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 THREE MONTHS ENDED
31 MARCH 2017

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2017

	3 months ended		3 months ended	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	499,170	489,525	499,170	489,525
Operating expenses	(393,798)	(475,577)	(393,798)	(475,577)
Other income	2,707	7,311	2,707	7,311
Finance costs	(9,417)	(13,860)	(9,417)	(13,860)
Share of results of associates	-	(3)	-	(3)
Profit before tax	98,662	7,396	98,662	7,396
Income tax expense	(24,662)	(1,875)	(24,662)	(1,875)
Profit for the period	74,000	5,521	74,000	5,521
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	(300)	(1,765)	(300)	(1,765)
Change in fair value of available-for-sale financial assets	(3)	7	(3)	7
Net movement on cash flow hedge:				
- Foreign currency forward contracts	209	(455)	209	(455)
Other comprehensive loss for the period, net of tax	(94)	(2,213)	(94)	(2,213)
Total comprehensive income for the period	73,906	3,308	73,906	3,308
Profit attributable to:				
Owners of the parent	74,000	5,521	74,000	5,521
Total comprehensive income attributable to:				
Owners of the parent	73,906	3,308	73,906	3,308
Earnings per share ("EPS") (sen):				
Basic EPF	14.77	1.10	14.77	1.10
Diluted EPS	11.84	1.10	11.84	1.10

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 2016 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 March 2017

	31.03.2017 RM'000	31.12.2016 RM'000 (audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,012,399	1,019,188
Prepaid lease payments	10,478	10,527
Investment properties	3,999	4,011
Intangible assets	7,468	7,468
Investment in associates	486	486
Other investments	58	60
Deferred tax assets	30,823	50,969
Total non-current Assets	1,065,711	1,092,709
Current Assets		
Inventories	863,516	830,764
Receivables and prepayments	348,035	336,276
Derivative assets	53	-
Current tax assets	7,999	6,138
Cash and bank balances	60,702	54,941
Total current Assets	1,280,305	1,228,119
TOTAL ASSETS	**2,346,016**	**2,320,828**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	545,827	522,842
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity Component	3,917	3,926
Treasury shares	(74,156)	(71,389)
Other reserves	64,378	86,920
Retained earnings	599,840	525,840
Total Equity	1,139,806	1,068,139
Non-current Liabilities		
Loans and borrowings	1,720	1,831
RCPS - Liability Component	58,567	58,610
Provision for retirement benefits	6,108	6,307
Deferred tax liabilities	22,531	18,056
Total non-current liabilities	88,926	84,804
Current Liabilities		
Loans and borrowings	935,233	956,657
Payables and accruals	181,452	210,828
Derivative liabilities	-	221
Current tax liabilities	599	179
Total current liabilities	1,117,284	1,167,885
Total Liabilities	1,206,210	1,252,689
TOTAL EQUITY AND LIABILITIES	**2,346,016**	**2,320,828**
Net assets per share attributable to owners of the parent (RM)	2.28	2.13

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

ANN JOO RESOURCES BERHAD (371152-U)

Condensed Consolidated Statements of Cash Flows
For the three months ended 31 March 2017

	3 months ended	
	31.03.2017	**31.03.2016**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	98,662	7,396
Adjustments for non-cash items	14,880	13,161
Operating profit/(loss) before working capital changes	113,542	20,557
Changes in working capital		
Net change in current assets	(42,182)	166,960
Net change in current liabilities	(29,285)	(16,506)
Interest received	301	199
Interest paid	(9,294)	(11,207)
Tax paid	(1,679)	(1,421)
Tax refunded	134	188
Retirement benefits paid	(225)	(395)
Net cash flows generated from operating activities	31,312	158,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1	-
Proceeds from disposal of property, plant and equipment	646	-
Purchase of property, plant and equipment	(3,507)	(6,072)
Net cash flows used in investing activities	(2,860)	(6,072)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(20,002)	(139,231)
Share buybacks	(2,767)	(6)
Proceeds from the conversion of RCPS	388	-
Interest paid	(26)	(2,653)
Additional of fixed deposit pledged with licensed banks	-	(41)
Net cash flows used in financing activities	(22,407)	(141,931)
Net change in cash and cash equivalents	6,045	10,372
Effects of foreign exchanges rate changes	(284)	1,673
Cash and cash equivalents at beginning of year	51,169	58,709
Cash and cash equivalents at end of period	56,930	70,754

