



安裕資源有限公司

ANN JOO RESOURCES BERHAD (371152-U)

(Incorporated in Malaysia)

**ANN JOO RESOURCES BERHAD
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2016**

ANN JOO RESOURCES BERHAD (371152-U)

The Board of Directors of Ann Joo Resources Berhad ("AJR" or the "Company") is pleased to announce the unaudited results for the third financial quarter ended 30 September 2016

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2016**

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	323,730	325,470	1,397,914	1,347,386
Operating expenses	(273,719)	(394,826)	(1,229,295)	(1,398,581)
Other (expense)/income	(1,024)	433	7,836	4,089
Finance costs	(9,291)	(14,874)	(33,908)	(45,465)
Share of results of associates	1	(4)	(14)	(12)
Profit/(loss) before tax	39,697	(83,801)	142,533	(92,583)
Income tax (expense)/credit	(16,778)	1,516	(21,698)	4,776
Profit/(loss) for the period	22,919	(82,285)	120,835	(87,807)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences				
for foreign operations	508	2,818	(698)	4,056
Change in fair value of				
available-for-sale financial assets	18	(4)	26	(4)
Net movement on cash flow hedge:				
- Foreign currency forward contracts	-	706	(55)	716
Other comprehensive income/(loss) for the period, net of tax	526	3,520	(727)	4,768
Total comprehensive income/(loss) for the period	23,445	(78,765)	120,108	(83,039)
Profit/(loss) attributable to:				
Owners of the parent	22,919	(82,285)	120,835	(87,807)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	23,445	(78,765)	120,108	(83,039)
Earnings per share ("EPS") (sen):				
Basic and diluted EPS	4.58	(16.44)	24.14	(17.54)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As at 30 September 2016

	30.09.2016	31.12.2015
	RM'000	RM'000
		(audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,025,279	1,038,971
Prepaid lease payments	10,698	10,846
Investment properties	4,022	4,058
Intangible assets	7,314	7,182
Investment in associates	484	498
Other investments	55	29
Deferred tax assets	63,383	78,166
	<u>1,111,235</u>	<u>1,139,750</u>
Current Assets		
Inventories	748,073	951,990
Receivables and prepayments	292,698	287,080
Derivative assets	20	171
Current tax assets	6,118	4,139
Cash and bank balances	33,091	62,415
	<u>1,080,000</u>	<u>1,305,795</u>
TOTAL ASSETS	<u>2,191,235</u>	<u>2,445,545</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,389)	(71,366)
Other reserves	85,408	86,135
Retained earnings	509,934	389,099
Total Equity	<u>1,046,661</u>	<u>926,576</u>
Non-current Liabilities		
Provision for retirement benefits	5,542	5,942
Deferred tax liabilities	18,916	14,230
	<u>24,458</u>	<u>20,172</u>
Current Liabilities		
Loans and borrowings	897,142	1,300,283
Payables and accruals	222,915	197,784
Current tax liabilities	59	730
	<u>1,120,116</u>	<u>1,498,797</u>
Total Liabilities	<u>1,144,574</u>	<u>1,518,969</u>
TOTAL EQUITY AND LIABILITIES	<u>2,191,235</u>	<u>2,445,545</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.09</u>	<u>1.85</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Cash Flows
For the nine months ended 30 September 2016

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	142,533	(92,583)
Adjustments for non-cash items	50,538	157,229
Operating profit before working capital changes	193,071	64,646
Changes in working capital		
Net change in current assets	213,915	59,837
Net change in current liabilities	25,063	(37,610)
Interest received	804	1,057
Interest paid	(30,235)	(35,110)
Tax paid	(5,108)	(6,295)
Tax refunded	188	1,320
Retirement benefits paid	(768)	(754)
Net cash flows generated from operating activities	396,930	47,091
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1	1
Proceeds from disposal of property, plant and equipment	830	245
Acquisition of associate	-	(300)
Addition in intangible assets	(132)	-
Purchase of property, plant and equipment	(18,828)	(9,430)
Net cash flows used in investing activities	(18,129)	(9,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(403,860)	(37,484)
Share buybacks	(23)	(23)
Interest paid	(3,673)	(10,355)
Dividends paid to shareholders	-	(5,007)
(Additional)/withdrawal of fixed deposit pledged with licensed banks	(66)	1,124
Net cash flows used in financing activities	(407,622)	(51,745)
Net change in cash and cash equivalents	(28,821)	(14,138)
Effects of foreign exchanges rate changes	(568)	3,764
Cash and cash equivalents at beginning of year	58,708	57,018
Cash and cash equivalents at end of period	29,319	46,644

