



安裕資源有限公司

ANN JOO RESOURCES BERHAD (371152-U)

(Incorporated in Malaysia)

**ANN JOO RESOURCES BERHAD
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED
30 JUNE 2018**



**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2018**

	3 months ended		6 months ended	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Revenue	509,625	490,746	1,098,689	989,916
Operating expenses	(467,589)	(450,347)	(971,657)	(844,145)
Other (expense)/income	(3,222)	5,242	2,691	7,949
Finance costs	(9,502)	(11,047)	(17,692)	(20,464)
Share of results of associates	-	7	2	7
Profit before tax	29,312	34,601	112,033	133,263
Income tax expense	(8,612)	(5,982)	(29,888)	(30,644)
Profit for the period	20,700	28,619	82,145	102,619
Other comprehensive income				
<u>Item that will not be reclassified</u>				
<u>subsequently to profit or loss:</u>				
Net change in revaluation of financial investments at fair value through other comprehensive income	(8)	4	(27)	1
<u>Items that will be reclassified</u>				
<u>subsequently to profit or loss:</u>				
Foreign currency translation differences for foreign operations	1,033	(680)	12	(980)
Net movement on cash flow hedge:				
- Foreign currency forward contracts	398	(41)	(146)	168
Other comprehensive income/(loss) for the period, net of tax	1,423	(717)	(161)	(811)
Total comprehensive income for the period	22,123	27,902	81,984	101,808
Profit attributable to:				
Owners of the parent	20,700	28,619	82,145	102,619
Total comprehensive income attributable to:				
Owners of the parent	22,123	27,902	81,984	101,808
Earnings per share ("EPS") (sen):				
Basic EPS	3.88	5.68	15.63	20.42
Diluted EPS	3.41	4.85	13.57	16.81

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



Condensed Consolidated Statements of Financial Position
As at 30 June 2018

	30.6.2018	31.12.2017
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	991,163	1,001,544
Prepaid lease payments	10,110	10,208
Investment properties	3,940	3,964
Intangible assets	7,468	7,468
Investment in associates	501	499
Other investments	42	69
Deferred tax assets	10,838	21,802
Total Non-current Assets	1,024,062	1,045,554
Current Assets		
Inventories	1,095,045	846,718
Trade receivables	357,462	394,997
Other receivables, deposits and prepayments	45,891	34,997
Derivative assets	-	216
Current tax assets	12,340	9,837
Cash and bank balances	43,879	56,529
Total Current Assets	1,554,617	1,343,294
TOTAL ASSETS	2,578,679	2,388,848
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share Capital	610,149	573,163
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component	2,794	3,440
Treasury shares	(71,554)	(74,156)
Other reserves	72,342	69,793
Retained earnings	667,687	655,099
Total Equity	1,281,418	1,227,339
Non-current Liabilities		
Loans and borrowings	1,129	1,384
RCPS - Liability component	42,447	51,969
Provision for retirement benefits	5,022	5,207
Deferred tax liabilities	42,961	28,792
Total Non-current Liabilities	91,559	87,352
Current Liabilities		
Loans and borrowings	960,235	844,063
Trade payables	168,750	142,686
Other payables, deposits and accruals	74,991	86,740
Derivative liabilities	-	25
Current tax liabilities	1,726	643
Total Current Liabilities	1,205,702	1,074,157
Total Liabilities	1,297,261	1,161,509
TOTAL EQUITY AND LIABILITIES	2,578,679	2,388,848
Net assets per share attributable to owners of the parent (RM)	2.39	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 six months ended 30 June 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	-	-	-	-	82,145	82,145
Other comprehensive loss for the period	-	-	(161)	-	-	(161)
Total comprehensive income for the period	-	-	(161)	-	82,145	81,984
Dividends to owners of the Company	-	-	-	-	(69,557)	(69,557)
Conversion of RCPS	36,986	(646)	-	-	-	36,340
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	5,312	-	-	5,312
- Share transferred	-	-	(2,602)	2,602	-	-
At 30 June 2018	610,149	2,794	72,342	(71,554)	667,687	1,281,418
At 1 January 2017	522,842	3,926	86,920	(71,389)	525,840	1,068,139
Profit for the period	-	-	-	-	102,619	102,619
Other comprehensive loss for the period	-	-	(811)	-	-	(811)
Total comprehensive income for the period	-	-	(811)	-	102,619	101,808
Transition to no par value regime ¹	22,665	-	(22,665)	-	-	-
Share buybacks	-	-	-	(2,767)	-	(2,767)
Dividends to owners of the Company	-	-	-	-	(45,511)	(45,511)
Conversion of RCPS	12,464	(221)	216	-	-	12,459
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	1,059	-	-	1,059
At 30 June 2017	557,971	3,705	64,719	(74,156)	582,948	1,135,187

