



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 TWELVE MONTHS ENDED
31 DECEMBER 2019**



Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2019

	3 months ended		12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000 (audited)
Revenue	603,706	675,725	2,221,435	2,322,108
Operating expenses	(650,159)	(671,406)	(2,388,310)	(2,165,562)
Other income	42,590	7,866	53,887	33,510
Finance costs	(12,126)	(11,508)	(48,990)	(40,116)
Share of results of associates	(4)	3	(3)	7
(Loss)/Profit before tax	(15,993)	680	(161,981)	149,947
Income tax credit/(expense)	35,516	32,335	72,122	(403)
Profit/(Loss) for the period/year	19,523	33,015	(89,859)	149,544
Other comprehensive income/(loss)				
<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)	(1)	(37)
<u>Items that will be reclassified</u>				
<u>subsequently to profit or loss:</u>				
Foreign currency translation differences for foreign operations	(679)	(38)	(314)	569
Cash flow hedges	(226)	851	(3,193)	1,515
Other comprehensive (loss)/income for the period/year net of tax	(905)	805	(3,508)	2,047
Total comprehensive income/(loss) for the period/year	18,618	33,820	(93,367)	151,591
Profit/(Loss) attributable to:				
Owners of the parent	19,523	33,015	(89,859)	149,544
Total comprehensive income/(loss) attributable to:				
Owners of the parent	18,618	33,820	(93,367)	151,591
Earnings per share ("EPS") (sen):				
Basic EPS	3.62	6.14	(16.67)	28.13
Diluted EPS	3.21	5.37	(13.93)	24.54

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 31 December 2019

	31.12.2019	31.12.2018
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	971,140	1,000,582
Prepaid lease payments	3,440	9,889
Investment properties	7,048	3,916
Intangible assets	7,513	7,468
Investment in associates	503	506
Other investments	-	32
Deferred tax assets	92,808	19,424
Right-of-use assets	8,920	-
Total Non-current Assets	1,091,372	1,041,817
Current Assets		
Inventories	872,231	1,085,366
Trade receivables	368,101	465,666
Other receivables, deposits and prepayments	36,451	70,430
Current tax assets	9,697	12,648
Cash and bank balances	99,018	55,405
Assets classified as held for sale	20,438	-
Total Current Assets	1,405,936	1,689,515
TOTAL ASSETS	2,497,308	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	(65,634)	(68,294)
Other reserves	74,857	75,940
Retained earnings	580,634	702,825
Total Equity	1,204,635	1,325,249
Non-current Liabilities		
Loans and borrowings	638	1,143
Lease liabilities	7,823	-
RCPS - Liability component	42,434	42,112
Provision for retirement benefits	4,077	4,563
Deferred tax liabilities	14,713	19,055
Total Non-current Liabilities	69,685	66,873
Current Liabilities		
Loans and borrowings	1,068,895	1,020,883
Lease liabilities	1,377	-
Trade payables	110,745	225,245
Other payables, deposits and accruals	40,382	92,730
Derivative liabilities	297	32
Current tax liabilities	1,292	320
Total Current Liabilities	1,222,988	1,339,210
Total Liabilities	1,292,673	1,406,083
TOTAL EQUITY AND LIABILITIES	2,497,308	2,731,332
Net assets per share attributable to owners of the parent (RM)	2.23	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 twelve months ended 31 December 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 year	-	-	-	-	(89,859)	(89,859)
Other comprehensive (loss) for the year	-	-	(3,508)	-	-	(3,508)
Total comprehensive (loss) for the year	-	-	(3,508)	-	(89,859)	(93,367)
Realisation of fair value reserves to retained earnings upon disposal of other investment	-	-	9	-	(9)	-
Dividends to owners of the Company	-	-	-	-	(32,323)	(32,323)
Long Term Incentive Plan ("LTIP"):						
- Share-based payments expenses	-	-	5,076	-	-	5,076
- Share transferred	-	-	(2,660)	2,660	-	-
At 31 December 2019	612,016	2,762	74,857	(65,634)	580,634	1,204,635
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	(678)	-	-	-	38,175
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	2,762	75,940	(68,294)	702,825	1,325,249

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 twelve months ended 31 December 2019

