



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 2019**



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2019

	3 months ended		6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Revenue	574,320	509,625	1,112,444	1,098,689
Operating expenses	(617,059)	(467,589)	(1,157,573)	(971,657)
Other income/(expense)	2,654	(3,222)	6,195	2,691
Finance costs	(12,666)	(9,502)	(24,740)	(17,692)
Share of results of associates	1	-	2	2
(Loss)/Profit before tax	(52,750)	29,312	(63,672)	112,033
Income tax credit/(expense)	14,999	(8,612)	19,323	(29,888)
(Loss)/Profit for the period	(37,751)	20,700	(44,349)	82,145
Other comprehensive (loss)/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)	2	(27)
<u>Items that will be reclassified</u>				
<u>subsequently to profit or loss:</u>				
Foreign currency translation differences for foreign operations	307	1,033	3	12
Cash flow hedges	(1,722)	398	(1,698)	(146)
Other comprehensive (loss)/income for the period net of tax	(1,415)	1,423	(1,693)	(161)
Total comprehensive (loss)/income for the period	(39,166)	22,123	(46,042)	81,984
(Loss)/Profit attributable to:				
Owners of the parent	(37,751)	20,700	(44,349)	82,145
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(39,166)	22,123	(46,042)	81,984
Earnings per share ("EPS") (sen):				
Basic EPS	(7.01)	3.88	(8.23)	15.63
Diluted EPS	(5.92)	3.41	(6.88)	13.57

The condensed consolidated statements of profit or loss and other comprehensive (loss)/income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Financial Position
As at 30 June 2019

	30.6.2019	31.12.2018
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	999,199	1,000,582
Prepaid lease payments	9,792	9,889
Investment properties	3,863	3,916
Intangible assets	7,468	7,468
Investment in associates	507	506
Other investments	33	32
Deferred tax assets	46,410	19,424
Right-of-use assets	9,486	-
Total Non-current Assets	1,076,758	1,041,817
Current Assets		
Inventories	991,680	1,085,366
Trade receivables	418,097	465,666
Other receivables, deposits and prepayments	63,171	70,430
Current tax assets	14,978	12,648
Cash and bank balances	51,061	55,405
Total Current Assets	1,538,987	1,689,515
TOTAL ASSETS	2,615,745	2,731,332
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share Capital	612,016	612,016
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component	2,762	2,762
Treasury shares	(66,960)	(68,294)
Other reserves	76,203	75,940
Retained earnings	626,153	702,825
Total Equity	1,250,174	1,325,249
Non-current Liabilities		
Loans and borrowings	894	1,143
Lease liabilities	8,400	-
RCPS - Liability component	42,271	42,112
Provision for retirement benefits	4,336	4,563
Deferred tax liabilities	24,933	19,055
Total Non-current Liabilities	80,834	66,873
Current Liabilities		
Loans and borrowings	1,072,625	1,020,883
Lease liabilities	1,223	-
Trade payables	133,718	225,245
Other payables, deposits and accruals	76,668	92,730
Derivative liabilities	49	32
Current tax liabilities	454	320
Total Current Liabilities	1,284,737	1,339,210
Total Liabilities	1,365,571	1,406,083
TOTAL EQUITY AND LIABILITIES	2,615,745	2,731,332
Net assets per share attributable to owners of the parent (RM)	2.32	2.46

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019

	----- 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 2019	612,016	2,762	75,940	(68,294)	702,825	1,325,249
(Loss) for the period	-	-	-	-	(44,349)	(44,349)
Other comprehensive (loss) for the period	-	-	(1,693)	-	-	(1,693)
Total comprehensive (loss) for the period	-	-	(1,693)	-	(44,349)	(46,042)
Dividends to owners of the Company	-	-	-	-	(32,323)	(32,323)
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	3,290	-	-	3,290
- Share transferred	-	-	(1,334)	1,334	-	-
At 30 June 2019	612,016	2,762	76,203	(66,960)	626,153	1,250,174
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 (loss)/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

