

**DIRECTORS' REPORT**

*(Prepared for inclusion in this Abridged Prospectus)*

**Registered Office:-**

Wisma Ann Joo  
Lot 19391, Batu 8 1/2  
Jalan Klang Lama  
46000 Petaling Jaya  
Selangor Darul Ehsan

15 June 2001

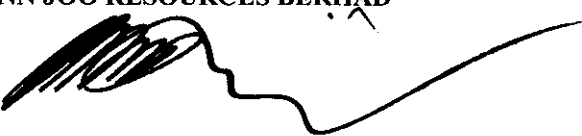
The Shareholders of Ann Joo Resources Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Ann Joo Resources Berhad ("Ann Joo" or "Company"), I report that, to the best of our knowledge and belief, during the period from 31 December 2000 (being the date to which the last audited accounts of Ann Joo and its subsidiaries have been made) to 15 June 2001 (being a date not earlier than fourteen (14) days before the issue of this Abridged Prospectus):-

- (i) the businesses of the Company and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen which have adversely affected the trading or the value of the assets of the Company or any of its subsidiaries;
- (iii) the current assets of the Company and of its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the Company or any of its subsidiaries; and
- (v) save as disclosed in this Abridged Prospectus, there have been no changes in the published reserves or any unusual factors affecting the results of the Company and its subsidiaries since the last audited accounts.

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

  
**LIM KIAM LAM**  
Group Managing Director

## FURTHER INFORMATION

### 1. SHARE CAPITAL

- (i) No Rights Shares will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus;
- (ii) There are no founder, management or deferred shares. There is only one (1) class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.
- (iii) As at the date of this Abridged Prospectus, save for the ESOS, no person has been or is entitled to be given an option to subscribe for any Shares, stocks or debentures of the Company or subsidiaries and no capital of the Company and subsidiaries is under any option or agreed conditionally or unconditionally to be put under any option.
- (iv) Save for the 12,400,000 new Shares issued pursuant to the Placement, 3,772,000 new Shares issued pursuant to the exercise of the ESOS Options and the 84,030,000 Rights Shares to be issued pursuant to the Rights Issue, no shares or debentures of the Company have been or are proposed or intended to be issued as partly or fully paid-up for cash or otherwise than in cash within the two (2) years preceding the date hereof.

### 2. ARTICLES OF ASSOCIATION

The provisions in the Company's Articles of Association dealing with the remuneration of the Directors are as follows:-

#### *Article 113*

The fees of the directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the directors as they may agree or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office. Provided Always that:-

- (a) fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.
- (b) salaries payable to executive directors may not include a commission on or percentage of turnover.
- (c) fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (d) any fee paid to an alternate director shall be agreed upon between himself and the director nominating him and shall be paid out of the remuneration of the latter.

#### *Article 114*

- (a) The directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the directors or of any committee of the directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as directors.

- (b) If by arrangement with the directors, any director shall perform or render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of exertions or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, the director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged Provided Always that extra remuneration payable to:-
  - (a) a non executive director shall not be by a commission on or percentage of profits of turnover; and
  - (b) an executive director shall not include a commission on or percentage of turnover.

### 3. MATERIAL CONTRACTS

Save as disclosed below, Ann Joo and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the date of this Abridged Prospectus.

