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 2018

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2018

	3 months ended		12 months ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000 (audited)
Revenue	675,725	610,147	2,322,108	2,195,212
Operating expenses	(666,834)	(552,367)	(2,165,564)	(1,925,057)
Other income	3,293	11,087	33,511	21,525
Finance costs	(11,507)	(8,582)	(40,115)	(38,832)
Share of results of associates	3	2	7	13
Profit before tax	680	60,287	149,947	252,861
Income tax credit/(expense)	32,335	(4,759)	(403)	(47,477)
Profit for the period/year	33,015	55,528	149,544	205,384
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss:				
Net change in revaluation of financial investments at fair value through other comprehensive income	(9)	6	(38)	9
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(38)	(947)	569	(2,297)
Cash flow hedges	852	145	1,516	313
Other comprehensive income/(loss) for the period/year, net of tax	805	(796)	2,047	(1,975)
Total comprehensive income for the period/year	33,820	54,732	151,591	203,409
Profit attributable to:				
Owners of the parent	33,015	55,528	149,544	205,384
Total comprehensive income attributable to:				
Owners of the parent	33,820	54,732	151,591	203,409
Earnings per share ("EPS") (sen):				
Basic EPS	6.14	10.82	28.13	40.52
Diluted EPS	5.37	9.05	24.54	33.89

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.

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position
As at 31 December 2018

	31.12.2018 RM'000	31.12.2017 RM'000 (audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,000,582	1,001,544
Prepaid lease payments	9,890	10,208
Investment properties	3,915	3,964
Intangible assets	7,468	7,468
Investment in associates	506	499
Other investments	32	69
Deferred tax assets	19,424	21,802
Total Non-current Assets	1,041,817	1,045,554
Current Assets		
Inventories	1,040,756	846,718
Trade receivables	465,666	394,997
Other receivables, deposits and prepayments	70,430	34,997
Derivative assets	-	216
Current tax assets	12,648	9,837
Cash and bank balances	55,405	56,529
Total Current Assets	1,644,905	1,343,294
TOTAL ASSETS	**2,686,722**	**2,388,848**
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share Capital	612,016	573,163
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component	2,761	3,440
Treasury shares	(68,294)	(74,156)
Other reserves	75,940	69,793
Retained earnings	702,825	655,099
Total Equity	1,325,248	1,227,339
Non-current Liabilities		
Loans and borrowings	1,134	1,384
RCPS - Liability component	42,112	51,969
Provision for retirement benefits	4,563	5,207
Deferred tax liabilities	19,055	28,792
Total Non-current Liabilities	66,864	87,352
Current Liabilities		
Loans and borrowings	1,020,892	844,063
Trade payables	180,961	142,686
Other payables, deposits and accruals	92,405	86,740
Derivative liabilities	32	25
Current tax liabilities	320	643
Total Current Liabilities	1,294,610	1,074,157
Total Liabilities	1,361,474	1,161,509
TOTAL EQUITY AND LIABILITIES	**2,686,722**	**2,388,848**
Net assets per share attributable to owners of the parent (RM)	2.46	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.

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Changes in Equity
For the twelve months ended 31 December 2018

	Non-distributable			Distributable		
	Share capital RM'000	**RCPS - Equity component RM'000**	**Other reserves RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2018	573,163	3,440	69,793	(74,156)	655,099	1,227,339
Profit for the year	-	-	-	-	149,544	149,544
Other comprehensive income for the year	-	-	2,047	-	-	2,047
Total comprehensive income for the year	-	-	2,047	-	149,544	151,591
Dividends to owners of the Company	-	-	-	-	(101,818)	(101,818)
Conversion of RCPS	38,853	(679)	-	-	-	38,174
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	9,962	-	-	9,962
- Share transferred	-	-	(5,862)	5,862	-	-
At 31 December 2018	612,016	2,761	75,940	(68,294)	702,825	1,325,248
At 1 January 2017	522,842	3,926	86,920	(71,389)	525,840	1,068,139
Profit for the year	-	-	-	-	205,384	205,384
Other comprehensive loss for the year	-	-	(1,975)	-	-	(1,975)
Total comprehensive income for the year	-	-	(1,975)	-	205,384	203,409
Transition to no par value regime[1]	22,665	-	(22,665)	-	-	-
Share buybacks	-	-	-	(2,767)	-	(2,767)
Dividends to owners of the Company	-	-	-	-	(76,125)	(76,125)
Conversion of RCPS	27,656	(486)	216	-	-	27,386
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	7,297	-	-	7,297
At 31 December 2017	573,163	3,440	69,793	(74,156)	655,099	1,227,339

