Company No.: 371152-U

ANN JOO RESOURCES BERHAD

(371152-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:-

Wisma Ann Joo
Lot 19391, Batu 8 ½
Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

25 June 2001

Board of Directors:-

Lim Seng Chee *(Executive Chairman)*
Lim Seng Qwee *(Deputy Executive Chairman)*
Lim Kiam Lam *(Group Managing Director)*
Lim Sin Seong *(Executive Director)*
Toh Tuan Sun *(Executive Director)*
Tan Sri Zulkifli Bin Mahmood *(Independent Non-Executive Director)*
Dato' Ong Kim Hoay *(Independent Non-Executive Director)*
Mohd Alkaf Bin Mohd Kahar *(Independent Non-Executive Director)*
Haidar Ali Bin Haji Sheikh Fadzir *(Non-Executive Director)*

To: The Shareholders of Ann Joo Resources Berhad

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 84,030,000 NEW ORDINARY SHARES OF RM1.00 EACH IN ANN JOO RESOURCES BERHAD ("ANN JOO") ("RIGHTS SHARES") TOGETHER WITH 84,030,000 DETACHABLE WARRANTS 2001/2006 ("RIGHTS WARRANTS") AT AN ISSUE PRICE OF RM1.00 PER RIGHTS SHARE, PAYABLE IN FULL UPON ACCEPTANCE, ON THE BASIS OF ONE (1) RIGHTS SHARE PLUS ONE (1) RIGHTS WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN ANN JOO AT 5.00 P.M. ON 18 JUNE 2001

1. INTRODUCTION

On 22 December 2000, the shareholders of the Company present at the EGM held on even date approved the Rights Issue. Based on the number of Shares in issue at 5.00 p.m. on the Books-Closure-Date, it has been determined that 84,030,000 Rights Shares together with 84,030,000 Rights Warrants will be issued pursuant to the Rights Issue.

A certified true extract of the ordinary resolution pertaining to the Rights Issue passed at the said EGM is set out in Appendix I of this Abridged Prospectus.

The Rights Issue was approved by the SC on 3 November 2000. The approval-in-principle from the KLSE for the listing of and quotation for the Rights Shares was obtained on 8 June 2001. The approval-in-principle for the admission into the Official List of the KLSE and the listing of and quotation for the Rights Warrants was obtained on 8 June 2001.

The approval of the SC shall not be taken to indicate that the SC recommends the Rights Issue and investors should rely on their own evaluation to assess the merits and risks of any investment.

The official listing of and quotation for the Rights Shares and Rights Warrants will commence upon receipt of confirmation from MCD that all the CDS accounts of the Entitled Shareholders and/or their renouncees (if any) have been duly credited and notices of allotment have been despatched to them.

The KLSE assumes no responsibility for the correctness of statements made or opinions expressed or reported in this Abridged Prospectus. The dealing in and quotation of the Rights Shares and Rights Warrants on the Official List of the KLSE are in no way reflective of the merits of the Rights Issue or of the Ann Joo Group.

No person is authorised to give any information or to make any representation not contained herein in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by Ann Joo or CIMB in connection with the Rights Issue.

If you are in any doubt about this Abridged Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Details of the Rights Issue

The Rights Issue involves the renounceable issue of 84,030,000 Rights Shares together with 84,030,000 Rights Warrants at an issue price of RM1.00 per Rights Share, payable in full upon acceptance, on the basis of one (1) Rights Share plus one (1) Rights Warrant for every two (2) existing Shares held. The Rights Warrants will be issued free of charge.

Fractional Rights Shares and Rights Warrants arising from the Rights Issue shall be disregarded and the aggregate of such fraction and any Rights Shares and Rights Warrants not accepted by the Entitled Shareholders and/or their renouncees will be dealt with on such terms and at such time as the Board may in its discretion deem fit and expedient.

The Rights Issue will raise a gross proceeds of RM84,030,000. Details on the utilisation of the gross proceeds from the Rights Issue are set out in Section 4 of this Abridged Prospectus.

Although the Rights Issue is renounceable in full or in part, as a package, the Rights Shares and the Rights Warrants are not separately renounceable. Accordingly, shareholders can only renounce or subscribe for their entitlements to the Rights Shares with the accompanying Rights Warrants in full or in part in the proportion allocated. The Rights Warrants will be detached from the Rights Shares immediately upon issue.

2.2 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the existing Shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the allotment of the Rights Shares were made prior to the Entitlement Date. The new Shares to be issued pursuant to the exercise of the Rights Warrants will rank pari passu with the existing Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the new Shares were allotted prior to the Entitlement Date.

As the Shares are prescribed securities, the new Shares to be issued pursuant to the Rights Issue will be credited directly into the respective CDS accounts of the Entitled Shareholders and/or their recouncees and no physical share certificate will be issued. A notice of allotment will however be despatched to them.

2.3 Pricing of the Rights Shares

Based on the five (5)-day weighted average market price of the Shares of RM1.01 per Share until and including 3 May 2001, the issue price of the Rights Shares of RM1.00 per Share would result in a theoretical ex-rights price of RM1.01 per Share and an effective discount of 0.99%.

The discount of 0.99% to the theoretical ex-rights price of RM1.01 per Share is considered reasonable if compared with the audited NTA of Ann Joo as at 31 December 2000 of RM1.40 per Share. The Rights Warrants are issued together with the Rights Shares to increase the attractiveness of the Rights Issue.

2.4 The Rights Warrants

The Right Warrants to be issued are prescribed securities and accordingly will be credited directly into the respective CDS accounts of the Entitled Shareholders and/or their renouncees pursuant to the Rights Issue, and no physical warrant certificate will be issued. A notice of allotment will however be despatched to them.

As the Shares are prescribed securities, the new Shares to be issued pursuant to the exercise of the Right Warrants will be credited directly into the respective CDS accounts of the Entitled Shareholders and/or their renouncees and no physical share certificate will be issued. A notice of allotment will be despatched to them.

The principal terms of the Rights Warrants are as follows:-

Issue	:	Rights Warrants will be issued by the Company together with the Rights Shares pursuant to the Rights Issue on the basis of one (1) Rights Warrant for every one (1) Rights Share subscribed.
Form	:	The Rights Warrants are issued in registered form and constituted by the Deed Poll. The registered holders of the Rights Warrants will have the right by way of exercise of such warrants, at any time during the Subscription Period, to subscribe at the Exercise Price for new Shares, subject to adjustments in accordance with the provisions of the Deed Poll.
Subscription Right	:	Subject to the conditions of the Deed Poll each Rights Warrant carry the entitlement to subscribe for one (1) new Share at the Exercise Price.
Board Lot	:	For the purpose of trading on the KLSE, a board lot for the Rights Warrants will be 1,000 units carrying rights to subscribe for 1,000 new Shares.
Exercise Period	:	A period commencing on and including the date of issue of the Rights Warrants and ending on a date five (5) years from the date of issue of the Rights Warrants
Exercise Price	:	The exercise price subject to adjustments in accordance with the Deed Poll will be set at RM1.00 per Share. The exercise price of RM1.00 per Share was determined based on a 0.99% discount to the theoretical ex-rights price of RM1.01 per Share, computed based on the five (5)-day weighted average market price of Ann Joo Shares until and including 3 May 2001 of RM1.01 per Share.
Expiry of Warrants	:	At the closed of business on the last day of the Exercise Period, any Subscription Right which has not been exercised and delivered to the Registrars will lapse, and every Rights Warrant will cease thereafter to be valid for any purposes.
Listing Status	:	Approval-in-principle has been obtained from KLSE on 8 June 2001 for the admission to the Official List and listing of and quotation for the Rights Warrants on the KLSE and the listing of and quotation for the new Shares to be issued upon the exercise of the Rights Warrants on the Official List of the KLSE.