- (a) On 13 September 1999, Ann Joo entered into a share sale agreement with Sanritsu Kogyo Co. Ltd. for the acquisition of 3,015,150 ordinary shares of RM1.00 each in API for a total consideration of RM2,001,758. The acquisition of the above shares was completed on 15 September 1999.
- (b) On 17 September 1999, Ann Joo entered into a shareholders agreement to regulate and formalise the joint venture in ACSAN with Chuan Huat Hardware Holdings Sdn. Bhd., SHH Holdings Sdn. Bhd., Ann Yak Siong Hardware Sdn. Bhd. and NCK Corporation Berhad. ACSAN is involved in the in the slitting and shearing of hot-rolled steel coils and sheets. Ann Joo will hold an equity interest of 33.32% in ACSAN, whilst the other parties individually will hold 16.67% equity interest in ACSAN. Ann Joo's commitment involves the subscription of 6,000,000 ordinary shares of RM1.00 each in ACSAN for a total consideration of RM6,000,000.
- (c) On 3 January 2000, Ann Joo entered into a share sale agreement with Aseania Industries Sdn. Bhd. for the acquisition of 2,580,000 ordinary shares of RM1.00 each in ASSC for a purchase consideration of RM3,612,000. The acquisition of the above shares was completed on 12 April 2000.
- (d) On 23 February 2000 Ann Joo and Chuan Huat Hardware Holdings Sdn. Bhd., SHH Holdings Sdn. Bhd., Ann Yak Siong Hardware Sdn. Bhd. entered into a share sale agreement with NCK Corporation Berhad ("NCK") for the acquisition of an equal share of 37,500 ordinary shares of RM1.00 each in ACSAN which has already been issued to NCK for a total consideration of RM37,500. Upon full payment of the purchase price on 1 March 2000, the shareholders' agreement dated 17 September 1999 as set out in (b) above was terminated.
- (e) On 22 March 2000, Ann Joo entered into a conditional sales of share agreement with Pernas for the acquisition of 60,548,526 ordinary shares of RM1.00 each in Malayawata representing 30.03% equity interest therein for a cash consideration of RM201,626,591.58 which was completed on 10 August 2000.
- (f) On 20 April 2000, Ann Joo entered into a new shareholders' agreement with Chuan Huat Hardware Holdings Sdn. Bhd., SHH Holdings Sdn. Bhd., Ann Yak Siong Hardware Sdn. Bhd. for the subscription of new shares in ACSAN to enable Ann Joo to hold up to 7,560,000 ordinary shares of RM1.00 each in ACSAN representing an equity interest of 42% in ACSAN. Pursuant to the above, Ann Joo's commitment has increased to RM7,560,000 of which RM6,300,000 has already been subscribed to by Ann Joo on 4 July 2000.

- (g) On 17 March 2001, Ann Joo entered into an agreement with Bumiputra-Commerce Bank Berhad for a term loan amounting to RM50 million for an interest rate of base lending rate plus 1% per annum or quarterly cost of funds plus 1.25%. The term loan is taken up by Ann Joo for the part payment of the acquisition of 60,548,526 ordinary shares of RM1.00 each in Malayawata representing 30.03% equity interest therein. The 60,548,526 ordinary shares of RM1.00 each in Malayawata have been deposited with the bank as the security for the term loan.
- (h) On 21 March 2001, Ann Joo entered into a Supplemental SSA with Pernas to extend the payment period for the balance of the consideration for the acquisition of 60,548,526 ordinary shares of RM1.00 each in Malayawata representing 30.03% equity interest therein, amounting to RM181,463,932.43 ("Balance Consideration"). Under the Supplemental SSA, the payment of the Balance Consideration is split into two (2) tranches. The first tranche amounting to RM90,731,966.22 was paid on 21 March 2001. The second tranche 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.
- (i) An underwriting agreement dated 29 May 2001 was made between Ann Joo and CIMB for the underwriting of up to 41,153,272 Rights Shares to be issued pursuant to the Rights Issue. The underwriting agreement comprise two (2) portions, in which the first part is the fixed underwriting of 33,084,782 Rights Shares at an underwriting commission of 2.0% on its issue value. The second part is the additional underwriting of up to 8,068,490 Rights Shares that could be issued under the Rights Issue depending on the actual number of new Shares that could be issued under the Placement and exercise of the ESOS Options prior to the Books-Closure Date ("Additional Rights Shares") ("Additional Underwriting"). 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 and will charge an underwriting commission of 1.9% of the issue value of the actual Additional Rights Shares that are not subscribed.
- (j) A Deed Poll dated 31 May 2001 constituting the Rights Warrants executed by Ann Joo.

#### 4. MATERIAL LITIGATION

##### Material Litigation

Save as disclosed below, Ann Joo and its subsidiaries are not involved in any material litigation, either as plaintiff or defendant, which had or may have a material effect on the financial position of Ann Joo and its subsidiaries and the Directors are not aware of any proceedings, pending or threatened against Ann Joo and its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of Ann Joo and its subsidiaries.

