



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 THREE MONTHS ENDED
31 MARCH 2021**



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 three months ended 31 March 2021

| | 3 months ended | | 3 months ended | |
|--|----------------|-----------------|----------------|-----------------|
| | 31.3.2021 | 31.3.2020 | 31.3.2021 | 31.3.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 576,690 | 445,672 | 576,690 | 445,672 |
| Operating expenses | (489,510) | (470,942) | (489,510) | (470,942) |
| Other income | 2,176 | 1,396 | 2,176 | 1,396 |
| Finance costs | (7,339) | (10,997) | (7,339) | (10,997) |
| Share of results of associates | (1) | (3) | (1) | (3) |
| Profit/(Loss) before tax | 82,016 | (34,874) | 82,016 | (34,874) |
| Income tax (expense)/credit | (8,401) | 4,316 | (8,401) | 4,316 |
| Profit/(Loss) for the period | 73,615 | (30,558) | 73,615 | (30,558) |
| 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 | - | - | - | - |
| <u>Items that will be reclassified</u> | | | | |
| <u>subsequently to profit or loss:</u> | | | | |
| Foreign currency translation differences for foreign operations | 1,162 | 1,665 | 1,162 | 1,665 |
| Cash flow hedges | 467 | 1,531 | 467 | 1,531 |
| Other comprehensive income/(loss) for the period net of tax | 1,629 | 3,196 | 1,629 | 3,196 |
| Total comprehensive income/(loss) for the period | 75,244 | (27,362) | 75,244 | (27,362) |
| Profit/(loss) attributable to: | | | | |
| Owners of the parent | 73,615 | (30,558) | 73,615 | (30,558) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | 75,244 | (27,362) | 75,244 | (27,362) |
| Earnings per share ("EPS") (sen): | | | | |
| Basic EPS | 13.64 | (5.66) | 13.64 | (5.66) |
| Diluted/(Anti-diluted) EPS | 11.84 | (4.77) | 11.84 | (4.77) |

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

**ANN JOO RESOURCES BERHAD**

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

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statements of Financial Position
As at 31 March 2021**

| | 31.3.2021 | 31.12.2020 |
|---|------------------|-------------------|
| | RM'000 | RM'000 |
| | | (audited) |
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 903,815 | 919,701 |
| Investment properties | 14,517 | 14,562 |
| Intangible assets | 7,513 | 7,513 |
| Investment in associates | 491 | 492 |
| Other investments | 1 | 1 |
| Deferred tax assets | 72,120 | 73,006 |
| Right-of-use assets | 8,396 | 8,708 |
| Total Non-current Assets | 1,006,853 | 1,023,983 |
| Current Assets | | |
| Inventories | 877,142 | 733,486 |
| Trade receivables | 465,783 | 374,520 |
| Other receivables, deposits and prepayments | 29,800 | 30,235 |
| Derivative assets | 3,989 | - |
| Current tax assets | 8,226 | 9,003 |
| Cash and bank balances | 94,153 | 60,383 |
| Assets classified as held for sale | - | - |
| Total Current Assets | 1,479,093 | 1,207,627 |
| TOTAL ASSETS | 2,485,946 | 2,231,610 |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Owners of the Parent | | |
| Share Capital | 612,432 | 612,016 |
| Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity component | 2,755 | 2,762 |
| Treasury shares | (65,634) | (65,634) |
| Other reserves | 78,149 | 75,798 |
| Retained earnings | 554,258 | 480,643 |
| Total Equity | 1,181,960 | 1,105,585 |
| Non-current Liabilities | | |
| Loans and borrowings | 200 | 291 |
| Lease liabilities | 7,540 | 7,856 |
| RCPS - Liability component | 43,304 | 42,776 |
| Provision for retirement benefits | 3,832 | 3,753 |
| Deferred tax liabilities | 14,941 | 14,312 |
| Total Non-current Liabilities | 69,817 | 68,988 |
| Current Liabilities | | |
| Loans and borrowings | 1,015,007 | 917,551 |
| Lease liabilities | 1,321 | 1,281 |
| Trade payables | 177,455 | 105,041 |
| Other payables, deposits and accruals | 34,877 | 30,990 |
| Derivative liabilities | - | 1,084 |
| Current tax liabilities | 5,509 | 1,090 |
| Total Current Liabilities | 1,234,169 | 1,057,037 |
| Total Liabilities | 1,303,986 | 1,126,025 |
| TOTAL EQUITY AND LIABILITIES | 2,485,946 | 2,231,610 |
| Net assets per share attributable to owners of the parent (RM) | 2.19 | 2.05 |