Cash and cash equivalents

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

	3 months ended	
	31.03.2017	**31.03.2016**
	RM'000	**RM'000**
Cash and bank balances	60,702	74,501
Less: Restricted bank balances	(3,772)	(3,747)
	56,930	70,754

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 three months ended 31 March 2017

	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 2017	522,842	3,926	86,920	(71,389)	525,840	1,068,139
Profit for the period	-	-	-	-	74,000	74,000
Other comprehensive loss for the period	-	-	(94)	-	-	(94)
Total comprehensive (loss)/income for the period	-	-	(94)	-	74,000	73,906
Transfer from share premium[1]	22,665	-	(22,665)	-	-	-
Share buybacks	-	-	-	(2,767)	-	(2,767)
Conversion of RCPS	320	(9)	217	-	-	528
At 31 March 2017	545,827	3,917	64,378	(74,156)	599,840	1,139,806
At 1 January 2016	522,708	-	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	-	5,521	5,521
Other comprehensive loss for the period	-	-	(2,213)	-	-	(2,213)
Total comprehensive (loss)/income for the period	-	-	(2,213)	-	5,521	3,308
Share buybacks	-	-	-	(6)	-	(6)
At 31 March 2016	522,708	-	83,922	(71,372)	394,620	929,878

[1] In accordance with the transitional provisions of the Companies Act 2016 (the "Act"), the amount standing to the credit of the Company's share premium account amounted to RM22,665,000 has become part of the Company's share capital. The Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND THREE MONTHS ENDED 31 MARCH 2017

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 2016. 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 2016.

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 2016, 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 2017, the Group adopted the following new and amended MFRSs mandatory for annual financial period 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

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 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

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 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 ended 31 March 2017.

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 2017.

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) 298,461 Redeemable Convertible Cumulative Preference Shares ("RCPS") were converted into 298,461 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 522,841,778 ordinary shares to 523,140,239 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

5 DEBT AND EQUITY SECURITIES (CONTINUED)

b) the Company repurchased 1,131,600 shares of its issued share capital from the open market at an average price of RM2.44 per share. As at 31 March 2017, out of the total 523,140,239 issued and fully paid ordinary shares, 23,280,900 shares were held as treasury shares at an average purchase price of RM3.19 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 an interim single-tier dividend of 9 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM45,511,235 on 19 May 2017 (3 months ended 31 March 2016: Nil).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the three months ended 31 March 2017 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	297,254	201,914	2	-	499,170
Inter-segment	98,222	353	6,543	(105,118)	-
	395,476	202,267	6,545	(105,118)	499,170
RESULTS					
Segment results	89,167	18,091	1,033	(514)	107,777
Finance costs					(9,417)
Interest income					302
Share of associates results					-
Income tax expense					(24,662)
Profit for the period					74,000
Segment assets	1,867,731	577,637	147,825	(247,177)	2,346,016
Segment liabilities	1,016,556	371,668	81,150	(263,164)	1,206,210

7 SEGMENTAL INFORMATION (CONTINUED)

7.2 Geographical Segments

	3 months ended 31.03.2017 RM'000
Revenue from external customers	
Malaysia	492,876
Singapore	6,294
Non-current assets	
Malaysia	1,032,786
Singapore	2,044

8 PROFIT BEFORE TAX

	3 months ended 31.03.2017 RM'000
Profit before tax is arrived at after charging:	
Allowance for inventories written down	654
Depreciation and amortisation	10,239
Interest expenses	9,417
Written off of consumables	1,490
and after crediting:	
Bad debts recovered	1
Gain on disposal of property, plant and equipment	564
Interest income	302
Realised foreign exchange gain	125
Unrealised foreign exchange gain	1,535

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

On 2 May 2017, the Company announced that Ann Joo International Pte Ltd ("AJIPL"), a wholly-owned subsidiary of AJR which is incorporated under the Labuan Companies Act 1990, intended to apply to the Labuan Financial Services Authority for an Alternative Procedure for Voluntary Winding Up pursuant to Section 131A of the Labuan Companies Act 1990. AJIPL which was principally engaged in the business of steel related products trading has ceased operation since 7 October 2016. As of the date of this report, the said process has yet to be completed.

The aforesaid members' voluntary winding-up will not have any effect on the share capital and shareholding structure of the Company nor have any material operational and financial impact on the net assets, earnings and gearing of the Group for the financial year ending 31 December 2017.