- (a) AJT filed a suit against the guarantors of G Two Holding Sdn. Bhd. ("G Two") in 1998 for debts owing arising from goods delivered and received amounting to RM897,219.45. AJT's application for summary judgement against the guarantors was dismissed and AJT is appealing to the Court of Appeal against that order. AJT has also filed a suit in 1999 against Dato' Lim Huah Leong. The decision for AJT's application for summary judgement has been granted against Dato' Lim Huah Leong on 4 October 2000. Dato' Lim Huah Leong has filed an appeal to the Judge-In-Chambers against the summary judgement, which appeal is subject to prior approval from the official Assignee. In the meantime, AJT has filed a bankruptcy petition against Dato' Lim Huah Leong.

- (b) AJT filed a suit against Zulkiflie Baharudin and Yap Ying Long, the two (2) guarantors of Pembinaan M Y Cahaya Sdn. Bhd. ("Pembinaan MY") on 3 December 1998 for debts owing from goods sold and delivered to Pembinaan MY amounting to RM1,081,643.69. The application for summary judgement has been fixed for 18 December 2000. Pembinaan M Y was wound up on 20 October 1999 by AJM and Pembinaan M Y has appealed against the winding-up order. With regard to the suit against the two (2) guarantors, AJT has obtained summary judgement against one of them whilst the other guarantor has already been made a bankrupt.
- (c) AJT filed a winding-up petition against A Team Sdn. Bhd. ("A Team") on 23 May 2000 for debts owing arising from goods delivered and received amounting to RM795,789.91. A Team has been wound up on 11 October 2000. AJT filed a suit against Loong Chiah Peng and Chew Ah Loy @ Chow Yoke Jun, the guarantors for the debts due from A Team to AJT. Judgement in default against Loong Chiah Peng and Chew Ah Loy @ Chow Yoke Jun was obtained on 11 May 2001.
- (d) AJE filed a suit against Ahmad Bin Omar @ Amar, one of the guarantor of Euro Elegant Sdn. Bhd. ("Euro Elegant") on 12 March 1998 for debts owing arising from goods delivered and received amounting to RM459,839.78. AJE is appealing to the Court of Appeal against the dismissal by the Judge-in-chambers of its appeal made in respect of the order by Senior Assistant Registrar dismissing its application for summary judgement against the guarantor. Euro Elegant was wound-up on 11 November 1998.
- (e) AJT filed a suit against Tan Kong Ching and Chia Lai Kong on 26 February 1998, who are the guarantors for Amseal Engineering Sdn. Bhd. for goods sold and delivered amounting to RM1,012,592.35. Judgement was obtained against Tan Kong Ching on 24 August 1998 and against Chia Lai Kong on 8 February 1999.

## 5. GENERAL

- (i) The nature of the Company's business is described in Section 1 of Appendix II of this Abridged Prospectus. Save as disclosed below and in Appendix II of this Abridged Prospectus, there are no corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act, 1965 as at the date hereof. The details of the subsidiaries of AJC, not already disclosed in Appendix II of this Abridged Prospectus, as at 6 June 2001 are as follows:-

Name	Place and date of incorporation	Effective equity interest %	Par value RM	Issued and paid-up share capital RM	Principal Activities
Ann Joo Land Sdn. Bhd. (formerly known as Topmost Skyline Sdn. Bhd.)	Malaysia; 26.01.00	100	1.00	300,000	Property management
Ann Joo Properties Sdn. Bhd.	Malaysia; 18.03.80	100	1.00	1,200,000	Property holding
Peelee Construction & Trading Sdn. Bhd.	Malaysia; 21.03.84	100	1.00	975,000	Building contractor and agent of building materials
United Hardware Holdings Sendirian Berhad	Malaysia; 29.11.82	100	1.00	9,836,948	Investment holding
Binavec Sdn. Bhd.	Malaysia; 17.05.90	80	1.00	500,000	Property investment
Jurus Ikhlas Sdn. Bhd.	Malaysia; 03.04.95	60	1.00	4,980,869	Dormant
Trimvilla Sdn. Bhd.	Malaysia; 13.11.95	60	1.00	3,946,982	Dormant
Alfadale Sdn. Bhd.*	Malaysia; 22.05.96	100	1.00	650,002	Dormant

