



安裕資源有限公司
ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

**ANN JOO RESOURCES BERHAD
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED
31 MARCH 2018**



**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2018**

	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	589,064	499,170	589,064	499,170
Operating expenses	(504,068)	(393,798)	(504,068)	(393,798)
Other income	5,913	2,707	5,913	2,707
Finance costs	(8,190)	(9,417)	(8,190)	(9,417)
Share of results of associates	2	-	2	-
Profit before tax	82,721	98,662	82,721	98,662
Income tax expense	(21,276)	(24,662)	(21,276)	(24,662)
Profit for the period	61,445	74,000	61,445	74,000
Other comprehensive income				
<u>Items that may be subsequently reclassified to profit or loss:</u>				
Foreign currency translation differences for foreign operations	(1,021)	(300)	(1,021)	(300)
Net change in revaluation of financial investments at fair value through other comprehensive income	(19)	(3)	(19)	(3)
Net movement on cash flow hedge:				
- Foreign currency forward contracts	(544)	209	(544)	209
Other comprehensive loss for the period, net of tax	(1,584)	(94)	(1,584)	(94)
Total comprehensive income for the period	59,861	73,906	59,861	73,906
Profit attributable to:				
Owners of the parent	61,445	74,000	61,445	74,000
Total comprehensive income attributable to:				
Owners of the parent	59,861	73,906	59,861	73,906
Earnings per share ("EPS") (sen):				
Basic EPS	11.88	14.77	11.88	14.77
Diluted EPS	10.04	11.84	10.04	11.84

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 31 March 2018

	31.3.2018	31.12.2017
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	998,666	1,001,544
Prepaid lease payments	10,160	10,208
Investment properties	3,952	3,964
Intangible assets	7,468	7,468
Investment in associates	502	499
Other investments	50	69
Deferred tax assets	11,426	21,802
Total Non-current Assets	1,032,224	1,045,554
Current Assets		
Inventories	874,948	846,718
Trade receivables	427,173	394,997
Other receivables, deposits and prepayments	46,586	34,997
Derivative assets	-	216
Current tax assets	11,693	9,837
Cash and bank balances	44,945	56,529
Total Current Assets	1,405,345	1,343,294
TOTAL ASSETS	2,437,569	2,388,848
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share Capital	587,067	573,163
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component	3,197	3,440
Treasury shares	(74,156)	(74,156)
Other reserves	70,865	69,793
Retained earnings	716,544	655,099
Total Equity	1,303,517	1,227,339
Non-current Liabilities		
Loans and borrowings	1,273	1,384
RCPS - Liability component	49,053	51,969
Provision for retirement benefits	5,075	5,207
Deferred tax liabilities	37,201	28,792
Total Non-current Liabilities	92,602	87,352
Current Liabilities		
Loans and borrowings	803,852	844,063
Trade payables	152,084	142,686
Other payables, deposits and accruals	83,315	86,740
Derivative liabilities	524	25
Current tax liabilities	1,675	643
Total Current Liabilities	1,041,450	1,074,157
Total Liabilities	1,134,052	1,161,509
TOTAL EQUITY AND LIABILITIES	2,437,569	2,388,848
Net assets per share attributable to owners of the parent (RM)	2.49	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 three months ended 31 March 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	-	-	-	-	61,445	61,445
Other comprehensive loss for the period	-	-	(1,584)	-	-	(1,584)
Total comprehensive income for the period	-	-	(1,584)	-	61,445	59,861
Conversion of RCPS	13,904	(243)	-	-	-	13,661
Long term incentive plan ("LTIP")	-	-	-	-	-	-
Share-based payments expenses	-	-	2,656	-	-	2,656
At 31 March 2018	587,067	3,197	70,865	(74,156)	716,544	1,303,517
At 1 January 2017	522,842	3,926	86,920	(71,389)	525,840	1,068,139
Profit for the period	-	-	-	-	74,000	74,000
Other comprehensive loss for the period	-	-	(94)	-	-	(94)
Total comprehensive income for the period	-	-	(94)	-	74,000	73,906
Transition to no par value regime ¹	22,665	-	(22,665)	-	-	-
Share buybacks	-	-	-	(2,767)	-	(2,767)
Conversion of RCPS	320	(9)	217	-	-	528
At 31 March 2017	545,827	3,917	64,378	(74,156)	599,840	1,139,806