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 six months ended 30 June 2018

	6 months ended	
	30.6.2018	30.6.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	112,033	133,263
Adjustments for non-cash items	51,350	38,869
Operating profit before working capital changes	163,383	172,132
Changes in working capital		
Net change in current assets	(228,501)	(38,871)
Net change in current liabilities	13,998	(13,084)
Interest received	955	658
Interest paid	(16,428)	(18,745)
Tax paid	(6,165)	(3,161)
Tax refunded	28	291
Retirement benefits paid	(195)	(1,401)
Net cash flows (used in)/generated from operating activities	(72,925)	97,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16	9
Proceeds from disposal of property, plant and equipment	36	2,186
Purchase of property, plant and equipment	(9,714)	(6,481)
Net cash flows used in investing activities	(9,662)	(4,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of bank borrowings	113,698	(65,421)
Share buybacks	-	(2,767)
Proceeds from the conversion of RCPS	26,712	9,158
Interest paid	(46)	(51)
Dividends paid to shareholders	(69,557)	(45,511)
Dividend paid to holders of RCPS	(1,112)	(1,484)
Withdrawal of fixed deposit pledged with licensed banks	-	3,744
Net cash flows generated from/(used in) financing activities	69,695	(102,332)
Net change in cash and cash equivalents	(12,892)	(8,799)
Effects of foreign exchanges rate changes	242	(894)
Cash and cash equivalents at beginning of period	56,520	51,169
Cash and cash equivalents at end of period	43,870	41,476

Cash and cash equivalents

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

	6 months ended	
	30.6.2018	30.6.2017
	RM'000	RM'000
Cash and bank balances	43,879	41,504
Less: Restricted bank balances	(9)	(28)
	43,870	41,476

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 SIX MONTHS ENDED 30 JUNE 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 SIX MONTHS ENDED 30 JUNE 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
---------	---------------------



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 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
---------------------------------------	--

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 and six months ended 30 June 2018.

4 NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had any material effect on the quarter and six months results ended 30 June 2018.

5 DEBT AND EQUITY SECURITIES

5.1 Redeemable Convertible Cumulative Preference Shares ("RCPS")

During the quarter under review, 12,823,525 RCPS were converted into 12,823,525 ordinary shares of the Company. As a result, the issued ordinary share capital of the Company increased from 546,050,689 ordinary shares to 558,874,214 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.



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

5 DEBT AND EQUITY SECURITIES (CONTINUED)

5.2 Treasury shares

During the quarter under review, the Company transferred 1,045,000 treasury shares to eligible employees upon vesting of shares under Share Grant Plan pursuant to the Long Term Incentive Plan ("LTIP").

As at 30 June 2018, out of total 558,874,214 issued paid ordinary shares, 22,235,900 shares were held as treasury shares at an average price of RM3.22 per share.