**Note:-**

\* *The effective interest in Alfadale Sdn. Bhd. is held through United Hardware Holdings Sendirian Berhad. The issued and paid-up share capital of Alfadale Sdn. Bhd. of RM650,002 comprises 6,500,002 ordinary shares of RM1.00 each of which 2 shares have been fully paid-up and the remaining 6,500,000 shares have only been paid-up to RM0.10 per share.*

- (ii) The total estimated expenses of or in connection with the Rights Issue relating to underwriting commission, fees payable to the relevant authorities, registration and professional fees and other incidental expenses of approximately RM2.9 million will be borne by the Company.
- (iii) Save for the placement fee of 0.75% (of the issue value of the shares) paid by Ann Joo to CIMB, as placement agent for the Placement, which involved the issue of 12,400,000 Shares and the commission and fees payable by Ann Joo as disclosed in paragraph (ii) above, no other commission has been paid or is payable by the Company within the two (2) years immediately preceding the date of this Abridged Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company and no Director or proposed Director or promoter or expert is or are entitled to receive any such payment.
- (iv) None of the Directors of Ann Joo have any existing or proposed service contracts with Ann Joo or its subsidiaries, excluding contracts expiring or terminable by the employing company without payment or compensation (other than statutory compensation).
- (v) Save as disclosed in this Abridged Prospectus, the Directors are not aware of any material information, including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company or its subsidiaries.
- (vi) Save as disclosed in this Abridged Prospectus, the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:-
  - (a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in Ann Joo and its subsidiaries liquidity increasing or decreasing in any material way;
  - (b) Material commitments for capital expenditure;
  - (c) Unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and
  - (d) Known trends or uncertainties that have had or that Ann Joo and its subsidiaries reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.
- (vii) Save as disclosed in Section 4 of this Abridged Prospectus, no property has been purchased or acquired in the two (2) years preceding the date of this Abridged Prospectus or to be purchased or acquired by the Company and its subsidiaries as at the date hereof which is to be paid for, wholly or partly, out of the proceeds of the Rights Issue or the purchase or acquisition of which has not been completed at the date of issue of this Abridged Prospectus other than property, the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of the Company and its subsidiaries, the contract not being made in contemplation of the Rights Issue as a consequence of the contract.

## 6. CONSENTS

- (i) The written consents of the Adviser and Underwriter, Principal Bankers, Share Registrar, Solicitor, Company Secretaries and MISIF to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn; and

- (ii) The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of its name and letters relating to the Auditors' Report on the audited consolidated accounts of the Company for the financial year ended 31 December 2000 and the proforma consolidated balance sheets of Ann Joo as at 31 December 2000 in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn.

## **7. DOCUMENTS FOR INSPECTION**

A copy each of the following documents is available for inspection at the registered office of the Company during normal business hours from Mondays to Fridays (except for public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:-

- (i) The Memorandum and Articles of Association of Ann Joo;
- (ii) The proforma consolidated balance sheets of Ann Joo as at 31 December 2000 and the Reporting Accountants' letter thereon as set out in Appendix III of this Abridged Prospectus;
- (iii) The audited consolidated accounts of Ann Joo for the past two (2) financial years ended 31 December 2000;
- (iv) The Directors' Report as set out in Appendix V of this Abridged Prospectus;
- (v) The material contracts referred to in Section 3 above;
- (vi) The writs of litigation referred to in Section 4 above;
- (vii) The letters of consent referred to in Section 6 above; and
- (viii) The deed poll for the Rights Warrants.

## **8. RESPONSIBILITY STATEMENTS**

- (i) CIMB acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue; and
- (ii) This Abridged Prospectus, Notice and RSF have been seen and approved by the Directors of Ann Joo and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made inquiries which are reasonable in the circumstances, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.