[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 twelve months ended 31 December 2018

	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	149,947	252,861
Adjustments for non-cash items	123,709	79,316
Operating profit before working capital changes	273,656	332,177
Changes in working capital		
Net change in current assets	(331,236)	(113,701)
Net change in current liabilities	43,646	19,586
Interest received	3,873	3,240
Interest paid	(37,572)	(35,253)
Tax paid	(10,950)	(11,265)
Tax refunded	75	412
Retirement benefits paid	(601)	(2,023)
Net cash flows (used in)/generated from operating activities	(59,109)	193,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	24	22
Proceeds from disposal of property, plant and equipment	608	11,671
Purchase of property, plant and equipment	(42,434)	(33,004)
Net cash flows used in investing activities	(41,802)	(21,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of bank borrowings	174,778	(106,365)
Share buybacks	-	(2,767)
Proceeds from the conversion of RCPS	28,060	20,129
Interest paid	(74)	(96)
Dividends paid to shareholders	(101,818)	(76,125)
Dividend paid to holders of RCPS	(2,212)	(2,867)
Withdrawal of fixed deposit pledged with licensed banks	-	3,763
Net cash flows generated from/(used in) financing activities	98,734	(164,328)
Net change in cash and cash equivalents	(2,177)	7,534
Effects of foreign exchanges rate changes	1,053	(2,183)
Cash and cash equivalents at beginning of year	56,520	51,169
Cash and cash equivalents at end of year	55,396	56,520

Cash and cash equivalents

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

	12 months ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
Cash and bank balances	55,405	56,529
Less: Restricted bank balances	(9)	(9)
	55,396	56,520

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.

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 Application of new and amendments to MFRS, and Issues Committee Interpretations ("IC Interpretation")

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following amended MFRS which are mandatory for annual financial periods beginning on or after 1 January 2018.

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRS Standards 2014 –2016 Cycle

The adoption of these amendments to MFRS and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company except for the changes arising from the adoption of new MFRS - MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers as described below:-

MFRS 9 Financial Instruments

The adoption of this Standard resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting, and has no material financial impact to the financial statements of the Group and of the Company.

1 BASIS OF PREPARATION (CONTINUED)

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

MFRS 9 Financial Instruments (continued)

a) Classification and measurement

Financial assets

The Group and the Company classified their financial assets into the following measurement categories depending on the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows of the financial assets as follows:-

- debt instruments such as receivables and cash and bank balances that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost; and

- equity investments are measured at FVTOCI as this investment is not held for trading.

Financial liabilities

There is no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

b) Impairment of financial assets

MFRS 9 Financial Instruments requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables. The Group established a provision matrix that is based on it's historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

MFRS 15 Revenue from Contracts with Customers

This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provides a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard resulted in changes in accounting policies for revenue recognition, and has no material financial impact to the financial statements of the Group and of the Company.

1 BASIS OF PREPARATION (CONTINUED)

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

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101	Definition of Material
Amendments to MFRS 108	Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Deferred to a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors anticipate that the abovementioned new MFRS, amendments to MFRS, and IC Interpretation will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these new MFRS, amendments to MFRS, and IC Interpretation will have no material impact on the financial statements of the Group and of the Company in the period of initial application other than as disclosed otherwise below.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

1 BASIS OF PREPARATION (CONTINUED)

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

MFRS 16 Leases (continued)

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Group and the Company will apply the simplified transition approach of which comparatives are not restated and the Directors do not anticipate that the application of MFRS 16 will have a significant financial impact on the financial statements.

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 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 twelve months results ended 31 December 2018.

5 DEBT AND EQUITY SECURITIES

5.1 Redeemable Convertible Cumulative Preference Shares ("RCPS")

During the quarter under review, there were no conversion of RCPS into ordinary shares of the Company.

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 31 December 2018, out of total 559,911,414 issued paid ordinary shares, 21,190,900 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 31 December 2018.

