



安 裕 資 源 有 限 公 司

ANN JOO RESOURCES BERHAD

(Registration No.:199501041948 (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 2020**



ANN JOO RESOURCES BERHAD

(Registration No.:199501041948 (371152-U))

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income For the nine months ended 30 September 2020

	3 months ended		9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Revenue	560,212	505,285	1,351,776	1,617,729
Operating expenses	(565,946)	(580,578)	(1,428,952)	(1,738,151)
Other income	17,635	5,102	23,958	11,297
Finance costs	(9,291)	(12,124)	(30,926)	(36,864)
Share of results of associates	(4)	(1)	(7)	1
Profit/(Loss) before tax	2,606	(82,316)	(84,151)	(145,988)
Income tax (expense)/credit	(21,522)	17,283	(22,044)	36,606
Loss for the period	(18,916)	(65,033)	(106,195)	(109,382)
Other comprehensive income/(loss)				
<u>Item that will not be reclassified subsequently to profit or loss:</u>				
Net change in revaluation of financial investments at fair value through other comprehensive income	-	(3)	-	(1)
<u>Items that will be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences for foreign operations	(1,043)	362	439	365
Cash flow hedges	2	(1,269)	1,533	(2,967)
Other comprehensive income/(loss) for the period net of tax	(1,041)	(910)	1,972	(2,603)
Total comprehensive loss for the period	(19,957)	(65,943)	(104,223)	(111,985)
Loss attributable to:				
Owners of the parent	(18,916)	(65,033)	(106,195)	(109,382)
Total comprehensive loss attributable to:				
Owners of the parent	(19,957)	(65,943)	(104,223)	(111,985)
Earnings per share ("EPS") (sen):				
Basic EPS	(3.51)	(12.07)	(19.68)	(20.30)
Anti-diluted EPS	(2.91)	(10.28)	(16.62)	(17.15)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

**Unaudited Condensed Consolidated Statements of Financial Position
 As at 30 September 2020**

	30.9.2020	31.12.2019
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	929,458	970,370
Investment properties	11,175	11,258
Intangible assets	7,513	7,513
Investment in associates	495	503
Other investments	1	1
Deferred tax assets	75,249	92,808
Right-of-use assets	9,153	8,920
Total Non-current Assets	1,033,044	1,091,373
Current Assets		
Inventories	839,190	872,231
Trade receivables	354,469	368,829
Other receivables, deposits and prepayments	32,166	37,336
Derivative assets	3	-
Current tax assets	8,060	9,697
Cash and bank balances	39,565	99,018
Assets classified as held for sale	-	20,438
Total Current Assets	1,273,453	1,407,549
TOTAL ASSETS	2,306,497	2,498,922
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)	(65,634)
Other reserves	80,180	74,860
Retained earnings	474,435	580,630
Total Equity	1,103,759	1,204,634
Non-current Liabilities		
Loans and borrowings	384	638
Lease liabilities	8,248	7,823
RCPS - Liability component	43,238	42,434
Provision for retirement benefits	3,954	4,077
Deferred tax liabilities	14,746	14,713
Total Non-current Liabilities	70,570	69,685
Current Liabilities		
Loans and borrowings	991,078	1,068,895
Lease liabilities	1,296	1,377
Trade payables	105,986	111,470
Other payables, deposits and accruals	31,862	41,272
Derivative liabilities	-	297
Current tax liabilities	1,946	1,292
Total Current Liabilities	1,132,168	1,224,603
Total Liabilities	1,202,738	1,294,288
TOTAL EQUITY AND LIABILITIES	2,306,497	2,498,922
Net assets per share attributable to owners of the parent (RM)	2.05	2.23

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020

	----- 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 2020	612,016	2,762	74,860	(65,634)	580,630	1,204,634
Loss for the period	-	-	-	-	(106,195)	(106,195)
Other comprehensive income for the period	-	-	1,972	-	-	1,972
Total comprehensive loss for the period	-	-	1,972	-	(106,195)	(104,223)
Long Term Incentive Plan ("LTIP"): - Share-based payments expenses	-	-	3,348	-	-	3,348
At 30 September 2020	612,016	2,762	80,180	(65,634)	474,435	1,103,759
At 1 January 2019	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 - Share transferred	-	-	4,936 (1,334)	- 1,334	- -	4,936 -
At 30 September 2019	612,016	2,762	76,939	(66,960)	561,120	1,185,877

