



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 TWELVE MONTHS ENDED
31 DECEMBER 2017**

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2017

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	610,147	472,136	2,195,212	1,870,050
Operating expenses	(552,364)	(394,511)	(1,925,054)	(1,623,806)
Other income/ (expense)	11,076	(8,424)	21,514	(588)
Finance costs	(8,582)	(9,608)	(38,832)	(43,516)
Share of results of associates	2	2	13	(12)
Profit before tax	60,279	59,595	252,853	202,128
Income tax expense	(4,759)	(13,655)	(47,477)	(35,353)
Profit for the period	55,520	45,940	205,376	166,775
Other comprehensive income				
<u>Items that may be subsequently</u>				
<u>reclassified to profit or loss:</u>				
Foreign currency translation differences				
for foreign operations	(947)	1,568	(2,297)	870
Change in fair value of				
available-for-sale financial assets	5	5	8	31
Net movement on cash flow hedge:				
- Foreign currency forward contracts	146	(168)	314	(223)
Other comprehensive (loss)/income for				
the period, net of tax	(796)	1,405	(1,975)	678
Total comprehensive income for the period	54,724	47,345	203,401	167,453
Profit attributable to:				
Owners of the parent	55,520	45,940	205,376	166,775
Total comprehensive income attributable to:				
Owners of the parent	54,724	47,345	203,401	167,453
Earnings per share ("EPS") (sen):				
Basic EPS	10.82	9.18	40.52	33.32
Diluted EPS	9.04	8.46	33.89	32.62

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 31 December 2017

	31.12.2017	31.12.2016
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,001,646	1,019,188
Prepaid lease payments	10,209	10,527
Investment properties	3,863	4,011
Intangible assets	7,468	7,468
Investment in associates	499	486
Other investments	69	60
Deferred tax assets	21,802	50,969
Total non-current Assets	1,045,556	1,092,709
Current Assets		
Inventories	837,142	830,764
Receivables and prepayments	430,095	336,276
Derivative assets	216	-
Current tax assets	9,837	6,138
Cash and bank balances	56,529	54,941
Total current Assets	1,333,819	1,228,119
TOTAL ASSETS	2,379,375	2,320,828
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	573,163	522,842
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity Component	3,439	3,926
Treasury shares	(74,156)	(71,389)
Other reserves	69,794	86,920
Retained earnings	655,090	525,840
Total Equity	1,227,330	1,068,139
Non-current Liabilities		
Loans and borrowings	1,384	1,831
RCPS - Liability Component	51,969	58,610
Provision for retirement benefits	5,208	6,307
Deferred tax liabilities	28,792	18,056
Total non-current liabilities	87,353	84,804
Current Liabilities		
Loans and borrowings	844,063	956,657
Payables and accruals	219,961	210,828
Derivative liabilities	25	221
Current tax liabilities	643	179
Total current liabilities	1,064,692	1,167,885
Total Liabilities	1,152,045	1,252,689
TOTAL EQUITY AND LIABILITIES	2,379,375	2,320,828
Net assets per share attributable to owners of the parent (RM)	2.38	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 twelve months ended 31 December 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	-	-	-	-	205,376	205,376
Other comprehensive loss for the period	-	-	(1,975)	-	-	(1,975)
Total comprehensive income/(loss) for the period	-	-	(1,975)	-	205,376	203,401
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	27,656	(487)	217	-	-	27,386
Long term incentive plan ("LTIP")	-	-	-	-	-	-
Share-based payments expenses	-	-	7,297	-	-	7,297
At 31 December 2017	573,163	3,439	69,794	(74,156)	655,090	1,227,330
At 1 January 2016	522,708	-	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	-	166,775	166,775
Other comprehensive income for the period	-	-	678	-	-	678
Total comprehensive income for the period	-	-	678	-	166,775	167,453
Share buybacks	-	-	-	(23)	-	(23)
Dividends to owners of the Company	-	-	-	-	(30,034)	(30,034)
Issuance of RCPS	-	3,930	-	-	-	3,930
Conversion of RCPS	134	(4)	107	-	-	237
At 31 December 2016	522,842	3,926	86,920	(71,389)	525,840	1,068,139

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 twelve months ended 31 December 2017