Cash and cash equivalents

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

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
Cash and bank balances	33,091	50,314
Less: Restricted bank balances	(3,772)	(3,670)
	29,319	46,644

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

**Condensed Consolidated Statements of Changes in Equity
For the nine months ended 30 September 2016**

	Non-distributable		Distributable		Total equity RM'000
	Share capital RM'000	Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2016	522,708	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	120,835	120,835
Other comprehensive loss for the period	-	(727)	-	-	(727)
Total comprehensive (loss)/income for the period	-	(727)	-	120,835	120,108
Share buybacks	-	-	(23)	-	(23)
At 30 September 2016	522,708	85,408	(71,389)	509,934	1,046,661
At 1 January 2015	522,708	82,547	(71,343)	529,581	1,063,493
Loss for the period	-	-	-	(87,807)	(87,807)
Other comprehensive income for the period	-	4,768	-	-	4,768
Total comprehensive income/(loss) for the period	-	4,768	-	(87,807)	(83,039)
Share buybacks	-	-	(23)	-	(23)
Dividends to owners of the Company	-	-	-	(5,007)	(5,007)
At 30 September 2015	522,708	87,315	(71,366)	436,767	975,424

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016**

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 2015. 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 2015.

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 2015, except for the following new and amendments to MFRSs which are applicable to its financial statements:

1.1 Adoption of Amendments to MFRSs and IC Interpretation

On 1 January 2016, the Group adopted the following new and amended MFRSs mandatory for annual financial period beginning on or after 1 January 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 – 2014 Cycle	

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

1.2 MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorisation of these interim financial statements, the following 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 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

1. BASIS OF PREPARATION (CONTINUED)

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

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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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 will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application other than for MFRS 9 *Financial Instruments* and MFRS 16 *Leases*. The Group is still in the progress of assessing the financial impacts of MFRS 9 and MFRS 16.

2 SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Except for the major 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 2016.

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 2016.

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5 DEBT AND EQUITY SECURITIES

During the quarter under review, the Company repurchased 10,000 shares of its issued share capital from the open market at an average price of RM1.68 per share. As at 30 September 2016, out of the total 522,708,178 issued and fully paid ordinary shares, 22,149,300 shares were held as treasury shares at an average purchase price of RM3.22 per share. The share buyback transactions were financed by internally generated funds.

Save as disclosed above, there were no issuances, cancellations, resale or repayment of debt and equity securities during the quarter ended 30 September 2016.

6 DIVIDENDS PAID

No dividend was paid during the financial period ended 30 September 2016 (9 months ended 30 September 2015: RM5,006,510).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the nine months ended 30 September 2016 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	922,261	474,095	1,558	-	1,397,914
Inter-segment	183,707	318	17,725	(201,750)	-
	<u>1,105,968</u>	<u>474,413</u>	<u>19,283</u>	<u>(201,750)</u>	<u>1,397,914</u>
RESULTS					
Segment results	142,139	28,304	5,509	(302)	175,650
Finance costs					(33,908)
Interest income					805
Share of associates results					(14)
Income tax expense					(21,698)
Profit for the period					<u>120,835</u>
Segment assets	<u>1,761,762</u>	<u>596,445</u>	<u>124,532</u>	<u>(291,504)</u>	<u>2,191,235</u>
Segment liabilities	<u>1,015,799</u>	<u>405,443</u>	<u>32,936</u>	<u>(309,604)</u>	<u>1,144,574</u>

ANN JOO RESOURCES BERHAD (371152-U)
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7 SEGMENTAL INFORMATION (CONTINUED)

7.2 Geographical Segments

	9 months ended 30.09.2016 RM'000
Revenue from external customers	
Malaysia	1,366,138
Singapore	31,776
	<hr/>
Non-current assets	
Malaysia	1,045,648
Singapore	2,149
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8 PROFIT BEFORE TAX

	3 months ended 30.09.2016 RM'000	9 months ended 30.09.2016 RM'000
Profit before tax is arrived at after charging:		
Allowance for diminution in value of raw materials	1,256	5,390
Allowance for doubtful debts	-	211
Amortisation of prepaid lease payments	50	148
Depreciation of investment properties	11	35
Depreciation of property, plant and equipment	9,872	31,718
Interest expenses	9,291	33,908
 and after crediting:		
Bad debts recovered	201	202
Interest income	167	805
Net foreign exchange (loss)/gain	(2,134)	5,698
Reversal of inventories written down to net realisable value	125	19,455
	<hr/>	<hr/>

9 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.

10 CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial period under review.

11 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual reporting date.