Save as disclosed above, 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 March 2017 were as follows:

	RM'000
(a) contracted but not provided for	8,076
(b) approved but not contracted for	9,391

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM499.17 million in the quarter ended 31 March 2017 ("1Q17"), an increase of RM9.64 million or 1.97% as compared to the revenue of RM489.53 million in the quarter ended 31 March 2016 ("1Q16"). Manufacturing segment's revenue decreased by RM48.35 million from RM345.60 million in 1Q16 to RM297.25 million in 1Q17 while Trading segment's revenue increased by RM58.50 million from RM143.41 million in 1Q16 to RM201.91 million in 1Q17. Higher revenue was mainly attributable to higher selling price of various steel products and resumption of billet exports. Domestic tonnage sold was lower due to slower demand given moderate construction progress of mega infrastructure and property development projects. The steel price rally was mainly driven by two main factors. Firstly, the higher cost of materials and fuels particularly surge in coking coal and iron ore prices. Secondly, the impact of ongoing closures of the induction furnaces in China, which bolstered steel bar prices in China and the region.

13 REVIEW OF PERFORMANCE (CONTINUED)

The Group registered a profit before tax of RM98.66 million in 1Q17 as compared to profit before tax of RM7.40 million in 1Q16. Both Manufacturing and Trading Divisions contributed positively to the Group's profitability, recorded a segmental operating profit of RM89.17 million and RM18.09 million respectively in 1Q17 as compared to segmental operating profit of RM6.09 million and RM11.40 million respectively in 1Q16. Higher international and domestic steel prices; combined with the time lag effects of cost push, resulted in a positive price-cost impact on profit margins. The Group also continued to benefit from improvement in productivity and cost structure as a result of its investment in hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") technology.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM499.17 million in 1Q17, RM27.03 million higher than the revenue of RM472.14 million for the quarter ended 31 December 2016 ("4Q16"). The Group's 1Q17 PBT of RM98.66 million was RM39.06 million higher than the PBT of RM59.60 million in the preceding quarter. Higher revenue was mainly due to higher selling prices, boosted by the impact of the closure of the induction furnaces in China despite sluggish domestic demand. Higher selling price coupled with lower cost of sales arising from lower production cost mainly derived from its operational flexibility via hybrid blast furnace-electric arc furnace production technology have led to significant improvement in margin and higher profitability in 1Q17.

15 PROSPECT

While the Group remains optimistic about its long-term prospects given the expected upturn in infrastructure spending in Malaysia and the region, the Group nonetheless expects a seasonally lower second quarter of 2017 ("2Q17") due to softer domestic demand given seasonal factors that typically affect construction activity, including the Ramadan month and subsequent holiday period. Lower profit margins relative to 1Q17 is expected given the correction in international and domestic steel prices caused by recent declines in coking coal and iron ore prices, and the time lag effects of higher material and fuel costs in 1Q17.

For the remaining period of 2017, the Group remains optimistic about its prospects given the following fundamental drivers:

a. International steel prices are expected to be supported by China's on-going structural reform with 2017 steel capacity reduction target of 50 million mt, as well as elimination of induction furnaces by the middle of this year. This would significantly affect the supply of billets and steel bars from China into Southeast Asia countries including Malaysia, and enable the Group to capitalise on export market opportunities amidst an expected robust demand environment from railways, roads and other infrastructure projects in this region.

b. Normalisation of coking coal and iron ore prices since April 2017 augurs well for the Group to continue its cost leadership position. Scrap price is, in contrast, expected to resume its upward trend in tandem with production ramp up by electric arc furnace operators. With the operational flexibility from its hybrid BF-EAF technology, the Group is expected to expand its cost-leadership in the construction steel sector.

15 PROSPECT (CONTINUED)

c. The expected upturn in steel demand from large domestic infrastructure projects given awards of construction packages of mega infrastructure and property development projects, envisaging a step-up spending to fuel an upcoming infrastructure boom.

d. The imposition of safeguard duties on the import of rebar, wire rod and deformed bars in coil for a period of 3 years commencing from mid April 2017. This is expected to create a fairer playing field for the domestic industry to compete with the imports.

Given improving market sentiment and relentless enhancements on operation efficiency, the Group's performance is expected to remain satisfactory for the remaining period of 2017.

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 2017.

17 INCOME TAX

The income tax expenses comprise:

	3 months ended 31.03.2017 RM'000
Income tax	
Current period	2,904
Deferred tax	
Current period	21,758
	24,662

The Group's effective tax rate for the quarter and for the financial period ended 31 March 2017 was higher than the statutory tax rate mainly due to expenses not deductible for tax purposes.