Ranking of new Shares to be issued	:	The new Shares to be issued pursuant to the exercise of the Rights Warrants will rank pari passu in all respects with the existing Shares except that they shall not be entitled to any dividends, rights allotments and/or other distributions, unless the allotment of the new Shares were made prior to the Entitlement Date.
Deed Poll	:	The Rights Warrants are constituted by a Deed Poll dated 31 May 2001
Governing Law	:	The Rights Warrants shall be governed by the Laws of Malaysia

2.5 Last time and day for acceptance and payment

The last time and day for acceptance and payment for the Rights Issue is at 5.00 p.m on 18 July 2001 or such later time and day as the Board (as the case may be) in their absolute discretion may decide, subject to the approval of the KLSE, and which will then subsequently be announced.

2.6 Details of any other intended corporate exercise/scheme which has been approved

Save as disclosed below, there is no intended corporate exercise/scheme which has been approved by the regulatory authorities:-

(i) On 22 March 2000 the Company had entered into a SSA with Pernas to acquire 60,548,526 ordinary shares of RM1.00 each in Malayawata representing 30.03% equity interest in Malayawata for a purchase consideration of RM201,626,591.58. The Acquisition was approved by the Ministry of International Trade and Industry ("MITI") on 5 May 2000, the shareholders of Ann Joo on 29 June 2000 via an EGM and the approval-in-principle from the SC for the Acquisition which will subsequently be refinanced by the Rights Issue was obtained on 17 July 2000. The Acquisition was completed on 10 August 2000.

(ii) The Company had on 19 May 2000 summitted an application to the SC, FIC and MITI for the Placement. The Placement was approved by the SC, FIC and MITI on 24 July 2000, 13 July 2000 and 28 July 2000 respectively. The first tranche of the Shares pursuant to the Placement consisting of 12,400,000 Shares was listed on the KLSE on 14 December 2000. The management of Ann Joo do not intend to place out the remaining new Shares available to be issued pursuant to the Placement.

3. PROCEDURE FOR ACCEPTANCE/APPLICATION

As you are an Entitled Shareholder of the Company on the Books-Closure-Date, your CDS account will be duly credited with a PAL constituting the number of provisionally allotted Rights Shares which you are entitled to subscribe for under the terms of the Rights Issue. You will find enclosed together with this Abridged Prospectus, a Notice notifying you of the crediting of such provisionally allotted Rights Shares into your CDS account and a RSF to enable you to subscribe for such provisionally allotted Rights Shares. The RSF is also available on the KLSE web site (http://www.klse.com.my).

For the purposes of Section 3 of this Abridged Prospectus, the Rights Shares referred herein includes the Rights Warrants (unless separately stated) that will be issued together with the Rights Shares on the basis of one (1) Rights Warrant for every one (1) Rights Share to be issued under the Rights Issue.

3.1 PAL

The PAL is a prescribed security pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act 1991 and therefore, all dealings in the PAL will be by book entry through CDS accounts and will be governed by the Securities Industry (Central Depositories) Act 1991, the Securities Industry (Central Depositories) Amendment Act 1998 and the Rules of MCD.

3.2 Procedure for Full Acceptance by the Entitled Shareholders

Acceptance and payment for the Rights Shares provisionally allotted to the Entitled Shareholders must be made on the RSF and must be completed in accordance with the notes and instructions printed therein. Acceptances which do not strictly conform to the terms of this Abridged Prospectus, Notice or RSF and notes and instructions printed therein or which are illegible may not be accepted at the absolute discretion of the Company.

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO ENTITLED SHAREHOLDERS AND THE PROCEDURES TO BE FOLLOWED SHOULD ENTITLED SHAREHOLDERS WISH TO SELL/TRANSFER ALL OR ANY PART OF THEIR ENTITLEMENTS ARE SET OUT IN THE RSF. ENTITLED SHAREHOLDERS ARE ADVISED TO READ THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

Entitled Shareholders who wish to accept their entitlement are required to fill and complete Parts I and III of the RSF. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** in the official envelope provided, to the Registrars at the following address:-

PFA Registration Services Sdn. Bhd.
13.01, Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

so as to arrive not later than the last time and day for acceptance and payment, as set out in Section 2.5 of this Abridged Prospectus.

Entitled Shareholders who lose, misplace or for any other reasons require another copy of the RSF, may obtain additional copies from their stockbrokers, the KLSE website (http://www.klse.com.my), the Registrars, as stated above, or the registered office of the Company at the following address:-

Wisma Ann Joo
Lot 19391, Batu 8 ½
Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

One (1) RSF can only be used for acceptance of provisionally allotted Rights Shares standing to the credit of one (1) CDS account. Rights Shares subscribed by the Entitled Shareholders will be credited into the respective CDS accounts as stated on the completed RSF.

The minimum number of Shares that can be accepted is one (1) Rights Share. Fractions of a share arising from the Rights Issue will be dealt with by the Directors of the Company as they may deem fit. However, applicants should take note that a trading board lot comprises 1,000 Shares.

The Directors of the Company reserve the right not to accept any application or to accept in part only any application without assigning any reason thereof.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) OR MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA AND MUST BE MADE OUT IN FAVOUR OF "ANN JOO RIGHTS ISSUE ACCOUNT" CROSSED "A/C PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE, THE NAME AND ADDRESS OF THE APPLICANT IN BLOCK LETTERS.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY THE COMPANY OR THE REGISTRARS IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO ENTITLED SHAREHOLDERS OR THEIR RENOUNCEES AT THEIR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES.

ENTITLED SHAREHOLDERS OR THEIR RENOUNCEES SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH THE REGISTRARS SHALL BE IRREVOCABLE AND SHALL NOT BE WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN ON THE RSF AT THE APPLICANT'S OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

THE LATEST TIME AND DAY FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES IS SET OUT IN SECTION 2.5 OF THIS ABRIDGED PROSPECTUS.