6 DIVIDENDS PAID

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

	31.12.2018	**31.12.2017**
First interim dividend		
For the financial year ended	31 December 2018	31 December 2017
Approved and declared on	27 August 2018	22 August 2017
Date paid	27 September 2018	21 September 2017
Number of ordinary shares on which dividends were paid ('000)	537,676	510,226
Interim dividend per share (single-tier)	6 sen	6 sen
Net dividend paid (RM'000)	32,261	30,614
Second interim dividend		
For the financial year ended	31 December 2017	31 December 2016
Approved and declared on	23 February 2018	21 February 2017
Date paid	21 May 2018	19 May 2017
Number of ordinary shares on which dividends were paid ('000)	535,049	505,680
Interim dividend per share (single-tier)	13 sen	9 sen
Net dividend paid (RM'000)	69,557	45,511

6 DIVIDENDS PAID (CONTINUED)

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

	31.12.2018	31.12.2017
First semi-annual RCPS dividend		
For the financial year 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
Second semi-annual RCPS dividend		
For the financial year ended	31 December 2018	31 December 2017
Approved and declared on	30 November 2018	24 November 2017
Date paid	31 December 2018	21 December 2017
Number of RCPS on which dividends were paid (‘000)	87,936	110,655
Dividend per share (single-tier)	1.25 sen	1.25 sen
Net dividend paid (RM’000)	1,099	1,383

7 PROFIT BEFORE TAX

	3 months ended 31.12.2018 RM’000	12 months ended 31.12.2018 RM’000
Profit before tax is arrived at after charging:		
Allowance for inventories written down	15,055	21,414
Bad debts written off	247	247
Depreciation and amortisation	10,821	42,920
Finance cost		
- Interest expenses	10,885	37,646
- RCPS unwinding of discount	622	2,469
Foreign exchange loss		
- Realised foreign exchange loss	7,429	3,901
- Unrealised foreign exchange (gain)/loss	(5,918)	2,184
LTIP share-based payments expenses	1,994	9,962
Net impairment loss on receivables	678	2,285
and after crediting:		
Bad debts recovered	-	248
Compensation for delay in plant completion	-	25,211
Gain on disposal of property, plant and equipment	175	280
Interest income	2,348	3,897

8 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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 year 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 2018 were as follows:

	RM'000
(a) contracted but not provided for	2,745
(b) approved but not contracted for	6,580

12 REVIEW OF PERFORMANCE

	3 months ended		Changes	12 months ended		Changes
	31.12.2018	**31.12.2017**	**(%)**	**31.12.2018**	**31.12.2017**	**(%)**
	RM'000	**RM'000**		**RM'000**	**RM'000**	
Revenue						
Manufacturing	537,256	531,649	1.05	1,840,956	1,841,020	-
Trading	338,638	226,030	49.82	1,147,430	826,343	38.86
Investment holding, property management and others	11,323	106,643	(89.38)	34,712	126,302	(72.52)
Adjustments and elimination	(211,492)	(254,175)	(16.79)	(700,990)	(598,453)	17.13
Group revenue	675,725	610,147	10.75	2,322,108	2,195,212	5.78
Segment profit						
Manufacturing	(309)	58,983	(100.52)	157,439	238,942	(34.11)
Trading	3,059	7,545	(59.46)	15,377	47,086	(67.34)
Investment holding, property management and others	6,702	53,622	(87.50)	12,490	56,298	(77.81)
Adjustments and elimination	384	(53,297)	(100.72)	852	(53,908)	(101.58)
	9,836	66,853	(85.29)	186,158	288,418	(35.46)
Finance costs	(11,507)	(8,582)	34.08	(40,115)	(38,832)	3.30
Interest income	2,348	2,014	16.58	3,897	3,262	19.47
Share of results of associates	3	2	50.00	7	13	(46.15)
Profit before tax	680	60,287	(98.87)	149,947	252,861	(40.70)

Higher revenue in the fourth quarter of 2018 (“4Q2018”) compared to the fourth quarter of 2017 (“4Q2017”) was mainly due to higher export tonnage despite lower selling price depressed by stiff competition in domestic market.

Higher revenue in financial year 2018 (“FY18”) compared to the preceding year was mainly attributed to higher selling prices in first half of 2018, in line with international trends, and higher export tonnage in 4Q2018.

Lower profitability in 4Q2018 and FY2018 was mainly attributable to i) tighter profit margins for finished products, and ii) recognition of allowance for inventories written down of RM15.06 million and RM21.41 million in 4Q2018 and FY2018 respectively mainly derived from the write-down of inventories to net realisable value arising from declined selling prices.

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes
	31.12.2018 RM'000	30.9.2018 RM'000	(%)
Revenue	675,725	547,694	23.38
Profit before tax	680	37,234	(98.17)

Higher revenue in 4Q2018 was mainly due to higher export tonnage. Domestic revenues were depressed by lower selling price as the new steel producer in the country, which is 100% foreign-owned, was selling at depressed prices into the Malaysian market.

Lower profitability in 4Q2018 was mainly due to depressed selling price and recognition of allowance for inventories written down of RM15.06 million mainly derived from the write-down of inventories to net realisable value arising from lower selling prices coupled with recognition of compensation for delay in plant completion of RM25.21 million arising from the awards of an arbitration in 3Q2018.

