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 SIX MONTHS ENDED
30 JUNE 2017

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

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2017

	3 months ended		6 months ended	
	30.06.2017	**30.06.2016**	**30.06.2017**	**30.06.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	490,746	584,659	989,916	1,074,184
Operating expenses	(450,347)	(479,999)	(844,145)	(955,576)
Other income	5,242	1,549	7,949	8,860
Finance costs	(11,047)	(10,757)	(20,464)	(24,617)
Share of results of associates	7	(12)	7	(15)
Profit before tax	34,601	95,440	133,263	102,836
Income tax expense	(5,982)	(3,045)	(30,644)	(4,920)
Profit for the period	28,619	92,395	102,619	97,916
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	(680)	559	(980)	(1,206)
Change in fair value of available-for-sale financial assets	4	1	1	8
Net movement on cash flow hedge:				
- Foreign currency forward contracts	(41)	400	168	(55)
Other comprehensive (loss)/income for the period, net of tax	(717)	960	(811)	(1,253)
Total comprehensive income for the period	27,902	93,355	101,808	96,663
Profit attributable to:				
Owners of the parent	28,619	92,395	102,619	97,916
Total comprehensive income attributable to:				
Owners of the parent	27,902	93,355	101,808	96,663
Earnings per share ("EPS") (sen):				
Basic EPS	5.68	18.46	20.42	19.56
Diluted EPS	4.85	18.46	16.81	19.56

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.

Condensed Consolidated Statements of Financial Position
As at 30 June 2017

	30.06.2017 RM'000	31.12.2016 RM'000 (audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,004,025	1,019,188
Prepaid lease payments	10,429	10,527
Investment properties	3,987	4,011
Intangible assets	7,468	7,468
Investment in associates	493	486
Other investments	62	60
Deferred tax assets	25,215	50,969
Total non-current Assets	1,051,679	1,092,709
Current Assets		
Inventories	885,426	814,905
Receivables and prepayments	321,150	370,305
Derivative assets	168	-
Current tax assets	8,035	6,138
Cash and bank balances	41,504	54,941
Total current Assets	1,256,283	1,246,289
TOTAL ASSETS	**2,307,962**	**2,338,998**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	557,971	522,842
Redeemable Convertible Cumulative Preference Share ("RCPS") - Equity Component	3,705	3,926
Treasury shares	(74,156)	(71,389)
Other reserves	64,720	86,920
Retained earnings	582,947	525,840
Total Equity	1,135,187	1,068,139
Non-current Liabilities		
Loans and borrowings	1,603	1,831
RCPS - Liability Component	55,493	58,610
Provision for retirement benefits	5,123	6,307
Deferred tax liabilities	20,941	18,056
Total non-current liabilities	83,160	84,804
Current Liabilities		
Loans and borrowings	890,971	956,657
Payables and accruals	197,398	228,998
Derivative liabilities	-	221
Current tax liabilities	1,246	179
Total current liabilities	1,089,615	1,186,055
Total Liabilities	1,172,775	1,270,859
TOTAL EQUITY AND LIABILITIES	**2,307,962**	**2,338,998**
Net assets per share attributable to owners of the parent (RM)	2.24	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.

Condensed Consolidated Statements of Changes in Equity
For the six months ended 30 June 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	-	-	-	-	102,619	102,619
Other comprehensive loss for the period	-	-	(811)	-	-	(811)
Total comprehensive income/(loss) for the period	-	-	(811)	-	102,619	101,808
Transition to no par value regime[1]	22,665	-	(22,665)	-	-	-
Share buybacks	-	-	-	(2,767)	-	(2,767)
Dividends to owners of the Company	-	-	-	-	(45,512)	(45,512)
Conversion of RCPS	12,464	(221)	217	-	-	12,460
Long term incentive plan ("LTIP"):						
- Share-based payments expenses	-	-	1,059	-	-	1,059
At 30 June 2017	557,971	3,705	64,720	(74,156)	582,947	1,135,187
At 1 January 2016	522,708	-	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	-	97,916	97,916
Other comprehensive loss for the period	-	-	(1,253)	-	-	(1,253)
Total comprehensive income/(loss) for the period	-	-	(1,253)	-	97,916	96,663
Share buybacks	-	-	-	(6)	-	(6)
At 30 June 2016	522,708	-	84,882	(71,372)	487,015	1,023,233