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 2017 were as follows:

a) Group borrowings

	RM'000
Secured	
Short-term borrowings	430
Long-term borrowings	1,720
	2,150
Unsecured	
Short-term borrowings	934,803
	936,953

The Group's borrowings were denominated in MYR, except for approximately RM124.22 million (USD28.06 million) of the above borrowings were denominated in USD.

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

	No of RCPS ('000)	Amount RM'000
At the beginning of financial year	125,006	62,536
Less: Converted during the quarter	(298)	(149)
Less: Unwinding of discount charged to profit or loss	-	97
At the end of financial year end	124,708	62,484
Liability component		58,567
Equity component		3,917
		62,484

20 MATERIAL LITIGATIONS

20.1 In the Matter of an Arbitration Between Ann Joo Integrated Steel Sdn. Bhd. (Claimant) and Tangshan Iron & Steel International Engineering Technology Co. Ltd (Respondent)

Ann Joo Integrated Steel Sdn Bhd ("AJIS"), a wholly-owned subsidiary of the Company, 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") on 18 August 2016 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 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 and RMB8,757,617 based on various claims under the Contract and disputes that have arisen from the execution of the project. AJIS filed its Reply and Defence to Counterclaim on 15 December 2016 and Tangshan filed their Reply to Defence to Counterclaim on 30 January 2017. AJIS and Tangshan have subsequently filed the list of documents on 22 March 2017 and the parties are in the process of inspecting and verifying the respective lists of 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.

20.2 In the High Court of Malaya at Pulau Pinang Civil Suit No: 22-274-2010 Between Ann Joo Steel Berhad (Plaintiff) And Tenaga Nasional Berhad & 2 Others (Defendant)

Ann Joo Steel Berhad ("AJSB"), a wholly-owned subsidiary of the Company, 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.

20 MATERIAL LITIGATIONS (CONTINUED)

20.2 In the High Court of Malaya at Pulau Pinang Civil Suit No: 22-274-2010 Between Ann Joo Steel Berhad (Plaintiff) And Tenaga Nasional Berhad & 2 Others (Defendant) (continued)

The factual background of the dispute is briefly as follow. 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.

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.

The 1st Defendant together with 2nd and 3rd Defendants have filed Notices of Appeal against the High Court Decision. The next Case Management has been fixed on 27 April 2017 for parties to file the Notes of Proceedings of the High Court Order as well as obtain from the Court of Appeal to consolidate the two appeals so that it can 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.

In regards of the assessment of damages, a case management date had been initially fixed for 17 April 2017 for parties to file their bundle of documents and list of witnesses. However, TNB Solicitors have informed Ann Joo's solicitors that they would require more time to prepare their valuation report and list of witnesses. Thus, Parties will be attending the case management on 17 April 2017 to fix a further case management date in early June 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

21.1 Ordinary shares

The Board of Directors does not recommend any dividend in respect of the financial year ending 31 December 2017 (1Q2016: nil).

21.2 Redeemable Convertible Cumulative Preference Shares

On 23 May 2017, the Board of Directors approved and declared a semi-annual dividend of 1.25 sen per Redeemable Convertible Cumulative Preference Share in respect of the financial year ending 31 December 2017. This dividend will be paid on 16 June 2017 to the Depositors registered in the Record of Depositors at the close of the business on 7 June 2017 (1Q2016: Nil).

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 three months ended 31 March 2017 as set out below:

		3 months ended 31.03.2017
Total profit attributable to owners of the Parent	(RM'000)	74,000
Weighted average number of ordinary shares in issue or issuable	('000)	500,874
Basic EPS	(sen)	14.77

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 three months ended 31 March 2017, 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 31.03.2017
Total profit attributable to owners of the Parent	(RM'000)	74,000
Effects on earnings upon conversion of RCPS	(RM'000)	97
	(RM'000)	74,097
Weighted average number of ordinary shares in issue or issuable	('000)	500,874
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	124,708
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	625,582
Diluted EPS	(sen)	11.84

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 31 March 2017 were analysed as follows:

	31.03.2017 RM'000	31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	769,606	682,828
Unrealised	22,269	34,207
	791,875	717,035
Total share of retained earnings from associate:		
Realised	(44)	(44)
	791,831	716,991
Less: Consolidated adjustments	(191,991)	(191,151)
Total group retained earnings	599,840	525,840

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 23 May 2017.

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