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 three months ended 31 March 2018

	3 months ended	
	31.3.2018	31.3.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	82,721	98,662
Adjustments for non-cash items	19,360	14,880
Operating profit before working capital changes	102,081	113,542
Changes in working capital		
Net change in current assets	(75,065)	(42,182)
Net change in current liabilities	6,029	(29,285)
Interest received	307	301
Interest paid	(7,466)	(9,294)
Tax paid	(3,135)	(1,679)
Tax refunded	28	134
Retirement benefits paid	(100)	(225)
Net cash flows generated from operating activities	22,679	31,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2	1
Proceeds from disposal of property, plant and equipment	36	646
Purchase of property, plant and equipment	(7,249)	(3,507)
Net cash flows used in investing activities	(7,211)	(2,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(36,200)	(20,002)
Share buybacks	-	(2,767)
Proceeds from the conversion of RCPS	10,041	388
Interest paid	(21)	(26)
Net cash flows used in financing activities	(26,180)	(22,407)
Net change in cash and cash equivalents	(10,712)	6,045
Effects of foreign exchanges rate changes	(872)	(284)
Cash and cash equivalents at beginning of period	56,520	51,169
Cash and cash equivalents at end of period	44,936	56,930

Cash and cash equivalents

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

	3 months ended	
	31.3.2018	31.3.2017
	RM'000	RM'000
Cash and bank balances	44,945	60,702
Less: Restricted bank balances	(9)	(3,772)
	44,936	56,930

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 THREE MONTHS ENDED 31 MARCH 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 THREE MONTHS ENDED 31 MARCH 2018**

1 BASIS OF PREPARATION (CONTINUED)

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

At the date of authorisation of these interim financial statements, the following new 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 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
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
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

1 BASIS OF PREPARATION (CONTINUED)

**1.2 New MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective
(continued)**

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 16 *Leases*. The Group is still in the progress of assessing the financial impacts of 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 ended 31 March 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 results ended 31 March 2018.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, 7,724,000 RCPS were converted into 7,724,000 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 538,326,689 ordinary shares to 546,050,689 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Save as disclosed above, there were no issuances, cancellations, resale or repayment of debt and equity securities during the quarter ended 31 March 2018.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

6 DIVIDENDS PAID

There was no dividend paid during the quarter ended 31 March 2018.

7 PROFIT BEFORE TAX

	3 months ended 31.3.2018 RM'000
Profit before tax is arrived at after charging:	
Allowance for inventories written down	2,060
Depreciation and amortisation	9,984
Finance cost	
- Interest expenses	7,487
- RCPS unwinding of discount	703
LTIP share-based payments expenses	2,656
Net impairment loss on receivables	1,445
and after crediting:	
Bad debts recovered	1
Gain on disposal of property, plant and equipment	32
Interest income	309
Foreign exchange gain	
- Realised foreign exchange gain	946
- Unrealised foreign exchange gain	4,297

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 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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

11 CAPITAL COMMITMENTS

The capital commitments as at 31 March 2018 were as follows:

	RM'000
(a) contracted but not provided for	7,357
(b) approved but not contracted for	<u>31,010</u>

12 REVIEW OF PERFORMANCE

	3 months ended		Changes (%)
	31.3.2018 RM'000	31.3.2017 RM'000	
Revenue			
Manufacturing	477,680	395,476	20.79
Trading	276,425	202,267	36.66
Investment holding, property management and others	7,792	6,545	19.05
Adjustments and elimination	(172,833)	(105,118)	64.42
Group revenue	<u>589,064</u>	<u>499,170</u>	18.01
Segment profit			
Manufacturing	78,505	89,167	(11.96)
Trading	10,141	18,091	(43.94)
Investment holding, property management and others	1,914	1,033	85.29
Adjustments and elimination	40	(514)	107.78
	<u>90,600</u>	<u>107,777</u>	(15.94)
Finance costs	(8,190)	(9,417)	(13.03)
Interest income	309	302	2.32
Share of results of associates	2	-	100.00
Profit before tax	<u>82,721</u>	<u>98,662</u>	(16.16)

Higher revenue in the first quarter of 2018 (“1Q2018”) was mainly contributed by higher selling prices, in line with the up-trend of international steel prices. The performance was further supported by higher domestic tonnage sold on gradual improvement in local demand from construction progress of various infrastructure and large-scale development projects.

