

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" Section of this Abridged Prospectus unless stated otherwise.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Ann Joo Shares, you should at once hand this Documents to the agent/broker through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Rights Issue of RCPS, which is the subject of this AP should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Documents relating to the Rights Issue of RCPS are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 7 November 2016 who have registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia in writing on or before 5.00 p.m. on 7 November 2016. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue of RCPS is not intended to be (and will not be) made or offered or deemed to be made or offered for subscription, in any countries or jurisdictions other than Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue of RCPS, offer, distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Rights Issue of RCPS and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue of RCPS to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of RCPS in any jurisdictions other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who are residing in countries or jurisdictions other than Malaysia to immediately consult their legal advisers and other professional adviser as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue of RCPS would result in the contravention of any law of such countries or jurisdictions. Our Company, Affin Hwang IB and other experts shall not be responsible or liable howsoever in the event that any acceptance or sale/renunciation (as the case may be) made by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) is a resident. For further information, see "Laws of foreign jurisdictions" as set out in Section 10.11 of this AP.

A copy of this AP has been registered with the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of RCPS or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents, have also been lodged with the Registrar of Companies who takes no responsibility for their contents.

Approval for the Rights Issue of RCPS has been obtained from our shareholders at the EGM held on 21 October 2016. Approval has also been obtained from Bursa Securities vide its letter dated 7 September 2016 for amongst others, the admission of the RCPS to the Official List of Bursa Securities and the listing of and quotation for the RCPS to be issued pursuant to the Rights Issue of RCPS and the listing of and quotation for the new Ann Joo Shares to be issued pursuant to the conversion of the RCPS on the Main Market of Bursa Securities. Bank Negara Malaysia has, on 5 October 2016, approved the issue of RCPS to non-resident shareholders of our Company pursuant to the Right Issue of RCPS. However, this is not an indication that Bursa Securities recommends the Rights Issue of RCPS, and is in no way reflective of the merits of the Rights Issue of RCPS. The admission of the RCPS to the Official List of Bursa Securities and listing of and quotation for the RCPS and the new Ann Joo Shares to be issued pursuant to the conversion of the RCPS on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to the Rights Issue of RCPS. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in these documents false or misleading.

Affin Hwang IB, being the Principal Adviser for the Rights Issue of RCPS, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of RCPS.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS AP.

 安裕資源有限公司
ANN JOO RESOURCES BERHAD

(Company No. 371152-U)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 125,139,720 NEW REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF RM0.01 EACH IN ANN JOO RESOURCES BERHAD ("ANN JOO") ("RCPS") CONVERTIBLE INTO ORDINARY SHARES OF RM1.00 EACH IN ANN JOO ("ANN JOO SHARES" OR "SHARES") ON THE BASIS OF 1 RCPS FOR EVERY 4 EXISTING ANN JOO SHARES HELD AS AT 5.00 P.M. ON 7 NOVEMBER 2016 AT AN ISSUE PRICE OF RM0.50 PER RCPS ("RIGHTS ISSUE OF RCPS")

Principal Adviser



AFFIN HWANG INVESTMENT BANK BERHAD

(Company No.: 14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	: Monday, 7 November 2016 at 5.00 p.m.
Last date and time for sale of provisional allotment of RCPS	: Monday, 14 November 2016 at 5.00 p.m.
Last date and time for transfer of provisional allotment of RCPS	: Thursday, 17 November 2016 at 4.00 p.m.
Last date and time for acceptance and payment	: Tuesday, 22 November 2016 at 5.00 p.m.
Last date and time for excess RCPS application and payment	: Tuesday, 22 November 2016 at 5.00 p.m.

This Abridged Prospectus is dated 7 November 2016

ALL TERMS AND ABBREVIATIONS USED HEREIN SHALL HAVE THE SAME MEANINGS AS THOSE DEFINED IN THE "DEFINITIONS" SECTION OF THIS AP UNLESS STATED OTHERWISE.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP. A COPY OF THIS AP HAS BEEN REGISTERED WITH THE SC.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF RCPS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS ARE SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY OTHER COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE OF RCPS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

For the purpose of this AP, unless where the context otherwise requires, the following definitions shall apply throughout this AP:-