If acceptance and payment for the Rights Shares provisionally allotted to any Entitled Shareholder is not received by the Registrars by the last time and day for acceptance and payment as set out in Section 2.5 of this Abridged Prospectus, the provisional entitlement of that Entitled Shareholder will be deemed to have been declined and will be cancelled and such Rights Shares not taken up will be allotted first to applicants applying for the excess Rights Shares and subsequently to the Underwriter of the Rights Issue, if the Rights Shares are not fully taken up by such applicants.

3.3 Procedure for Part Acceptance by the Entitled Shareholders

Entitled Shareholders are entitled to accept part of their entitlement. There will be no minimum number of Rights Shares that can be accepted or minimum number of excess Rights Shares which can be applied for.

Entitled Shareholders have to complete Part I of the RSF by specifying the number of Rights Shares which the Entitled Shareholder is accepting and Part III of the RSF and deliver the completed RSF together with the relevant payment to the Registrars, in the same manner as set out in Section 3.2 of this Abridged Prospectus.

THE ENTITLED SHAREHOLDERS ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the provisional allotment of Rights Shares that has not been accepted will be allotted to any other persons allowed under any law, regulations or rules to accept the transfer of the provisional allotment of Rights Shares and the balance, if any, will first be allotted to applicants applying for the excess Rights Shares and subsequently thereafter to the Underwriter of the Rights Issue.

3.4 Procedure for Sale/Transfer of Provisional Allotment of Rights Shares

The provisionally allotted Rights Shares are renounceable and as such Entitled Shareholders and/or their renouncees may sell/transfer all or part of their entitlement to the Rights Shares.

Entitled Shareholders and/or their renouncees who wish to sell/transfer some and accept only part of their entitlement to the Rights Shares or sell/transfer all their entitlement to the Rights Shares may do so immediately through their stockbrokers without first having to request for a split of their provisional allotment of Rights Shares. To dispose of all or part of their entitlement of the Rights Shares, they may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of MCD.

THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

IN SELLING ALL OR PART OF THEIR PROVISIONAL ALLOTMENT OF RIGHTS SHARES, ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES NEED NOT DELIVER ANY DOCUMENT TO THEIR STOCKBROKERS. THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES ARE HOWEVER ADVISED TO ENSURE THAT THEY HAVE SUFFICIENT PROVISIONAL ALLOTMENT OF RIGHTS SHARES STANDING IN THEIR CDS ACCOUNTS BEFORE TRADING.

3.5 Procedure for Acceptance by Renouncees

A renouncee who wishes to accept the provisionally allotted Rights Shares must obtain a copy of the RSF from his/her stockbroker, the Registrars as stated above, the KLSE website (http://www.klse.com.my) or the registered office of the Company as stated above, complete the RSF and submit the same together with the remittance in accordance with the notes and instructions printed therein. The procedure and payment for the acceptance of the provisional allotment of Rights Shares by the renouncee is the same as that which is applicable to Entitled Shareholders as described in Section 3.2 of this Abridged Prospectus. Please refer to Section 3.2 of the Abridged Prospectus for the procedure for acceptance and payment.

THE RENOUNCEES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

3.6 Procedure for Excess Rights Shares Application

Entitled Shareholders and/or their renouncees who accept the provisionally allotted Rights Shares may apply for excess Rights Shares by completing Part II of the RSF (in addition to Parts I and III) and forwarding it (together with a separate remittance for the full amount payable in respect of the excess Rights Shares applied for) to the Registrars. Payment for the excess Rights Shares applied for should be in the same manner described in Section 3.2 of this Abridged Prospectus, where the banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia should be crossed "A/C PAYEE ONLY" and made payable to "**ANN JOO EXCESS SHARES APPLICATION ACCOUNT**" and endorsed on the reverse side with the name and address of the applicant in block letters to be received by the Registrars not later than the last time and day for acceptance and payment, as set out in Section 2.5 of this Abridged Prospectus.

The Directors of the Company reserve the right to allot any unsubscribed Rights Shares applied for under the RSF in such manner as they deem fit or expedient. It is the intention of the Directors to allot excess Rights Shares in such manner that the incidence of odd lots will be minimised. Any Rights Shares not taken up shall be dealt with in such manner as the Directors in their absolute discretion think expedient in the interest of the Company.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS BUT A NOTICE OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE ADDRESS STATED IN THE RSF WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY UNSUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN ON THE RSF AT THE APPLICANT'S OWN RISK.

3.7 Form of issuance

The KLSE has already prescribed the Shares listed on the Main Board of the KLSE to be deposited with MCD. Accordingly, the Rights Shares are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) Amendments Act, 1998 and the Rules of MCD shall apply in respect of the dealings in the said Rights Shares.

No physical share and warrant certificates will be issued to you under the Rights Issue. The Rights Shares will be credited directly into your CDS account as set out in your RSF and a notice of allotment will be despatched to you at the address shown on the RSF.

The Rights Shares, if allotted to the Entitled Shareholder who applies for excess Rights Shares, will be credited directly as deposited securities into his/her CDS account.

3.8 Laws of Foreign Jurisdictions

This Abridged Prospectus, the Notice and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction, and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction. The Rights Issue will not be made or offered in any foreign jurisdiction.

Entitled Shareholders and/or their renouncees may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue to the extent that it would be lawful to do so, and CIMB, other experts and Ann Joo and its Directors and officers would not, in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that Entitled Shareholders and/or their renouncees are or may be subject to. The Entitled Shareholders and/or their renouncees, shall be solely responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. CIMB, other experts and Ann Joo and its Directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholders and/or their renouncees, are or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

By signing any of the forms accompanying this Abridged Prospectus, the Notice and the RSF, the Entitled Shareholders and/or their renouncees are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) CIMB, other experts and Ann Joo and its Directors and officers that:-

(i) the Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Entitled Shareholders and/or their renouncees are or may be subject to;

(ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) they are not a nominee or agent of a person in respect of whom the Company would, by acting on the acceptance or renunciation be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) they are aware that the Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to ask such questions to the representatives of the Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and

(vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

4. PURPOSE OF THE RIGHTS ISSUE AND UTILISATION OF THE PROCEEDS

4.1 Purpose of the Rights Issue

The proceeds to be raised from the Rights Issue will be used mainly to refinance the acquisition of the 30.03% equity interest in Malayawata, which is considered central to the Ann Joo Group's long term business strategy. Prior to the economic downturn, Ann Joo had planned to set-up a compact steel making plant in West Port, Pulau Indah, Selangor Darul Ehsan at an estimated cost of RM600 million (1997 estimates) that will enable Ann Joo to expand upstream and become a more effective steel industry participant. However, the plan was deferred as a result of the recent economic downturn, which resulted in a glut in the steel industry.

