | | | | | |
| Segment profit | 157,748 | 12,318 | 5,788 | 468 | 176,322 |
| Finance costs | | | | | (28,608) |
| Interest income | | | | | 1,549 |
| Share of associates' results | | | | | 4 |
| Income tax expense | | | | | (32,738) |
| Profit for the year | | | | | 116,529 |
| Segment assets | 2,149,252 | 817,084 | 166,219 | (472,424) | 2,660,131 |
| Segment liabilities | 1,156,473 | 595,455 | 98,168 | (479,400) | 1,370,696 |



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

| | 9 months ended 30.9.2018 RM'000 |
|--|--|
| Revenue from external customers | |
| Malaysia | 1,620,023 |
| Singapore | <u>26,360</u> |
| Non-current assets | |
| Malaysia | 1,010,103 |
| Singapore | <u>1,297</u> |

15 PROSPECTS

Domestic steel demand from both infrastructure and property segments remain soft. Furthermore, year-end monsoon periods affect the work progress of ongoing construction activity.

The global steel industry continues to be negatively affected by ongoing trade frictions around the world and in particular, the impact of steel tariffs imposed on various countries by United States. This market disruption is currently depressing steel prices in export markets, which in turn, affects the profitability of the Group's exports.

While global market conditions remain uncertain given evolving policy measures by various countries, the domestic steel industry could see a bottoming of demand in the first half of 2019 as the pace of steel demand may pick up in the second half of 2019 for selected large infrastructure and railway projects and high-impact development projects.

The Group continues to place strong emphasis on cost and operating efficiency as well as balance sheet management. As such, the Group is undertaking selective measures to upgrade its production facilities and actively manage its debt and inventory levels. The Group believes such measures will contribute to its competitive position once steel market recovers.

Taking into consideration the challenging industry dynamics which are beyond the Group's control, the Group's performance for the remainder of the year is heavily dependent on the price trend of steel products in both domestic and export markets.

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 2018.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

17 INCOME TAX

The income tax expenses comprise:

| | 3 months ended 30.9.2018 RM'000 | 9 months ended 30.9.2018 RM'000 |
|-------------------------------|--|--|
| Income tax | | |
| Current period | 2,773 | 7,493 |
| Under-provision in prior year | 41 | 41 |
| Deferred tax | | |
| Current period | 2,202 | 27,370 |
| Over-provision in prior year | (2,166) | (2,166) |
| | <u>2,850</u> | <u>32,738</u> |

The Group's effective tax rate for the quarter and for the financial period ended 30 September 2018 was lower than the statutory tax rate mainly due to certain income not subject to tax for the quarter and nine months ended 30 September 2018.

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 and debts securities as at 30 September 2018 were as follows:

a) Group borrowings

| | 30.09.2018 RM'000 | 30.09.2017 RM'000 |
|----------------------------------|------------------------------|------------------------------|
| <u>Secured</u> | | |
| Short-term borrowings | | |
| Obligations under finance leases | 486 | 441 |
| Long-term borrowings | | |
| Obligations under finance leases | 1,257 | 1,497 |
| | <u>1,743</u> | <u>1,938</u> |
| <u>Unsecured</u> | | |
| Short-term borrowings | | |
| Bill payables | 806,245 | 713,560 |
| Revolving credit | 30,000 | 12,000 |
| Foreign currency trade loan | 230,025 | 95,212 |
| | <u>1,066,270</u> | <u>820,772</u> |
| | <u>1,068,013</u> | <u>822,710</u> |



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings was as follows:

| | 30.9.2018 | | 30.9.2017 | |
|--------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | USD denomination (‘000) | RM equivalent (‘000) | USD denomination (‘000) | RM equivalent (‘000) |
| <u>Unsecured</u> | | | | |
| Short-term borrowings | | | | |
| Foreign currency trade loan | 55,527 | 230,025 | 22,527 | 95,212 |

b) Debts securities - RCPS

| | No of RCPS (‘000) | Amount RM’000 |
|--|----------------------|------------------|
| At the beginning of financial year | 109,521 | 55,409 |
| Less: Converted during the year | (21,585) | (10,794) |
| Add: Unwinding of discount charged to profit or loss | - | 1,847 |
| Less: Dividend paid | - | (1,112) |
| At the end of financial year end | 87,936 | 45,350 |
| Liability component | | 42,589 |
| Equity component | | 2,761 |
| | | 45,350 |

