



安 裕 資 源 有 限 公 司

**ANN JOO RESOURCES BERHAD** (371152-U)

(Incorporated in Malaysia)

**ANN JOO RESOURCES BERHAD  
AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS ENDED  
30 SEPTEMBER 2019**

**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
**For the nine months ended 30 September 2019**

	3 months ended		9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Revenue	505,285	547,694	1,617,729	1,646,383
Operating expenses	(580,578)	(522,499)	(1,738,151)	(1,494,156)
Other income	5,102	22,953	11,297	25,644
Finance costs	(12,124)	(10,916)	(36,864)	(28,608)
Share of results of associates	(1)	2	1	4
(Loss)/Profit before tax	(82,316)	37,234	(145,988)	149,267
Income tax credit/(expense)	17,283	(2,850)	36,606	(32,738)
<b>(Loss)/Profit for the period</b>	<b>(65,033)</b>	<b>34,384</b>	<b>(109,382)</b>	<b>116,529</b>
<b>Other comprehensive (loss)/income</b>				
<b><u>Item that will not be reclassified</u></b>				
<b><u>subsequently to profit or loss:</u></b>				
Net change in revaluation of financial investments at fair value through other comprehensive income	(3)	(2)	(1)	(29)
<b><u>Items that will be reclassified</u></b>				
<b><u>subsequently to profit or loss:</u></b>				
Foreign currency translation differences for foreign operations	362	595	365	607
Cash flow hedges	(1,269)	810	(2,967)	664
Other comprehensive (loss)/income for the period net of tax	(910)	1,403	(2,603)	1,242
<b>Total comprehensive (loss)/income for the period</b>	<b>(65,943)</b>	<b>35,787</b>	<b>(111,985)</b>	<b>117,771</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the parent	(65,033)	34,384	(109,382)	116,529
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the parent	(65,943)	35,787	(111,985)	117,771
<b>Earnings per share ("EPS") (sen):</b>				
Basic EPS	(12.07)	6.40	(20.30)	22.01
Diluted EPS	(10.28)	5.60	(17.15)	19.18

The unaudited 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 2018 and the accompanying explanatory notes attached to the interim financial statements.



**Unaudited Condensed Consolidated Statements of Financial Position**  
**As at 30 September 2019**

	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(audited)</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	999,362	1,000,582
Prepaid lease payments	9,743	9,889
Investment properties	3,881	3,916
Intangible assets	7,513	7,468
Investment in associates	507	506
Other investments	30	32
Deferred tax assets	68,510	19,424
Right-of-use assets	9,349	-
<b>Total Non-current Assets</b>	<b>1,098,895</b>	<b>1,041,817</b>
<b>Current Assets</b>		
Inventories	1,027,809	1,085,366
Trade receivables	414,308	465,666
Other receivables, deposits and prepayments	46,090	70,430
Current tax assets	14,292	12,648
Cash and bank balances	60,226	55,405
<b>Total Current Assets</b>	<b>1,562,725</b>	<b>1,689,515</b>
<b>TOTAL ASSETS</b>	<b>2,661,620</b>	<b>2,731,332</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Owners of the Parent</b>		
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	76,939	75,940
Retained earnings	561,120	702,825
<b>Total Equity</b>	<b>1,185,877</b>	<b>1,325,249</b>
<b>Non-current Liabilities</b>		
Loans and borrowings	767	1,143
Lease liabilities	8,245	-
RCPS - Liability component	42,902	42,112
Provision for retirement benefits	4,048	4,563
Deferred tax liabilities	27,797	19,055
<b>Total Non-current Liabilities</b>	<b>83,759</b>	<b>66,873</b>
<b>Current Liabilities</b>		
Loans and borrowings	1,165,865	1,020,883
Lease liabilities	1,314	-
Trade payables	148,321	225,245
Other payables, deposits and accruals	75,667	92,730
Derivative liabilities	-	32
Current tax liabilities	817	320
<b>Total Current Liabilities</b>	<b>1,391,984</b>	<b>1,339,210</b>
<b>Total Liabilities</b>	<b>1,475,743</b>	<b>1,406,083</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,661,620</b>	<b>2,731,332</b>
Net assets per share attributable to owners of the parent (RM)	2.20	2.46

The unaudited 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.