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**Unaudited Condensed Consolidated Statements of Changes in Equity
For the three months ended 31 March 2021**

| | 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 2021 | 612,016 | 2,762 | 75,798 | (65,634) | 480,643 | 1,105,585 |
| Profit for the period | - | - | - | - | 73,615 | 73,615 |
| Other comprehensive income for the period | - | - | 1,629 | - | - | 1,629 |
| Total comprehensive income for the period | - | - | 1,629 | - | 73,615 | 75,244 |
| Conversion of RCPS | 416 | (7) | - | - | - | 409 |
| Long Term Incentive Plan ("LTIP"): - Share-based payments expenses | - | - | 722 | - | - | 722 |
| At 31 March 2021 | 612,432 | 2,755 | 78,149 | (65,634) | 554,258 | 1,181,960 |
| At 1 January 2020 | 612,016 | 2,762 | 74,860 | (65,634) | 580,630 | 1,204,634 |
| Loss for the period | - | - | - | - | (30,558) | (30,558) |
| Other comprehensive loss for the period | - | - | 3,196 | - | - | 3,196 |
| Total comprehensive loss for the period | - | - | 3,196 | - | (30,558) | (27,362) |
| Long Term Incentive Plan ("LTIP"): - Share-based payments expenses | - | - | 1,116 | - | - | 1,116 |
| At 31 March 2020 | 612,016 | 2,762 | 79,172 | (65,634) | 550,072 | 1,178,388 |

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**Unaudited Condensed Consolidated Statements of Cash Flows
For the three months ended 31 March 2021**

| | 3 months ended | |
|--|-----------------------|------------------|
| | 31.3.2021 | 31.3.2020 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before tax | 82,016 | (34,874) |
| Adjustments for non-cash items | 21,626 | 33,357 |
| Operating profit/(loss) before working capital changes | 103,642 | (1,517) |
| Changes in working capital | | |
| Net change in current assets | (236,158) | (59,539) |
| Net change in current liabilities | 76,371 | 10,777 |
| Interest received | 1,042 | 359 |
| Interest paid | (6,582) | (10,247) |
| Tax paid | (1,874) | (1,615) |
| Tax refunded | 3 | - |
| Retirement benefits paid | (84) | (324) |
| Net cash flows (used in) operating activities | <u>(63,640)</u> | <u>(62,106)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 78 | 103 |
| Proceeds from disposal of property, plant and equipment | 1 | 378 |
| Purchase of property, plant and equipment | (1,034) | (350) |
| Net cash flows (used in)/generated from investing activities | <u>(955)</u> | <u>131</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net drawdown of bank borrowings | 97,366 | 11,944 |
| Net repayment of lease liabilities | (451) | (246) |
| Proceeds from the conversion of RCPS | 300 | - |
| Interest paid | (3) | (117) |
| Net cash flows generated from financing activities | <u>97,212</u> | <u>11,581</u> |
| Net change in cash and cash equivalents | 32,617 | (50,394) |
| Effects of foreign exchanges rate changes | 1,153 | 1,278 |
| Cash and cash equivalents at beginning of period | 60,383 | 99,010 |
| Cash and cash equivalents at end of period | <u>94,153</u> | <u>49,894</u> |

Cash and cash equivalents

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

| | 3 months ended | |
|--------------------------------|-----------------------|------------------|
| | 31.3.2021 | 31.3.2020 |
| | RM'000 | RM'000 |
| Cash and bank balances | 94,153 | 49,903 |
| Less: Restricted bank balances | - | (9) |
| | <u>94,153</u> | <u>49,894</u> |

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 THREE MONTHS ENDED 31 MARCH 2021

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 2020. 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 2020.

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 2020, except for the following amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of amendments or amendments 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 2021

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

Early adoption: Effective for financial periods beginning on or after 1 April 2021

Amendment to MFRS 16 Leases Covid-19-Related Rent Concessions beyond 30 June 2021
(Amendment to MFRS 16 Leases)

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 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.

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.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

1.2 New MFRSs and Amendments to MFRSs issued but not yet effective (Continued)

Effective for annual 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 annual financial periods beginning on or after 1 January 2023

| | |
|--|---|
| MFRS 17 | Insurance Contracts |
| Amendments to MFRS 4 | Extension of the Temporary Exemption from Applying MFRS 9 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |
| Amendments to MFRS 101 and MFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendment to MFRS 108 | Definition of Accounting Estimates |

Deferred to a date to be determined by the MASB

| | |
|------------------------------------|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its 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 ended 31 March 2021.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

4 NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had any material effect on the quarter results ended 31 March 2021.