20 FINANCIAL INSTRUMENTS

The Group’s outstanding derivatives as at 30 September 2018 were as follows:

| | Notional Value RM’000 | Fair Value RM’000 | Net Gain RM’000 |
|-----------------------------|--------------------------|----------------------|--------------------|
| Commodity Future Contracts: | | | |
| - Less than one year | 11,707 | 12,517 | 810 |

There is no change to the Group’s financial risk management policies in managing these derivatives, its related accounting policies and the market risk associated with these derivatives since the last financial year.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21 MATERIAL LITIGATIONS

21.1 In the Matter of an Arbitration Between Ann Joo Integrated Steel Sdn. Bhd. (“AJIS”) (Claimant) and Tangshan Iron & Steel International Engineering Technology Co. Ltd (“Tangshan”) (Respondent)

AJIS, a wholly-owned subsidiary of Ann Joo Resources Berhad, had commenced an arbitration proceeding against Tangshan for, inter alia:

- (i) USD10,200,000.00 as liquidated ascertained damages on account of Tangshan’s delay in completing the works as per the Contract;
- (ii) USD5,470,533.28 for various breaches and/or non-performance of the Contract by Tangshan; and
- (iii) USD1,250,000.00 for the refund of excess or mistaken payment.

Tangshan had on 20 October 2016 filed their statement of Defense and Counterclaim and counterclaimed for the sum of USD43,341,733.07 and RMB8,757,617.38 based on various claims under the Contract and disputes that have arisen from the execution of the project.

Upon the receipt of the Final Award dated 13 July 2018 (“Final Award”) from the Arbitral Tribunal, AJIS had on 1 August 2018 announced that the Arbitral Tribunal via the Final Award awarded as follows:

(A) Tangshan shall forthwith pay to AJIS the following sums:

- (i) RM4,278,300.00 for failing to complete four items of Works under the Contract;
- (ii) USD523,738.00 for spare parts not supplied; and
- (iii) USD22,231.75 (being 50% of the total amount of disbursements and expenses paid by AJIS for fees and other services to Maxwell Chambers, Singapore and fees for transcription services).

(B) AJIS shall forthwith pay to Tangshan the following sums:

- (i) RMB1,357,322.38 for servicing the performance bond and any additional sums paid by or due from the Respondent to maintain the Performance Bond up to the date of its release; and
- (ii) USD3,156,800.00 for remaining sum payable under the Contract.

(C) AJIS and Tangshan shall be entitled to be paid interest on the amounts of the respective awards at 4% per annum for USD and 6% for RM from the date of first Notice of Arbitration, i.e., 28 February 2014 until the date of payment, except that interest on the bond fees paid or payable by the Respondent to maintain the Performance Bond shall accrue from the dates on which the bond fees were paid.

(D) The cost of arbitration shall be borne by each party equally.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21 MATERIAL LITIGATIONS (CONTINUED)

21.1 In the Matter of an Arbitration Between Ann Joo Integrated Steel Sdn. Bhd. (“AJIS”) (Claimant) and Tangshan Iron & Steel International Engineering Technology Co. Ltd (“Tangshan”) (Respondent) (continued)

(E) The parties are entitled to set-off the total sums, including interest, awarded to them under this Award.

(F) All other claims and counterclaims are hereby dismissed.