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	252,853	202,128
Adjustments for non-cash items	95,251	95,550
Operating profit before working capital changes	348,104	297,678
Changes in working capital		
Net change in current assets	(120,733)	73,782
Net change in current liabilities	10,124	13,426
Interest received	3,240	2,141
Interest paid	(34,778)	(39,135)
Tax paid	(11,265)	(7,098)
Tax refunded	412	249
Retirement benefits paid	(2,023)	(990)
Net cash flows generated from operating activities	193,081	340,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	21	87
Proceeds from disposal of property, plant and equipment	13,392	864
Addition in intangible assets	-	(286)
Purchase of property, plant and equipment	(34,724)	(21,028)
Net cash flows used in investing activities	(21,311)	(20,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(106,365)	(356,314)
Share buybacks	(2,767)	(23)
Proceeds from Rights Issue of RCPS	-	62,570
Proceeds from the conversion of RCPS	20,130	175
Interest paid	(571)	(4,349)
Dividends paid to shareholders	(76,126)	(30,034)
Dividend paid to holders of RCPS	(2,868)	-
Withdrawal/(additional) of fixed deposit pledged with licensed banks	3,764	(65)
Net cash flows used in financing activities	(164,803)	(328,040)
Net change in cash and cash equivalents	6,967	(8,350)
Effects of foreign exchanges rate changes	(1,616)	811
Cash and cash equivalents at beginning of period	51,169	58,708
Cash and cash equivalents at end of period	56,520	51,169

Cash and cash equivalents

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

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Cash and bank balances	56,529	54,941
Less: Restricted bank balances	(9)	(3,772)
	56,520	51,169

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 TWELVE MONTHS ENDED 31 DECEMBER 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 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 TWELVE MONTHS ENDED 31 DECEMBER 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
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 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 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 twelve months ended 31 December 2017.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 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 twelve months results ended 31 December 2017.

5 DEBT AND EQUITY SECURITIES

5.1 Redeemable Convertible Cumulative Preference Shares (“RCPS”)

During the quarter under review, 3,929,300 RCPS were converted into 3,929,300 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 534,397,389 ordinary shares to 538,326,689 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 31 December 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 31 December 2017.

6 DIVIDENDS PAID

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

	31.12.2017	31.12.2016
First Interim and special dividend		
For the financial year ended	31 December 2017	31 December 2016
Approved and declared on	22 August 2017	15 August 2016
Date paid	21 September 2017	28 October 2016
Number of ordinary shares on which dividends were paid ('000)	510,226	500,559
Interim dividend per share (single-tier)	6 sen	-
Special dividend per share* (single-tier)	-	6 sen
Net dividend paid (RM'000)	30,614	30,034
Second Interim dividend		
For the financial year ended	31 December 2016	-
Approved and declared on	21 February 2017	-
Date paid	19 May 2017	-
Number of ordinary shares on which dividends were paid ('000)	505,680	-
Interim dividend per share (single-tier)	9 sen	-
Net dividend paid (RM'000)	45,511	-

*This special dividend was paid in conjunction with the Group's 70th Anniversary.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

6 DIVIDENDS PAID (CONTINUED)

	31.12.2017	31.12.2016
First semi-annual RCPS dividend		
For the financial year ended	31 December 2017	-
Approved and declared on	23 May 2017	-
Date paid	16 June 2017	-
Number of RCPS on which dividends were paid ('000)	118,745	-
Dividend per share (single-tier)	1.25 sen	-
Net dividend paid (RM'000)	1,484	-
Second semi-annual RCPS dividend		
For the financial year ended	31 December 2017	-
Approved and declared on	24 November 2017	-
Date paid	21 December 2017	-
Number of RCPS on which dividends were paid ('000)	110,655	-
Dividend per share (single-tier)	1.25 sen	-
Net dividend paid (RM'000)	1,383	-

7 PROFIT BEFORE TAX

	3 months ended 31.12.2017 RM'000	12 months ended 31.12.2017 RM'000
Profit before tax is arrived at after charging:		
Allowance for doubtful debts	2,543	2,589
Allowance for inventories written down	1,224	1,530
Consumables written down	-	1,490
Depreciation and amortisation	10,613	41,291
Finance cost		
- Interest expenses	7,805	35,349
- RCPS unwinding of discount	777	3,483
LTIP share-based payments expenses	3,061	7,297
and after crediting:		
Bad debts recovered	-	2
Gain on disposal of property, plant and equipment	1,388	2,248
Interest income	2,013	3,261
Foreign exchange gain		
- Realised foreign exchange gain	14	4,337
- Unrealised foreign exchange gain	5,585	7,159



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 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 31 December 2017 were as follows:

	RM’000
(a) contracted but not provided for	8,310
(b) approved but not contracted for	19,739
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