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Cash Flows
For the six months ended 30 June 2019

	6 months ended	
	30.6.2019	30.6.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(63,672)	112,033
Adjustments for non-cash items	61,753	51,350
Operating (loss)/profit before working capital changes	(1,919)	163,383
Changes in working capital		
Net change in current assets	134,273	(228,501)
Net change in current liabilities	(108,354)	13,998
Interest received	1,404	955
Interest paid	(22,990)	(16,428)
Tax paid	(4,122)	(6,165)
Tax refunded	141	28
Retirement benefits paid	(362)	(195)
Net cash flows used in operating activities	(1,929)	(72,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	16
Proceeds from disposal of property, plant and equipment	24	36
Purchase of property, plant and equipment	(20,319)	(9,714)
Net cash flows used in investing activities	(20,295)	(9,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bank borrowings	51,492	113,698
Proceeds from the conversion of RCPS	-	26,712
Interest paid	(263)	(46)
Dividends paid to shareholders	(32,323)	(69,557)
Dividend paid to holders of RCPS	(1,099)	(1,112)
Net cash flows generated from financing activities	17,807	69,695
Net change in cash and cash equivalents	(4,417)	(12,892)
Effects of foreign exchanges rate changes	73	242
Cash and cash equivalents at beginning of period	55,396	56,520
Cash and cash equivalents at end of period	51,052	43,870

Cash and cash equivalents

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

	6 months ended	
	30.6.2019	30.6.2018
	RM'000	RM'000
Cash and bank balances	51,061	43,879
Less: Restricted bank balances	(9)	(9)
	51,052	43,870

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 2019**

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 2018. 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 2018.

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 2018, except for the following new and amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of new MFRS, 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 new MFRS, amendments to MFRS, and IC Interpretation which are applicable for annual 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	

The adoption of these new MFRS, 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 16 Leases as described below:-

MFRS 16 Leases

The Group and the Company have applied MFRS 16 retrospectively with the date of initial application of 1 January 2019. In accordance with the transitional provisions provided in MFRS 16, comparative information for 2019 was not restated. The Group recognises the right-of-use assets and lease liabilities as below:-



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

1 BASIS OF PREPARATION (CONTINUED)

1.1 Adoption of new MFRS, amendments to MFRS, and IC Interpretation (continued)

Group	31 December 2018 RM'000	Changes RM'000	1 January 2019 RM'000
Non-current assets			
Right-of-use assets	-	9,824	9,824
Non-current liabilities			
Lease liabilities	-	8,656	8,656
Current liabilities			
Lease liabilities	-	1,168	1,168
Total lease liabilities	-	9,824	9,824

1.2 New MFRSs and Amendments to MFRSs issued but not yet effective

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

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
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Deferred to a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The Group anticipates that the abovementioned new MFRS and amendments to MFRS 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 and amendments to MFRS will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

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.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

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 2019.

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 2019.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, the Company transferred 436,000 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 2019, out of total 559,911,414 issued paid ordinary shares, 20,754,900 shares were held as treasury shares at an average price of RM3.23 per share.

Save as disclosed above, there were no issuances, cancellations, resale, repayment or repurchase of debt and equity securities during the quarter ended 30 June 2019.

6 DIVIDENDS PAID

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

	30.6.2019	30.6.2018
Second interim dividend		
For the financial year ended	31 December 2018	31 December 2017
Approved and declared on	26 February 2019	23 February 2018
Date paid	24 May 2019	21 May 2018
Number of ordinary shares on which dividends were paid (‘000)	538,721	535,049
Interim dividend per share (single-tier)	6 sen	13 sen
Net dividend paid (RM’000)	32,323	69,557
First semi-annual RCPS dividend		
For the financial year ending/ended	31 December 2019	31 December 2018
Approved and declared on	28 May 2019	25 May 2018
Date paid	26 June 2019	21 June 2018
Number of RCPS on which dividends were paid (‘000)	87,936	88,974
Dividend per share (single-tier)	1.25 sen	1.25 sen
Net dividend paid (RM’000)	1,099	1,112