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 2019 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 2020**

	9 months ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(84,151)	(145,988)
Adjustments for non-cash items	68,803	128,018
Operating loss before working capital changes	(15,348)	(17,970)
Changes in working capital		
Net change in current assets	44,032	75,088
Net change in current liabilities	(14,745)	(95,296)
Interest received	2,896	3,765
Interest paid	(28,665)	(34,227)
Tax paid	(2,255)	(5,540)
Tax refunded	-	635
Retirement benefits paid	(536)	(608)
Net cash flows used in operating activities	(14,621)	(74,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	351	385
Proceeds from disposal of property, plant and equipment	36,173	62
Acquisition of intangible asset	-	(44)
Purchase of property, plant and equipment	(1,411)	(32,577)
Net cash flows generated from/(used in) investing activities	35,113	(32,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bank borrowings	(77,898)	144,605
Net repayment of lease liabilities	(1,367)	-
Interest paid	(25)	(398)
Dividends paid to shareholders	-	(32,323)
Dividend paid to holders of RCPS	(1,099)	(1,099)
Withdrawal of fixed deposit pledged with licensed banks	9	-
Net cash flows (used in)/generated from financing activities	(80,380)	110,785
Net change in cash and cash equivalents	(59,888)	4,458
Effects of foreign exchanges rate changes	443	363
Cash and cash equivalents at beginning of period	99,010	55,396
Cash and cash equivalents at end of period	39,565	60,217

Cash and cash equivalents

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

	9 months ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
Cash and bank balances	39,565	60,226
Less: Restricted bank balances	-	(9)
	39,565	60,217

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 2019. 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 2019.

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 2019, except for the following new and amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of amendments or amendment to MFRS

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 amendments to MFRS as follows:

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 MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform
Amendments to References to the Conceptual Framework in MFRS Standards	

Early adoption: Effective for financial periods beginning on or after 1 June 2020

Amendment to MFRS 16 Leases	Covid-19-Related Rent Concessions
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The Group has elected early adoption of amendments to MFRS 16 and applied the practical expedient not to assess whether a rent concession that meet conditions as spelled out under the amendment is a lease modification.

The adoption of these amendments or amendment to MFRS 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.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

1 BASIS OF PREPARATION (CONTINUED)

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 2021

Amendments to MFRS 4,
MFRS 7, MFRS 9, MFRS Interest Rate Benchmark Reform – Phase 2
16 and MFRS 139

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3 Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment–Proceeds before Intended Use
Amendments to MFRS 137 Onerous Contracts–Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018–2020

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current

Deferred to a date to be determined by MASB

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

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.

2 SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Except for festive seasons when activities slow down, the pace of the Group's business generally moves in tandem with the performance of the economy.

3 NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter and nine months ended 30 September 2020.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 results ended 30 September 2020.

5 DEBT AND EQUITY SECURITIES

As at 30 September 2020, 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.

There were no issuances, cancellations, resale, repayment or repurchase of debt and equity securities during the quarter ended 30 September 2020.

6 DIVIDENDS PAID

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

	30.9.2020	30.9.2019
Second interim dividend		
For the financial year ended	-	31 December 2018
Approved and declared on	-	26 February 2019
Date paid	-	24 May 2019
Number of ordinary shares on which dividends were paid ('000)	-	538,721
Interim dividend per share (single-tier)	-	6 sen
Net dividend paid (RM'000)	-	32,323
First semi-annual RCPS dividend		
For the financial year ending/ended	31 December 2020	31 December 2019
Approved and declared on	5 June 2020	28 May 2019
Date paid	15 July 2020	26 June 2019
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