On 8 August 2018, an application to request for an additional award was made to the Tribunal by AJIS on the omitted claims which the Tribunal did not deal with in the Final Award. On 21 September 2018, AJIS received the additional award dated 17 September 2018 from the Arbitral Tribunal (“Additional Award”), amongst which it is ordered and awarded that Tangshan shall pay to AJIS the following sums:

- (i) RM24,102,483.34 being the additional cost of production or losses due to late start-up of the Pulverized Coal Injection (“PCI”) for the period between October 2011 and March 2012; and
- (ii) RM1,108,495.19 being the additional cost of production or losses due to late start-up of the Top Pressure Recovery Turbines (“TRT”) for the period between October 2011 and August 2012;

together with the interest at 6% per annum from the date of the first Notice of Arbitration i.e. 28 February 2014 until the date of payment.

Upon the issuance of the Additional Award, the arbitration proceedings have come to a close.

21.2 In the High Court of Malaya at Pulau Pinang Civil Suit No: 22-274-2010 Between Ann Joo Steel Berhad (“AJSB”) (Plaintiff) And Tenaga Nasional Berhad & 2 Others (Defendant)

AJSB, a wholly-owned subsidiary of Ann Joo Resources Berhad had filed a suit against the Defendants for trespass on Lot No. 78, Seberang Perai Tengah, Bandar Prai, Pulau Pinang (“the Land”) registered in the name of AJSB.

On 22 August 2016, the High Court had delivered a decision in favour of AJSB and the Defendants had filed Notices of Appeal against the High Court Decision. On 24 July 2017, the Court of Appeal overturned the High Court decision of which the Ground Judgment of the Court of Appeal was obtained on 21 September 2017.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21 MATERIAL LITIGATIONS (CONTINUED)

21.2 In the High Court of Malaya at Pulau Pinang Civil Suit No: 22-274-2010 Between Ann Joo Steel Berhad (“AJSB”) (Plaintiff) And Tenaga Nasional Berhad & 2 Others (Defendant) (continued)

AJSB had on 23 August 2017 filed its applications for leave to appeal to the Federal Court against the Court of Appeal’s Orders. On the date of hearing on 22 January 2018, the Federal Court has allowed AJSB's application for leave to appeal and pursuant thereto, AJSB had filed the Notices of Appeal on 26 January 2018.

The hearing date for AJSB's appeal at the Federal Court fixed on 30 August 2018 had been adjourned to 3 December 2018.

The solicitors in-charge are of the opinion that there is an even chance of success in the appeal.

21.3 Kuala Lumpur High Court Suit No.: WA-22NCvC-303-06/2017 between Amsteel Mills Sdn Bhd (“Amsteel”) and Ann Joo Steel Berhad (“AJSB”)

AJSB had on 21 June 2017 received a Written Statement of Claim filed by the solicitors of Amsteel alleging wrongful termination of the supply Contract and Addendum by AJSB.

On 26 September 2017, Judge had allowed Amsteel’s application to amend the Statement of Claim on the damages for loss of profits incurred which would otherwise have been made from the sales of Rebar and Wire Rod using the billet that were ordered in the sum of RM14,869,865. In the alternative, they also claimed for damages being the difference between the price of Rebar Billet in the Contract and Addendum and the market price of Rebar Billet at the latest date of delivery claimed for the sum of RM1,449,200. The remaining prayers within Amsteel's Statement of Claim remain unchanged.

List of witnesses including Amsteel’s expert witness had been provided to the Court together with Amsteel’s expert report. Amsteel also informed the Court that they had filed and served an application to amend their pleading on the alleged matter discussed between the parties during the 9 March 2016 meeting which the amended pleading was received by AJSB on 24 May 2018. As the amendment made by Amsteel would give no effect to the case, AJSB has no intention to oppose the application. On 5 June 2018, Court had allowed Amsteel’s amendment application and also directed Amsteel to file and serve their expert report by the next case management.