5 DEBT AND EQUITY SECURITIES

5.1 Treasury shares

As at 31 March 2021, out of total 560,142,414 issued paid ordinary shares, 20,318,900 shares were held as treasury shares at an average price of RM3.23 per share.

5.2 Redeemable Convertible Cumulative Preference Shares (“RCPS”)

During the quarter under review, 231,000 RCPS were converted into 231,000 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 559,911,414 ordinary shares to 560,142,414 ordinary shares. The new ordinary shares issued rank *pari-passu* with the then existing ordinary shares of the Company.

Save as disclosed above, there were no issuances, cancellations, resale or repayment of debt and equity securities during the quarter ended 31 March 2021.

6 DIVIDENDS PAID

There was no dividend paid during the quarter ended 31 March 2021 (1Q2020: nil).



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

7 PROFIT BEFORE TAX

| | 3 months ended 31.03.2021 RM'000 |
|---|---|
| Profit before tax is arrived at after charging: | |
| Allowance for inventories written down | 2,762 |
| Depreciation and amortisation | 14,834 |
| Finance cost | |
| - Interest expenses | 6,703 |
| - RCPS unwinding of discount | 636 |
| LTIP share-based payments expenses | 722 |
| Provision for impairment of property, plant and equipment | 1,210 |
| Property, plant and equipment written off | 1,308 |
| and after crediting: | |
| Interest income | 1,120 |
| Foreign exchange gain/(loss) | |
| - Realised foreign exchange gain/(loss) | 633 |
| - Unrealised foreign exchange gain/(loss) | (495) |
| Reversal of impairment loss on receivables | 1,515 |
| Other incomes | 574 |
| | <hr/> |

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 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

11 CAPITAL COMMITMENTS

The capital commitments as at 31 March 2021 were as follows:

| | RM'000 |
|-------------------------------------|---------------|
| (a) contracted but not provided for | 1,422 |
| (b) approved but not contracted for | 4,689 |

12 REVIEW OF PERFORMANCE

| | 3 months ended | | Changes (%) |
|--|------------------------------|------------------------------|------------------------|
| | 31.03.2021 RM'000 | 31.03.2020 RM'000 | |
| Revenue | | | |
| Manufacturing | 393,665 | 292,625 | 34.53 |
| Trading | 339,006 | 263,046 | 28.88 |
| Investment holding, property management and others | 6,851 | 5,768 | 18.78 |
| Adjustments and elimination | (162,832) | (115,767) | (40.65) |
| Group revenue | <u>576,690</u> | <u>445,672</u> | 29.40 |
| Segment results | | | |
| Manufacturing | 53,435 | (29,826) | >100.00 |
| Trading | 34,678 | 5,783 | >100.00 |
| Investment holding, property management and others | 1,170 | (900) | >100.00 |
| Adjustments and elimination | (1,047) | 607 | (>100.00) |
| | <u>88,236</u> | <u>(24,336)</u> | >100.00 |
| Finance costs | (7,339) | (10,997) | 33.26 |
| Interest income | 1,120 | 462 | >100.00 |
| Share of results of associates | (1) | (3) | 66.67 |
| | <u>82,016</u> | <u>(34,874)</u> | >100.00 |

Higher revenue in the first quarter of 2021 (“1Q2021”) as compared to the corresponding quarter of 2020 (“1Q2020”) was mainly due to significantly higher selling prices and export tonnage, while the domestic market remained subdued.

Better performance in 1Q2021 was primarily attributed to improved profit margin given the higher selling price, which followed the upward trend of the international steel price. The rise in steel prices was fundamentally supported by the robust steel demand in China following the rollout of its economic stimulus measures as well as its government’s efforts to reduce steel output, discourage steel exports, and encourage the import of raw materials and semi-finished products.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

| | 3 months ended | | Changes (%) |
|-------------------|----------------------|----------------------|----------------|
| | 31.03.2021 RM'000 | 31.12.2020 RM'000 | |
| Revenue | 576,690 | 539,423 | 6.91 |
| Profit before tax | 82,016 | 9,845 | >100.00 |

Higher revenue in 1Q2021 as compared to the fourth quarter of 2020 (“4Q2020”) was mainly due to higher selling price of various steel products. However, higher revenue was partially offset by lower export tonnage to China, which was affected by harsh winter conditions as well as the Lunar New Year holidays.