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7 PROFIT BEFORE TAX

	3 months ended 30.9.2020 RM'000	9 months ended 30.9.2020 RM'000
Loss before tax is arrived at after charging:		
(Reversal of)/Allowance for inventories written down	(10,269)	9,486
Depreciation and amortisation	14,310	43,060
Finance cost		
- Interest expenses	8,545	28,690
- RCPS unwinding of discount	635	1,903
- Lease liabilities	111	333
Foreign exchange loss/(gain)		
- Realised foreign exchange loss/(gain)	706	(991)
- Unrealised foreign exchange (gain)/loss	(58)	66
LTIP share-based payments expenses	1,116	3,348
Net (reversal of impairment)/impairment loss on receivables	(415)	117
Overhead cost for plant temporary shutdown	5,223	23,264
Property, plant and equipment written off	16	368
and after crediting:		
Gain on disposal of property, plant and equipment	15,200	15,531
Gain on termination of lease	-	70
Interest income	1,530	3,247

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.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

11 CAPITAL COMMITMENTS

The capital commitments as at 30 September 2020 were as follows:

	<u>RM'000</u>
(a) contracted but not provided for	1,423
(b) approved but not contracted for	<u>4,692</u>

12 REVIEW OF PERFORMANCE

	<u>3 months ended</u>		Changes (%)	<u>9 months ended</u>		Changes (%)
	<u>30.9.2020</u>	<u>30.9.2019</u>		<u>30.9.2020</u>	<u>30.9.2019</u>	
	RM'000	RM'000		RM'000	RM'000	
Revenue						
Manufacturing	416,425	320,494	29.93	960,162	1,143,282	(16.02)
Trading	282,812	298,658	(5.31)	698,423	892,343	(21.73)
Investment holding, property management and others	6,232	6,815	(8.55)	18,639	22,124	(15.75)
Adjustments and elimination	<u>(145,257)</u>	<u>(120,682)</u>	20.36	<u>(325,448)</u>	<u>(440,020)</u>	(26.04)
Group revenue	<u>560,212</u>	<u>505,285</u>	10.87	<u>1,351,776</u>	<u>1,617,729</u>	(16.44)
Segment results						
Manufacturing	(12,396)	(84,279)	(85.29)	(91,467)	(136,831)	(33.15)
Trading	8,023	4,344	84.69	17,398	14,736	18.06
Investment holding, property management and others	(205)	1,480	(>100.00)	1,820	6,072	(70.03)
Adjustments and elimination	<u>(251)</u>	<u>5,481</u>	(>100.00)	<u>253</u>	<u>2,692</u>	(90.60)
	(4,829)	(72,974)	(93.38)	(71,996)	(113,331)	(36.47)
Gain on disposal of plant, property and equipment	15,200	37	>100.00	15,531	56	>100.00
Finance costs	(9,291)	(12,124)	(23.37)	(30,926)	(36,864)	(16.11)
Interest income	1,530	2,746	(44.28)	3,247	4,150	(21.76)
Share of results of associates	<u>(4)</u>	<u>(1)</u>	>100.00	<u>(7)</u>	<u>1</u>	(>100.00)
Profit/(Loss) before tax	<u>2,606</u>	<u>(82,316)</u>	(>100.00)	<u>(84,151)</u>	<u>(145,988)</u>	(42.36)



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

12 REVIEW OF PERFORMANCE (CONTINUED)

Higher revenue in the third quarter of 2020 (“3Q2020”) as compared to the third quarter of 2019 (“3Q2019”) was mainly due to higher export tonnage sold amid weaker domestic demand.

Lower revenue in the nine months of 2020 (“9M2020”) as compared to the nine months of 2019 (“9M2019”) was mainly due to significantly lower domestic sales tonnage and lower selling prices of various steel products. Lower domestic volume and steel price was attributable to the mandatory business closures during the Movement Control Order (“MCO”) period and subsequent low resumption rate of construction activities during the Conditional Movement Control Order and Recovery Movement Control Order periods.