AP	: This abridged prospectus dated 7 November 2016 in relation to the Rights Issue of RCPS
Act	: Companies Act, 1965
Affin Hwang IB	: Affin Hwang Investment Bank Berhad (14389-U)
AJC	: Ann Joo Corporation Sdn Bhd (24089-X)
Amendments	: Amendments to the Memorandum and Articles of Association of Ann Joo to facilitate the IASC and the issuance of the RCPS pursuant to the Rights Issue of RCPS
Ann Joo or Company	: Ann Joo Resources Berhad (371152-U)
Ann Joo Group or Group	: Ann Joo and its subsidiaries, collectively
Ann Joo Share(s) or Share(s)	: Ordinary share(s) of RM1.00 each in Ann Joo
Announcement	: Announcement dated 24 May 2016 in relation to the Corporate Exercises
ATM	: Automated Teller Machine
Authorised Nominee	: A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
Board	: The Board of Directors of Ann Joo
BNM	: Bank Negara Malaysia
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CDS	: Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	: A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposit of securities and dealing in such securities by that depositor
CMSA	: Capital Markets and Services Act, 2007
Corporate Exercises	: Collectively, the Rights Issue of RCPS, the LTIP, the DRP, the IASC and the Amendments
Documents	: AP, NPA and RSF, collectively
DRP	: Dividend reinvestment plan that provides the shareholders of Ann Joo with the option to elect to reinvest their dividends in new Ann Joo Shares

DEFINITIONS (CONT'D)

EGM	:	Extraordinary general meeting
Electronic Application	:	Application for the Rights Issue of RCPS through the ATMs of Participating Financial Institutions
Entitled Shareholder(s)	:	Shareholder(s) of Ann Joo whose names appear in the ROD of the Company on the Entitlement Date in order to be entitled to participate in the Rights Issue of RCPS
Entitlement Date	:	5.00 p.m. on 7 November 2016, being the time and date on which the names of the shareholder(s) must be registered in the ROD of Ann Joo in order to be entitled to participate in the Rights Issue of RCPS
EPS	:	Earnings per Share
Foreign Addressed Shareholder(s)	:	Shareholder(s) whose address in the Company's Record of Depositors is not in Malaysia
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
IASC	:	Increase in the authorised share capital of Ann Joo from RM1,000,000,000 comprising 1,000,000,000 Ann Joo Shares to RM1,005,000,000 comprising 1,000,000,000 Ann Joo Shares and 500,000,000 preference shares of RM0.01 each
Identified Shareholders	:	Shareholders of Ann Joo, namely AJC, Lim Seng Chee & Sons Sdn Bhd, LSQ & Sons Sdn Bhd, Lim Sin Seong Sdn Bhd, Dato' Lim Kiam Lam and Dato' Lim Hong Thye, collectively
Internet Application	:	Application for the RCPS and/or excess RCPS within Malaysia through Internet Participating Financial Institutions
Internet Participating Financial Institutions	:	Participating financial institutions for Internet Application as referred to in Section 10.5.3 (By way of Internet Applications) of this AP
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LAT	:	Loss after tax
LPD	:	10 October 2016, being the latest practicable date prior to the registration of this AP with the SC
LPS	:	Loss per Share
LTD	:	20 October 2016, being the last trading day prior to the Price-Fixing Date
LTIP	:	Establishment of a long term incentive plan of up to 15% of the issued and paid-up ordinary share capital of Ann Joo (excluding treasury shares) at any time during the period of the long term incentive plan, for the selected key personnel and/or senior management of Ann Joo Group who fulfil the eligibility criteria
Market Day(s)	:	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities

DEFINITIONS (CONT'D)