The higher profit before tax of RM82.02 million in 1Q2021 as compared to RM9.85 million in 4Q2020 was mainly attributable to higher profit margin due to rising selling prices coupled with improved cost structure resulted from effective and efficient execution of the cost optimisation initiatives.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segmental revenue, results and assets for the three months ended 31 March 2021 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 | 237,830 | 338,254 | 606 | - | 576,690 |
| Inter-segment | 155,835 | 752 | 6,245 | (162,832) | - |
| | <u>393,665</u> | <u>339,006</u> | <u>6,851</u> | <u>(162,832)</u> | <u>576,690</u> |
| RESULTS | | | | | |
| Segment profit | 53,435 | 34,678 | 1,170 | (1,047) | 88,236 |
| Finance costs | | | | | (7,339) |
| Interest income | | | | | 1,120 |
| Share of associates' results | | | | | (1) |
| Profit before tax | | | | | <u>82,016</u> |
| Income tax expense | | | | | (8,401) |
| Profit for the period | | | | | <u>73,615</u> |
| Segment assets | <u>1,790,549</u> | <u>849,356</u> | <u>131,274</u> | <u>(285,233)</u> | <u>2,485,946</u> |
| Segment liabilities | <u>979,641</u> | <u>524,734</u> | <u>97,238</u> | <u>(297,627)</u> | <u>1,303,986</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

14 SEGMENTAL INFORMATION (CONTINUED)**14.2 Geographical Segments**

The Group operates in two principal geographical areas – Malaysia (country of domicile) and Singapore.

In presenting information on the basis of geographical segments, segment revenue from external customers is based on revenue by location of operations.

| | 3 months ended 31.03.2021 RM'000 |
|--|---|
| Revenue from external customers | |
| Malaysia | 545,933 |
| Singapore | <u>30,757</u> |
| Non-current assets | |
| Malaysia | 932,301 |
| Singapore | <u>2,431</u> |

15 PROSPECTS

Global steel supply-demand dynamics have improved sharply so far in 2021, resulting in prices that are stronger but volatile across both flat and long steel products. While demand dynamics are favourable overall, there are still elements of uncertainty, including the possibility of recurring movement controls to curb renewed infection and slower-than-expected rollout of vaccines globally. Efforts by certain governments, for example China, to curb the surge in steel prices can also trigger steel price corrections and substantial market volatility.

Nonetheless, with the expected continued pump priming by governments worldwide, the restoration of global supply chains and China's massive construction spending appear likely that steel prices will remain robust on pent-up demand. Further impetus for growth, particularly for long products, could come from mega infrastructure projects across the globe.

Domestic steel demand, however, is expected to remain lacklustre for the remainder of this year, owing to public funding constraints and the enforcement of stringent movement restrictions in the rising Covid-19 infections.

The Group will continue to be an active steel exporter, and with a broad-based recovery in steel demand in China as well as Southeast Asia countries, the performance of the Group's Manufacturing Division is expected to improve significantly in 2021.

The prospects for the Group's Trading Division are also positive, given strong demand for non-construction steel products from the electrical & electronics industry and other manufacturing sectors, which correlate with a broad-based market recovery.

The Group will also continue to focus on ongoing cost optimisation initiatives and operational efficiency, as well as prudent receivables and inventory management, in order to remain resilient and responsive to market changes.



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

16 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 March 2021.

17 INCOME TAX EXPENSE

The income tax expense comprises:

| | 3 months ended 31.03.2021 RM'000 |
|---------------------|---|
| Income tax | |
| Current period | 6,955 |
| Prior year | 80 |
| Deferred tax | |
| Current period | 1,366 |
| Prior year | - |
| | <u>8,401</u> |

The Group's lower effective tax rate for 1Q2021 was mainly due to the realisation of previously unrecognised deferred tax assets by certain subsidiary companies, of which tax credits and business losses were not recognised in the prior year.

18 STATUS OF CORPORATE PROPOSALS

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

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 31 March 2021 were as follows:

a) Group borrowings

| | 31.03.2021 RM'000 | 31.03.2020 RM'000 |
|----------------------------------|------------------------------|------------------------------|
| <u>Secured</u> | | |
| Short-term borrowings | | |
| Obligations under finance leases | 444 | 511 |
| Long-term borrowings | | |
| Obligations under finance leases | 200 | 508 |
| | <u>644</u> | <u>1,019</u> |
| <u>Unsecured</u> | | |
| Short-term borrowings | | |
| Bills payable | 792,879 | 1,038,973 |
| Revolving credit | 10,000 | - |
| Foreign currency trade loan | 211,684 | 42,186 |
| | <u>1,014,563</u> | <u>1,081,159</u> |
| | <u>1,015,207</u> | <u>1,082,178</u> |