[1] Pursuant to Section 618(2) of the Companies Act 2016 ("New Act") which came into effect on 31 Janury 2017, the credit standing in the share premium account of RM22,665,000 has been transferred to and became part of the share capital account. Pursuant to Section 618(3) of the New Act, the Group may exercise its rights to use the credit amounts from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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.

Condensed Consolidated Statements of Cash Flows
For the six months ended 30 June 2017

	6 months ended	
	30.06.2017	**30.06.2016**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	133,263	102,836
Adjustments for non-cash items	38,869	26,807
Operating profit before working capital changes	172,132	129,643
Changes in working capital		
Net change in current assets	(38,870)	287,787
Net change in current liabilities	(13,084)	49,127
Interest received	658	638
Interest paid	(18,745)	(20,944)
Tax paid	(3,161)	(2,973)
Tax refunded	291	188
Retirement benefits paid	(1,401)	(490)
Net cash flows generated from operating activities	97,820	442,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9	-
Proceeds from disposal of property, plant and equipment	2,186	703
Purchase of property, plant and equipment	(6,481)	(12,478)
Net cash flows used in investing activities	(4,286)	(11,775)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(65,421)	(434,828)
Share buybacks	(2,767)	(6)
Proceeds from the conversion of RCPS	9,158	-
Interest paid	(51)	(3,673)
Dividends paid to shareholders	(45,512)	-
Dividend paid to holders of RCPS	(1,484)	-
Withdrawal/(additional) of fixed deposit pledged with licensed banks	3,744	(66)
Net cash flows used in financing activities	(102,333)	(438,573)
Net change in cash and cash equivalents	(8,799)	(7,372)
Effects of foreign exchanges rate changes	(894)	(1,188)
Cash and cash equivalents at beginning of period	51,169	58,709
Cash and cash equivalents at end of period	41,476	50,149

Cash and cash equivalents

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

	6 months ended	
	30.06.2017	**30.06.2016**
	RM'000	**RM'000**
Cash and bank balances	41,504	53,921
Less: Restricted bank balances	(28)	(3,772)
	41,476	50,149

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.

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 and six months ended 30 June 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 and six months results ended 30 June 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:

5 DEBT AND EQUITY SECURITIES (CONTINUED)

5.1 Redeemable Convertible Cumulative Preference Shares ("RCPS")

6,746,250 RCPS were converted into 6,746,250 ordinary shares of the Company. As a result thereof, the issued ordinary share capital of the Company increased from 523,140,239 ordinary shares to 529,886,489 ordinary shares. The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

5.2 Treasury shares

There were no cancellations, resale or repurchase of any treasury shares. As at 30 June 2017, out of the total 529,886,489 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 quarter under review, the Company has paid the following:

6.1 Ordinary shares

A 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 (6 months ended 30 June 2016: Nil).

6.2 RCPS

A semi-annual dividend of 1.25 sen per RCPS amounting to RM1,484,319 on 16 June 2017 (6 months ended 30 June 2016: Nil).

7 PROFIT BEFORE TAX

	3 months ended 30.06.2017 RM'000	6 months ended 30.06.2017 RM'000
Profit before tax is arrived at after charging:		
Allowance for inventories written down	2,151	2,805
Consumables written down	-	1,490
Depreciation and amortisation	10,093	20,332
Finance cost:		
- interest expenses	9,476	18,796
- RCPS unwinding of discount	1,571	1,668
LTIP - share-based payments expenses	1,059	1,059

7 PROFIT BEFORE TAX (CONTINUED)

	3 months ended 30.06.2017 RM'000	6 months ended 30.06.2017 RM'000
and after crediting:		
Bad debts recovered	-	1
Gain on disposal of property, plant and equipment	226	790
Interest income	365	667
Foreign exchange:		
- Realised foreign exchange gain	3,564	3,689
- Unrealised foreign exchange (loss)/gain	(787)	748

8 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter in respect of which this announcement is made.