**Unaudited Condensed Consolidated Statements of Changes in Equity  
For the nine months ended 30 September 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	
<b>At 1 January 2019</b>	612,016	2,762	75,940	(68,294)	702,825	1,325,249
(Loss) for the period	-	-	-	-	(109,382)	(109,382)
Other comprehensive (loss) for the period	-	-	(2,603)	-	-	(2,603)
Total comprehensive (loss) for the period	-	-	(2,603)	-	(109,382)	(111,985)
Dividends to owners of the Company	-	-	-	-	(32,323)	(32,323)
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	4,936	-	-	4,936
- Share transferred	-	-	(1,334)	1,334	-	-
<b>At 30 September 2019</b>	612,016	2,762	76,939	(66,960)	561,120	1,185,877
<b>At 1 January 2018</b>	573,163	3,440	69,793	(74,156)	655,099	1,227,339
Profit for the period	-	-	-	-	116,529	116,529
Other comprehensive income for the period	-	-	1,242	-	-	1,242
Total comprehensive income for the period	-	-	1,242	-	116,529	117,771
Dividends to owners of the Company	-	-	-	-	(101,818)	(101,818)
Conversion of RCPS	38,853	(678)	-	-	-	38,175
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	7,969	-	-	7,969
- Share transferred	-	-	(2,602)	2,602	-	-
<b>At 30 September 2018</b>	612,016	2,762	76,402	(71,554)	669,810	1,289,436

The unaudited 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.



**Unaudited Condensed Consolidated Statements of Cash Flows**  
**For the nine months ended 30 September 2019**

	<b>9 months ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(145,988)	149,267
Adjustments for non-cash items	128,018	81,721
Operating (loss)/profit before working capital changes	(17,970)	230,988
Changes in working capital		
Net change in current assets	75,088	(324,391)
Net change in current liabilities	(95,296)	(17,892)
Interest received	4,150	1,530
Interest paid	(34,227)	(26,706)
Tax paid	(5,540)	(8,316)
Tax refunded	635	28
Retirement benefits paid	(608)	(499)
Net cash flows used in operating activities	(73,768)	(145,258)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	19
Proceeds from disposal of property, plant and equipment	62	110
Acquisition of intangible asset	(44)	-
Purchase of property, plant and equipment	(32,577)	(20,196)
Net cash flows used in investing activities	(32,559)	(20,067)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net drawdown of bank borrowings	144,605	215,269
Proceeds from the conversion of RCPS	-	28,060
Interest paid	(398)	(55)
Dividends paid to shareholders	(32,323)	(101,818)
Dividend paid to holders of RCPS	(1,099)	(1,112)
Net cash flows generated from financing activities	110,785	140,344
Net change in cash and cash equivalents	4,458	(24,981)
Effects of foreign exchanges rate changes	363	990
Cash and cash equivalents at beginning of period	55,396	56,520
Cash and cash equivalents at end of period	60,217	32,529

**Cash and cash equivalents**

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

	<b>9 months ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	60,226	32,538
Less: Restricted bank balances	(9)	(9)
	60,217	32,529

The unaudited 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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

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**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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

**1 BASIS OF PREPARATION (CONTINUED)**

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

<b>Group</b>	<b>31 December 2018 RM'000</b>	<b>Changes RM'000</b>	<b>1 January 2019 RM'000</b>
<b>Non-current assets</b>			
Right-of-use assets	-	9,824	9,824
<b>Non-current liabilities</b>			
Lease liabilities	-	8,656	8,656
<b>Current liabilities</b>			
Lease liabilities	-	1,168	1,168
<b>Total lease liabilities</b>	-	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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2019.

**5 DEBT AND EQUITY SECURITIES**

As at 30 September 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.