1Q2018 PBT was lower than the corresponding quarter of preceding year (“1Q2017”), as the unusually high profit margin in 1Q2017 was the result of the surge in prices and lower carrying cost of inventory (referred to as a positive “price-cost effect”).



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes (%)
	31.3.2018 RM'000	31.12.2017 RM'000	
Revenue	589,064	610,147	(3.46)
Profit before tax	82,721	60,288	37.21

Lower revenue was mainly contributed by lower export tonnage consequent to the Group's strategy to focus on domestic market for finished products. Better profitability was attributable to improved margin on higher selling price and improved productivity notwithstanding higher raw material and fuel (coke) cost.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the three months ended 31 March 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	313,155	275,748	161	-	589,064
Inter-segment	164,525	677	7,631	(172,833)	-
	477,680	276,425	7,792	(172,833)	589,064
RESULTS					
Segment profit	78,505	10,141	1,914	40	90,600
Finance costs					(8,190)
Interest income					309
Share of associates' results					2
Income tax expense					(21,276)
Profit for the year					61,445
Segment assets	1,879,586	703,025	216,767	(361,809)	2,437,569
Segment liabilities	948,612	480,659	78,158	(373,377)	1,134,052



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	3 months ended 31.3.2018 RM'000
Revenue from external customers	
Malaysia	577,731
Singapore	11,333
	<hr/>
Non-current assets	
Malaysia	1,019,309
Singapore	1,439
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15 PROSPECT

The Group remains optimistic about its business and industry outlook given the following fundamental drivers:

- a. China's continued efforts on steel industry reform and robust domestic demand

China reaffirmed its pledge on steel industry reform with stringent environmental enforcement including the production suspension of steel mills which lack the required environmental protection facilities. China remains committed to stringent environmental controls and its focus towards quality production instead of quantity.

China's domestic demand is driven by steel-intensive infrastructure projects and continued property sector activity. The situation is further compounded this year due to pent-up demand after the winter restrictions on steel production and construction works.

- 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 demand fundamentals, especially for long products which registered a strong recovery with 200 million mt consumption in the first quarter of 2018. The global construction sector is projected to grow an average of 3.7% per annum over the next five years, with spending of around USD12.4 trillion in 2022 (source : SBB Daily Briefing).

- c. Expected robust domestic demand from construction activities

Domestic infrastructure activity, and resulting steel demand, was at a low base in 2016 and 2017. While near-term demand is affected by seasonal factors, the pace of construction activities of infra projects is expected to drive long-term domestic demand for construction steel and provide support to domestic steel prices.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

15 PROSPECT (CONTINUED)

d. Impact of global graphite electrode supply tightness

A shortage of graphite electrode, a conductor of electricity for steel making, remains a threat to EAF and ladle furnace-based producers globally. The Group's hybrid operations, which combine the benefits and flexibility of our BF-EAF operations, result in a significantly lower electrode consumption in comparison with pure EAF producers. Ann Joo's strategic tie-up with suppliers via long-term contractual supply also assures adequate supply of electrode.

e. United States' Section 232 imposition on steel imports

The United States ("US") announced in March 2018 the imposition of a 25% tariff on steel imports under US Section 232. Given exemptions to various countries that export to the US, only approximately 12 million mt of steel exports to the US are actually affected by this tariff (source: US Census Bureau 2017 statistics).

The final impact of this measure to the global steel market is yet to be ascertained. However, as Ann Joo does not export to the US, there is no 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. While long-term prospects are positive, the Group expects a seasonally lower second quarter of 2018 ("2Q18") due to seasonal factors that typically affect construction activity, including the Ramadan month and Raya holiday.

The Group is confident that the new government will put in place necessary measures to drive economic growth and efficient fiscal spending.

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



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

17 INCOME TAX

The income tax expenses comprise:

	3 months ended 31.3.2018 RM'000
Income tax	
Current period	2,313
Deferred tax	
Current period	18,963
	<u>21,276</u>

The Group's effective tax rate for the quarter and for the financial year ended 31 March 2018 was higher than the statutory tax rate mainly due to certain expenses were not deductible for tax purposes.

