



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 2017**



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2017

	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue	595,149	323,730	1,585,065	1,397,914
Operating expenses	(528,545)	(273,719)	(1,372,690)	(1,229,295)
Other income/ (expense)	2,489	(1,024)	10,438	7,836
Finance costs	(9,786)	(9,291)	(30,250)	(33,908)
Share of results of associates	4	1	11	(14)
Profit before tax	59,311	39,697	192,574	142,533
Income tax expense	(12,074)	(16,778)	(42,718)	(21,698)
Profit for the period	47,237	22,919	149,856	120,835
Other comprehensive income				
<u>Items that may be subsequently</u>				
<u>reclassified to profit or loss:</u>				
Foreign currency translation differences for foreign operations	(370)	508	(1,350)	(698)
Change in fair value of available-for-sale financial assets	2	18	3	26
Net movement on cash flow hedge: - Foreign currency forward contracts	-	-	168	(55)
Other comprehensive (loss)/income for the period, net of tax	(368)	526	(1,179)	(727)
Total comprehensive income for the period	46,869	23,445	148,677	120,108
Profit attributable to:				
Owners of the parent	47,237	22,919	149,856	120,835
Total comprehensive income attributable to:				
Owners of the parent	46,869	23,445	148,677	120,108
Earnings per share ("EPS") (sen):				
Basic EPS	9.28	4.58	29.69	24.14
Diluted EPS	7.75	4.58	24.68	24.14

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Financial Position
As at 30 September 2017

	30.09.2017	31.12.2016
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,008,294	1,019,188
Prepaid lease payments	10,380	10,527
Investment properties	3,975	4,011
Intangible assets	7,468	7,468
Investment in associates	497	486
Other investments	64	60
Deferred tax assets	18,574	50,969
Total non-current Assets	1,049,252	1,092,709
Current Assets		
Inventories	800,448	814,905
Receivables and prepayments	372,358	370,305
Derivative assets	236	-
Current tax assets	8,103	6,138
Cash and bank balances	65,988	54,941
Total current Assets	1,247,133	1,246,289
TOTAL ASSETS	2,296,385	2,338,998
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	566,090	522,842
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity Component	3,563	3,926
Treasury shares	(74,156)	(71,389)
Other reserves	67,529	86,920
Retained earnings	599,570	525,840
Total Equity	1,162,596	1,068,139
Non-current Liabilities		
Loans and borrowings	1,497	1,831
RCPS - Liability Component	54,417	58,610
Provision for retirement benefits	5,127	6,307
Deferred tax liabilities	23,632	18,056
Total non-current liabilities	84,673	84,804
Current Liabilities		
Loans and borrowings	821,213	956,657
Payables and accruals	225,308	228,998
Derivative liabilities	-	221
Current tax liabilities	2,595	179
Total current liabilities	1,049,116	1,186,055
Total Liabilities	1,133,789	1,270,859
TOTAL EQUITY AND LIABILITIES	2,296,385	2,338,998
Net assets per share attributable to owners of the parent (RM)	2.27	2.13

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

	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 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/(loss) 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
At 1 January 2016	522,708	-	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	-	120,835	120,835
Other comprehensive loss for the period	-	-	(727)	-	-	(727)
Total comprehensive income/(loss) for the period	-	-	(727)	-	120,835	120,108
Share buybacks	-	-	-	(23)	-	(23)
At 30 September 2016	522,708	-	85,408	(71,389)	509,934	1,046,661

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Cash Flows
For the nine months ended 30 September 2017