There were no issuances, cancellations, resale, repayment or repurchase of debt and equity securities during the quarter ended 30 September 2019.

**6 DIVIDENDS PAID**

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

	<b>30.9.2019</b>	<b>30.9.2018</b>
<b>First interim dividend</b>		
For the financial year ending/ended	-	31 December 2018
Approved and declared on	-	27 August 2018
Date paid	-	27 September 2018
Number of ordinary shares on which dividends were paid ('000)	-	537,676
Interim dividend per share (single-tier)	-	6 sen
Net dividend paid (RM'000)	-	32,261
<b>Second interim dividend</b>		
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
<b>First semi-annual RCPS dividend</b>		
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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

**7 PROFIT BEFORE TAX**

	<b>3 months ended 30.9.2019 RM'000</b>	<b>9 months ended 30.9.2019 RM'000</b>
<b>Profit before tax is arrived at after charging:</b>		
Allowance for inventories written down	37,660	54,893
Depreciation and amortisation	12,476	35,038
Finance cost		
- Interest expenses	11,372	34,625
- RCPS unwinding of discount	631	1,889
- Lease liabilities	121	350
LTIP share-based payments expenses	1,645	4,935
Net impairment loss on receivables	24	2,136
Overhead cost for plant temporary shutdown	152	5,134
<b>and after crediting:</b>		
Bad debts recovered	-	1
Gain on disposal of property, plant and equipment	37	56
Foreign exchange gain/(loss)		
- Realised foreign exchange gain	91	1,004
- Unrealised foreign exchange (loss)	(352)	(145)
Interest income	2,746	4,150

**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 September 2019 were as follows:

	<b>RM'000</b>
(a) contracted but not provided for	5,782
(b) approved but not contracted for	15,220

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

**12 REVIEW OF PERFORMANCE**

	<u>3 months ended</u>		<u>Changes</u> (%)	<u>9 months ended</u>		<u>Changes</u> (%)
	<u>30.9.2019</u>	<u>30.9.2018</u>		<u>30.9.2019</u>	<u>30.9.2018</u>	
	<u>RM'000</u>	<u>RM'000</u>		<u>RM'000</u>	<u>RM'000</u>	
<b>Revenue</b>						
Manufacturing	320,494	414,875	(22.75)	1,143,282	1,303,700	(12.30)
Trading	298,658	290,795	2.70	892,343	808,792	10.33
Investment holding, property management and others	6,815	7,779	(12.39)	22,123	23,389	(5.41)
Adjustments and elimination	(120,682)	(165,755)	(27.19)	(440,019)	(489,498)	(10.11)
<b>Group revenue</b>	<b>505,285</b>	<b>547,694</b>	<b>(7.74)</b>	<b>1,617,729</b>	<b>1,646,383</b>	<b>(1.74)</b>
<b>Segment profit</b>						
Manufacturing	(84,271)	44,127	(290.97)	(136,823)	157,748	(186.74)
Trading	4,373	996	339.06	14,765	12,318	19.87
Investment holding, property management and others	1,480	1,792	(17.41)	6,091	5,788	5.23
Adjustments and elimination	5,481	655	736.79	2,692	468	475.21
	(72,937)	47,570	(253.33)	(113,275)	176,322	(164.24)
Finance costs	(12,124)	(10,916)	11.07	(36,864)	(28,608)	28.86
Interest income	2,746	578	375.09	4,150	1,549	167.91
Share of results of associates	(1)	2	(50.00)	1	4	(75.00)
<b>(Loss)/profit before tax</b>	<b>(82,316)</b>	<b>37,234</b>	<b>(321.08)</b>	<b>(145,988)</b>	<b>149,267</b>	<b>(197.80)</b>

Lower revenue in the third quarter of 2019 (“3Q2019”) and nine months of 2019 (“9M2019”) was mainly due to depressed selling prices and lower tonnage sold in both local and export markets. The domestic market was severely disrupted by excess supply from foreign-owned steel mills and sluggish demand. In the international arena, competition intensified with the influx of steel products from India, Middle East and Russia into the region resulted from export diversion arising from the US-China trade war.