Favourable variance of profit before tax of RM2.61 million in 3Q2020 and loss before tax of RM84.15 million in 9M2020 as compared to the corresponding periods of the preceding year were mainly due to:

- (i) Gain on disposal of office building of RM15.20 million,
- (ii) Reversal of inventories written down of RM10.27 million (3Q2019: Allowance for inventories written down of RM42.68 million).

This is despite significant lower domestic sales tonnage and selling prices on the reasons explained above, and higher overhead cost for plant shutdown of RM23.26 million for 9M2020 mainly due to mandatory business closure during the MCO period (9M2019: RM5.13 million).

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes (%)
	30.9.2020 RM'000	30.6.2020 RM'000	
Revenue	560,212	345,892	61.96
Profit/(Loss) before tax	2,606	(51,883)	(>100.00)

Higher revenue in 3Q2020 as compared to second quarter of 2020 (“2Q2020”) was mainly due to higher domestic and export tonnage sold as well as higher selling prices of various steel products. The rise in export tonnage, particularly to China, was spurred by China’s huge fiscal spending on infrastructure projects.

Favourable variance of profit before tax of RM2.61 million in 3Q2020 as compared to loss before tax of RM51.88 million in 2Q2020 was mainly attributable to:

- (i) Gain on disposal of office building of RM15.20 million,
- (ii) Reversal of inventories written down of RM10.27 million in 3Q2020 in line with higher selling prices as explained above as compared to allowance for inventories written down of RM12.32 million in 2Q2020, and
- (iii) Lower overhead cost for plant shutdown of RM5.22 million for repair and maintenance in 3Q2020 as compared to overhead cost for plant shutdown of RM12.83 million for mandatory business closure during the MCO period in 2Q2020.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segmental revenue, results and assets for the nine months ended 30 September 2020 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	653,841	696,236	1,699	-	1,351,776
Inter-segment	306,321	2,187	16,940	(325,448)	-
	<u>960,162</u>	<u>698,423</u>	<u>18,639</u>	<u>(325,448)</u>	<u>1,351,776</u>
RESULTS					
Segment profit/(loss)	(91,467)	17,398	1,820	253	(71,996)
Gain on disposal of plant, property and equipment					15,531
Finance costs					(30,926)
Interest income					3,247
Share of associates' results					(7)
Loss before tax					<u>(84,151)</u>
Income tax expense					<u>(22,044)</u>
Loss for the period					<u>(106,195)</u>
Segment assets	<u>1,658,808</u>	<u>822,966</u>	<u>133,218</u>	<u>(308,495)</u>	<u>2,306,497</u>
Segment liabilities	<u>845,533</u>	<u>577,621</u>	<u>104,346</u>	<u>(324,762)</u>	<u>1,202,738</u>

14.2 Geographical Segments

	9 months ended 30.9.2020 RM'000
Revenue from external customers	
Malaysia	1,267,820
Singapore	<u>83,956</u>
Non-current assets	
Malaysia	954,981
Singapore	<u>2,813</u>



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

15 PROSPECTS

Domestic demand is still below pre-pandemic level as the recovery continues to be disrupted by the resumption of the movement restrictions caused by the resurgent of Covid-19 infections. Looking ahead, domestic steel demand is expected to gradually improve in the coming year, underpinned by gradual revival of major infrastructure projects.

The strong steel demand from China and other countries, due to their robust infrastructure development post lockdown, has contributed to rise in international steel prices. For the remainder of the year, we will further enhance our efforts on exports to China and other countries in the region.

In addition, the Group will continue to prioritise on our cash flow management, productivity improvements and cost optimisation initiatives. The Group remains vigilant and resilient in order to refine its strategies in line with the future direction of the markets, both domestically and internationally.

16 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial period ended 30 September 2020.