Amsteel on 23 August 2018 filed another application to re-amend their Statement of Claim which AJSB on 30 August 2018 informed the Court that AJSB will not oppose to the said application. Court therefore, had allowed Amsteel’s application with directions that:-

- (i) Amsteel to file and serve the amended Statement of Claim on 12 September 2018;
- (ii) AJSB to file and serve the amended Statement of Defence by 26 September 2018; and
- (iii) Amsteel to file and serve the amended Reply to AJSB’s Statement of Defence by 10 October 2018.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21 MATERIAL LITIGATIONS (CONTINUED)

21.3 Kuala Lumpur High Court Suit No.: WA-22NCvC-303-06/2017 between Amsteel Mills Sdn Bhd (“Amsteel”) and Ann Joo Steel Berhad (“AJSB”)

AJSB on 1 October 2018 received a discovery application filed by Amsteel for the documents relating to the revenue and/or profits gained by AJSB through the sale of Rebar Billets and Wire Rod Billets and/or finished products of Rebar Billets and Wire Rod Billets. AJSB on 8 November 2018 had filed an Affidavit in Reply to oppose the discovery application. During the case management held on 15 November 2018, Court has further directed the parties as follows:

- (i) Amsteel is to file Affidavit in Reply by 30 November 2018; and
- (ii) Both Amsteel and AJSB are to update the Court on the status of pre-trial Cause Paper and AJSB to inform the Court whether AJSB will be filing an Affidavit in Reply (in regards of the Discovery application) by the next case management to be held on 7 December 2018.

Meanwhile, the trial dates on 24 and 25 September 2018, 15 October 2018 and 18 October 2018 had been vacated and rescheduled to 24 to 28 June 2019.

No opinion could be formed by the solicitor in-charge as it is too early to determine what would be the likely outcome of the matter.

Save as disclosed above, there were no other material litigations against the Group as at the date of this report.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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22 DIVIDEND

22.1 Ordinary shares

The Board of Directors does not recommend any dividend in respect of the financial year ending 31 December 2018 (3Q2017: nil).

22.2 Redeemable Convertible Cumulative Preference Shares

On 30 November 2018, the Board of Directors approved the declaration of a semi-annual dividend of 1.25 sen per Redeemable Convertible Cumulative Preference Share in respect of the financial year ending 31 December 2018. This dividend will be paid on 31 December 2018 to the Depositors registered in the Record of Depositors at the close of the business on 18 December 2018 (3Q2017: 1.25 sen).

23 EARNINGS PER SHARE (“EPS”)

a) Basic 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 months ended 30 September 2018 as set out below:

| | | 3 months ended 30.9.2018 | 9 months ended 30.9.2018 |
|---|----------|-------------------------------------|-------------------------------------|
| Total profit attributable to owners of the Parent | (RM'000) | 34,384 | 116,529 |
| Weighted average number of ordinary shares in issue or issuable | ('000) | <u>536,934</u> | <u>529,406</u> |
| Basic EPS | (sen) | <u>6.40</u> | <u>22.01</u> |



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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23 EARNINGS PER SHARE (“EPS”) (CONTINUED)

b) Diluted EPS

Diluted 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 months ended 30 September 2018, adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived based on the assumption that full conversion of the remaining RCPS in issue into ordinary shares as at reporting date.

| | | 3 months ended 30.9.2018 | 9 months ended 30.9.2018 |
|--|----------|-------------------------------------|-------------------------------------|
| Total profit attributable to owners of the Parent | (RM’000) | 34,384 | 116,529 |
| Effects on earnings upon conversion of RCPS | (RM’000) | 629 | 1,847 |
| | (RM’000) | <u>35,013</u> | <u>118,376</u> |
| Weighted average number of ordinary shares in issue or issuable | (’000) | 536,934 | 529,406 |
| Effect of dilution from the full conversion of the remaining RCPS in issue | (’000) | <u>87,936</u> | <u>87,936</u> |
| Weighted average number of ordinary shares in issue or issuable (Diluted) | (’000) | <u>624,870</u> | <u>617,342</u> |
| Diluted EPS | (sen) | <u>5.60</u> | <u>19.18</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 30 November 2018.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Lim Swee Foon (MAICSA 7064875)
Company Secretaries
30 November 2018
Selangor Darul Ehsan