9 CHANGES IN THE COMPOSITION OF THE GROUP

On 15 June 2017, a wholly-owned subsidiary of AJR, Ann Joo International Pte Ltd ("AJIPL"), which is incorporated under the Labuan Companies Act 1990, was dissolved pursuant to Section 131A of the Labuan Companies Act 1990.

The aforesaid members' voluntary winding-up does 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.

10 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

11 CAPITAL COMMITMENTS

The capital commitments as at 30 June 2017 were as follows:

	RM'000
(a) contracted but not provided for	10,274
(b) approved but not contracted for	25,686

12 REVIEW OF PERFORMANCE

	3 months ended		Changes	6 months ended		Changes
	30.06.2017 RM'000	**30.06.2016 RM'000**	**(%)**	**30.06.2017 RM'000**	**30.06.2016 RM'000**	**(%)**
Revenue						
Manufacturing	397,616	496,672	(19.94)	793,092	882,770	(10.16)
Trading	189,990	179,382	5.91	392,257	322,829	21.51
Investment holding, property management and others	6,557	6,376	2.84	13,102	13,062	0.31
Adjustments and elimination	(103,417)	(97,771)	5.77	(208,535)	(144,477)	44.34
Group revenue	490,746	584,659	(16.06)	989,916	1,074,184	(7.84)
Segment profit						
Manufacturing	33,553	93,558	(64.14)	122,720	99,649	23.15
Trading	11,152	11,446	2.57	29,243	22,850	27.98
Investment holding, property management and others	557	933	(40.30)	1,590	4,525	(64.86)
Adjustments and elimination	14	(166)	108.43	(500)	(193)	159.07
	45,276	105,771	(57.19)	153,053	126,831	20.67
Finance costs	(11,047)	(10,757)	2.70	(20,464)	(24,617)	(16.87)
Interest income	365	438	(16.67)	667	637	4.71
Share of results of associates	7	(12)	(158.33)	7	(15)	(146.67)
Profit before tax	34,601	95,440	(63.75)	133,263	102,836	29.59

Lower group revenue was mainly attributable to lower sales tonnage on softer domestic demand which was affected by various factors affecting the construction industry, including foreign labour constraints and seasonal factors.

12 REVIEW OF PERFORMANCE (CONTINUED)

The Group's earnings were affected by 1) lower sales tonnage on softer domestic demand which was affected by various factors affecting the construction industry; 2) higher finance cost due to recognition of RCPS unwinding of discount; and 3) recognition of LTIP – share based payments expenses of RM1.06 million. Higher profitability in 2Q16 was mainly due to exceptionally high sales tonnage and the sharp spike in steel prices given a temporary supply shortage caused by disruption in China's steel exports as a consequence of the Chinese government's initiatives to shut down excess steelmaking capacity and the resulting higher domestic prices of steel in China.

On a year-on-year basis, higher profitability was mainly due to higher selling prices and resulting margin improvement, which more than offset the impact of lower sales tonnage given persistently weak demand in 1H17.

13 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	3 months ended		Changes
	30.06.2017	30.03.2017	(%)
	RM'000	RM'000	
Revenue	490,746	499,170	(1.69)
Profit before tax	34,601	98,662	(64.93)

Lower revenue and profitability were mainly due to 1) softer domestic demand from slower pace of construction progress of various infrastructure and large-scale property development projects, 2) lower selling prices of various steel products depressed by weak demand, 3) time lag effects of high material and fuel costs due to sharp surge in raw material prices in fourth quarter of 2016 as highlighted in 1Q17 quarterly announcement, 4) higher finance cost due to recognition of RCPS unwinding of discount; and 5) recognition of LTIP – share based payments expenses of RM1.06 million. Nevertheless, increased export sales in 2Q17 contributed positively to the earnings and partially cushioned the impact of weak domestic demand.

