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 TWELVE MONTHS ENDED
31 DECEMBER 2016

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the twelve months ended 31 December 2016

	3 months ended		12 months ended	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
				(audited)
Revenue	472,136	413,542	1,870,050	1,760,928
Operating expenses	(394,511)	(449,309)	(1,623,806)	(1,847,890)
Other (expense)/income	(8,424)	2,431	(588)	6,520
Finance costs	(9,608)	(14,627)	(43,516)	(60,092)
Share of results of associates	2	2	(12)	(10)
Profit/(loss) before tax	59,595	(47,961)	202,128	(140,544)
Income tax (expense)/credit	(13,655)	293	(35,353)	5,069
Profit/(loss) for the period	45,940	(47,668)	166,775	(135,475)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	1,568	(523)	870	3,533
Change in fair value of available-for-sale financial assets	5	4	31	-
Net movement on cash flow hedge:				
- Foreign currency forward contracts	(168)	(661)	(223)	55
Other comprehensive income/(loss) for the period, net of tax	1,405	(1,180)	678	3,588
Total comprehensive income/(loss) for the period	47,345	(48,848)	167,453	(131,887)
Profit/(loss) attributable to:				
Owners of the parent	45,940	(47,668)	166,775	(135,475)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	47,345	(48,848)	167,453	(131,887)
Earnings per share ("EPS") (sen):				
Basic EPF	9.18	(9.52)	33.32	(27.06)
Diluted EPS	8.46	(9.52)	32.62	(27.06)

The 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 2015 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Financial Position
As at 31 December 2016

	31.12.2016 RM'000	31.12.2015 RM'000 (audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,019,188	1,038,971
Prepaid lease payments	10,527	10,846
Investment properties	4,011	4,058
Intangible assets	7,468	7,182
Investment in associates	486	498
Other investments	60	29
Deferred tax assets	50,969	78,166
Total non-current Assets	1,092,709	1,139,750
Current Assets		
Inventories	814,905	951,990
Receivables and prepayments	370,305	287,080
Derivative assets	-	171
Current tax assets	6,138	4,139
Cash and bank balances	54,941	62,415
Total current Assets	1,246,289	1,305,795
TOTAL ASSETS	**2,338,998**	**2,445,545**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,842	522,708
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity Component	3,926	-
Treasury shares	(71,389)	(71,366)
Other reserves	86,920	86,135
Retained earnings	525,840	389,099
Total Equity	1,068,139	926,576
Non-current Liabilities		
Loans and borrowings	1,831	-
RCPS - Liability Component	58,610	-
Provision for retirement benefits	6,307	5,942
Deferred tax liabilities	18,056	14,230
Total non-current liabilities	84,804	20,172
Current Liabilities		
Loans and borrowings	956,657	1,300,283
Payables and accruals	228,998	197,784
Derivative liabilities	221	-
Current tax liabilities	179	730
Total current liabilities	1,186,055	1,498,797
Total Liabilities	1,270,859	1,518,969
TOTAL EQUITY AND LIABILITIES	**2,338,998**	**2,445,545**
Net assets per share attributable to owners of the parent (RM)	2.13	1.85

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 twelve months ended 31 December 2016

	12 months ended	
	31.12.2016	**31.12.2015**
	RM'000	**RM'000 (audited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	202,128	(140,544)
Adjustments for non-cash items	30,200	179,535
Operating profit before working capital changes	232,328	38,991
Changes in working capital		
Net change in current assets	121,323	181,569
Net change in current liabilities	31,206	(36,342)
Interest received	2,122	2,458
Interest paid	(39,842)	(44,205)
Tax paid	(7,098)	(8,056)
Tax refunded	201	2,223
Retirement benefits paid	(989)	(1,130)
Net cash flows generated from operating activities	339,251	135,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	106	1
Proceeds from disposal of property, plant and equipment	1,034	1,407
Acquisition of associate	-	(300)
Addition in intangible assets	(286)	-
Purchase of property, plant and equipment	(23,491)	(10,760)
Net cash flows used in investing activities	(22,637)	(9,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(353,992)	(107,680)
Share buybacks	(23)	(23)
Proceeds from Rights Issue of RCPS	62,570	-
Proceeds from the conversion of RCPS	174	-
Interest paid	(3,642)	(15,887)
Dividends paid to shareholders	(30,034)	(5,007)
(Additional)/withdrawal of fixed deposit pledged with licensed banks	(65)	1,088
Net cash flows used in financing activities	(325,012)	(127,509)
Net change in cash and cash equivalents	(8,398)	(1,653)
Effects of foreign exchanges rate changes	859	3,343
Cash and cash equivalents at beginning of year	58,708	57,018
Cash and cash equivalents at end of period	51,169	58,708