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

6 DIVIDENDS PAID

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

	30.6.2018	30.6.2017
Second interim dividend		
For the financial year ended	31 December 2017	31 December 2016
Approved and declared on	23 February 2018	21 February 2017
Date paid	21 May 2018	19 May 2017
Number of ordinary shares on which dividends were paid ('000)	535,049	505,680
Interim dividend per share (single-tier)	13 sen	9 sen
Net dividend paid (RM'000)	69,557	45,511
First semi-annual RCPS dividend		
For the financial year ending/ended	31 December 2018	31 December 2017
Approved and declared on	25 May 2018	23 May 2017
Date paid	21 June 2018	16 June 2017
Number of RCPS on which dividends were paid ('000)	88,974	118,745
Dividend per share (single-tier)	1.25 sen	1.25 sen
Net dividend paid (RM'000)	1,112	1,484



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

7 PROFIT BEFORE TAX

	3 months ended 30.6.2018 RM'000	6 months ended 30.6.2018 RM'000
Profit before tax is arrived at after charging:		
Allowance for inventories written down	2,608	4,668
Depreciation and amortisation	9,960	19,944
Finance cost		
- Interest expenses	8,987	16,474
- RCPS unwinding of discount	515	1,218
LTIP share-based payments expenses	2,656	5,312
Net impairment loss on receivables	518	1,963
and after crediting:		
Bad debts recovered	224	225
Gain on disposal of property, plant and equipment	-	32
Interest income	662	971
Foreign exchange gain		
- Realised foreign exchange gain	2,208	3,154
- Unrealised foreign exchange loss	(6,694)	(2,397)

8 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter in respect of which this announcement is made.

9 CHANGES IN THE COMPOSITION OF THE GROUP

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

10 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

11 CAPITAL COMMITMENTS

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

	RM'000
(a) contracted but not provided for	14,857
(b) approved but not contracted for	24,327



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

12 REVIEW OF PERFORMANCE

	3 months ended		Changes (%)	6 months ended		Changes (%)
	30.6.2018 RM'000	30.6.2017 RM'000		30.6.2018 RM'000	30.6.2017 RM'000	
Revenue						
Manufacturing	411,145	397,616	3.40	888,825	793,092	12.07
Trading	241,572	189,990	27.15	517,997	392,257	32.06
Investment holding, property management and others	7,818	6,557	19.23	15,610	13,102	19.14
Adjustments and elimination	(150,910)	(103,417)	45.92	(323,743)	(208,535)	55.25
Group revenue	<u>509,625</u>	<u>490,746</u>	3.85	<u>1,098,689</u>	<u>989,916</u>	10.99
Segment profit						
Manufacturing	35,116	33,553	4.66	113,621	122,720	(7.41)
Trading	1,181	11,152	(89.41)	11,322	29,243	(61.28)
Investment holding, property management and others	2,082	557	273.79	3,996	1,590	151.32
Adjustments and elimination	(227)	14	(1,721.43)	(187)	(500)	(62.60)
	<u>38,152</u>	<u>45,276</u>	(15.73)	<u>128,752</u>	<u>153,053</u>	(15.88)
Finance costs	(9,502)	(11,047)	(13.99)	(17,692)	(20,464)	(13.55)
Interest income	662	365	81.37	971	667	45.58
Share of results of associates	-	7	(100.00)	2	7	(71.43)
Profit before tax	<u>29,312</u>	<u>34,601</u>	(15.29)	<u>112,033</u>	<u>133,263</u>	(15.93)

Revenue in the second quarter of 2018 (“2Q2018”) was marginally higher due to slightly improved selling prices, while tonnage sold was lower.

2Q2018 profit before tax (before foreign exchange gain/loss) was comparable to the corresponding quarter of preceding year (“2Q2017”). 2Q2018 incurred net forex loss of RM4.49 million compared with 2Q17 net forex gain of RM2.78 million.

Market conditions were affected by temporary demand softness due to seasonal factors (Raya period) and weak market sentiment since the dissolution of Parliament.