	9 months ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	192,574	142,533
Adjustments for non-cash items	61,683	50,538
Operating profit before working capital changes	254,257	193,071
Changes in working capital		
Net change in current assets	(5,969)	213,915
Net change in current liabilities	15,223	25,063
Interest received	1,235	804
Interest paid	(27,470)	(30,235)
Tax paid	(4,718)	(5,108)
Tax refunded	396	188
Retirement benefits paid	(1,790)	(768)
Net cash flows generated from operating activities	231,164	396,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13	1
Proceeds from disposal of property, plant and equipment	4,319	830
Addition in intangible assets	-	(132)
Purchase of property, plant and equipment	(23,125)	(18,828)
Net cash flows used in investing activities	(18,793)	(18,129)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(134,434)	(403,860)
Share buybacks	(2,767)	(23)
Proceeds from the conversion of RCPS	15,022	-
Interest paid	(74)	(3,673)
Dividends paid to shareholders	(76,126)	-
Dividend paid to holders of RCPS	(1,484)	-
Withdrawal/(additional) of fixed deposit pledged with licensed banks	3,755	(66)
Net cash flows used in financing activities	(196,108)	(407,622)
Net change in cash and cash equivalents	16,263	(28,821)
Effects of foreign exchanges rate changes	(1,461)	(568)
Cash and cash equivalents at beginning of period	51,169	58,708
Cash and cash equivalents at end of period	65,971	29,319

Cash and cash equivalents

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

	9 months ended	
	30.09.2017	30.09.2016
	RM'000	RM'000
Cash and bank balances	65,988	33,091
Less: Restricted bank balances	(17)	(3,772)
	65,971	29,319

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

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 2016. 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 2016.

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 2016, except for the following new and amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of Amendments to MFRSs and IC Interpretation

On 1 January 2017, the Group adopted the following new and amended MFRSs mandatory for annual financial period beginning on or after 1 January 2017.

Amendments to MFRS 12	Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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

1.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group.

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
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 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
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



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

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 2019

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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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 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 2017.

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 2017.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

5 DEBT AND EQUITY SECURITIES

5.1 Redeemable Convertible Cumulative Preference Shares (“RCPS”)

During the quarter under review, 4,510,900 RCPS were converted into 4,510,900 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 529,886,489 ordinary shares to 534,397,389 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

5.2 Treasury shares

As at 30 September 2017, out of the total 534,397,389 issued and fully paid ordinary shares, 23,280,900 shares were held as treasury shares at an average purchase price of RM3.19 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 2017.

6 DIVIDENDS PAID

During the quarter under review, the Company has paid an interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ending 31 December 2017 amounting to RM30,613,553 was paid on 21 September 2017 (9 months ended 30 September 2016: Nil).

7 PROFIT BEFORE TAX

	3 months ended 30.09.2017 RM'000	9 months ended 30.09.2017 RM'000
Profit before tax is arrived at after charging:		
Allowance for inventories written down	1,461	4,266
Consumables written down	-	1,490
Depreciation and amortisation	10,346	30,678
Finance cost		
- Interest expenses	8,748	27,544
- RCPS unwinding of discount	1,038	2,706
LTIP share-based payments expenses	3,177	4,236
and after crediting:		
Bad debts recovered	1	2
Gain on disposal of property, plant and equipment	70	860
Interest income	581	1,248
Foreign exchange gain		
- Realised foreign exchange gain	634	4,323
- Unrealised foreign exchange gain	826	1,574



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

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

On 15 June 2017, a wholly-owned subsidiary of AJR, Ann Joo International Pte Ltd (“AJIPL”), which is incorporated under the Labuan Companies Act 1990, was dissolved pursuant to Section 131A of the Labuan Companies Act 1990.

The aforesaid members’ voluntary winding-up does not have any effect on the share capital and shareholding structure of the Company nor have any material operational and financial impact on the net assets, earnings and gearing of the Group for the financial year ending 31 December 2017.