14 SEGMENTAL INFORMATION

14.1 Business Segments

The segment revenue, segment results and segment assets for the six months ended 30 June 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	598,378	391,521	17	-	989,916
Inter-segment	194,714	736	13,085	(208,535)	-
	793,092	392,257	13,102	(208,535)	989,916
RESULTS					
Segment results	122,720	29,243	1,590	(500)	153,053
Finance costs					(20,464)
Interest income					667
Share of associates' results					7
Income tax expense					(30,644)
Profit for the period					102,619
Segment assets	1,817,865	576,525	149,641	(236,069)	2,307,962
Segment liabilities	941,578	364,086	118,077	(250,966)	1,172,775

14.2 Geographical Segments

	6 months ended 30.06.2017 RM'000
Revenue from external customers	
Malaysia	978,513
Singapore	11,403
Non-current assets	
Malaysia	1,024,561
Singapore	1,841

15 PROSPECT

The global steel market, and the long product segment in particular, witnessed a surge in steel prices since the beginning of the second half of the year ("2H17") given the China government's continued efforts to curb steel capacity and, importantly, the elimination of induction furnaces. For the remaining period of 2017, the Group remains optimistic about its prospects given the following fundamental drivers:

a. Global steel supply is expected to be affected by:
   i. Potential output cuts by Chinese steel mills over winter; and
   ii. Potential production constraints faced by electric arc furnace operators globally given shortages in graphite electrodes worldwide.

   This expected demand-supply imbalance should enable the Group to be in an advantageous position as a hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") operator with high degree of operational flexibility. The Group's cost competitiveness will continue to drive its cost-leadership in the construction steel sector.

b. The expected upturn in construction steel demand from infrastructure and large-scale property development projects in Malaysia and most of the ASEAN countries, which are expected to ramp up in the latter part of 2017. Nevertheless, shortage of foreign labour remains a potential issue for the construction industry which may temporarily affect domestic demand for construction steel. The Group remains highly responsive to market changes and agile in sales mix and, in event of temporary lulls in domestic demand, the Group is able to rapidly increase its exports to meet regional demand.

c. Decreased import tonnage of billets from China given high domestic prices and ample infrastructure-driven demand in China. The Group is well positioned to capitalise on export market opportunities within Asean region given large regional demand, fluctuating China supply and prolonged lead time for supply from Middle East and other regions.

Given the fundamental drivers mentioned above and continued enhancements in operating 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 30.06.2017 RM'000	6 months ended 30.06.2017 RM'000
Income tax		
Current period	1,946	4,850
Deferred tax		
Current period	4,036	25,794
	5,982	30,644

The Group's effective tax rate for the quarter and for the financial period ended 30 June 2017 was lower than the statutory tax rate mainly due to availability of tax incentives for promotion of exports of RM4.26 million for the quarter and six months ended 30 June 2017.

18 STATUS OF CORPORATE PROPOSALS

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

19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings and debts securities as at 30 June 2017 were as follows:

a) Group borrowings

	30.06.2017 RM'000	30.06.2016 RM'000
Secured		
Short-term borrowings		
• Obligations under finance leases	442	-
Long-term borrowings		
• Obligations under finance leases	1,603	-
	2,045	-
Unsecured		
Short-term borrowings		
• Bill payables	786,011	696,438
• Revolving credit	50,000	97,000
• Foreign currency trade loan	54,518	69,522
	890,529	862,960
	892,574	862,960

19 GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

a) Group borrowings (continued)

The currency profile of bank borrowings was as follows:

	30.06.2017		30.06.2016	
	USD denomination ('000)	RM equivalent ('000)	USD denomination ('000)	RM equivalent ('000)
Unsecured				
Short-term borrowings				
Foreign currency trade loan	12,689	54,518	17,253	69,522

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 year	(7,045)	(3,522)
Add: Unwinding of discount charged to profit or loss	-	1,668
Less: Dividend paid	-	(1,484)
At the end of financial year end	117,961	59,198
Liability component		55,493
Equity component		3,705
		59,198

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 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.