Consequently, losses in 3Q2019 and 9M2019 were mainly attributable to:

- i) Sharp decline in selling prices on the reasons explained above;
- ii) High prices of iron ore and coke in second quarter of 2019 (“2Q2019”) which carried into higher cost of sales in 3Q2019; and
- iii) Further recognition of allowance for inventories written down of RM37.66 million.

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

	3 months ended		Changes (%)
	30.9.2019 RM'000	30.6.2019 RM'000	
Revenue	505,285	574,320	(12.02)
Loss before tax	(82,316)	(52,750)	56.05

Lower revenue in 3Q2019 as compared to 2Q2019 was mainly due to depressed selling prices and lower tonnage sold in both local and export markets. The domestic market was severely disrupted by excess supply from foreign-owned steel mills and sluggish demand. In the international arena, competition intensified with the influx of steel products from India, Middle East and Russia into the region resulted from export diversion arising from the US-China trade war.

Consequently, the higher loss before tax in 3Q2019 as compared to 2Q2019 was mainly attributable to:

- Sharp decline in selling prices on the reasons explained above;
- Higher raw material and fuel costs in 2Q2019 resulted in higher cost of sales in 3Q2019 (time lag effect);
- The higher cost of sales coupled with the lower selling prices had a negative effect on profit margins; and
- Further recognition of allowance for inventories written down of RM37.66 million.

**14 SEGMENTAL INFORMATION****14.1 Business Segments**

The segmental revenue, results and assets for the nine months ended 30 September 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
<b>REVENUE</b>					
External customers	728,440	887,624	1,665	-	1,617,729
Inter-segment	414,842	4,719	20,458	(440,019)	-
	<u>1,143,282</u>	<u>892,343</u>	<u>22,123</u>	<u>(440,019)</u>	<u>1,617,729</u>
<b>RESULTS</b>					
Segment (loss)/profit	(136,823)	14,765	6,091	2,692	(113,275)
Finance costs					(36,864)
Interest income					4,150
Share of associates' results					1
Income tax credit					<u>36,606</u>
Loss for the period					<u>(109,382)</u>



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

**14 SEGMENTAL INFORMATION (CONTINUED)**

**14.1 Business Segments (Continued)**

The segmental revenue, results and assets for the nine months ended 30 September 2019 were as follows (continued):

	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Investment holding, property management and others RM'000</b>	<b>Adjustments and elimination RM'000</b>	<b>Total RM'000</b>
Segment assets	1,941,015	851,529	153,193	(284,117)	2,661,620
Segment liabilities	1,048,120	623,183	107,681	(303,241)	1,475,743

**14.2 Geographical Segments**

	<b>9 months ended 30.9.2019 RM'000</b>
<b>Revenue from external customers</b>	
Malaysia	1,531,335
Singapore	86,394
<b>Non-current assets</b>	
Malaysia	1,027,225
Singapore	3,130

**15 PROSPECTS**

The domestic market remains challenging with excessive supply and tepid steel demand, nevertheless the domestic steel bar price has slightly recovered from exceptional low levels in 3Q2019. While prices have improved from unsustainable lows, lacklustre domestic demand, oversupply of construction steel locally and influx of steel products into the region arising from US-China trade friction continue to impede both domestic and international markets in the near term. Going forward, domestic steel consumption is expected to eventually improve with the revival of selected mega infrastructure and large-scale development projects.

The Group will continue its efforts to work with the Government in order to resolve the current issues faced by the steel industry.



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

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**15 PROSPECTS (CONTINUED)**

In response to the Government's initiative on steel industry consolidation, the Group's recent announcement on the proposed joint venture in long product manufacturing business integrating from upstream (iron-making) to downstream (industrial-grade finished products), upon completion, is expected to drive significant operational synergistic benefits that will enable us to attain our vision to be the leading steel group in the region in the long product.