Maximum Scenario	: Assuming none of the treasury shares as at the LPD are resold on the open market of Bursa Securities and all Entitled Shareholders fully subscribe for their entitlements of the RCPS
Minimum Scenario	: Assuming none of the treasury shares as at the LPD are resold on the open market of Bursa Securities and the Rights Issue of RCPS is undertaken on the Minimum Subscription Level basis pursuant to the Undertakings
Minimum Subscription Level	: The minimum subscription of 84,414,421 RCPS by the Identified Shareholders, raising a minimum gross proceeds of approximately RM42.21 million pursuant to the Undertakings
NA	: Net assets
Nominees Provisional RCPS Entitlement File	: An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing information of such Authorised Nominee's entitlements under the Rights Issue of RCPS as at the Entitlement Date
NPA	: Notice of provisional allotment of RCPS in relation to the Rights Issue of RCPS
NRA	: Net redemption amount
NRS	: Nominee rights subscription service offered by Bursa Depository, at the request of our Company, to Authorised Nominees for electronic subscription of RCPS through Bursa Depository's existing network facilities with the Authorised Nominees
Official List	: A list specifying all securities listed on the Main Market of Bursa Securities
Participating Financial Institutions	: Participating financial institutions for Electronic Application as referred to in Section 10.5.2 (By way of Electronic Application) of this AP
Price-Fixing Date	: 21 October 2016, being the date on which the Company fixed and announced the RCPS Issue Price and RCPS Conversion Price
Provisional RCPS	: RCPS provisionally allotted to the Entitled Shareholders
RCPS	: The redeemable convertible cumulative preference shares of RM0.01 each in Ann Joo to be issued pursuant to the Rights Issue of RCPS
RCPS Cash Consideration	: The cash consideration of RM1.30 per RCPS payable upon conversion of RCPS (together with the RCPS Issue Price towards satisfying the RCPS Conversion Price)
RCPS Conversion Price	: The conversion price of RM1.80 per RCPS
RCPS Issue Price	: The issue price of RM0.50 per RCPS
RCPS Subscription File	: An electronic file forwarded by an Authorised Nominee who has subscribed for NRS to Bursa Depository, containing information pertaining to such Authorised Nominee's acceptance of their respective Provisional RCPS and application for excess RCPS

DEFINITIONS (CONT'D)

Record of Depositors or ROD	:	A record provided by Bursa Depository pursuant to Chapter 24 of the Rules of Bursa Depository
Rights Issue of RCPS	:	Renounceable rights issue of up to 125,139,720 new RCPS convertible into Ann Joo Shares on the basis of 1 RCPS for every 4 existing Ann Joo Shares held on the Entitlement Date
RMB	:	Chinese Renminbi
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights subscription form in relation to the Rights Issue of RCPS
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
SGD	:	Singapore dollar
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Undertakings	:	Irrevocable written undertakings dated 1 July 2016 from the Identified Shareholders to subscribe in full for their respective entitlements for the RCPS on the Entitlement Date
USD	:	United States dollar
VWAP	:	Volume weighted average market price

All references to “**our Company**” in this AP are to Ann Joo Resources Berhad, and references to “**our Group**” are to our Company and our subsidiaries. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company, and where the context otherwise requires, shall include our subsidiaries.

All references to “**you**” and “**your**” in this AP are to the Entitled Shareholders and/or where the context otherwise requires, their renounce(s)/transferee(s).

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender(s), and *vice versa*. Any references to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time or date in this AP shall be a reference to Malaysian time or date, unless otherwise specified.

Any discrepancies in the tables included in the AP between the amounts listed, actual figures and the totals thereof are due to rounding.

TABLE OF CONTENTS

	PAGE
CORPORATE DIRECTORY	viii
LETTER TO THE SHAREHOLDERS OF ANN JOO CONTAINING:-	
1. INTRODUCTION.....	1
2. PARTICULARS OF THE RIGHTS ISSUE OF RCPS.....	4
2.1 Details of the Rights Issue of RCPS.....	4
2.2 Basis and justification of arriving at the RCPS Issue Price and RCPS Conversion Price	6
2.3 Ranking of the RCPS and new Shares arising from the conversion of the RCPS.....	7
2.4 Salient terms of the RCPS.....	7
2.5 Conversion and redemption.....	12
2.6 Other corporate proposals announced but pending completion.....	16
3. RATIONALE FOR THE RIGHTS ISSUE OF RCPS.....	16
4. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT	17
4.1 Undertaking on a Minimum Subscription Level.....	17
5. UTILISATION OF PROCEEDS	18
6. RISK FACTORS.....	19
6.1 Risks relating to the Rights Issue of RCPS.....	19
6.2 Forward-looking statements.....	20
6.3 Risk relating to our Group.....	21
7. INDUSTRY OVERVIEW AND PROSPECTS OF OUR GROUP.....	24
7.1 Outlook of the Malaysian Economy.....	24
7.2 Outlook of the Steel Manufacturing Industry in Malaysia.....	25
7.3 Prospects of Ann Joo.....	28
8. FINANCIAL EFFECTS.....	31
8.1 Issued and paid-up share capital.....	31
8.2 NA per Share and gearing.....	32
8.3 Substantial shareholders' shareholdings.....	35

TABLE OF CONTENTS (CONT'D)