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 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 the Respondent filed their Reply to Defence to Counterclaim on 30 January 2017. AJIS and the Respondent have subsequently filed their respective lists of documents on 22 March 2017 and parties are due to exchange witness statements of factual witnesses on 16 August 2017 with reply witness statements to be filed 3 weeks thereafter. 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 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)

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.

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. Both appeals were heard on 21 July 2017 and 24 July 2017. On 24 July 2017, the Court of Appeal overturned the above decision of the High Court and allowed both appeals with costs of RM40,000 to be paid each to the 1st Defendant, and the 2nd & 3rd Defendants respectively. AJSB is presently taking advice from its solicitors on how to progress in the matter and shall issue an announcement in due course.

20 MATERIAL LITIGATIONS (CONTINUED)

20.3 Statement of claim against Ann Joo Steel Berhad Suit No.: WA-22NCvC-303-06/2017

Ann Joo Steel Berhad ("AJSB") has on 21 June 2017 received a Writ and Statement of Claim filed by the solicitors of Amsteel Mills Sdn Bhd ("Amsteel") alleging wrongful termination of the supply Contract and Addendum by AJSB. The claim by Amsteel are as follows:

(i) The sum of RM14,963,715 being loss of profits incurred which it would otherwise have made from the sales of Re-Bar and Wire Rod using the billet that were ordered;
(ii) In the alternative, damages in the sum of RM885,200 being the difference between the price of the Re-Bar billet in the Contract and Addendum, and the market price of Re-Bar billet at the latest date of delivery;
(iii) A declaration that Amsteel is entitled to loss of profits for the failure of AJSB to proceed with the supply Contract and Addendum;
(iv) General damages;
(v) Alternatively, such other sum that is assessed by the High Court as Amsteel's loss of profits;
(vi) Costs; and/or
(vii) Such other relief as the High Court deems fit & proper.

AJSB's solicitors entered appearance in Court on 30 June 2017. As directed by the Court at the case management on 18 July 2017, AJSB has accordingly attended to the filing and service of the Defence on 24 July 2017. Next case management has been fixed on 28 August 2017 for the Amsteel to file their Reply to the Defence.

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

21 DIVIDEND

On 22 August 2017, the Board of Directors approved and declared an interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ending 31 December 2017. The declaration of this dividend will be paid on 21 September 2017 to the Depositors registered in the Record of Depositors at the close of the business on 8 September 2017. (2Q2016: 6 sen per ordinary share).

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 six months ended 30 June 2017 as set out below:

		3 months ended 30.06.2017	**6 months ended 30.06.2017**
Total profit attributable to owners of the Parent	(RM'000)	28,619	102,619
Weighted average number of ordinary shares in issue or issuable	('000)	504,110	502,498
Basic EPS	(sen)	5.68	20.42

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 six months ended 30 June 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 30.06.2017	**6 months ended 30.06.2017**
Total profit attributable to owners of the Parent	(RM'000)	28,619	102,619
Effects on earnings upon conversion of RCPS	(RM'000)	1,571	1,668
	(RM'000)	30,190	104,287
Weighted average number of ordinary shares in issue or issuable	('000)	504,110	502,498
Effect of dilution from the full conversion of the remaining RCPS in issue	('000)	117,961	117,961
Weighted average number of ordinary shares in issue or issuable (Diluted)	('000)	622,071	620,459
Diluted EPS	(sen)	4.85	16.81

23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 June 2017 were analysed as follows:

	30.06.2017 RM'000	31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	758,861	682,828
Unrealised	17,231	34,207
	776,092	717,035
Total share of retained earnings from associate:		
Realised	(37)	(44)
	776,055	716,991
Less: Consolidated adjustments	(193,108)	(191,151)
Total group retained earnings	582,947	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 22 August 2017.

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