As the Malaysian economy started to recover in 1999, the Board reconsidered its plan to further expand its existing operations upstream. Through the Acquisition, Ann Joo will gain control in an already established integrated steel mill operation. This will allow Ann Joo to avoid the need to set up its own steel plant at a much higher cost and is considered to be a more viable and cost effective alternative to the Company's original plan to set up its own steel mill. The Acquisition that is expected to provide Ann Joo with operating synergy also represents a rationalisation of the steel industry rather than adding new capacity into the already competitive industry. Following the Acquisition, the proposed plan to construct the new plant in West Port, Pulau Indah, Selangor Darul Ehsan was aborted.

The proceeds from the Rights Issue will also be used to finance the Group's general working capital requirements. The Rights Warrants will act as a sweetener for the Rights Issue.

4.2 Utilisation of the Proceeds

The Rights Issue will raise gross proceeds of RM84.03 million. The Rights Warrants will be issued without charge and acts as a sweetener for the Rights Issue. The gross proceeds to be raised from the Rights Issue will be utilised by the Ann Joo Group in the following manner:-

	Notes	RM'000
To refinance part of the cost of the Acquisition	*(i)*	77,797
General working capital	*(ii)*	3,333
Estimated expenses	*(iii)*	2,900
Total		84,030

The proceeds from the exercise of the Rights Warrants will be used to finance the Group's future capital expenditure, repayment of borrowings and for general working capital requirements which are yet to be determined.

Notes:-

(i) *The RM77.797 million has been allocated to refinance a portion of the Acquisition which amounts to RM201,626,591.58. Ann Joo paid the first ten percent (10%) of the consideration for the Acquisition amounting to RM20,162,659.15 on the date of signing of the share sale agreement on 22 March 2000. The balance of the consideration of RM181,463,932.43 ("Balance Consideration") was payable to Pernas within twelve (12) months from the date of the share sale agreement and was secured by a bank guarantee. On 21 March 2001, Ann Joo entered into a Supplemental SSA with Pernas to extend the payment period for the Balance Consideration. Under the Supplemental SSA, Ann Joo paid Pernas part of the Balance Consideration amounting to RM90,731,966.22 on 21 March 2001. The remaining Balance Consideration amounting to RM90,731,966.21 will be payable to Pernas by 7 August 2001 together with interest charged at a rate of six per centum (6%) per annum calculated from 22 March 2001 until the date of payment. The remaining Balance Consideration is currently secured by a Bank Guarantee.*

(ii) *The proceeds from the Rights Issue allocated for the working capital will be used as general working capital of the Group.*

(iii) *This amount has been allocated for the estimated expenses for the implementation of the Rights Issue.*

The Board expects the proceeds from the Rights Issue to be utilised within the financial year ending 31 December 2001.

4.3 Information on the Acquisition

4.3.1 Introduction

On 22 March 2000 the Company had entered into the SSA with Pernas to acquire 60,548,526 ordinary shares of RM1.00 each in Malayawata ("Acquisition Shares") representing 30.03% equity interest in Malayawata for a purchase consideration of RM201,626,591.58. The Acquisition was approved by MITI on 5 May 2000, the shareholders of Ann Joo on 29 June 2000 via an EGM and the approval-in-principle from the SC for the Acquisition which will be subsequently refinanced via the Rights Issue was obtained on 17 July 2000. The Acquisition was completed on 10 August 2000.

The purchase consideration of RM201,626,591.58 for the Acquisition was arrived at on the willing buyer-willing seller basis after taking into account amongst other factors, the audited NTA of Malayawata as at 31 March 1999 of RM1.91 per Share or RM385.25 million, adjustments for the estimated value of the landed properties of Malayawata and the controlling premium over the closing market price of the Acquisition Shares on 10 March 2000 of RM2.56 per share. No independent valuations were carried out on the landed properties for the above purposes, but discussions were held with the management of Malayawata to estimate the values of the landed properties which gave rise to an estimated valuation surplus of approximately RM232.5 million to the NTA of Malayawata. Subsequently, the management of Ann Joo engaged a firm of independent valuers to value the landed properties of Malayawata for internal corporate management purposes, and based on the results of these valuations, the revaluation surplus to the NTA of Malayawata was approximately RM148.7 million. However, Ann Joo will only be attributed with 30.03% of the revaluation surplus which is set out above.

Upon the signing of the SSA, RM20,162,659.15 or 10% of the purchase consideration was paid to Pernas. The balance of the consideration of RM181,463,932.43 ("Balance Consideration") was payable to Pernas within twelve (12) months from the date of the share sale agreement and was secured by a bank guarantee. On 21 March 2001, Ann Joo entered into a Supplemental SSA with Pernas to extend the payment period for the Balance Consideration.

Under the Supplemental SSA, Ann Joo paid Pernas part of the Balance Consideration amounting to RM90,731,966.22 on 21 March 2001. The remaining Balance Consideration amounting to RM90,731,966.21 will be payable to Pernas by 7 August 2001 together with interest charged at a rate of six per centum (6%) per annum calculated from 22 March 2001 until the date of payment. The remaining Balance Consideration is currently secured by a Bank Guarantee.

Pernas, which has its current registered address at 14th-16th Floors, Menara Tun Razak, Jalan Raja Laut, 50350 Kuala Lumpur, was incorporated on 24 December 1965, under the Companies Ordinance, 1940 to 1946 as a private limited company under the name of Hilton Hotels Development (Malaysia) Limited to carry out the business of hoteliers, restauranteurs and similar undertakings. Pernas changed its name to Far Eastern Hotels Development (Malaysia) Sendirian Berhad on 27 June 1966 and to Far Eastern Hotels Development (Malaysia) Berhad on 19 September 1968 on its conversion into a public limited company.

On 9 June 1979, Pernas changed its name to Pernas International Hotels and Properties Berhad to reflect the participation of Perbadanan Nasional Berhad in the equity and management of Pernas. On 6 August 1996, the company changed its name to Pernas International Holdings Berhad to reflect the expansion in the group's investments. Pernas was listed on the Main Board of the KLSE on 25 September 1990.

4.3.2 Information on Malayawata

Malayawata was incorporated on 10 October 1961 in Malaysia as a private limited company under the name of Malayawata Steel Limited. On 15 April 1966, its name was changed to Malayawata Steel Berhad and on 28 April 1966, it was converted into a public company and assumed its present name. It was listed on the Kuala Lumpur and Singapore Stock Exchange on 13 October 1967.

The principal activities of Malayawata are those of an integrated steel mill and property investment holding company. The principal activities of its subsidiaries are that of renting out of machinery and the cultivation of oil palm and sale of its related products.

Malayawata has a fully-integrated steel mill which produces steel billets, bars and wire rods. Its plant is located in Seberang Prai at Lot 227, 236 and 78, Prai Industrial Estate, Penang, with a land area of approximately 266 acres and the utilisation of approximately 90 acres.