Lower profitability in second half of 2018 (“2H2018”) as compared to second half of 2017 (“2H2017”) mainly due to an exceptionally strong 1Q2017, during which steel prices had surged while inventory was at lower historical cost (positive price-cost effect).



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

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes (%)
	30.6.2018 RM'000	31.3.2018 RM'000	
Revenue	509,625	589,064	(13.49)
Profit before tax	29,312	82,721	(64.57)

Lower revenue and profitability were mainly due to lower selling price and tonnage sold in current quarter, which was mainly attributable to temporary demand softness on seasonal factors and weak market sentiment since the dissolution of Parliament.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the six months ended 30 June 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	583,330	515,179	180	-	1,098,689
Inter-segment	305,495	2,818	15,430	(323,743)	-
	888,825	517,997	15,610	(323,743)	1,098,689
RESULTS					
Segment profit	113,621	11,322	3,996	(187)	128,752
Finance costs					(17,692)
Interest income					971
Share of associates' results					2
Income tax expense					(29,888)
Profit for the year					82,145
Segment assets	2,057,248	721,283	182,239	(382,091)	2,578,679
Segment liabilities	1,104,368	498,832	86,979	(392,918)	1,297,261



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

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	6 months ended 30.6.2018 RM'000
Revenue from external customers	
Malaysia	1,081,096
Singapore	17,593
	<hr/>
Non-current assets	
Malaysia	1,011,803
Singapore	1,379
	<hr/>

15 PROSPECTS

The Group's views on international and domestic demand-supply dynamics are:

- a. Trade frictions across US, China and EU create global economic uncertainty, currency and interest rate volatility, and temporary supply-demand distortions in the steel export markets.
- b. Higher steel tariffs on Turkey is causing it to divert part of its exports from US/EU to Southeast Asia. The plunge of the Turkish Lira further adds to its competitiveness in exports.
- c. Malaysia's demand remains soft amidst the current government's review on infrastructure spending. However, there is potential greater cost-efficiency in infrastructure projects to spur construction activity and steel demand in the mid/long-term.
- d. China's ongoing production curtailment program and continued infrastructure requirements should support its domestic demand at a relatively high price level and moderate its exports.
- e. ASEAN's expected steel demand growth of 5-6% p.a., which is expected to surpass 80 million tonnes by 2019 (source: SEAISI) should support export opportunities in this region. Historically, two-thirds of Southeast Asia's steel requirements were met by imports.

Despite the above, regional steel markets are still very sizeable in comparison to the Group's capacity. Being one of the lowest cost producers of construction steel in the region, the Group is confident that it remains price competitive in the export markets. As such, the Group expects to increase its proportion of export sales amidst lacklustre near-term domestic demand.

In view of the adverse external environment and market volatility, the Group is cautious about the steel sector outlook. Nonetheless, given its continued focus on cost efficiency, the Group expects its performance to remain relatively 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 December 2018.



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

17 INCOME TAX

The income tax expenses comprise:

	3 months ended 30.6.2018 RM'000	6 months ended 30.6.2018 RM'000
Income tax		
Current period	2,407	4,720
Deferred tax		
Current period	6,205	25,168
	8,612	29,888

The Group's effective tax rate for the quarter and for the financial period ended 30 June 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 30 June 2018 were as follows:

a) Group borrowings

	30.06.2018 RM'000	30.06.2017 RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	426	442
Long-term borrowings		
Obligations under finance leases	1,129	1,603
	1,555	2,045
<u>Unsecured</u>		
Short-term borrowings		
Bill payables	738,609	786,011
Revolving credit	-	50,000
Foreign currency trade loan	221,200	54,518
	959,809	890,529
	961,364	892,574



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

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings was as follows:

	30.6.2018		30.6.2017	
	USD denomination (‘000)	RM equivalent (‘000)	USD denomination (‘000)	RM equivalent (‘000)
Unsecured				
Short-term borrowings				
Foreign currency trade loan	54,753	221,200	12,689	54,518

b) Debts securities - RCPS

	No of RCPS (‘000)	Amount RM’000
At the beginning of financial year	109,521	55,409
Less: Converted during the year	(20,548)	(10,274)
Add: Unwinding of discount charged to profit or loss	-	1,218
Less: Dividend paid	-	(1,112)
At the end of financial year end	88,973	45,241
Liability component		42,447
Equity component		2,794
		45,241

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.