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 March 2018 were as follows:

a) Group borrowings

	RM'000
<u>Secured</u>	
Short-term borrowings	
Obligations under finance leases	442
Long-term borrowings	
Obligations under finance leases	1,273
	<u>1,715</u>
<u>Unsecured</u>	
Short-term borrowings	
Bill payables	708,603
Foreign currency trade loan	94,807
	<u>803,410</u>
	<u>805,125</u>



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings as at 31 March 2018 was as follows:

	USD denomination (‘000)	RM equivalent (‘000)
<u>Unsecured</u>		
Short-term borrowings		
Foreign currency trade loan	24,513	94,807

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

	No of RCPS (‘000)	Amount RM’000
At the beginning of financial year	109,521	55,409
Less: Converted during the year	(7,724)	(3,862)
Add: Unwinding of discount charged to profit or loss	-	703
At the end of financial year end	101,797	52,250
Liability component		49,053
Equity component		3,197
		52,250

20 FINANCIAL INSTRUMENTS

The Group’s outstanding derivatives as at 31 March 2018 were as follows:

	Notional Value RM’000	Fair Value RM’000	Net Loss RM’000
Foreign currency forward contract:			
- Less than one year	88,812	88,288	524

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
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

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, both parties filed and exchanged their respective Written Submissions on 23 November 2017 and both parties subsequently filed and exchanged their respective Written Submission in Reply on 14 December 2017.

The Tribunal had estimated in October 2017 that the arbitration award would be delivered in March 2018. On 17 April 2018, the Tribunal informed both parties that the Tribunal would need more time to deliberate due to multiple and complex issues of law and fact in the case and that the Tribunal will try its best to deliver the award within 2 months from 17 April 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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

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 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 date for AJSB’s appeals has been fixed on 30 August 2018 and both parties are to file the Written Submission by 16 August 2018.

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

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 Written Statement of Claim filed by the solicitors of Amsteel alleging wrongful termination of the supply Contract and Addendum by AJSB.

AJSB’s solicitors entered appearance in Court on 30 June 2017 and 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 would otherwise have been 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 remaining prayers within Amsteel’s Statement of Claim remain unchanged.

Amsteel has disclosed their list of witnesses including their expert witness to the court. AJSB has filed the summary of case in Court and also served a copy on Amsteel. Both parties have been directed by the Court to file the bundle of documents including Amsteel’s expert report. During the case management held on 14 May 2017, both parties have yet to file the bundle of documents and Amsteel have informed the Court that their expert has not completed the expert report for this matter. Amsteel also informed the Court that they have filed and served an application to amend their pleading although we have yet to receive the same. Therefore, both parties have been directed to update the Court on the status of pre-trial cause papers i.e. the bundle of documents and the Amsteel’s expert report as well as directed AJSB to file Affidavit in Reply (if any) by next case management to be held on 5 June 2018.

Meanwhile, the trial dates on 16 to 20 July 2018 has been vacated and rescheduled to 24 and 25 September 2018, 15 October 2018 and 18 October 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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

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 (1Q2017: nil).

22.2 Redeemable Convertible Cumulative Preference Shares

On 25 May 2018, the Board of Directors approved and declared a first 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 21 June 2018 to the Depositors registered in the Record of Depositors at the close of the business on 12 June 2018 (1Q2017: 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 three months ended 31 March 2018 as set out below:

		3 months ended 31.3.2018
Total profit attributable to owners of the Parent	(RM'000)	61,445
Weighted average number of ordinary shares in issue or issuable	('000)	517,248
Basic EPS	(sen)	<u>11.88</u>



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2018**

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 three months ended 31 March 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 31.3.2018
Total profit attributable to owners of the Parent	(RM'000)	61,445
Effects on earnings upon conversion of RCPS	(RM'000)	703
	(RM'000)	<u>62,148</u>
Weighted average number of ordinary shares in issue or issuable	('000)	517,248
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	<u>101,797</u>
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	<u>619,045</u>
Diluted EPS	(sen)	<u>10.04</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 25 May 2018.

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