12 CAPITAL COMMITMENTS

The capital commitments as at 30 September 2016 were as follows:-

	RM'000
(a) contracted but not provided for	9,638
(b) approved but not contracted for	<u>5,441</u>

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM323.73 million in the quarter ended 30 September 2016 ("3Q16"), a decrease of RM1.74 million or 0.53% as compared to the revenue of RM325.47 million in the quarter ended 30 September 2015 ("3Q15"). Lower revenue was mainly attributable to lower tonnage sold owing to weak market demand despite recovery in selling price of various steel products. Manufacturing segment's revenue decreased by RM38.43 million from RM210.29 million in 3Q15 to RM171.86 million in 3Q16 on lower sales tonnage whereas Trading segment's revenue increased by RM36.69 million from RM114.66 million in 3Q15 to RM151.35 million in 3Q16 mainly due to higher tonnage sold.

The Group registered a profit before tax ("PBT") of RM39.70 million in 3Q16 as compared to loss before tax ("LBT") of RM83.80 million in 3Q15. Higher profitability was also attributable to recovery in selling price of various steel products as well as significant earnings contribution from our investment in hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") technology which has enabled the Group to vastly improve its cost structure. Both Manufacturing and Trading Divisions contributed positively to the Group, recorded a segmental operating profit of RM42.49 million and RM5.45 million respectively in 3Q16 as compared to segmental operating loss of RM68.78 million and RM3.67 million respectively in 3Q15.

On a year-on-year basis, the Group recorded a PBT of RM142.53 million in the nine months period ended 30 September 2016 ("9M16") as compared to LBT of RM92.58 million in the nine months period ended 30 September 2015 ("9M15"). Manufacturing Division recorded segment profit of RM142.14 million in 9M16 against segment loss of RM60.82 million in 9M15 while Trading segment profit increased to RM28.30 million in 9M16 as compared to RM2.25 million in 9M15. Higher profitability was mainly attributable to recovery in selling price of various steel products as well as improved cost structure.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM323.73 million in 3Q16, RM260.93 million lower than the revenue of RM584.66 million for the quarter ended 30 June 2016 (“2Q16”). The Group’s 3Q16 PBT of RM39.70 million was RM55.74 million lower than the PBT of RM95.44 million in the preceding quarter. Lower revenue and profitability were mainly due to lower sale tonnage and selling price given sluggish market demand on festive season as well as the delay in rollout of mega infrastructure projects and slowing property development activities. The import from China also escalated during the window period prior to the imposition of the provisional safeguard duties on rebar, wire rod and deformed bar in coil on 26 and 27 September 2016 respectively. 2Q16 sales tonnage was exceptionally high as there was a temporary supply shortage caused by Chinese mills cancelling export orders for both semi-finished and finished products.

The profitability in 3Q16 remained healthy and sustainable as the impact of the supply-demand imbalance has been cushioned by competitive cost structure as well as the operational flexibility.

15 PROSPECT

International steel prices continue to rise following the upswing of coking coal and coke prices. This forces steelmakers to push for higher prices in China, particularly. This price uptrend is further supported by the Chinese government’s diligent efforts to persuade its steelmakers to scrap surplus capacity.

Domestic demand for construction steel is expected to only improve in 2017 underpinned by an expected pick up in construction activities of mega infrastructure and property projects. The imposition of the provisional safeguard duties of 13.42% and 13.90% on the import of rebar, wire rod and deformed bar in coil respectively, is expected to create a fair playing field for the domestic industry to compete with the imports from other countries including China.

On the other hand, rising material costs especially coking coal and coke price are expected to moderately increase the production cost of the Group. The Group will be leveraging on the operational flexibility via our hybrid BF-EAF technology to uphold our leading position as the lowest cost producer of construction steel in Malaysia.

Moving forward, the Group will be focusing to be the Total Steel Solution Provider for the upcoming infrastructure projects by combining the strength of our manufacturing and trading operations. The resumption of the steel bars cut and bend service center and the development of 50mm diameter deformed bar augurs well for the Group with this strategic thrust. The Group’s performance is expected to remain satisfactory for the remaining period of 2016.

16 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 December 2016.

17 INCOME TAX

The income tax expenses comprise:-

	3 months ended 30.09.2016 RM'000	9 months ended 30.09.2016 RM'000
Income tax		
Current period	736	2,295
Overprovision in prior year	(70)	(70)
	<u>666</u>	<u>2,225</u>
Deferred tax		
Current period	16,336	19,697
Overprovision in prior year	(223)	(223)
	<u>16,113</u>	<u>19,474</u>

The Group's effective tax rate for the quarter was higher than the statutory tax rate mainly attributable to recognition of deferred tax liabilities by certain subsidiaries whereas the effective tax rate for the financial period ended 30 September 2016 was lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets of RM13.30 million.