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
		(audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(161,981)	149,947
Adjustments for non-cash items	124,297	115,665
Operating (loss)/profit before working capital changes	(37,684)	265,612
Changes in working capital		
Net change in current assets	315,924	(367,292)
Net change in current liabilities	(168,533)	88,257
Interest received	8,351	3,873
Interest paid	(45,468)	(37,573)
Tax paid	(7,807)	(10,950)
Tax refunded	6,210	75
Retirement benefits paid	(797)	(572)
Net cash flows generated from/(used in) operating activities	70,196	(58,570)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	24
Proceeds from disposal of other investment	29	-
Proceeds from disposal of property, plant and equipment	95	607
Acquisition of intangible asset	(44)	-
Purchase of property, plant and equipment	(38,455)	(41,775)
Net cash flows used in investing activities	(38,375)	(41,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bank borrowings	47,506	174,116
Proceeds from the conversion of RCPS	-	28,060
Interest paid	(532)	(74)
Dividends paid to shareholders	(32,323)	(101,818)
Dividend paid to holders of RCPS	(2,198)	(2,211)
Net cash flows generated from financing activities	12,453	98,073
Net change in cash and cash equivalents	44,274	(1,641)
Effects of foreign exchanges rate changes	(661)	517
Cash and cash equivalents at beginning of year	55,396	56,520
Cash and cash equivalents at end of year	99,009	55,396

Cash and cash equivalents

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

	12 months ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash and bank balances	99,018	55,405
Less: Restricted bank balances	(9)	(9)
	99,009	55,396

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 TWELVE MONTHS ENDED 31 DECEMBER 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 by using the modified retrospective approach 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 TWELVE MONTHS ENDED 31 DECEMBER 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 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	
Amendments to MFRS 9, MFRS 139, MFRS 7	Interest Rate Benchmark Reform

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 TWELVE MONTHS ENDED 31 DECEMBER 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 twelve months ended 31 December 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 twelve months ended 31 December 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 31 December 2019, out of total 559,911,414 issued paid ordinary shares, 20,318,900 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 31 December 2019.

6 DIVIDENDS PAID

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

	31.12.2019	31.12.2018
First interim dividend		
For the financial year 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
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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019****6 DIVIDENDS PAID (CONTINUED)**

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

	31.12.2019	31.12.2018
First semi-annual RCPS dividend		
For the financial year 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
Second semi-annual RCPS dividend		
For the financial year ended	31 December 2019	31 December 2018
Approved and declared on	27 November 2019	30 November 2018
Date paid	31 December 2019	31 December 2018
Number of RCPS on which dividends were paid ('000)	87,936	87,936
Dividend per share (single-tier)	1.25 sen	1.25 sen
Net dividend paid (RM'000)	1,099	1,099

7 PROFIT BEFORE TAX

	3 months ended 31.12.2019 RM'000	12 months ended 31.12.2019 RM'000
Profit before tax is arrived at after charging:		
Depreciation and amortisation	15,561	50,599
Finance cost		
- Interest expenses	11,375	46,000
- RCPS unwinding of discount	631	2,520
- Lease liabilities	120	470
Loss on disposal of property, plant and equipment	841	785
Loss on disposal of other investment	2	2
LTIP share-based payments expenses	141	5,076
Net impairment loss on receivables	1,775	3,911
Overhead cost for plant temporary shutdown	-	5,134
Property, plant and equipment written off	754	754
and after crediting:		
Bad debts recovered	1	2
Foreign exchange gain/(loss)		
- Realised foreign exchange gain	395	1,399
- Unrealised foreign exchange (loss)	(265)	(410)
Other income		
- Reversal of accrual	37,992	37,992
- Interest income	4,201	8,351
Reversal of inventories written down	54,907	4,279



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

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 2019 were as follows:

	RM'000
(a) contracted but not provided for	<u>3,974</u>
(b) approved but not contracted for	<u>6,405</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019****12 REVIEW OF PERFORMANCE**

	<u>3 months ended</u>		Changes (%)	<u>12 months ended</u>		Changes (%)
	31.12.2019 RM'000	31.12.2018 RM'000		31.12.2019 RM'000	31.12.2018 RM'000	
Revenue						
Manufacturing	468,740	537,256	(12.75)	1,612,022	1,840,956	(12.44)
Trading	272,066	338,638	(19.66)	1,164,409	1,147,430	1.48
Investment holding, property management and others	7,212	11,323	(36.31)	29,335	34,712	(15.49)
Adjustments and elimination	(144,312)	(211,492)	(31.76)	(584,331)	(700,990)	(16.64)
Group revenue	603,706	675,725	(10.66)	2,221,435	2,322,108	(4.34)
Segment profit						
Manufacturing	2,874	(309)	(1,030.10)	(133,949)	157,439	(185.08)
Trading	5,484	3,059	79.27	20,249	15,377	31.68
Investment holding, property management and others	(10,202)	6,702	(252.22)	(4,111)	12,490	(132.91)
Adjustments and elimination	(6,220)	385	(1,715.58)	(3,528)	852	(514.08)
	(8,064)	9,837	(181.98)	(121,339)	186,158	(165.18)
Finance costs	(12,126)	(11,508)	5.37	(48,990)	(40,116)	22.12
Interest income	4,201	2,348	78.92	8,351	3,898	114.24
Share of results of associates	(4)	3	(233.33)	(3)	7	(142.86)
(Loss)/profit before tax	(15,993)	680	(2,451.91)	(161,981)	149,947	(208.03)

Lower revenue in the fourth quarter of 2019 (“4Q2019”) and financial year 2019 (“FY2019”) was mainly due to lower selling prices and domestic sale tonnage despite higher export tonnage sold in 4Q2019 and FY2019. The imbalance of supply-demand in the domestic market was largely attributable to excessive supply from foreign-owned steel mills and weak demand.