Save as disclosed above, there were no significant 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 2017 were as follows:

	RM’000
(a) contracted but not provided for	12,220
(b) approved but not contracted for	12,893
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017****12 REVIEW OF PERFORMANCE**

	3 months ended		Changes (%)	9 months ended		Changes (%)
	30.09.2017 RM'000	30.09.2016 RM'000		30.09.2017 RM'000	30.09.2016 RM'000	
Revenue						
Manufacturing	516,279	223,198	131.31	1,309,371	1,105,968	18.39
Trading	208,056	151,584	37.25	600,313	474,413	26.54
Investment holding, property management and others	6,557	6,221	5.40	19,659	19,283	1.95
Adjustments and elimination	(135,743)	(57,273)	137.01	(344,278)	(201,750)	70.65
Group revenue	<u>595,149</u>	<u>323,730</u>	83.84	<u>1,585,065</u>	<u>1,397,914</u>	13.39
Segment profit						
Manufacturing	57,239	42,490	34.71	179,959	142,139	26.61
Trading	10,298	5,454	88.82	39,541	28,304	39.70
Investment holding, property management and others	1,086	984	10.37	2,676	5,509	(51.42)
Adjustments and elimination	(111)	(108)	2.78	(611)	(302)	102.32
	<u>68,512</u>	<u>48,820</u>	40.34	<u>221,565</u>	<u>175,650</u>	26.14
Finance costs	(9,786)	(9,291)	5.33	(30,250)	(33,908)	(10.79)
Interest income	581	167	247.90	1,248	805	55.03
Share of results of associates	4	1	300.00	11	(14)	178.57
Profit before tax	<u>59,311</u>	<u>39,697</u>	49.41	<u>192,574</u>	<u>142,533</u>	35.11

Higher revenue was mainly contributed by higher selling prices, in line with the up-trend of international steel prices. The performance was further supported by higher tonnage sold on gradually improving domestic demand from construction progress of various infrastructure and large scale development projects as foreign labour constraints and seasonal factors eased off in 3Q2017. Better profitability was achieved on higher revenue as mentioned earlier, notwithstanding raw material and fuel (coke) prices were also generally higher in 3Q2017 compared with the corresponding period last year.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes (%)
	30.09.2017 RM'000	30.06.2017 RM'000	
Revenue	595,149	490,746	21.27
Profit before tax	59,311	34,601	71.41

Higher revenue was mainly contributed by higher selling prices, in line with the up-trend of international steel prices. The performance was further supported by higher tonnage sold on gradually improving domestic demand from construction progress of various infrastructure and large scale development projects as foreign labour constraints and seasonal factors eased off in 3Q2017. Better profitability was achieved on higher revenue as mentioned earlier, which more than offset the impact of higher raw material and fuel (coke) prices in the quarter.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the nine months ended 30 September 2017 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	988,262	596,772	31	-	1,585,065
Inter-segment	321,109	3,541	19,628	(344,278)	-
	1,309,371	600,313	19,659	(344,278)	1,585,065
RESULTS					
Segment results	179,959	39,541	2,676	(611)	221,565
Finance costs					(30,250)
Interest income					1,248
Share of associates' results					11
Income tax expense					(42,718)
Profit for the period					149,856
Segment assets	1,851,555	596,181	159,730	(311,081)	2,296,385
Segment liabilities	934,551	378,074	146,729	(325,565)	1,133,789



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	9 months ended 30.09.2017 RM'000
Revenue from external customers	
Malaysia	1,566,508
Singapore	<u>18,557</u>
Non-current assets	
Malaysia	1,028,943
Singapore	<u>1,671</u>

15 PROSPECT

The Group remains optimistic about its business and industry outlook in the near to medium term given the following fundamental drivers:

a. China's continued efforts to curb steel production capacity

News reports reaffirm the China government's pledge on supply-side reform for the steel sector by requesting steel mills in 28 cities to reduce steel output by 50% during the winter months as the country seeks to balance supply-demand of steel and further improve environmental conditions, thereby reducing production output in the period immediately after China's traditional peak construction period of September-October each year.

b. Broad-based up-trend in global and regional steel demand

Global steel demand is expected to continue to grow at a moderate pace. More notably however, is that Southeast Asia's demand for construction steel in 2018 is expected to exhibit growth that is above the global average, propelled by huge infrastructure spending, thus creating continued export opportunities.

c. Expected strong domestic demand driven by accelerating construction activities

The rollout of infrastructure and large-scale development projects in Malaysia is expected to bolster domestic demand for construction steel. While the medium-term outlook is promising, the Group also notes some potential seasonal effects on demand, including the monsoon period in the fourth quarter of each year.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017****15 PROSPECT (CONTINUED)**

In addition, there has been some price correction worldwide since October 2017, but this has also been accompanied by lower material prices particularly iron ore prices in comparison with recent peak prices in 3Q 2017.