18 STATUS OF CORPORATE PROPOSALS

On 24 May 2016, the Company had made an announcement that the Company is proposing to undertake the following:

- a) proposed renounceable rights issue of up to 125,142,220 new redeemable convertible cumulative preference shares of RM0.01 each in Ann Joo ("RCPS") convertible into ordinary shares of RM1.00 each in Ann Joo ("Ann Joo Shares" or "Shares") on the basis of 1 RCPS for every 4 existing Ann Joo Shares held on an entitlement date to be determined later ("Proposed Rights Issue of RCPS");
- b) proposed establishment of a long term incentive plan of up to 15% of the issued and paid-up ordinary share capital of Ann Joo (excluding treasury shares) at any time during the period of the long term incentive plan, for the selected key personnel and/or senior management of Ann Joo and its subsidiaries ("Ann Joo Group" or the "Group") who fulfil the eligibility criteria ("Proposed LTIP");
- c) proposed dividend reinvestment plan that provides the shareholders of Ann Joo with the option to elect to reinvest their cash dividends declared by Ann Joo (whether interim, final, special or any other cash dividends) in new Ann Joo Shares ("Proposed DRP");
- d) proposed increase in the authorised share capital of Ann Joo from RM1,000,000,000 comprising 1,000,000,000 Ann Joo Shares to RM1,005,000,000 comprising 1,000,000,000 Ann Joo Shares and 500,000,000 preference shares ("Proposed IASC"); and

18 STATUS OF CORPORATE PROPOSALS (CONTINUED)

- e) proposed amendments to the Memorandum and Articles of Association of Ann Joo to facilitate the Proposed IASC and the issuance of the RCPS pursuant to the Proposed Rights Issue of RCPS (“Proposed Amendments”).

(Collectively referred to as the “Proposals”)

On 13 July 2016, the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) and on 7 September 2016, Bursa Securities had, vide its letter dated 7 September 2016, approved listing application in relation to the Proposals.

On 10 October 2016, Bank Negara Malaysia (“BNM”) had, vide its letter dated 5 October 2016 (received on 7 October 2016), approved the issuance of the RCPS to the non-resident shareholders of Ann Joo (“Non-Resident Shareholders”) pursuant to the Proposed Rights Issue of RCPS (“BNM Approval”).

On 21 October 2016, the shareholders approved the Proposals and the Board has resolved the price fixing for Proposed Rights Issue of RCPS as follow:

- i. the issue price for the RCPS has been fixed at RM0.50 per RCPS (“RCPS Issue Price”); and
- ii. the conversion price for the RCPS has been fixed at RM1.80 per RCPS (“RCPS Conversion Price”).

On 4 November 2016, Abridged Prospectus in relation to the Rights Issue of RCPS, together with the notice of provisional allotment and rights subscription form, have been duly registered with the Securities Commission Malaysia and lodged with the Registrar of Companies.

Save as disclosed above, there were no other corporate proposals announced but not completed as at the date of this report.

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group’s borrowings as at 30 September 2016 were as follows:-

Unsecured short term borrowings	RM’000 <u>897,142</u>
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The Group’s borrowings are denominated in MYR, except for approximately RM150.74 million (USD36.40 million) of the above borrowings which are denominated in USD.

20 MATERIAL LITIGATIONS

- a) Ann Joo Integrated Steel Sdn Bhd (“AJIS”), a wholly-owned subsidiary of Ann Joo, has filed a statement of claim against Tangshan Iron & Steel International Engineering Technology Co. Ltd (formerly known as Tangshan Iron & Steel Design & Research Institute Co. Ltd) (the “Respondent”) in the matter of arbitration under the KLRCA Arbitration Rules of the Kuala Lumpur Regional Centre for Arbitration. The claim by AJIS was in relation to the contract dated 15 January 2008 (“Contract”) entered into with the Respondent for the project known as “Design, Supply, Install, Construct, Supervise, Train, Test and Commission a Blast Furnace Complex comprising of Blast Furnace and Auxiliaries, a Sinter Plant and a Raw Material Yard” situated at Lots 1227 & 78 and Parts of Lot 1225 and 1236, Perai Industrial Estate, Daerah Tengah, Seberang Perai, Penang, Malaysia. The reliefs claimed are (i) USD10,200,000 as liquidated ascertained damages on account of the Respondent’s delay in completing the works as per the Contract; (ii) USD5,470,533.28 for various breaches and/or non-performance of the Contract by the Respondent; and (iii) USD1,250,000 for the refund of excess or mistaken payment. The Respondent has on 20 October 2016 filed their statement of defense and counterclaim for the sum of USD43,341,733.07 and RMB8,757,617.38 based on various claims under the Contract and disputes that have arisen from the execution of the project. AJIS will file a reply and defense to the counterclaim within 45 days from the statement of defense and counterclaim. The hearing dates are tentatively fixed on 2 October 2017 to 13 October 2017. No opinion of the likely outcome could be formed by the solicitors in charge at this juncture as the pleadings have yet to close and the Respondent has not submitted documents/evidence in support of their defense and counterclaim.
- b) Ann Joo Steel Berhad (“AJSB”), a wholly-owned subsidiary of Ann Joo, had filed a suit against Tenaga Nasional Berhad (“TNB” or “1st Defendant”), Pengarah Tanah Dan Galian Negeri Pulau Pinang (“2nd Defendant”) and Mohd Noor bin Rejab (“3rd Defendant”) (collectively, the “Defendants”) to, amongst others, determine the boundary of the area of Lot No. 78, Seberang Perai Tengah, Bandar Prai, Pulau Pinang (“Land”), specifically whether the boundary of the Land is to be measured based on High Water Mark (“HWM”) or Traverse Mark. The difference in the boundary of the Land measured approximately 7.22 acres. AJSB is the registered owner of the Land.