The decline in selling price and inventories write down are mainly attributed to the oversupply situation domestically, the major cause of which is new production capacity and/or resumption of production, by foreign owned steel mills.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segmental revenue, results and assets for the twelve months ended 31 December 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	1,180,076	1,141,346	686		2,322,108
Inter-segment	660,880	6,084	34,026	(700,990)	-
	1,840,956	1,147,430	34,712	(700,990)	2,322,108
RESULTS					
Segment profit	157,439	15,377	12,490	852	186,158
Finance costs					(40,115)
Interest income					3,897
Share of associates' results					7
Income tax expense					(403)
Profit for the year					149,544
Segment assets	2,020,174	859,862	180,753	(374,067)	2,686,722
Segment liabilities	1,004,232	637,320	109,660	(389,738)	1,361,474

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	12 months ended 31.12.2018 RM'000
Revenue from external customers	
Malaysia	2,280,264
Singapore	41,844
Non-current assets	
Malaysia	1,022,361
Singapore	1,180

15 PROSPECTS

The domestic market continues to be negatively impacted by excessive supply of long products at depressed prices since the operational commissioning of a wholly-foreign-owned steel mill as well as the operation resumption of another foreign-owned steel mill.

To curb the accelerated oversupply situation domestically, there is an urgency for the relevant governmental authorities to take immediate actions to ensure foreign investments in the country adhere strictly to all their investment conditions, which include export sales requirements and/or production of certain products not currently manufactured domestically. Otherwise, this may further destroy the strength of local players in this strategic industry which would be detrimental to the country's economic development in the long term.

Given the oversupply situation in the domestic market, the Group will continue to actively pursue export opportunities, leveraging on our operational flexibility as the key driver of the Group's cost competitiveness. The Group remains highly responsive to market changes and agile in sales mix to meet international demand. The Group continues to proactively manage its working capital and debt levels to ensure it remains in a strong financial position.

Taking into consideration the challenging industry dynamics which are beyond the Group's control, the Group's performance for the year is heavily dependent on the pace of the rectification of the domestic oversupply situation. With the recent establishment of the Economic Action Council, the Group will proactively support the Government's efforts to spur economic activity, including infrastructure development, as well as its efforts to address the overcapacity within Malaysia's steel industry.

16 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2018.

17 INCOME TAX (CREDIT)/EXPENSE

The income tax expenses comprise:

	3 months ended 31.12.2018 RM'000	12 months ended 31.12.2018 RM'000
Income tax		
Current period/year	275	7,768
Over-provision in prior year	(99)	(58)
Deferred tax		
Current period/year	(38,976)	(11,606)
Under-provision in prior year	6,465	4,299
	(32,335)	403

The Group's effective tax rate for the quarter and for the financial year ended 31 December 2018 was lower than the statutory tax rate mainly due to recognition of tax incentives for the quarter and twelve months ended 31 December 2018.

18 STATUS OF CORPORATE PROPOSALS

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

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 31 December 2018 were as follows:

a) **Group borrowings**

	31.12.2018 RM'000	31.12.2017 RM'000
Secured		
Short-term borrowings		
Obligations under finance leases	492	446
Long-term borrowings		
Obligations under finance leases	1,134	1,384
	1,626	1,830
Unsecured		
Short-term borrowings		
Bill payables	890,584	711,992
Revolving credit	30,000	-
Foreign currency trade loan	99,816	131,625
	1,020,400	843,617
	1,022,026	845,447

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings was as follows:

	31.12.2018		31.12.2017	
	USD denomination ('000)	RM equivalent ('000)	USD denomination ('000)	RM equivalent ('000)
Unsecured				
Short-term borrowings				
Foreign currency trade loan	24,135	99,816	32,494	131,625

b) Debts securities - RCPS

	No of RCPS ('000)	Amount RM'000
At the beginning of financial year	109,521	55,409
Less: Converted during the year	(21,585)	(10,793)
Add: Unwinding of discount charged to profit or loss	-	2,469
Less: Dividend paid	-	(2,212)
At the end of financial year end	87,936	44,873

Liability component	42,112
Equity component	2,761
	44,873

20 FINANCIAL INSTRUMENTS

The Group's outstanding derivatives as at 31 December 2018 were as follows:

	Notional Value RM'000	Fair Value RM'000	Net Loss RM'000
Commodity and Foreign Currency Forward Contracts:			
- Less than one year	33,150	33,118	32

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.