It has two rolling mills which produce long steel products such as mild steel round bars, high tensile deformed bars and wire rods, as well as flat and angled bars. The annual production capacity of Malayawata is approximately 450,000 tonnes of steel billets, with rolling capacities of maximum 400,000 tonnes per annum of steel bars, with rods/flat and angled bars, depending on the product and size mix. Rolling capacities refer to the capacities of the rolling mills that turn primary products (semi-finished) such as billets, blooms and slabs into finished products. The production capacity of each mill per annum is as follows:-

	Current rated capacity per annum
Melt shop	450,000
Rolling mill 1	150,000
Rolling mill 2	250,000

The oil palm division comprises two (2) estates in Bok Land District and Suai Land District, Miri, Sarawak. Currently, the oil palm in these two (2) estates are partly being harvested, partly being scout harvested and partly immature. The management of Ann Joo expects the oil palm in the two (2) estates to fully mature and available for full harvesting in year 2002/2003.

5. INVESTMENTS CONSIDERATIONS

Notwithstanding the prospects of the industry and the Ann Joo Group as described in Section 7 of this Abridged Prospectus, the Rights Issue and the business activities of the Ann Joo Group are exposed to certain risks. Among the factors (which may not be exhaustive) that may have an impact on the shareholders of the Company and the Ann Joo Group are as follows:-

(a) Regional and Global Economic Stability

A stable financial and economic environment in the region will certainly enhance the recovery and growth of the iron and steel industry. Domestic-oriented industries like the iron and steel industry, which relies on imported input, is foremost likely to be affected by any regional financial instability and uncertainties. In addition, a stable global economic environment would also contribute to the stability of the regional economy.

The higher cost of imported raw materials due to the depreciation of the Ringgit vis-a-vis the US dollar and other major currencies had eaten into the profit margins of the selling prices of steel products in the domestic market. However, the Malaysian Government's determined efforts and fiscal policies and the stabilisation of the Ringgit is likely to help mitigate the situation and facilitate the eventual recovery of the iron and steel industry.

(b) Asean Free Trade Area (AFTA)

According to the MISIF Report, August 1999, with the initiation of the Common Effective Preferential Tariff (CEPT) scheme under AFTA, tariffs of steel products will be reduced to a range of nil to 5% by the year 2003 or later. This would result in a liberalised market and intensify competition among steel producers in the region.

Though this would result in more competitive export, there may also be erosion of domestic market share to foreign products. AFTA may also lead to unhealthy dumping activities, which would affect the productivity and viability of the local iron and steel industry. On the other hand, AFTA may provide an opportunity for efficient Malaysian steel producers to expand their market to capture the regional market which has a higher steel consumption level.

(c) Raw Material Supply

Steel making in Malaysia is dependent on the use of scrap as feedstock, primarily because of its cheaper cost. According to MISIF Report, August 1999, about 70% of all the raw materials needed for steel making in Malaysia are imported. Similarly, Malayawata imports approximately 60% of its required raw materials.

Uncertainty in the supply of world scrap and fluctuations in international scrap price may lead to an increase in production cost and impinge on the competitiveness in both the domestic and exports markets. All steel producers in Malaysia and the region are exposed to similar risks.

(d) Cyclical Demand and Supply Patterns

According to MISIF Report, August 1999, to a large extent, the production of the iron and steel industry in Malaysia is primarily dominated by long products especially bars and wire-rods which are heavily dependent and centred around the country construction and infrastructural needs.

According to the Economic Report 2000/2001, the construction sector is projected to grow more strongly at 5.5% in 2001 attributed to higher investment by the private sector, and higher budgetary allocations for education, health and social amenities. This will have an impact on the demand of iron and steel.

(e) Government Policies

Due to the strategic nature of the iron and steel industry in Malaysia, Government policies and incentives will continue to play a key role in determining the future growth, development and direction of the industry.

The recovery of the industry would, to a large extent, depend on how domestic demand is created in the immediate to short-term. Prudent government policies and initiatives would help stabilise and put the iron and steel industry on track to recovery with sustainable growth.

(f) Surplus Steel-Producing Capacity

There is surplus steel producing capacity in Malaysia and in the region. Committed capacity expansion plans and possible plans under discussion (many of which have been discarded even before the crisis) would take the overall capacity of the steel industry considerably ahead of its market in the medium-term.

How these excess capacities in the country and the region are managed would have an impact on the industry. However, with the recovery of the region, such surplus will be addressed and diminished accordingly.

(g) Structural Changes Around the World

Significant structural changes around the world may have an impact on the iron and steel industry. With the collapse of the then Soviet Union and the sudden search for export markets by the enormous capacities therein, Asian market being a net importer of steel products, have been one of the principal target destinations and placed under pressure by the pricing practise and volume levels of this trade.

The dumping activities from these foreign countries in the Asian market may have an undesired effect in the domestic iron and steel industry.

(h) Control by Substantial Shareholders

Mr. Lim Seng Chee and Mr. Lim Kiam Lam, Mr. Lim Seng Qwee and Mr. Lim Sin Seong through their substantial shareholdings in Lim Seng Chee & Sons Sdn. Bhd., LSQ & Sons Sdn. Bhd. and Lim Sin Seong Sdn. Bhd. respectively which in turn have a substantial shareholding in AJC, a substantial shareholder in Ann Joo collectively holds 58.19% of the issued and paid-up share capital of Ann Joo directly and indirectly as at 6 June 2001 and upon the completion of the Rights Issue.

With their shareholdings, Mr. Lim Seng Chee, Mr. Lim Kiam Lam, Mr. Lim Seng Qwee and Mr. Lim Sin Seong may be able to control the outcome of certain matters requiring the vote of the Company's shareholders.

(i) Dependency on Key Management

The Group believes that its continued success will depend to a large extent upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Directors or key members of the senior management could adversely affect the Group's continued ability to compete in its industry. However, every effort is presently made to groom the younger members of the senior management to gradually take over from the senior members to ensure a smooth transition in the management team should any changes occur. The group's future success will also depend upon its ability to attract and retain skilled personnel.

(j) Competition

The liberalisation of the industry under AFTA is expected to intensify competition among producers of similar products in the region. The competition may drive some producers to consolidate their position through mergers and/or acquisitions that may result in the creation of bigger participants who may have strategic upstream and downstream investments that are expected to increase their competitive edge.

The Group is aware of the threats from its competitors and on-going developments within the industry, some of which are set out in the above paragraph. Nevertheless, the Group also considers the market liberalisation as an opportunity to expand its market base. Hence, the Group has initiated efforts to develop a strong distribution network to provide increased added value, competitive pricing and timely delivery of its products which must necessarily be of higher quality.

Taking cognisance of the fact that competition is going to be fierce, there is no guarantee that the Group will be able to maintain or expand its market share.

(k) Substantial Shareholders' Undertaking

AJC and United Hardware Holdings Sendirian Berhad, as major shareholders of Ann Joo, have provided written undertakings to subscribe in full for their entitlements to a total of 50,945,218 Rights Shares in the manner shown in Section 9 herein.