Cash and cash equivalents

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

	12 months ended	
	31.12.2016	**31.12.2015**
	RM'000	**RM'000**
Cash and bank balances	54,941	62,415
Less: Restricted bank balances	(3,772)	(3,707)
	51,169	58,708

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 twelve months ended 31 December 2016

	Non-distributable			Distributable		
	Share capital RM'000	**RCPS - Equity Component RM'000**	**Other reserves RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2016	522,708	-	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	-	166,775	166,775
Other comprehensive income for the period	-	-	678	-	-	678
Total comprehensive income for the period	-	-	678	-	166,775	167,453
Share buybacks	-	-	-	(23)	-	(23)
Dividends to owners of the Company	-	-	-	-	(30,034)	(30,034)
Issued during the year	-	3,930	-	-	-	3,930
Converted during the year	134	(4)	107	-	-	237
At 31 December 2016	522,842	3,926	86,920	(71,389)	525,840	1,068,139
At 1 January 2015	522,708	-	82,547	(71,343)	529,581	1,063,493
Loss for the period	-	-	-	-	(135,475)	(135,475)
Other comprehensive income for the period	-	-	3,588	-	-	3,588
Total comprehensive income/(loss) for the period	-	-	3,588	-	(135,475)	(131,887)
Share buybacks	-	-	-	(23)	-	(23)
Dividends to owners of the Company	-	-	-	-	(5,007)	(5,007)
At 31 December 2015	522,708	-	86,135	(71,366)	389,099	926,576

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 TWELVE MONTHS ENDED 31 DECEMBER 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, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation 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 12	Annual Improvements to MFRS Standards 2014–2016 Cycle
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 1	Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014–2016 Cycle
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases

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

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 twelve months ended 31 December 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 twelve months results ended 31 December 2016.

5 DEBT AND EQUITY SECURITIES

During the quarter under review, there were no issuances, cancellations, resale or repayment of debt and equity securities, except for the following:

a) the Company issued 133,600 new ordinary shares pursuant to the conversion of 133,600 Redeemable Convertible Cumulative Preference Shares ("RCPS") of RM0.01 each into 133,600 ordinary shares of RM1.00 each of the Company;

b) As at 31 December 2016, out of the total 522,841,778 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.

6 DIVIDENDS PAID

During the financial year ended 31 December 2016, the Company has paid a special single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM30,033,533 on 28 October 2016 (12 months ended 31 December 2015: RM5,006,510).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the twelve months ended 31 December 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	1,236,520	631,789	1,741	-	1,870,050
Inter-segment	245,111	16,492	24,943	(286,546)	-
	1,481,631	648,281	26,684	(286,546)	1,870,050
RESULTS					
Segment results	207,073	31,188	6,131	(964)	243,428
Finance costs					(43,516)
Interest income					2,228
Share of associates results					(12)
Income tax expense					(35,353)
Profit for the period					166,775
Segment assets	1,828,589	616,074	150,167	(255,832)	2,338,998
Segment liabilities	1,036,697	422,320	84,504	(272,662)	1,270,859

7 SEGMENTAL INFORMATION (CONTINUED)

7.2 Geographical Segments

	12 months ended 31.12.2016 RM'000
Revenue from external customers	
Malaysia	1,841,612
Singapore	28,438
Non-current assets	
Malaysia	1,039,483
Singapore	2,197

8 PROFIT BEFORE TAX

	3 months ended 31.12.2016 RM'000	12 months ended 31.12.2016 RM'000
Profit before tax is arrived at after charging:		
Allowance for doubtful debts	210	421
Amortisation of prepaid lease payments	171	319
Depreciation of investment properties	12	47
Depreciation of property, plant and equipment	10,680	42,398
Interest expenses	9,608	43,516
Realised foreign exchange loss/(gain)	293	(5,892)
Unrealised foreign exchange loss	10,648	11,135
Written off of property, plant and equipment	39	39
and after crediting:		
Bad debts recovered	71	273
Gain on disposal of property, plant and equipment	-	120
Interest income	1,423	2,228
Net reversal on inventories written down/written off	303	1,232
Realised derivative gain	702	606

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 31 December 2016 were as follows:-

	RM'000
(a) contracted but not provided for	9,684
(b) approved but not contracted for	4,237

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM472.14 million in the quarter ended 31 December 2016 ("4Q16"), an increase of RM58.60 million or 14.17% as compared to the revenue of RM413.54 million in the quarter ended 31 December 2015 ("4Q15"). Manufacturing segment's revenue increased by RM25.20 million from RM289.06 million in 4Q15 to RM314.26 million in 4Q16 while Trading segment's revenue increased by RM33.73 million from RM123.96 million in 4Q15 to RM157.69 million in 4Q16. Higher revenue was mainly attributable to higher tonnage sold and selling price of various steel products.