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings was as follows:

| | 31.03.2021 | | 31.03.2020 | |
|------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | USD denomination (‘000) | RM equivalent (‘000) | USD denomination (‘000) | RM equivalent (‘000) |
| Unsecured | | | | |
| Short-term borrowings | | | | |
| Foreign currency trade loan | 50,958 | 211,684 | 9,759 | 42,186 |

b) Debts securities - RCPS

| | No of RCPS (‘000) | Amount RM‘000 |
|--|----------------------|------------------|
| At the beginning of financial period | 87,936 | 45,538 |
| Less: Converted during the period | (231) | (115) |
| Add: Unwinding of discount charged to profit or loss | - | 636 |
| Less: Dividend paid | - | - |
| At the end of financial period | 87,705 | 46,059 |
| Liability component | | 43,304 |
| Equity component | | 2,755 |
| | | 46,059 |

20 FINANCIAL INSTRUMENTS

The Group’s outstanding derivatives as at 31 March 2021 were as follows:

| | Notional Value RM‘000 | Fair Value RM‘000 | Net Loss RM‘000 |
|-------------------------------------|--------------------------|----------------------|--------------------|
| Foreign Currency Forward Contracts: | | | |
| - Less than one year | 187,236 | 190,421 | 3,185 |

There is no change to the Group’s financial risk management policies in managing these derivatives, its related accounting policies and the market risk associated with these derivatives since the last financial year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

21 MATERIAL LITIGATIONS**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. Accordingly, AJSB filed its Amended Statement of Defence.

In the meantime, Amsteel proceeded to file a discovery application against AJSB on 1 October 2018, details of which are below.

A further Case Management is fixed on 1 October 2021 in the High Court to update Court on the outcome of the case management in the Court of Appeal.

In the Court of Appeal of Malaya Appeal No. W-02(IM)(NCVC)-890-05/2019 Amsteel (Appellant) v AJSB (Respondent)

AJSB was served with a discovery application filed by Amsteel for discovery of 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 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”).

A Case Management for Amsteel's Appeal was fixed on 10 February 2021 for parties to update Court on the status of filing Common Chronology of Facts, Written Submission, Bundle of Authority and Executive Summary. The Hearing of Amsteel's Appeal was fixed on 17 February 2021.

On 17 February 2021, the Hearing of Amsteel's Appeal was adjourned and the Court of Appeal has now re-fixed the Hearing of the Appeal on 30 September 2021.

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.



ANN JOO RESOURCES BERHAD

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

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021

22 DIVIDEND

22.1 Ordinary shares

The Board of Directors does not recommend any dividend for the financial year ending 31 December 2021 (1Q2020: nil).

22.2 Redeemable Convertible Cumulative Preference Shares

On 28 May 2021, the Board of Directors approved and declared a first semi-annual dividend of 1.25 sen per Redeemable Convertible Cumulative Preference Share in respect of the financial year ending 31 December 2021. This dividend will be paid on 28 June 2021 to the Depositors registered in the Record of Depositors at the close of the business on 16 June 2021 (1Q2020: 1.25 sen).

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 ended 31 March 2021 as set out below:

| | | 3 months ended 31.03.2021 |
|---|----------|--------------------------------------|
| Total profit attributable to owners of the Parent | (RM'000) | 73,615 |
| Weighted average number of ordinary shares in issue or issuable | ('000) | <u>539,672</u> |
| Basic EPS | (sen) | <u>13.64</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2021**23 EARNINGS PER SHARE (“EPS”) (CONTINUED)****b) Diluted EPS**

Diluted EPS is calculated by dividing the loss attributable to owners of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the quarter ended 31 March 2021, 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 31.03.2021 |
|--|----------|--------------------------------------|
| Total profit attributable to owners of the Parent | (RM'000) | 73,615 |
| Effects on earnings upon conversion of RCPS | (RM'000) | <u>636</u> |
| | (RM'000) | <u>74,251</u> |
| | | |
| Weighted average number of ordinary shares in issue or issuable | ('000) | 539,672 |
| Effect of dilution from the full conversion of the remaining RCPS in issue | ('000) | <u>87,705</u> |
| Weighted average number of ordinary shares in issue or issuable (Diluted) | ('000) | <u>627,377</u> |
| | | |
| Diluted EPS | (sen) | <u>11.84</u> |

24 STATUS OF AUDIT QUALIFICATION

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

25 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 May 2021.

By Order of the Board
Wong Youn Kim (MAICSA 7018778)
Lim Swee Foon (MAICSA 7064875)
Company Secretaries
28 May 2021
Selangor Darul Ehsan