However, no assurance can be given that all of the said major shareholders will meet their commitments to subscribe for all the 50,945,218 Rights Shares. If this were to happen, there may be an adverse impact on the smooth implementation or the completion of the Rights Issue. In the event of the non-completion of the Rights Issue, all the proceeds of the Rights Issue will be fully refunded without interest to the shareholders who have subscribed to the Rights Shares by ordinary post to the address shown on their respective RSFs.

(l) Termination of the Underwriting Agreement

The underwriting agreement relating to the Rights Issue ("Underwriting Agreement") allows for the termination of the agreement before the closing date for payment and acceptance for the Rights Shares in the event that the Underwriter of the Rights Issue is of the reasonable opinion that there shall have been:-

(i) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Rights Issue and their distribution, sale or subscription (whether in the primary market or in respect of dealings in the secondary market); or

(ii) any breach of representations, warranties and/or undertakings or withholding of information of a material nature from the Underwriter.

No assurance can be given that none of the above events, in the opinion of the Underwriter of the Rights Issue, will not take place before the closing date for payment and acceptance for the Rights Shares. In addition, if such events were to occur, there can be no assurance that the Underwriter of the Rights Issue will not terminate the Underwriting Agreement. In the event of the non-completion of the Rights Issue, all the proceeds of the Rights Issue will be fully refunded without interest to the shareholders who have subscribed to the Rights Shares by ordinary post to the address shown on their respective RSFs.

6. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

6.1 Share Capital

The effects of the Rights Issue on the issued and paid-up share capital of Ann Joo are as follows:-

	No. of Shares
Issued and paid-up share capital as at 6 June 2001	168,060,000
To be issued pursuant to the Rights Issue	84,030,000
After the Rights Issue	252,090,000
To be issued pursuant to the full exercise of the Rights Warrants	84,030,000
Enlarged issued and paid-up share capital	336,120,000

6.2 NTA

The proforma effects of the Rights Issue on the NTA of the Group based on its audited consolidated balance sheet as at 31 December 2000 are as follows:-

	As at 31.12. 2000 RM'000	(i) After the actual issue and allotment of Shares under the ESOS since 01.01.2001 to 06.06.2001 RM'000	(ii) After (i) and the Rights Issue RM'000	(iii) After (ii) and the full exercise of the Rights Warrants RM'000
Share capital	168,038	168,060	252,090	336,120
Share application money	10	-	-	-
Share premium	34,679	34,681	*31,781	31,781
Capital reserves	2, 500	2,500	2,500	2,500
Reserve on consolidation	5,289	5,289	5,289	5,289
Retained profits	75,127	75,127	75,127	75,127
Shareholders' funds	285,643	285,657	366,787	450,817
Less: Intangible assets	(49,713)	(49,713)	(49,713)	(49,713)
NTA	235,930	235,944	317,074	401,104
NTA per Share (RM)	**1.40**	**1.40**	**1.26**	**1.19**

Note:-

* *This is after deducting estimated expenses for the Rights Issue of RM2.9 million*

6.3 Earnings

The Rights Issue is expected to enable the Group to save on interest expense that would otherwise be required to be incurred as a result of the need to raise additional borrowings of approximately RM78 million to finance part of the final payment for the Acquisition. Based on an assumed interest rate of 7.0% per annum, the Group is expected to save on interest expenses of approximately RM5.4 million per annum, computed by multiplying the assumed interest rate of 7.0% per annum with the proceeds from the Rights Issue allocated for the final payment of the Acquisition of approximately RM78 million.

As the final payment to the vendors of the Acquisition is expected to be made in early August 2001, the Group is expected to be able to save approximately RM2.2 million in interest expenses for the financial year ending 31 December 2001. Such interest savings are expected to enhance the Group's earnings for the financial year ended 31 December 2001 and the foreseeable future years.

6.4 Dividends

A dividend of 3.5% less 28% income tax was proposed for the financial year ended 31 December 2000. Barring any unforeseen circumstances, the Company is expected to be able to maintain the same quantum of dividend for the financial year ending 31 December 2001. The actual rate of dividend to be declared will depend on the Group's actual performance in that financial year as well as its future cashflow requirements.

6.5 Gearing

The effects of the Rights Issue on the gearing of the Group based on its audited consolidated accounts as at 31 December 2000 are as follows:-

	As at 31.12.2000 RM'000	(i) After the actual issue and allotment of shares under the ESOS since 01.01.2001 to 06.06.2001 *i RM'000	(ii) After (i) and the Rights Issue RM'000	(iii) After (ii) and the full exercise of Rights Warrants *ii RM'000
Shareholders' funds	285,643	285,657	366,787	450,817
Borrowings	96,823	96,823	96,823	12,793
Gearing ratio (times)	0.34	0.34	0.26	0.03

Notes:-

*i *The proceeds raised from the exercise of the options that resulted in the actual issue and allotment of Shares under the ESOS since 1 January 2001 to 6 June 2001 are assumed not utilised to repay borrowings.*

*ii *For illustrative purposes, it is assumed that the RM84,030,000 proceeds raised from the full exercise of the Rights Warrants will be used for the repayment of borrowings*

7. INDUSTRY REVIEW AND PROSPECTS OF THE GROUP

7.1 The Malaysian Economy

Real gross domestic product registered a growth of 3.2% in the first quarter of 2001. Growth was broad-based with all sectors of the economy recording positive growth rates. In an environment of less favourable external developments in the first quarter of 2001, growth was increasingly supported by domestic demand. The growth in the first quarter of 2001 was supported by expansion in domestic-oriented industries, the semiconductor sub-sector and the strong growth in both the agriculture and the services sectors. This diversified economic base helped cushion the marked slowdown in the electronics industries. Domestic demand was also supported by the higher Government expenditure. The pre-emptive pro-growth policies led to the strong increase in gross fixed capital formation which helped contain the impact of the slowdown in the United States.

The fiscal stimulus was also supported by major administrative changes undertaken to ensure that the counter cyclical fiscal policy would be effective in stimulating growth. Steps were taken to ensure that full utilisation of allocation to achieve maximum impact on the economy. Given the outlook for continued low inflation, monetary policy will remain accommodative to support economic growth. The implementation of the various pre-emptive measures such as fiscal measures introduced in the 2001 budget and more recently in March 2001 are to promote domestic investment and consumption.

(Source:- Bank Negara Malaysia Press Release dated 23 May 2001)

7.2 The Construction Sector

The construction sector turned around in 2000 to record a growth of 1.1% as compared to a contraction of 5.6% in 1999. The growth is mainly due to government spending under the fiscal stimulus programme, privatised infrastructure projects and new investment in residential sector in particular low and medium cost houses to meet the underlying demand. Excess supply however still exists in several segments of the property market. In the non-residential sector, the oversupply situation and the low occupancy rates for office and retail space continue to dampen building activity. The activities in the low and medium cost residential properties are however expected to remain strong.