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

7 PROFIT BEFORE TAX

	3 months ended 30.6.2019 RM'000	6 months ended 30.6.2019 RM'000
Profit before tax is arrived at after charging:		
Allowance for inventories written down	22,542	17,233
Depreciation and amortisation	11,218	22,562
Finance cost		
- Interest expenses	11,919	23,253
- RCPS unwinding of discount	629	1,258
- Lease liabilities	118	229
LTIP share-based payments expenses	1,645	3,290
Net impairment loss on receivables	3,179	2,112
Overhead cost for plant temporary shutdown	4,982	4,982
and after crediting:		
Bad debts recovered	1	1
Gain on disposal of property, plant and equipment	19	19
Foreign exchange gain		
- Realised foreign exchange gain	415	913
- Unrealised foreign exchange gain	437	207
Interest income	949	1,404

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 2019 were as follows:

	RM'000
(a) contracted but not provided for	6,986
(b) approved but not contracted for	9,318



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

12 REVIEW OF PERFORMANCE

	<u>3 months ended</u>		<u>Changes</u> (%)	<u>6 months ended</u>		<u>Changes</u> (%)
	<u>30.6.2019</u> RM'000	<u>30.6.2018</u> RM'000		<u>30.6.2019</u> RM'000	<u>30.6.2018</u> RM'000	
Revenue						
Manufacturing	429,542	411,145	4.47	822,788	888,825	(7.43)
Trading	285,541	241,572	18.20	593,685	517,997	14.61
Investment holding, property management and others	7,655	7,818	(2.08)	15,309	15,610	(1.93)
Adjustments and elimination	(148,418)	(150,910)	(1.65)	(319,338)	(323,743)	(1.36)
Group revenue	574,320	509,625	12.69	1,112,444	1,098,689	1.25
Segment profit						
Manufacturing	(41,354)	35,116	(217.76)	(52,552)	113,621	(146.25)
Trading	3,483	1,181	194.92	10,392	11,322	(8.21)
Investment holding, property management and others	2,376	2,082	14.12	4,611	3,996	15.39
Adjustments and elimination	(5,539)	(227)	2,340.09	(2,789)	(187)	1,391.44
	(41,034)	38,152	(207.55)	(40,338)	128,752	(131.33)
Finance costs	(12,666)	(9,502)	33.30	(24,740)	(17,692)	39.84
Interest income	949	662	43.35	1,404	971	44.59
Share of results of associates	1	-	100.00	2	2	-
(Loss)/profit before tax	(52,750)	29,312	(279.96)	(63,672)	112,033	(156.83)

Higher revenue in the second quarter of 2019 (“2Q2019”) and first half of 2019 (“1H2019”) was mainly due to higher export tonnage sold. International and domestic selling prices remained depressed, and domestic demand continued to be weak.

Losses in 2Q2019 and 1H2019 were mainly attributable to:

- i) Lower selling price coupled with rising raw material and fuel costs;
- ii) Higher-than-usual production cost in 2Q2019 due to the scheduled Blast Furnace (“BF”) shutdown; and
- iii) Other costs in 2Q2019 including allowance for inventories written down of RM22.54 million and overhead cost for plant temporary shutdown on the BF relining exercise and plant upgrading activities amounted to RM4.98 million.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019****13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	3 months ended		Changes (%)
	30.6.2019	31.3.2019	
	RM'000	RM'000	
Revenue	574,320	538,124	6.73
Loss before tax	(52,750)	(10,922)	(382.97)

Higher revenue in 2Q2019 as compared to first quarter of 2019 (“1Q2019”) was mainly due to higher export tonnage sold amidst seasonal low domestic demand on the back of tepid construction activities.