The Group remains committed to continuous productivity improvement to drive its cost leadership in the construction steel sector via hybrid blast furnace-electric arc furnace technology that 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, market selection as well as pricing strategies will continue to be the main focus for competitiveness enhancement and growth sustainability.

Given the fundamental drivers above, and continued enhancements in operating efficiency, the Group's performance is expected to remain satisfactory for the remaining period of 2017.

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 2017.

17 INCOME TAX

The income tax expenses comprise:

	3 months ended 30.09.2017 RM'000	9 months ended 30.09.2017 RM'000
Income tax		
Current period	2,780	7,630
Under provision in prior year	75	75
	<u>2,855</u>	<u>7,705</u>
Deferred tax		
Current period	8,805	34,599
Under provision in prior year	414	414
	<u>9,219</u>	<u>35,013</u>
	<u>12,074</u>	<u>42,718</u>

The Group's effective tax rate for the quarter and for the financial period ended 30 September 2017 was lower than the statutory tax rate mainly due to availability of tax incentives for promotion of exports for the quarter and nine months ended 30 September 2017.

18 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 30 September 2017 were as follows:

a) **Group borrowings**

	30.09.2017	30.09.2016
	RM'000	RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	441	-
Long-term borrowings		
Obligations under finance leases	1,497	-
	<u>1,938</u>	<u>-</u>
<u>Unsecured</u>		
Short-term borrowings		
Bill payables	713,560	628,406
Revolving credit	12,000	118,000
Foreign currency trade loan	95,212	150,736
	<u>820,772</u>	<u>897,142</u>
	<u>822,710</u>	<u>897,142</u>

The currency profile of bank borrowings was as follows:

	30.09.2017		30.09.2016	
	USD	RM	USD	RM
	denomination	equivalent	denomination	equivalent
	('000)	('000)	('000)	('000)
<u>Unsecured</u>				
Short-term borrowings				
Foreign currency trade loan	22,527	95,212	36,400	150,736
	<u>22,527</u>	<u>95,212</u>	<u>36,400</u>	<u>150,736</u>

b) **Debts securities - Redeemable Convertible Cumulative Preference Shares ("RCPS")**

	No of RCPS	Amount
	('000)	RM'000
At the beginning of financial year	125,006	62,536
Less: Converted during the year	(11,556)	(5,778)
Add: Unwinding of discount charged to profit or loss	-	2,706
Less: Dividend paid	-	(1,484)
At the end of financial year end	<u>113,450</u>	<u>57,980</u>
Liability component		54,417
Equity component		<u>3,563</u>
		<u>57,980</u>



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

20 MATERIAL LITIGATIONS

20.1 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 had on 18 August 2016 filed a claim in arbitration against Tangshan for, inter alia:

- (i) USD10,200,000 as liquidated ascertained damages on account of Tangshan’s delay in completing the works as per the Contract;
- (ii) USD5,470,533 for various breaches and/or non-performance of the Contract by Tangshan; and
- (iii) USD1,250,000 for the refund of excess or mistaken payment.

Tangshan has on 20 October 2016 filed their statement of Defense and Counterclaim for the sum of USD43,341,733 and RMB8,757,617 based on various claims under the Contract and disputes that have arisen from the execution of the project. AJIS filed its Reply and Defence to Counterclaim on 15 December 2016 and the Respondent filed their Reply to Defence to Counterclaim on 30 January 2017.

The arbitration hearing was held in October 2017, following which the Tribunal gave directions for the parties to exchange Written Submissions and the Arbitration Award is estimated to be delivered in March 2018.