Civil engineering sub-sector benefited from the large increase in the Federal Government development expenditure that was expended on construction of projects mainly in the transportation, education, public utilities and housing sub-sectors. Growth in the construction activity also originated from the revival of several privatised projects during 1999 such as the New Pantai Expressway, Express Rail Link and the Kuala Lumpur Monorail System. The commencement of new privatised projects during 2000 such as a power plant by Tenaga Nasional Berhad in Janamanjung and the Kajang-Seremban Expressway have also contributed to the growth of the construction activity in 2000. Bank Pembangunan and Infrastruktur Malaysia Berhad have by end 2000, approved a total of RM9.7 billion for financing of infrastructure projects.

The construction sector is projected to grow more strongly at 5.5% in 2001 on account of higher investment by the private sector, especially in the privatised infrastructure projects, and higher budgetary allocations for education, health and social amenities. Sustained economic growth and the continued expansion in incomes are also expected to continue to support demand and growth of construction activities. The share of the sector to the real GDP is foreseen to be maintained at 3.4%.

(Source:- Economic Report 2000/2001 and Bank Negara Malaysia Annual Report 2000)

7.3 The Iron and Steel Industry

The iron and steel industry forms the foundation of an advanced, industrialised economy. Many developing countries have continued to install steel-making capacities for the sake of national interest, i.e. to add value to natural resources, ensure ready supply for the development of the manufacturing and construction sectors, substitute for imports, save on foreign exchanges and to generate further linkages with the rest of the economy. Most of the countries which have emerged as industrialised economies over the last four (4) decades or so have regarded the development of their steel industry as a priority.

Malaysia's industrialisation-programme since the mid-1980s was intensified with the development of heavy industries in the country which together with the growth in the construction/civil sectors, has resulted in a substantial rise in steel consumption.

To a large extent, the steel industry in Malaysia is centred on the country's construction and infrastructural needs. Accordingly, production is still dominated by long products, especially bars and wire-rods, although the importance of flats and steel sections has increased in recent years with rapid development and rising economic wealth of the country's population. The country is currently moving into the production of flat products which are used mostly in the engineering sector.

(Source: MISIF Report, August 1999)

The industry underwent a sharp correction in 1998, where it felt the full year's impact of the economic downturn. The output of the primary products was at 2.8 million metric tonnes, down 36% from 4.4 million metric tonnes in 1997. Finished long products (comprising bars, wire-rods and sections) registered an output of 2.1 million metric tonnes in 1998, declining 43% from 3.7 million metric tonnes in 1997. Finished flat products (comprising hot-rolled sheets and plates and cold-rolled sheets) was down 30% from 605,000 metric tonnes in 1997 to 420,000 metric tonnes in 1998. Likewise, capacity utilisation fell as domestic demand declined sharply in 1998. The capacity utilisation for primary products was at approximately 46%, while that of rolled long products and rolled flat products were at 33% and 14% respectively.

(Source: MISIF Report, August 1999)

7.4 The Challenges Facing Local Steel Producers

The "economic crisis" has made structural changes in the steel and iron industry inevitable due to consolidation within the industry. In order to emerge from the economic crisis with a profitable and sustainable business, steel producers have to adopt a different approach in conducting their business. Four of the more pertinent issues and challenges facing the local steel industry are as follows:-

(a) The Competitive Edge

To compete in today's market, local producers must be internationally competitive and produce high quality steel at lower costs. Producers and customers of these "commodities" will be increasingly searching to ensure that it can achieve world-scale costs. Local steel producers not only need to compete with the best costs in the market but they must also have a competitive edge such as lead-time advantage or potential customer links, to differentiate itself from its competitors.

(b) Internationalisation

One of the developments taking place in the steel industry is the globalisation of the industry. Local producers have to be geared to remain competitive in an increasingly competitive environment. In the Southeast Asia region, AFTA would drive and expedite the globalisation of the industry. With the initiation of the Common Effective Preferential Tariff (CEPT) scheme under AFTA, tariffs on steel products will be reduced to between nil to 5% by the year 2003. This would result in a liberalised market and will intensify competition among producers of similar products in the region.

Though AFTA introduces foreign competition to local steel market, it also brings about growth opportunities and the opening up of new regional markets. The removal of trade and non-trade barriers will liberalise and allow for easier access to the regional market. Local producers must be efficiently geared and competitive not only to maintain its local market share, but to also seize the emerging opportunity in a more "open" and bigger regional market.

(c) Consolidation

Steel making capacity in Malaysia and Asia has expanded rapidly in recent years. There is apparent surplus steel-producing capacity in Malaysia and the region. Across Malaysia and Asia, the steel industry is also fragmented with too many small-scale plants that must compete against each other.

One of the key elements in the future structure of the steel industry across Malaysia and the region is the need to consolidate and develop new groupings of businesses that offer better prospects for returns on capital and to improve market positions. Mergers and cross-rationalisations will be driven by the need to achieve a more rational economic and market-related structure.

(d) **Increase Market Value Positions**

To sustain business viability and maximise investment returns in a highly competitive environment, local steel producers would need to improve their market value positions. Local producers would have to learn to create value along the whole value chain.

Strategic upstream and downstream investments are vital to improve market positions, realise better value and increase cost efficiency through the supply chain.

7.5 Prospects

The economic outlook for 2001 is favourable. Growth is expected to be sustained by stronger performance of the private sector that will provide the primary stimulus for growth. The government will continue to support private sector to ensure that growth in economic activities is sustained. In addition to the fiscal stimulus, the government will continue to support economic growth through measures that promote expansion of domestic demand and development of new sources of growth to further enhance the nation's competitiveness and resilience. All sectors of the economy are expected to continue registering positive growth in 2001. The manufacturing sector is projected to continue to register a double digit growth of 12% to retain its position as the leading sector in the economy against a background of sustained world economic growth and trade expansion.

The international economic environment is expected to continue to be favourable with world growth remaining strong at 4.2%. The slower growth anticipated for United States is expected to be mitigated by continued growth of Malaysia's other major trading partners such as Japan and the European Union. Regional growth is expected to moderate but remain strong at 6% in 2001 as compared to 6.5% in 2000. Growth in world trade is expected to continue to be strong at 7.8%. Despite the strong indications that sustainable growth is achievable some downside risks exist. These risks include the possibility of a larger-than-expected slowing down of US economy, which in turn could affect the electronics sector, a slower-than-anticipated strengthening of private consumption and lower private investment, both domestic and foreign.

(Source: The Economic Report 2000/2001)

7.6 Prospect of the steel and iron industry

With signs of economic recovery, a more positive outlook can be expected in the future. Indications that the economy has already bottomed-out and is well on the road to recovery are now evident.