17 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) comprises:

	3 months ended 30.9.2020 RM'000	9 months ended 30.9.2020 RM'000
Income tax		
Current period	2,205	4,361
Prior year	165	165
Deferred tax		
Current period	542	(1,092)
Prior year	18,610	18,610
	<u>21,522</u>	<u>22,044</u>

The Group's tax expense for the quarter and nine months ended 30 September 2020 was mainly attributed to reversal of deferred tax assets, arising from the exemption of income for the value of increased exports under the Income Tax (Exemption) (No. 17) Order 2005 [PU(A) 158/2005] which were recognised by a subsidiary company in prior year, upon submission of the company tax return for Year of Assessment ("YA") 2019. This is in line with the change in tax law for the exemption of income for the value of increased exports under the Income Tax (Exemption) (No.5) Order 2019 [PU(A) 161/2019] with effect from YA 2019.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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 September 2020 were as follows:

a) Group borrowings

	30.9.2020 RM'000	30.9.2019 RM'000
<u>Secured</u>		
Short-term borrowings		
Obligations under finance leases	517	500
Long-term borrowings		
Obligations under finance leases	384	767
	901	1,267
<u>Unsecured</u>		
Short-term borrowings		
Bills payable	952,840	1,124,533
Revolving credit	20,000	3,000
Foreign currency trade loan	17,721	37,832
	990,561	1,165,365
	991,462	1,166,632

The currency profile of bank borrowings was as follows:

	30.9.2020		30.9.2019	
	USD denomination ('000)	RM equivalent ('000)	USD denomination ('000)	RM equivalent ('000)
<u>Unsecured</u>				
Short-term borrowings				
Foreign currency trade loan	4,260	17,721	9,036	37,832

b) Debts securities - RCPS

	No of RCPS ('000)	Amount RM'000
At the beginning of financial period	87,936	45,196
Add: Unwinding of discount charged to profit or loss	-	1,903
Less: Dividend paid	-	(1,099)
At the end of financial period end	87,936	46,000
Liability component		43,238
Equity component		2,762
		46,000



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20 FINANCIAL INSTRUMENTS

The Group's outstanding derivatives as at 30 September 2020 were as follows:

	Notional Value RM'000	Fair Value RM'000	Net Gain RM'000
Foreign Currency Forward Contracts:			
- Less than one year	1,662	1,665	3

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. AJSB had filed a suit against the Tenaga Nasional Berhad, Penang State and third defendant.

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 RM80,000.00 (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.

A case management has been fixed on 7 August 2020 where the Defendants were seeking further direction and clarification on the filing of expert valuation report, to which the court has given the direction for the Penang State to file its report by 30 November 2020 and Tenaga Nasional Berhad to file its report by 8 January 2021.

The next case management was fixed on 26 January 2021 for AJSB to inform the court if it intends to reply to the Defendants' reports.

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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)

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.

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 (“Amsteel’s Appeal”).

The Court of Appeal fixed the date for Case Management on 10 February 2021 for parties to update Court status of filing Common Chronology of Facts, Written Submission, Bundle of Authority and Executive Summary. The Court of Appeal later fixed for hearing of Amsteel’s Appeal for the discovery application on 17 February 2021.

The High Court fixed the date for Case Management on 18 February 2021 for parties to update the outcome of proceeding in Court of Appeal.

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 for the financial period ended 30 September 2020.

22.2 Redeemable Convertible Cumulative Preference Shares

On 27 November 2020, 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 2020. This dividend will be paid on 30 December 2020 to the Depositors registered in the Record of Depositors at the close of the business on 16 December 2020.



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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 2020 as set out below:

		3 months ended 30.9.2020	9 months ended 30.9.2020
Total loss attributable to owners of the Parent	(RM’000)	(18,916)	(106,195)
Weighted average number of ordinary shares in issue or issuable	(’000)	539,593	539,593
Basic EPS	(sen)	(3.51)	(19.68)

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 2020, 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 30.9.2020	9 months ended 30.9.2020
Total loss attributable to owners of the Parent	(RM’000)	(18,916)	(106,195)
Effects on earnings upon conversion of RCPS	(RM’000)	635	1,903
	(RM’000)	(18,281)	(104,292)
Weighted average number of ordinary shares in issue or issuable	(’000)	539,593	539,593
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)	627,529	627,529
Anti-diluted EPS	(sen)	(2.91)	(16.62)



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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 2020.

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