The Group registered a profit before tax ("PBT") of RM59.60 million in 4Q16 as compared to loss before tax ("LBT") of RM47.96 million in 4Q15. Both Manufacturing and Trading Divisions contributed positively to the Group's profitability, recorded a segmental operating profit of RM64.93 million and RM2.88 million respectively in 4Q16 as compared to segmental operating loss of RM32.72 million and RM2.22 million respectively in 4Q15. Besides higher revenue due to reasons mentioned above, the significant turnaround was also attributed to vast improvement in the Group's productivity and cost structure as a result of our investment in hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") technology.

On a year-on-year basis, the Group recorded a PBT of RM202.13 million for the year ended 31 December 2016 ("FY16") as compared to LBT of RM140.54 million for the year ended 31 December 2015 ("FY15"). Manufacturing Division recorded segment profit of RM207.07 million in FY16 against segment loss of RM93.53 million in FY15 while Trading segment profit increased to RM31.19 million in FY16 as compared to RM0.03 million in FY15. Higher profitability was mainly attributable to a combination of higher revenue, improved cost structure and effective business strategies execution.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM472.14 million in 4Q16, RM148.41 million higher than the revenue of RM323.73 million for the quarter ended 30 September 2016 ("3Q16"). The Group's 4Q16 PBT of RM59.60 million was RM19.90 million higher than the PBT of RM39.70 million in the preceding quarter. Higher revenue was mainly due to higher tonnage sold after domestic market recovered from a seasonal low in 3Q16, plus selling price increases worldwide due to cost push factor from the surge in coking coal and iron ore prices. The Group's hybrid production technology enabled operating cost efficiency by adjusting its mix of raw materials and fuel. This partly mitigated the impact of rising coking coals and iron ore prices, which led to improved margin and higher profitability in 4Q16.

15 PROSPECT

The Group's outlook remains promising given the following fundamental drivers:

a. Ongoing capacity cuts and structural reforms in China's steel industry, especially the planned closures of induction furnaces which are mainly used in the production of steel bars. This, would significantly impact the supply of billets and steel bars from China. Going forward, international steel prices are expected to be supported by:

   i. China government's planned spending on infrastructure and construction projects, which should augur well for steel industry dynamics.

   ii. China's steel price normalization process, which has restrained its ability to offer artificially cheap steel products to Southeast Asia region. A focus back on China's domestic market resulted in higher export prices, benefiting producers in other countries, including Malaysia, that had large volumes of China imports in the past. This enables the Group to position itself to grow export market opportunities, amidst an expected robust demand environment from railways, roads and other infrastructure projects in Southeast Asia region.

b. The expected upturn in steel demand from large domestic infrastructure projects which, given the requirement for consistent product quality and timeliness of delivery, have traditionally been the core market segment for the Manufacturing Division.

c. The Group's continued cost-leadership in the construction steel sector, coupled with the operational flexibility from its hybrid BF-EAF technology.

d. The Group's business strategy as a "Total Steel Solution Provider" capitalising on significant opportunities to bundle and cross-sell the Trading Division's products alongside the construction steel produced by the Manufacturing Division.

Given improved market sentiments and relentless enhancements on operation efficiency, the Group's performance is expected to remain satisfactory in 2017.

16 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

17 INCOME TAX

The income tax expenses comprise:-

	3 months ended 31.12.2016 RM'000	12 months ended 31.12.2016 RM'000
Income tax		
Current period	2,079	4,374
Overprovision in prior year	(19)	(89)
	2,060	4,285
Deferred tax		
Current period	11,581	31,277
Under/(Over) provision in prior year	14	(209)
	11,595	31,068
	13,655	35,353

The Group's effective tax rate for the quarter and for the financial period ended 31 December 2016 was lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets of RM13.30 million for the twelve months ended 31 December 2016, and availability of tax incentive of RM2.20 million and RM4.62 million for the quarter and twelve months ended 31 December 2016 respectively.

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

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")

18 STATUS OF CORPORATE PROPOSALS (CONTINUED)

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.