The main source of growth for the local steel and iron industry is expected to be from domestic demand stimulated by measures put in place by the government to revive the economy. In the recent fourth quarter economic data released by Bank Negara Malaysia, Malaysia recorded a GDP growth of 8.5% for the year 2000. Of significance is the fact that the economic growth is broad based with all sectors recorded positive growth. The construction sector recorded positive growth for all successive quarters in 2000 with a growth of 1.0% for the fourth quarter. Consumption of steel is also expected to get a shot in the arm following the government's implementation of fiscal measures to restore the economy. Among such measures is the establishment of an infrastructure development fund which, with an initial allocation of RM5 billion, is expected to stimulate infrastructure projects related to transportation, ports, highways, water supply, waste disposal and sewerage. The Bank Negara Report has reported a construction sector growth of 1.1% for the year 2000.

The development in the construction and infrastructural sector augurs well for the country's iron and steel industry as it is still centred around the country's construction and infrastructural needs. Although the growth rate may not reflect those recorded during the mid 90s (i.e. 20% to 30%), it is however more sustainable. The long-term perspective for steel growth is nonetheless positive, as the development of the steel industry is one of Malaysia's national and strategic priorities in order to achieve an industrialised nation status.

The iron and steel industry also has immense potential regionally and this is exemplified by the projected strong growth rates in the newly industrialised countries and developing nations, particularly the Southeast Asia and China, which are characterised by a low per capita steel consumption and a rapidly growing population. The steel consumption in this region is still below that of the Western industrialised nations and the world average.

7.7 Prospects of the Ann Joo Group

The business of Ann Joo started more than 50 years originating from a scrap metal dealer business. The Ann Joo Group which focuses on activities ranging from the trading of local and imported steel products to the manufacturing and servicing of steel products, has currently rationalised and restructured it's manufacturing division. The Group's manufacturing division is now segregated into two (2) Strategic Business Units ("SBUs") after the creation of SBU 3 following the Acquisition. The Ann Joo Group performed relatively well against a backdrop of depressed steel prices and the excess production capacity within the construction sector in year 2000.

The Ann Joo Group will be operating for a full year from a combined and strengthened position from the acquisition of Malayawata in year 2001. This will diversify and broaden the Group's exposure to the construction sector. The Group which caters to a broad and diverse base in industries and sectors such as the oil and gas, general engineering, construction, building and infrastructure, automobile and electrical appliances is well positioned to maintain its profitability in year 2001.

Though in the short-term, the demand for steel from the construction sector is not expected to increase significantly, the Board however remains optimistic with regards to the long-term prospects of the steel industry and is also confident that there will be a gradual improvement in the demand and recovery of steel prices following the depletion of excess stocks in the market.

The Board is also of the opinion that the Group is well positioned to take on the opportunities that are available in Malaysia's growing and developing economy with the its continuous focus on providing value-added services, exploring new markets and stringent cost rationalisation.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

8.1 Working Capital

The Board is of the opinion that, after taking into account the amount to be raised from the Rights Issue, the banking facilities available to Ann Joo and its subsidiaries and the funds generated from its existing operations, Ann Joo and its subsidiaries should have adequate working capital for its present and foreseeable future requirements.

8.2 Borrowings

As at 15 June 2001 (being the latest practicable date prior to the printing of this Abridged Prospectus), Ann Joo and its subsidiaries has total borrowings of approximately RM159.99 million comprising RM113.12 million short-term borrowings and RM46.87 million long term borrowings respectively. All the borrowings are interest bearing.

8.3 Contingent Liabilities

As at 15 June 2001 (being the latest practicable date prior to the printing of this Abridged Prospectus), Ann Joo and its subsidiaries do not have any contingent liabilities.

8.4 Capital Commitments

As at 15 June 2001 (being the latest practicable date prior to the printing of this Abridged Prospectus), Ann Joo and its subsidiaries do not have any capital commitments.

9. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

The irrevocable undertaking by the major shareholders of Ann Joo namely AJC and United Hardware Holdings Sendirian Berhad to subscribe to the Rights Shares are set out as follows:-

	<-----Shareholdings as at 6 June 2001--------->				The number of
	<------Direct------>		<------Indirect------>		Rights Shares
Shareholders	No. of Shares held	%	No. of Shares held	%	undertaken to be subscribed
AJC	93,872,098	55.86	*i 1,218,337	0.72	46,936,049
United Hardware Holdings Sendirian Berhad	1,218,337	0.72	-	-	*ii 4,009,169

Notes:-

*i *Deemed interested via its substantial shareholding in United Hardware Holdings Sendirian Berhad.*

*ii *The undertaking to subscribe to the 4,009,169 Rights Shares by United Hardware Holdings Sendirian Berhad comprise 609,169 Rights Shares entitled to it based on the 1,218,337 Shares held as at 6 June 2001 and 3,400,000 Rights Shares, which relates to the 6,800,000 Shares that were transferred to Dato' Soo Lai Sing and parties related to him in September 2000 pursuant to a private transaction between a subsidiary of AJC and companies related to Dato' Soo Lai Sing. The 3,400,000 Rights Shares above will be subscribed by United Hardware Holdings Sendirian Berhad, by way of excess share application.*

The remaining 33,084,782 Rights Shares representing 39.37% of the 84,030,000 Rights Shares ("Underwritten Shares") being issued have been fully underwritten by CIMB at an underwriting commission of 2.0% on the issue price of the Rights Shares subject to the terms and conditions of the underwriting agreement entered into between Ann Joo and CIMB on 29 May 2001. The underwriting commission will be fully borne by the Company.

In addition to the 33,084,782 Underwritten Shares, CIMB had also agreed to participate in the additional underwriting of up to 8,068,490 Rights Shares ("Additional Rights Shares") that could have been issued under the Rights Issue had additional Shares been issued under the Placement and exercise of the ESOS Options prior to the Books-Closure-Date ("Additional Underwriting"). Since no new Shares were issued pursuant to the Placement and no ESOS Options were exercised since the signing of the underwriting agreement until the Books-Closure-Date, the Additional Rights Shares will not be issued under the Rights Issue. CIMB will charge an undertaking fee to participate in the Additional Underwriting of 0.1% on the issue value of the entire Additional Rights Shares. As the Additional Rights Shares will not be issued, CIMB will not charge the pre-agreed underwriting commission of 1.9% on the actual Additional Rights Shares that are not subscribed.

On 29 May 2001, CIMB entered into put-call option agreement with AJC, whereby CIMB has the right to sell the Underwritten Shares to AJC whilst AJC has the right to purchase the Underwritten Shares from CIMB at any time during a period of two (2) months after CIMB becomes obliged to subscribe to the Underwritten Shares.

Please refer to Section 5(k) and (l) of this Abridged Prospectus for the risk relating to the shareholders undertaking and the underwriting arrangement.

10. TERMS AND CONDITIONS

The Rights Issue is governed by the terms and conditions set out in this Abridged Prospectus and in the accompanying Notice and RSF enclosed herewith.

11. ADDITIONAL INFORMATION

Shareholders are requested to refer to the attached Appendices for further information.

Yours faithfully
for and on behalf of the Board of
ANN JOO RESOURCES BERHAD

Lim Kiam Lam
Group Managing Director