The higher loss before tax in 2Q2019 as compared to 1Q2019 was mainly attributable to:

- i) Rising raw material and fuel costs;
- ii) Higher-than-usual production cost in 2Q2019 due to the scheduled BF shutdown; and
- iii) Other costs in 2Q2019 including allowance for inventories written down of RM22.54 million and overhead cost for plant temporary shutdown on the BF relining exercise and plant upgrading activities amounted to RM4.98 million.

14 SEGMENTAL INFORMATION**14.1 Business Segments**

The segmental revenue, results and assets for the six months ended 30 June 2019 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	521,619	589,713	1,112	-	1,112,444
Inter-segment	301,169	3,972	14,198	(319,339)	-
	822,788	593,685	15,310	(319,339)	1,112,444
RESULTS					
Segment					
(loss)/profit	(52,552)	10,392	4,611	(2,789)	(40,338)
Finance costs					(24,740)
Interest income					1,404
Share of associates' results					2
Income tax credit					19,323
Loss for the period					(44,349)
Segment assets	1,933,735	856,036	149,283	(323,309)	2,615,745
Segment liabilities	970,217	630,384	105,616	(340,646)	1,365,571



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	6 months ended 30.6.2019 RM'000
Revenue from external customers	
Malaysia	1,063,500
Singapore	48,944
	<hr/>
Non-current assets	
Malaysia	1,027,154
Singapore	3,161
	<hr/>

15 PROSPECTS

The challenging industry landscape persists in the third quarter of 2019, driven by weak near-term domestic demand, oversupply of construction steel locally and global economic uncertainty arising from US-China trade friction. Nevertheless, domestic steel consumption is expected to eventually improve with the revival of selected mega infrastructure and large scale development projects.

Excessive supply of construction steel by foreign-owned local steel mills to the domestic market continues to be the key market disruption given a backdrop of slow progress in domestic demand in the near term. The Group remains highly responsive to market changes and agile in its sales mix to meet international demand and to proactively increase export sales amidst lacklustre near-term domestic demand. The industry is constantly in discussions with the relevant government authorities to resolve the current issues faced by the steel industry.

With the successful relining exercise for its blast furnace and upgrading measures undertaken in 2Q2019, the Group focuses on driving cost and operating efficiency, and continually enhancing its competitive position in preparation for an eventual recovery in the steel sector. The recent decline in key raw material prices, particularly iron ore and coking coal, will drive lower production cost going forward.

Taking into consideration the challenging industry dynamics, the Group's performance for the year is heavily dependent on the rectification pace of the domestic oversupply situation and steel price trends in both domestic and export markets.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

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 2019.

17 INCOME TAX CREDIT

The income tax credit comprises:

	3 months ended 30.6.2019 RM'000	6 months ended 30.6.2019 RM'000
Income tax		
Current period	(588)	(1,781)
Deferred tax		
Current period	15,587	21,104
	<u>14,999</u>	<u>19,323</u>

The Group's tax credit position for the quarter ended 30 June 2019 was mainly due to availability of tax incentives for promotion of exports from a subsidiary company for the quarter and six months ended 30 June 2019.

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 2019 were as follows:

a) Group borrowings

	30.6.2019 RM'000	30.6.2018 RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	494	426
Long-term borrowings		
Obligations under finance leases	894	1,129
	<u>1,388</u>	<u>1,555</u>
<u>Unsecured</u>		
Short-term borrowings		
Bills payable	1,029,492	738,609
Foreign currency trade loan	42,639	221,200
	<u>1,072,131</u>	<u>959,809</u>
	<u>1,073,519</u>	<u>961,364</u>



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) **Group borrowings (continued)**

The currency profile of bank borrowings was as follows:

	30.6.2019		30.6.2018	
	USD denomination (‘000)	RM equivalent (‘000)	USD denomination (‘000)	RM equivalent (‘000)
<u>Unsecured</u>				
Short-term borrowings				
Foreign currency trade loan	10,318	42,639	54,753	221,200

b) **Debts securities - RCPS**

	No of RCPS (‘000)	Amount RM’000
At the beginning of financial period	87,936	44,874
Add: Unwinding of discount charged to profit or loss	-	1,258
Less: Dividend paid	-	(1,099)
At the end of financial period end	87,936	45,033
Liability component		42,271
Equity component		2,762
		45,033

20 FINANCIAL INSTRUMENTS

The Group’s outstanding derivatives as at 30 June 2019 were as follows:

	Notional Value RM’000	Fair Value RM’000	Net Loss RM’000
Foreign Currency Forward Contracts:			
- Less than one year	21,959	21,910	49

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 SIX MONTHS ENDED 30 JUNE 2019**

21 MATERIAL LITIGATIONS

21.1 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.