Consequently, the losses in 4Q2019 and FY2019 were primarily attributable to selling prices and the supply-demand imbalance situation domestically as explained above.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019****13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	3 months ended		Changes (%)
	31.12.2019	30.9.2019	
	RM'000	RM'000	
Revenue	603,706	505,285	19.48
Loss before tax	(15,993)	(82,316)	(80.57)

Higher revenue in 4Q2019 as compared to third quarter of 2019 ("3Q2019") was mainly due to higher tonnage sold in export markets despite lower average selling prices for the current quarter.

Improvement in loss before tax in 4Q2019 as compared to 3Q2019 was mainly attributable to:-

- (i) Reversal of inventories written down of RM54.91 million, and
- (ii) Other income arising from the reversal of accrual no longer required of RM37.99 million and interest income of RM4.20 million.

14 SEGMENTAL INFORMATION**14.1 Business Segments**

The segmental revenue, results and assets for the twelve months ended 31 December 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	1,060,186	1,158,994	2,255	-	2,221,435
Inter-segment	551,836	5,415	27,080	(584,331)	-
	<u>1,612,022</u>	<u>1,164,409</u>	<u>29,335</u>	<u>(584,331)</u>	<u>2,221,435</u>
RESULTS					
Segment (loss)/profit	(133,949)	20,249	(4,111)	(3,528)	(121,339)
Finance costs					(48,990)
Interest income					8,351
Share of associates' results					(3)
Income tax credit					72,122
Loss for the year					<u>(89,859)</u>
Segment assets	<u>1,838,233</u>	<u>803,481</u>	<u>134,121</u>	<u>(278,527)</u>	<u>2,497,308</u>
Segment liabilities	<u>915,811</u>	<u>571,447</u>	<u>101,677</u>	<u>(296,262)</u>	<u>1,292,673</u>



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

14 SEGMENTAL INFORMATION (CONTINUED)

14.2 Geographical Segments

	12 months ended 31.12.2019 RM'000
Revenue from external customers	
Malaysia	2,096,093
Singapore	<u>125,342</u>
Non-current assets	
Malaysia	995,797
Singapore	<u>2,767</u>

15 PROSPECTS

The domestic steel bar price regained its rising momentum from an exceptionally low level in 3Q2019 and continued into beginning of 2020. The oversupply situation in the domestic market was, to some extent, mitigated as a foreign-owned steel mill managed to channel substantial production tonnage to export markets. There are also signs of improvement in market sentiment following the renewed announcements of the revival of selected mega infrastructure and development projects, and construction activities are expected to ramp up eventually.

Nonetheless, the recent outbreak of coronavirus in China has disrupted the supply chains and steel prices, contributing to short-term market uncertainty and risk. Despite the potential slowdown in steel demand and output in 1Q2020, Chinese steel consumption is expected to be supported by the Government's proactive fiscal and monetary policies going forward.

Apart from the external factors impacting the steel industry, the Group continues to place strong emphasis on balance sheet management as well as on cost and operational efficiency. The time-lag effects of the downward price trends for key raw materials in the second half of 2019, especially coke, will be reflected in lower production costs in near term. The Group will remain resilient and responsive to market changes and agile in its sales mix to proactively look out for export opportunities amidst heightened volatile market conditions.

Given the high degree of market uncertainty, the Group's performance in 2020 is highly reliant on the rectification rate of the domestic supply-demand imbalance situation as well as the steel price trends in 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 ended 31 December 2019.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

17 INCOME TAX CREDIT

The income tax credit comprises:

	3 months ended 31.12.2019 RM'000	12 months ended 31.12.2019 RM'000
Income tax		
Current period/year	(1,793)	(4,964)
Under-provision in prior year	-	(575)
Deferred tax		
Current period/year	36,232	79,137
Over/(Under)-provision in prior year	1,077	(1,476)
	<u>35,516</u>	<u>72,122</u>

The Group's tax credit position for the quarter and the year ended 31 December 2019 was mainly due to recognition of tax incentives from subsidiary companies.

18 STATUS OF CORPORATE PROPOSALS

On 7 October 2019, the Company 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 proposed sale by the Company and SSB of certain companies and/or business/assets to the JV Co.

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.