12 REVIEW OF PERFORMANCE

	3 months ended		Changes (%)	12 months ended		Changes (%)
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue						
Manufacturing	531,649	375,663	41.52	1,841,020	1,481,631	24.26
Trading	226,030	173,868	30.00	826,343	648,281	27.47
Investment holding, property management and others	106,643	7,401	1,340.93	126,302	26,684	373.32
Adjustments and elimination	(254,175)	(84,796)	199.75	(598,453)	(286,546)	108.85
Group revenue	<u>610,147</u>	<u>472,136</u>	29.23	<u>2,195,212</u>	<u>1,870,050</u>	17.39
Segment profit						
Manufacturing	58,981	64,934	(9.17)	238,940	207,072	15.39
Trading	7,545	2,884	161.62	47,086	31,188	50.97
Investment holding, property management and others	53,614	622	8,519.61	56,290	6,131	818.12
Adjustments and elimination	(53,294)	(661)	7,962.63	(53,905)	(963)	5,497.61
	<u>66,846</u>	<u>67,779</u>	(1.38)	<u>288,411</u>	<u>243,428</u>	18.48
Finance costs	(8,582)	(9,608)	(10.68)	(38,832)	(43,516)	(10.76)
Interest income	2,013	1,424	41.36	3,261	2,228	46.36
Share of results of associates	<u>2</u>	<u>2</u>	-	<u>13</u>	<u>(12)</u>	208.33
Profit before tax	<u>60,279</u>	<u>59,597</u>	1.14	<u>252,853</u>	<u>202,128</u>	25.09

Higher revenue in the fourth quarter of 2017 (“4Q2017”) 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 continued improvement in domestic demand from construction progress of various infrastructure and large-scale development projects. Better profitability was attributable to improved margin notwithstanding 1) higher cost of sales on time lag effect of raw material and fuel (coke) cost, and 2) recognition of overhead cost for scheduled plant maintenance and upgrading works in 4Q2017.

For the full year, higher revenue and profitability were likewise driven by higher selling prices of various steel products amidst a relatively baseline level of domestic demand as construction progress of various infrastructure and large-scale development projects have only gradually begun to pick up in the latter months of 2017.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes (%)
	31.12.2017	30.09.2017	
	RM'000	RM'000	
Revenue	610,147	595,149	2.52
Profit before tax	60,279	59,311	1.63

Higher revenue was mainly contributed by higher selling prices of which is in line with the up-trend of international steel prices despite slightly lower sales tonnage. Better profitability was attributable to improved margin notwithstanding 1) higher cost of sales on time lag effect of raw material and fuel (coke) cost, and 2) recognition of overhead cost for scheduled plant maintenance and upgrading works in 4Q2017.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the financial year ended 31 December 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	1,378,587	816,376	249	-	2,195,212
Inter-segment	462,433	9,967	126,053	(598,453)	-
	1,841,020	826,343	126,302	(598,453)	2,195,212
RESULTS					
Segment results	238,940	47,086	56,290	(53,905)	288,411
Finance costs					(38,832)
Interest income					3,261
Share of associates' results					13
Income tax expense					(47,477)
Profit for the year					205,376
Segment assets	1,903,336	614,064	192,206	(330,231)	2,379,375
Segment liabilities	1,027,247	396,808	70,483	(342,493)	1,152,045



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	12 months ended 31.12.2017 RM'000
Revenue from external customers	
Malaysia	2,166,949
Singapore	<u>28,263</u>
Non-current assets	
Malaysia	1,022,081
Singapore	<u>1,604</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 control steel capacity replacement

The China government has announced plans for a further reduction of 25 million to 35 million mt of steel capacity in 2018 (source: Ministry of Industry and Information Technology, China). This is following sizeable capacity cuts of 115 million mt in 2016 and 2017 combined, which is in addition to an estimated 140 million mt elimination of induction furnace capacity in 2017.

China further reaffirmed its pledge on steel industry reform with announcements of stringent rules on the replacement of Basic Oxygen Furnace with Electric Arc Furnace ("EAF"). This, combined with China's winter production curtailments till March 2018, signal a new normal for China's committed efforts to enforce stringent environmental controls and its shift in focus towards quality production instead of quantity.

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

World steel demand is expected to remain resilient with a moderate growth rate, supported by global economic momentum. Southeast Asia countries are also well-positioned to benefit from huge infrastructure spending and China's Belt-Road initiatives that bolster demand for construction steel.

c. Expected robust domestic demand on accelerating construction activities

Domestic demand for construction steel is expected to pick up, driven by the accelerated pace of construction activities of large-scale infrastructure and development projects, and this is likely to also help support domestic steel prices.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

15 PROSPECT (CONTINUED)

- d. United States' Section 232 investigation and potential measures on steel imports

The US Department of Commerce has recently outlined three recommendations under the US Section 232 investigation into the impact on the country's national security from imports of steel products. These recommendations include options of imposing a global tariff of at least 24% on all steel imports from all countries; a tariff of at least 53% on all steel imports from 12 key steel-exporting countries, including Malaysia with a quota on steel imports from all other countries equal to 100% of their exports to the US; or a global quota restricting countries to 63% of their exports to the US in 2017. Final decision is expected to be made on 11 April 2018 by the US Government.

While these measures, if implemented, could impact steel export markets globally, we note that Ann Joo is not exporting to the US. As such, we do not foresee any direct impact on our operations at this time.