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

20 MATERIAL LITIGATIONS (CONTINUED)

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) (continued)

Pursuant to the arbitration hearing held in October 2017 and subsequent exchanges of written submission, on 1 August 2018 AJIS announced that the Arbitration Tribunal awarded as follows:

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

- (i) RM4,278,300 for failing to complete four items of Works under the Contract;
- (ii) USD523,738 for spare parts not supplied; and
- (iii) USD22,231.75 (being 50% of the total amount of disbursements and expenses paid by AJIS for fees and other services to Maxwell Chambers, Singapore and fees for transcription services).

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

- (i) RMB1,357,322.38 for servicing the performance bond and any additional sums paid by or due from the Respondent to maintain the Performance Bond up to the date of its release; and
- (ii) USD3,156,800 for remaining sum payable under the Contract.

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

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

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

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

The net principal sum payable by AJIS to Tangshan is actually part of the balance payable to Tangshan for completion of the works under the Contract and thus, is within and not more than the original Contract price.

The Company is still in discussion with its solicitors on the Award and will make further announcements on any material development in due course.



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

20 MATERIAL LITIGATIONS (CONTINUED)

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. 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 appeal at the Federal Court fixed on 30 August 2018 has been adjourned to 3 December 2018.

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

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 Written 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 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 2018, 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.

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

20 MATERIAL LITIGATIONS (CONTINUED)

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

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

AJSB on 21 July 2018 has received Amsteel's expert report. Further case management has been fixed on 27 August 2018 for parties to file in the remaining pre-trial papers i.e. Common Bundle of Documents, Issues to be Tried and Amsteel's List of Witnesses and also directed AJSB to update the court on expert report's status i.e. whether AJSB need to engage an expert as well as submitting the expert report.

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

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

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

21 DIVIDEND

Ordinary shares

On 27 August 2018, the Board of Directors approved and declared an interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ending 31 December 2018. The declaration of this dividend will be paid on 27 September 2018 to the Depositors registered in the Record of Depositors at the close of the business on 13 September 2018. (2Q2017: 6 sen per ordinary share).



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

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 quarter and six months ended 30 June 2018 as set out below:

		3 months ended 30.6.2018	6 months ended 30.6.2018
Total profit attributable to owners of the Parent	(RM'000)	20,700	82,145
Weighted average number of ordinary shares in issue or issuable	('000)	<u>533,818</u>	<u>525,455</u>
Basic EPS	(sen)	<u>3.88</u>	<u>15.63</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 quarter and six months ended 30 June 2018, adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived based on the assumption that full conversion of the remaining RCPS in issue into ordinary shares as at reporting date.

		3 months ended 30.6.2018	6 months ended 30.6.2018
Total profit attributable to owners of the Parent	(RM'000)	20,700	82,145
Effects on earnings upon conversion of RCPS	(RM'000)	<u>515</u>	<u>1,218</u>
	(RM'000)	<u>21,215</u>	<u>83,363</u>
Weighted average number of ordinary shares in issue or issuable	('000)	533,818	525,455
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	<u>88,974</u>	<u>88,974</u>
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	<u>622,792</u>	<u>614,429</u>
Diluted EPS	(sen)	<u>3.41</u>	<u>13.57</u>



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

23 STATUS OF AUDIT QUALIFICATION

There was no audit qualification on the audit report of the preceding annual financial statements.

24 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 27 August 2018.

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