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.

On 3 December 2018, the Federal Court heard the appeal against the Court of Appeal Orders and reserved its decision thereafter.

On 31 July 2019, the Federal Court delivered its decision, which was in favour of AJSB. The Federal Court set aside the Court of Appeal Orders dated 24 July 2017 and reinstated the High Court Order dated 22 August 2016. The matter will now proceed for assessment of AJSB’s losses and damages at the High Court.

21.2 In the High Court of Malaya at Kuala Lumpur (Civil Division) Suit No. WA-22NCVC-303-06/2017 between Amsteel Mills Sdn Bhd (“Amsteel”) (Plaintiff) and Ann Joo Steel Berhad (“AJSB”) (Defendant)

On 21 June 2017, AJSB was served with a Writ and Statement of Claim from Amsteel for claims arising from alleged wrongful termination of Contract and its Addendum by AJSB.

Thereafter, Amsteel had filed two separate applications to amend the Statement of Claim, which was allowed by the Judge on 26 September 2017 and 30 August 2018 respectively, in view that AJSB did not oppose to the amendments as there were no material effect to the case.

On 1 October 2018, AJSB was served with a discovery application filed by Amsteel for documents relating to alleged revenue and/or profits made by AJSB pursuant to the alleged wrongful termination of Contract and its Addendum by AJSB. The discovery application was heard on 22 March 2019 whereby on 23 April 2019, the High Court Judge had decided to dismiss the application with costs of RM2,500.00 to AJSB and Amsteel had since filed its appeal against the said decision and the appeal is fixed for another case management on 27 August 2019.

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21 MATERIAL LITIGATIONS (CONTINUED)**21.2 In the High Court of Malaya at Kuala Lumpur (Civil Division) Suit No. WA-22NCVC-303-06/2017 between Amsteel Mills Sdn Bhd (“Amsteel”) (Plaintiff) and Ann Joo Steel Berhad (“AJSB”) (Defendant) (continued)**

Meanwhile, case management before the High Court Judge is fixed on 29 August 2019 and the Trial dates for this matter have been fixed on 13 to 16 January 2020.

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**

No interim dividend has been declared by the Board for the financial period ended 30 June 2019 (2Q2018: 6 sen per ordinary share).

23 EARNINGS PER SHARE (“EPS”)**a) Basic EPS**

Basic EPS is calculated by dividing the loss 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 2019 as set out below:

		3 months ended 30.6.2019	6 months ended 30.6.2019
Total loss attributable to owners of the Parent	(RM'000)	(37,751)	(44,349)
Weighted average number of ordinary shares in issue or issuable	('000)	538,721	538,728
Basic EPS	(sen)	(7.01)	(8.23)



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23 EARNINGS PER SHARE (“EPS”) (CONTINUED)

b) Diluted EPS

Diluted EPS is calculated by dividing the loss 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 2019, 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 30.6.2019	6 months ended 30.6.2019
Total loss attributable to owners of the Parent	(RM'000)	(37,751)	(44,349)
Effects on earnings upon conversion of RCPS	(RM'000)	629	1,258
	(RM'000)	<u>(37,122)</u>	<u>(43,091)</u>
Weighted average number of ordinary shares in issue or issuable	('000)	538,721	538,728
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)	<u>626,657</u>	<u>626,664</u>
Diluted EPS	(sen)	<u>(5.92)</u>	<u>(6.88)</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 28 August 2019.

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