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. The added flexibility of optimizing its hot metal/scrap mix and the generation of blast furnace off-gas (a substitution of natural gas), further enhance our cost competitiveness in mitigating the increases in electricity and natural gas tariff.

Given the fundamental drivers above, and continued enhancements in operating efficiency, the Group's performance is expected to remain satisfactory in year 2018.

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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2017**

17 INCOME TAX

The income tax expenses comprise:

	3 months ended 31.12.2017 RM'000	12 months ended 31.12.2017 RM'000
Income tax		
Current period	2,866	10,496
Under provision in prior year	-	75
	<u>2,866</u>	<u>10,571</u>
Deferred tax		
Current period	1,893	36,492
Under provision in prior year	-	414
	<u>1,893</u>	<u>36,906</u>
	<u>4,759</u>	<u>47,477</u>

The Group's effective tax rate for the quarter and for the financial year ended 31 December 2017 was lower than the statutory tax rate mainly due to availability of tax incentives for promotion of exports and tax exemption in incremental amount of chargeable income for certain subsidiary companies.

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 31 December 2017 were as follows:

a) Group borrowings

	31.12.2017 RM'000	31.12.2016 RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	446	423
Long-term borrowings		
Obligations under finance leases	1,384	1,831
	<u>1,830</u>	<u>2,254</u>
<u>Unsecured</u>		
Short-term borrowings		
Bill payables	711,992	723,805
Revolving credit	-	65,000
Foreign currency trade loan	131,625	167,429
	<u>843,617</u>	<u>956,234</u>
	<u>845,447</u>	<u>958,488</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:

	31.12.2017		31.12.2016	
	USD denomination (‘000)	RM equivalent (‘000)	USD denomination (‘000)	RM equivalent (‘000)
Unsecured				
Short-term borrowings				
Foreign currency trade loan	32,494	131,625	37,293	167,429

b) Debts securities - Redeemable Convertible Cumulative Preference Shares (“RCPS”)

	No of RCPS (‘000)	Amount RM’000
At the beginning of financial year	125,006	62,536
Less: Converted during the year	(15,485)	(7,743)
Add: Unwinding of discount charged to profit or loss	-	3,483
Less: Dividend paid	-	(2,868)
At the end of financial year end	109,521	55,408
Liability component		51,969
Equity component		3,439
		55,408

20 FINANCIAL INSTRUMENTS

The Group’s outstanding derivatives as at 31 December 2017 were as follows:

	Notional Value RM’000	Fair Value RM’000	Net Gain RM’000
Foreign currency forward contract:			
- Less than one year	6,885	6,693	192

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.



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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 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. Pursuant to the Tribunal’s directions, parties filed and exchanged their respective Written Submissions on 23 November 2017 and parties subsequently filed and exchanged their respective Written Submission in Reply on 14 December 2017.

The Tribunal had estimated that the arbitration award will be delivered in March 2018. The solicitors in charge are of the view that there is a better than even chance that the award will result in a net payment to AJIS.

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, 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. 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 has filed the Notices of Appeal on 26 January 2018.

The hearing of the appeal may be fixed in the third quarter of 2018 and our solicitors are of the opinion that there is an even chance of success in the appeal.



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21 MATERIAL LITIGATIONS (CONTINUED)

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

AJSB has on 21 June 2017 received a Wriand 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.

Pursuant to the case management on 14 December 2017, Amsteel has disclosed their list of witnesses including their expert witness to the court. Ann Joo has filed the summary of case in Court and also served a copy on Amsteel. Parties have been directed by the court to file the remaining pre-trial cause papers before the next case management which to be held on 26 February 2018.

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.

22 DIVIDEND

On 23 February 2018, the Board of Directors approved and declared a single-tier interim dividend of 13 sen per ordinary share in respect of the financial year ended 31 December 2017. The declaration of this dividend will be paid on 21 May 2018 to the Depositors registered in the Record of Depositors at the close of the business on 23 April 2018 (4Q2016: 9 sen per ordinary share).



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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 twelve months ended 31 December 2017 as set out below:

		3 months ended 31.12.2017	12 months ended 31.12.2017
Total profit attributable to owners of the Parent	(RM'000)	55,520	205,376
Weighted average number of ordinary shares in issue or issuable	('000)	512,976	506,817
Basic EPS	(sen)	10.82	40.52

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 twelve months ended 31 December 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 31.12.2017	12 months ended 31.12.2017
Total profit attributable to owners of the Parent	(RM'000)	55,520	205,376
Effects on earnings upon conversion of RCPS	(RM'000)	777	3,483
	(RM'000)	56,297	208,859
Weighted average number of ordinary shares in issue or issuable	('000)	512,976	506,833
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	109,521	109,521
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	622,497	616,338
Diluted EPS	(sen)	9.04	33.89



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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 23 February 2018.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
23 February 2018
Selangor Darul Ehsan