The RCPS is listed on Main Market of Bursa Securities on 6 December 2016 and By-Laws of LTIP was implemented on 1 January 2017.

The total proceeds of RM62.57 million from the Rights Issue of RPCS have been utilised in the following manner as at 31 December 2016:

Details of proceeds utilisation	**Proposed utilisation RM'000**	**Actual utilisation RM'000**	**Differential in utilisation RM'000**
Working capital	61,570	61,687	117
Expenses incidental to the Proposals	1,000	883	(117)
Total	**62,570**	**62,570**	**-**

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 and debts securities as at 31 December 2016 were as follows:-

a) Group borrowings

	RM'000
Secured	
Short-term borrowings	423
Long-term borrowings	1,831
	2,254
Unsecured	
Short-term borrowings	956,234
	958,488

The Group's borrowings were denominated in MYR, except for approximately RM167.43 million (USD37.29 million) of the above borrowings were denominated in USD.

As of 31 December 2016, the total Group's borrowings drawn under Conventional and Islamic financing facilities were approximately RM720.32 million and RM238.17 million respectively.

b) Debts securities - Redeemable Convertible Cumulative Preference Shares ("RCPS")

	No of RCPS ('000)	Amount RM'000
At the beginning of financial year	-	-
Add: Issued during the quarter	125,140	62,570
Less: Converted during the quarter	(134)	(66)
Less: Unwinding of discount charged to profit or loss	-	32
At the end of financial year end	125,006	62,536

Liability component	58,610
Equity component	3,926
	62,536

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. Both AJIS and Tangshan have subsequently filed their reply and defense on 15 December 2016 and 30 January 2017 respectively. The parties are to thereafter, file and serve their supporting documents. 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 parties are now in the midst of exchanging evidence in support of their respective claims.

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, the dispute was on 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.

   The factual background of the dispute is briefly as follows:-

   On 22 July 1985, there had been a decision of the Deputy Director of Land Titles, Penang 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, AJSB filed the present legal suit was for TNB to, amongst others, vacate the Land and make payment of damages for trespass.

20 MATERIAL LITIGATIONS (CONTINUED)

b) On 22 August 2016, the High Court had delivered a decision in favour of AJSB and held, amongst others, 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. Written grounds of judgment have also been published.

Both the 1st Defendant, and the 2nd and 3rd Defendants have filed Notices of Appeal against the High Court Decision. The next Case Management has been fixed on 20 March 2017 to fix hearing dates, by which times the Appellants are to obtain a consolidation order from the Court for the appeals by all the Defendants to be heard together. In the meantime, the parties have consented to staying the execution of the High Court Order save that the hearing on assessment of damages is to proceed notwithstanding the appeal. A Case Management for the assessment of damages has been fixed for 17 April 2017.

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

On 21 February 2017, the Board of Directors approved and declared a single-tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2016. The declaration of this dividend will be paid on 19 May 2017 to the Depositors registered in the Record of Depositors at the close of the business on 11 May 2017.

22 EARNINGS PER SHARE ("EPS")

a) Basic 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 twelve months ended 31 December 2016 as set out below:

		3 months ended 31.12.2016	12 months ended 31.12.2016
Total profit attributable to owners of the Parent	(RM'000)	45,940	166,775
Weighted average number of ordinary shares in issue or issuable	('000)	500,573	500,570
Basic EPS	(sen)	9.18	33.32

b) Diluted EPS

Diluted 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 twelve months ended 31 December 2016, adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived based on the assumption that full conversion of the remaining RCPS in issue into ordinary shares as at reporting date.

		3 months ended 31.12.2016	12 months ended 31.12.2016
Total profit attributable to owners of the Parent	(RM'000)	45,940	166,775
Effects on earnings upon conversion of RCPS	(RM'000)	(32)	(32)
	(RM'000)	45,908	166,743
Weighted average number of ordinary shares in issue or issuable	('000)	500,573	500,570
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	42,153	10,596
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	542,726	511,166
Diluted EPS	(sen)	8.46	32.62

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 December 2016 were analysed as follows:

	31.12.2016 RM'000	31.12.2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	682,828	504,298
Unrealised	34,207	73,473
	717,035	577,771
Total share of retained earnings from associate:		
Realised	(44)	(32)
	716,991	577,739
Less: Consolidated adjustments	(191,151)	(188,640)
Total group retained earnings	525,840	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 21 February 2017.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
Mabel Tio Mei Peng (MAICSA 7009237)
Company Secretaries
21 February 2017
Selangor Darul Ehsan