No opinion of the likely outcome could be formed by the solicitors in-charge at this juncture as the parties are to exchange Written Submissions of their respective claims.

20.2 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, 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.

AJSB has on 23 August 2017 filed its applications for leave to appeal to the Federal Court against the Court of Appeal’s Orders. The hearing date for the application for leave to appeal is fixed for 22 January 2018 with written submissions to be filed by 8 January 2018.

Our solicitors are of the opinion that AJSB would stand a good chance to obtain the leave to appeal to the Federal Court.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

20 MATERIAL LITIGATIONS (CONTINUED)

20.3 Statement of claim against Ann Joo Steel Berhad Suit No.: WA-22NCvC-303-06/2017

AJSB has on 21 June 2017 received a Writ and Statement of Claim filed by the solicitors of Amsteel Mills Sdn Bhd (“Amsteel”) alleging wrongful termination of the supply Contract and Addendum by AJSB.

AJSB’s solicitors entered appearance in Court on 30 June 2017. As directed by the Court at the case management on 18 July 2017, AJSB had accordingly attended to the filing and service of the Defence on 24 July 2017. Amsteel filed an application to amend the Statement of Claim and the Judge had allowed Amsteel’s application on 26 September 2017. As such, the damages for loss of profits incurred which it would otherwise have made from the sales of Rebar and Wire Rod using the billet that were ordered is now claimed in the sum of RM14,869,865. Also, damages being the difference between the price of the Rebar billet in the Contract and Addendum, and the market price of Rebar billet at the latest date of delivery, in the alternative, is now claimed for the sum of RM1,449,200. The remainder prayers within Amsteel’s Statement of Claim remain unchanged.

This is still under pre-trial stage with the next case management date fixed on 14 December 2017. Meanwhile the trial dates have been fixed on 16 to 20 July 2018.

No opinion could be formed as it is too early to inform 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.

21 DIVIDEND

21.1 Ordinary shares

The Board of Directors does not recommend any dividend in respect of the financial year ending 31 December 2017 (3Q2016: nil).

21.2 Redeemable Convertible Cumulative Preference Shares

On 24 November 2017, the Board of Directors approved and declared a semi-annual dividend of 1.25 sen per Redeemable Convertible Cumulative Preference Share in respect of the financial year ending 31 December 2017. This dividend will be paid on 21 December 2017 to the Depositors registered in the Record of Depositors at the close of the business on 12 December 2017 (3Q2016: Nil).



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

22 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 nine months ended 30 September 2017 as set out below:

		3 months ended 30.09.2017	9 months ended 30.09.2017
Total profit attributable to owners of the Parent	(RM'000)	47,237	149,856
Weighted average number of ordinary shares in issue or issuable	('000)	509,219	504,763
Basic EPS	(sen)	<u>9.28</u>	<u>29.69</u>

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 nine months ended 30 September 2017, 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 30.09.2017	9 months ended 30.09.2017
Total profit attributable to owners of the Parent	(RM'000)	47,237	149,856
Effects on earnings upon conversion of RCPS	(RM'000)	1,038	2,706
	(RM'000)	<u>48,275</u>	<u>152,562</u>
Weighted average number of ordinary shares in issue or issuable	('000)	509,219	504,763
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	<u>113,451</u>	<u>113,451</u>
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	<u>622,670</u>	<u>618,214</u>
Diluted EPS	(sen)	<u>7.75</u>	<u>24.68</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017****23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE**

The retained earnings as at 30 September 2017 were analysed as follows:

	30.09.2017	31.12.2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	784,465	682,828
Unrealised	8,661	34,207
	<hr/> 793,126	<hr/> 717,035
Total share of retained earnings from associate:		
Realised	(33)	(44)
	<hr/> 793,093	<hr/> 716,991
Less: Consolidated adjustments	(193,523)	(191,151)
Total group retained earnings	<hr/> <hr/> 599,570	<hr/> <hr/> 525,840

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 24 November 2017.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
24 November 2017
Selangor Darul Ehsan