21 MATERIAL LITIGATIONS

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

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

(i) USD10,200,000.00 as liquidated ascertained damages on account of Tangshan's delay in completing the works as per the Contract;

(ii) USD5,470,533.28 for various breaches and/or non-performance of the Contract by Tangshan; and

(iii) USD1,250,000.00 for the refund of excess or mistaken payment.

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

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

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

(i) RM4,278,300.00 for failing to complete four items of Works under the Contract;

(ii) USD523,738.00 for spare parts not supplied; and

(iii) USD22,231.75 (being 50% of the total amount of disbursements and expenses paid by AJIS for fees and other services to Maxwell Chambers, Singapore and fees for transcription services).

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

(i) RMB1,357,322.38 for servicing the performance bond and any additional sums paid by or due from the Respondent to maintain the Performance Bond up to the date of its release; and

(ii) USD3,156,800.00 for remaining sum payable under the Contract.

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

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

21 MATERIAL LITIGATIONS (CONTINUED)

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

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

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

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

(i) RM24,102,483.34 being the additional cost of production or losses due to late start-up of the Pulverized Coal Injection ("PCI") for the period between October 2011 and March 2012; and

(ii) RM1,108,495.19 being the additional cost of production or losses due to late start-up of the Top Pressure Recovery Turbines ("TRT") for the period between October 2011 and August 2012;

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

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

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

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

On 22 August 2016, the High Court had delivered a decision in favour of AJSB. 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 Grounds of Judgment of the Court of Appeal was obtained on 21 September 2017.

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 (Defendants) (continued)

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

The hearing date for AJSB's appeal at the Federal Court fixed on 30 August 2018 had been adjourned to 3 December 2018. On 3 December 2018, the Federal Court heard the appeal against the Court of Appeal Orders and reserved its decision thereafter. No date has been fixed for the Federal Court to deliver its decision.

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

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

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

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

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

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

(i) Amsteel to file and serve the amended Statement of Claim on 12 September 2018;

(ii) AJSB to file and serve the amended Statement of Defence by 26 September 2018; and

(iii) Amsteel to file and serve the amended Reply to AJSB's Statement of Defence by 10 October 2018.

21 MATERIAL LITIGATIONS (CONTINUED)

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

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

(i) Amsteel to file Affidavit in Reply by 30 November 2018; and

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

On 7 December 2018, the Court had given further directions for this matter as follows:

(i) AJSB to file Affidavit in Reply (2) by 26 December 2018;

(ii) Amsteel is to file Affidavit in Reply (2) by 15 January 2019;

(iii) Case Management is fixed on 12 February 2019 for parties to file and served their respective Written Submission and Bundle of Authorities for the Discovery Application; and

(iv) The Hearing for the Discovery Application is fixed on 19 February 2019.

Nonetheless, on 19 February 2019, the Court after considering the Submissions filed by respective parties had adjourned the Hearing to 22 March 2019 so as to enable the parties to:

(i) AJSB to file Submission in Reply by 5 March 2019; and

(ii) Amsteel to file Further Submission in Reply by 19 March 2019.

Meanwhile, the Trial dates for this matter have been rescheduled to 24 to 28 June 2019.

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

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

22 DIVIDEND

Ordinary shares

On 26 February 2019, the Board of Directors approved the declaration of a second interim dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2018. The declaration of this dividend will be paid on 24 May 2019 to the Depositors registered in the Record of Depositors at the close of the business on 8 May 2019 (4Q2017: 13 sen per ordinary share).

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/year by the weighted average number of ordinary shares of the Company in issue during the quarter and twelve months ended 31 December 2018 as set out below:

		3 months ended 31.12.2018	12 months ended 31.12.2018
Total profit attributable to owners of the Parent	(RM'000)	33,015	149,544
Weighted average number of ordinary shares in issue or issuable	('000)	538,028	531,579
Basic EPS	(sen)	6.14	28.13

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/year by the weighted average number of ordinary shares of the Company in issue during the quarter and twelve months ended 31 December 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 31.12.2018	12 months ended 31.12.2018
Total profit attributable to owners of the Parent	(RM'000)	33,015	149,544
Effects on earnings upon conversion of RCPS	(RM'000)	622	2,469
	(RM'000)	33,637	152,013
Weighted average number of ordinary shares in issue or issuable	('000)	538,028	531,579
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	87,936	87,936
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	625,964	619,515
Diluted EPS	(sen)	5.37	24.54

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 26 February 2019.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Lim Swee Foon (MAICSA 7064875)
Company Secretaries
26 February 2019
Selangor Darul Ehsan