The Company and SSB had, through a mutual agreement dated 6 January 2020, agreed to extend the period to enter into the definitive agreements by another 90 days to 6 April 2020.

Save for the Proposal disclosed above, there were no other corporate proposals announced but not completed as at 24 February 2020.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 31 December 2019 were as follows:

a) Group borrowings

	31.12.2019	31.12.2018
	RM'000	RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	506	483
Long-term borrowings		
Obligations under finance leases	638	1,143
	<u>1,144</u>	<u>1,626</u>
<u>Unsecured</u>		
Short-term borrowings		
Bills payable	1,044,652	890,584
Revolving credit	-	30,000
Foreign currency trade loan	23,737	99,816
	<u>1,068,389</u>	<u>1,020,400</u>
	<u>1,069,533</u>	<u>1,022,026</u>

The currency profile of bank borrowings was as follows:

	31.12.2019		31.12.2018	
	USD	RM	USD	RM
	denomination	equivalent	denomination	equivalent
	('000)	('000)	('000)	('000)
<u>Unsecured</u>				
Short-term borrowings				
Foreign currency trade loan	5,803	23,737	24,135	99,816

b) Debts securities - RCPS

	No of RCPS	Amount
	('000)	RM'000
At the beginning of financial year	87,936	44,874
Add: Unwinding of discount charged to profit or loss	-	2,520
Less: Dividend paid	-	(2,198)
At the end of financial year end	<u>87,936</u>	<u>45,196</u>
Liability component		42,434
Equity component		<u>2,762</u>
		<u>45,196</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

20 FINANCIAL INSTRUMENTS

The Group's outstanding derivatives as at 31 December 2019 were as follows:

	Notional Value RM'000	Fair Value RM'000	Net Loss RM'000
Foreign Currency Forward Contracts:			
- Less than one year	44,389	44,092	297

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/Respondents)

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. AJSB had filed a suit against the Tenaga Nasional Berhad and 2 for trespass on the Land.

In the High Court, the Court had delivered its Decision in favour of AJSB. The Defendants had then filed Notice of Appeal to the Court of Appeal where the Court of Appeal had overturned the High Court decision.

Thereafter, AJSB had filed leave to appeal to Federal Court where it was allowed by the Federal Court. This appeal was heard on 3 December 2018.

On 31 July 2019, the Federal Court allowed AJSB's appeal and ordered costs of RM 80,000.00 (for Federal Court and Court of Appeal) to be paid by each set of Respondents to AJSB. The Federal Court also remitted the matter back to the Penang High Court for assessment of damages.

On 4 October 2019, the Penang High Court gave directions for the exchange of affidavits pertaining to the assessment of damages. AJSB filed its expert valuation report, by way of affidavit, on 20 January 2020. The Defendants have 3 months to respond to the same.

No hearing date has been fixed for the assessment of damages.

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.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

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)

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.

On 22 March 2019, the discovery application was heard whereby upon hearing both sides arguments the High Court had delivered its decision on 23 April 2019 wherein the High Court has dismissed Amsteel’s discovery application with costs of RM2,500.00.

On 10 May 2019, Amsteel filed Notice of Appeal against the High Court decision for their discovery application.

The hearing of the Appeal against the decision of the High Court on the Amsteel’s discovery application previously fixed on 5 February 2020 and 19 February 2020 is now adjourned pending discussion between Amsteel and AJSB on the scope of the requested documents. The matter is fixed for case management on 2 April 2020 for parties to update the Court of Appeal on the outcome of the discussion and/or to proceed with hearing on 17 April 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

The Board of Directors does not recommend any dividend in respect of the financial year ended 31 December 2019 (4Q2018: 6 sen).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

23 EARNINGS PER SHARE (“EPS”)

a) Basic EPS

Basic EPS is calculated by dividing the profit/(loss) 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 2019 as set out below:

		3 months ended 31.12.2019	12 months ended 31.12.2019
Total profit/(loss) attributable to owners of the Parent	(RM'000)	19,523	(89,859)
Weighted average number of ordinary shares in issue or issuable	('000)	539,303	538,981
Basic EPS	(sen)	3.62	(16.67)

b) Diluted EPS

Diluted EPS is calculated by dividing the profit/(loss) 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 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 31.12.2019	12 months ended 31.12.2019
Total profit/(loss) attributable to owners of the Parent	(RM'000)	19,523	(89,859)
Effects on earnings upon conversion of RCPS	(RM'000)	631	2,520
	(RM'000)	20,154	(87,339)
Weighted average number of ordinary shares in issue or issuable	('000)	539,303	538,981
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)	627,239	626,917
Diluted EPS	(sen)	3.21	(13.93)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2019

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 24 February 2020.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Lim Swee Foon (MAICSA 7064875)
Company Secretaries
24 February 2020
Selangor Darul Ehsan