The Group continues to place strong emphasis on balance sheet management as well as cost and operating efficiency to stay competitive.

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

**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:

	<b>3 months ended 30.9.2019 RM'000</b>	<b>9 months ended 30.9.2019 RM'000</b>
<b>Income tax</b>		
Current period	(1,390)	(3,171)
Under-provision in prior year	(575)	(575)
<b>Deferred tax</b>		
Current period	21,801	42,905
Under-provision in prior year	(2,553)	(2,553)
	<u>17,283</u>	<u>36,606</u>

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



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

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**18 STATUS OF CORPORATE PROPOSALS**

On 7 October 2019, the Company had entered into a Memorandum of Understanding (“**MOU**”) with Southern Steel Berhad (“**SSB**”) for the formation of a joint venture company (“**JV Co**”) in relation to their long product steel manufacturing businesses (“**Proposal**”), which entails the following proposals:

- (i) proposed sale by the Company of the entire equity interests in Ann Joo Steel Berhad (“**AJSB**”), Ann Joo Integrated Steel Sdn Bhd (“**AJISSB**”) and Saga Makmur Industri Sdn Bhd (“**SMISB**”) or the businesses and undertakings of AJSB, AJISSB and SMISB, including all their assets and liabilities save for certain assets as set out in the terms of the MOU (collectively, the “**AJR Sale Assets**”), to the JV Co for a total sale consideration of RM907,500,000, which shall be subject to adjustments; and
- (ii) the following proposals by SSB:
  - (a) proposed sale by SSB of the following companies and/or business:
    - i. the entire equity interests in Southern Steel Rod Sdn Bhd (“**SSRSB**”); Southern Steel Mesh Sdn Bhd (“**SSMSB**”); Southern PC Steel Sdn Bhd (“**SPCSSB**”); and Danstil Sdn Bhd (“**DSB**”) or the businesses and undertakings of SSRSB, SSMSB, SPCSSB and DSB, including all their assets and liabilities, save for certain assets as set out in the terms of the MOU; and
    - ii. the business of manufacturing, sales and trading of steel billets and steel bars, including all such business’ assets and liabilities, as well as its support functions and its scrap operations, including all such operations’ assets and liabilities; and
  - (b) proposed disposal by SSB of certain parcels of SSB’s lands as specified in the MOU,

to the JV Co for a total sale consideration of RM742,500,000, which shall be subject to adjustments (the assets mentioned in paragraphs (ii)(a) and (ii)(b) above are collectively referred to as the “**SSB Sale Assets**”).

The Proposal is intended to result in the JV Co becoming a 55%-subsidiary of AJR and a 45%-associated company of SSB via the issuance of new ordinary shares in the JV Co to AJR and SSB.

Further to the signing of the MOU, the Company and SSB have commenced due diligence exercise on the SSB Sale Assets and AJR Sale Assets respectively for the purpose of entering into definitive agreements for the Proposal upon completion of the due diligence exercise.

Save for the Proposal disclosed above, there were no other corporate proposals announced but not completed as at 27 November 2019.



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

**19 GROUP BORROWINGS AND DEBT SECURITIES**

The Group's borrowings and debts securities as at 30 September 2019 were as follows:

**a) Group borrowings**

	<b>30.9.2019</b>	<b>30.9.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Secured</u></b>		
<b>Short-term borrowings</b>		
Obligations under finance leases	500	486
<b>Long-term borrowings</b>		
Obligations under finance leases	767	1,257
	<u>1,267</u>	<u>1,743</u>
<b><u>Unsecured</u></b>		
<b>Short-term borrowings</b>		
Bills payable	1,124,533	806,245
Revolving credit	3,000	30,000
Foreign currency trade loan	37,832	230,025
	<u>1,165,365</u>	<u>1,066,270</u>
	<u>1,166,632</u>	<u>1,068,013</u>

The currency profile of bank borrowings was as follows:

	<b>30.9.2019</b>		<b>30.9.2018</b>	
	<b>USD</b>	<b>RM</b>	<b>USD</b>	<b>RM</b>
	<b>denomination</b>	<b>equivalent</b>	<b>denomination</b>	<b>equivalent</b>
	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>	<b>('000)</b>
<b><u>Unsecured</u></b>				
<b>Short-term borrowings</b>				
Foreign currency trade loan	9,036	37,832	55,527	230,025

**b) Debts securities - RCPS**

	<b>No of RCPS</b>	<b>Amount</b>
	<b>('000)</b>	<b>RM'000</b>
At the beginning of financial period	87,936	44,874
Add: Unwinding of discount charged to profit or loss	-	1,889
Less: Dividend paid	-	(1,099)
At the end of financial period end	<u>87,936</u>	<u>45,664</u>
Liability component		42,902
Equity component		<u>2,762</u>
		<u>45,664</u>



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

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## 20 FINANCIAL INSTRUMENTS

The Group's outstanding derivatives as at 30 September 2019 were as follows:

	<b>Notional Value</b> <b>RM'000</b>	<b>Fair Value</b> <b>RM'000</b>	<b>Net Loss</b> <b>RM'000</b>
Commodity Future Contracts:			
- Less than one year	10,219	8,913	1,306

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 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 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.

On 4 October 2019, there was a case management at the High Court for the assessment of damages whereby the High Court directed AJSB to file an affidavit exhibiting its expert report by 3 January 2020. Thereafter, the Defendants will have until 3 April 2020 to file a rebuttal expert report which AJSB will then have a right to reply to.

### 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.





**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 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)**

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 at the Court of Appeal.

Pursuant to The High Court’s direction, Amsteel’s solicitors wrote to the Court of Appeal to ask for an earlier case management date and the Court of Appeal has fixed the case management on 15 November 2019.

On 7 November 2019, the High Court called both parties’ solicitors for a case management to inform that this matter has been transferred to be heard before another Judge. The case management that was previously fixed on 15 November 2019 has been vacated and a further case management has been fixed on 12 December 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**

**22.1 Ordinary shares**

The Board of Directors does not recommend any dividend in respect of the financial year ending 31 December 2019 (3Q2018: nil).

**22.2 Redeemable Convertible Cumulative Preference Shares**

On 27 November 2019, the Board of Directors approved and declared a second semi-annual dividend of 1.25 sen per Redeemable Convertible Cumulative Preference Share in respect of the financial year ending 31 December 2019. This dividend will be paid on 31 December 2019 to the Depositors registered in the Record of Depositors at the close of the business on 16 December 2019 (3Q2018: 1.25 sen).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019****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 nine months ended 30 September 2019 as set out below:

		<b>3 months ended 30.9.2019</b>	<b>9 months ended 30.9.2019</b>
Total loss attributable to owners of the Parent	(RM’000)	(65,033)	(109,382)
Weighted average number of ordinary shares in issue or issuable	(’000)	<u>538,721</u>	<u>538,872</u>
Basic EPS	(sen)	<u>(12.07)</u>	<u>(20.30)</u>

**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 nine months ended 30 September 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.

		<b>3 months ended 30.9.2019</b>	<b>9 months ended 30.9.2019</b>
Total loss attributable to owners of the Parent	(RM’000)	(65,033)	(109,382)
Effects on earnings upon conversion of RCPS	(RM’000)	631	1,889
	(RM’000)	<u>(64,402)</u>	<u>(107,493)</u>
Weighted average number of ordinary shares in issue or issuable	(’000)	538,721	538,872
Effect of dilution from the full conversion of the remaining RCPS in issue	(’000)	<u>87,936</u>	<u>87,936</u>
Weighted average number of ordinary shares in issue or issuable (Diluted)	(’000)	<u>626,657</u>	<u>626,808</u>
Diluted EPS	(sen)	<u>(10.28)</u>	<u>(17.15)</u>



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

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**24 STATUS OF AUDIT QUALIFICATION**

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

**25 AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 November 2019.

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