Briefly, there had been a decision of the Deputy Director of Land Titles, Penang on 22 July 1985 which determined that the boundary of the Land was to be measured based on Traverse Mark, to the detriment of AJSB and in favour of TNB. AJSB had appealed against this decision and ultimately the High Court of Pulau Pinang had on 22 September 1995 ordered that the matter be remitted back to the Deputy Director of Land Titles, Penang to be determined again. Upon remittance, the Deputy Director of Land Titles, Penang had on 16 April 1998 found that the boundary of the Land was to be determined based on HWM. Despite this, TNB continued to occupy AJSB’s Land on purported Temporary Occupational Licences issued by the 2nd Defendant. Therefore, the legal suit was filed by AJSB for TNB to, amongst others, vacate the Land and make payment of damages for trespass. The High Court has on 22 August 2016 delivered an oral decision in favour of AJSB and held that (i) AJSB is the legal, beneficial and registered owner of the Land measured up to the boundary of HWM; (ii) the Temporary Occupational Licences issued by the 2nd Defendant to TNB is null and void; (iii) TNB is liable for trespass to AJSB with damages to be assessed; (iv) AJSB is entitled to vacant possession of the disputed area; (v) the 2nd Defendant is required to amend the issue document of title of AJSB’s Land to reflect that the boundary of the Land is HWM; and (vi) costs of RM80,000 to be paid by the Defendants to AJSB.

20 MATERIAL LITIGATIONS (CONTINUED)

The Defendants had on 25 August 2016 and 15 September 2016 filed their Notices of Appeal against the High Court's decision and Notices of Application to stay the execution of the High Court Order pending disposal of the appeal. On 7 October 2016, AJSB and the Defendants had recorded a Consent Order pertaining to the stay application whereby execution of the High Court Order has been stayed on the following conditions, i.e. (a) the hearing on assessment of damages is to proceed notwithstanding the appeal; (b) AJSB will not execute any order given pursuant to the hearing on assessment of damages until the appellate process is exhausted; and (c) there will be no stay on the order pertaining to payment of costs of RM80,000 by the Defendants to AJSB. A case management has been fixed for the appeals on 7 November 2016. The solicitors in charge are of the opinion that AJSB has more than an even chance of successfully resisting the appeals.

Save as disclosed above, there were no other material litigations against the Group as at the date of this report.

21 DIVIDEND

The Board of Directors does not recommend any interim dividend in respect of the current quarter ended 30 September 2016 (3rd Quarter 2015: Nil)

22 EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit 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 2016 as set out below:

		3 months ended 30.09.2016	9 months ended 30.09.2016
Total profit attributable to owners of the Parent	(RM'000)	22,919	120,835
Weighted average number of ordinary shares in issue or issuable	('000)	500,562	500,569
Basic and diluted EPS	(sen)	<u>4.58</u>	<u>24.14</u>

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 September 2016 were analysed as follows:

	30.09.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	641,664	504,298
Unrealised	58,196	73,473
	<hr/> 699,860	<hr/> 577,771
Total share of retained earnings from associate:		
Realised	(46)	(32)
	<hr/> 699,814	<hr/> 577,739
Less: Consolidated adjustments	(189,880)	(188,640)
Total group retained earnings	<hr/> <hr/> 509,934	<hr/> <hr/> 389,099

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 17 November 2016.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
17 November 2016
Selangor Darul Ehsan