8.4	Earnings and EPS.....	38
8.5	Convertible securities.....	39
9.	WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS.....	39
9.1	Working capital.....	39
9.2	Borrowings.....	39
9.3	Contingent liabilities.....	40
9.4	Material commitments.....	40
10.	PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION.....	40
10.1	General.....	40
10.2	NPA.....	40
10.3	Last date and time for acceptance and payment.....	41
10.4	Methods of application.....	41
10.5	Procedures for full acceptance by the Entitled Shareholders and/or their renouncee(s)/transferee(s).....	41
10.6	Procedures for part acceptance by the Entitled Shareholders and/or their renouncee(s)/transferee(s).....	55
10.7	Procedures for sale/transfer of Provisional RCPS.....	56
10.8	Procedures for application of excess RCPS	56
10.9	Notice of allotment.....	58
10.10	Form of issuance.....	59
10.11	Laws of foreign jurisdictions.....	59
11.	TERMS AND CONDITIONS.....	61
12.	FURTHER INFORMATION.....	61

TABLE OF CONTENTS (CONT'D)

APPENDICES

APPENDIX I	:	CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RESPECT OF THE RIGHTS ISSUE OF RCPS PASSED AT OUR EXTRAORDINARY GENERAL MEETING HELD ON 21 OCTOBER 2016	62
APPENDIX II	:	INFORMATION ON ANN JOO.....	63
APPENDIX III	:	PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON.....	76
APPENDIX IV	:	AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON.....	86
APPENDIX V	:	THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON.....	206
APPENDIX VI	:	DIRECTORS' REPORT.....	220
APPENDIX VII	:	ADDITIONAL INFORMATION.....	221

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Designation)	Age	Address	Nationality	Profession
Dato' Lim Kiam Lam (Group Executive Chairman)	64	24, Jalan Mutiara 7/1M Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Dato' Lim Hong Thye (Group Managing Director)	41	11A, Jalan Permata 7/1 Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Lim Sin Seong (Group Executive Director)	60	No 59, Jalan 17/33 46400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Dato' Lim Aun Chuan (Group Executive Director)	38	24, Jalan Mutiara 7/1M Seksyen 7 40000 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Lim Kien Lip (Non-Independent Non-Executive Director)	54	33, Jalan BU 10/3 Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lim Hong Hock (Non-Independent Non-Executive Director)	45	105B-6-8 Persiaran Bayan Indah 1 11900 Bayan Lepas Penang	Malaysian	Company Director
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (Independent Non-Executive Director)	69	42, Persiaran Duta Taman Duta 50480 Kuala Lumpur	Malaysian	Company Director
Datuk Kamarudin Bin Md Ali (Independent Non-Executive Director)	66	12, Jalan Setia Bakti 10 Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Lim Hun Soon @ David Lim (Independent Non-Executive Director)	61	18 Jalan Taban 4 Taman Lucky Bangsar 59100 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	Chairman	Independent Non-Executive Director
Datuk Kamarudin Bin Md Ali	Member	Independent Non-Executive Director
Lim Hun Soon @ David Lim	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Mabel Tio Mei Peng (MAICSA 7009237)
27, Jalan PJU 1A/28B
Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan
- Leong Oi Wah (MAICSA 7023802)
21, Jalan 4/54
46050 Petaling Jaya
Selangor Darul Ehsan
- REGISTERED OFFICE/ HEAD OFFICE** : Wisma Ann Joo, Lot 19391
Batu 8½, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan
- Tel. No.: +60 (3) 7877 0028
Fax. No.: +60 (3) 7876 5381/7875 9354
Email: ir@annjoo.com.my
Website: www.annjoo.com.my
- AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE OF RCPS** : Deloitte
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
- Tel. No.: +60 (3) 7610 8888
Fax. No.: +60 (3) 7726 8986
- SOLICITORS FOR THE RIGHTS ISSUE OF RCPS** : Cheang & Ariff
39 Court @ Loke Mansion
No. 273A, Jalan Medan Tuanku
50300 Kuala Lumpur
Tel. No.: +60 (3) 2691 0803
Fax. No.: +60 (3) 2692 8533
- PRINCIPAL BANKERS**
(in alphabetical order) : Affin Bank Berhad
17th Floor, Menara Affin,
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Tel. No.: +60 (3) 2055 9000
Fax. No.: +60 (3) 2026 1415
- Alliance Bank Malaysia Berhad
Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah,
50100 Kuala Lumpur
Tel. No.: +60 (3) 2694 8800
Fax. No.: +60 (3) 2694 6727

CORPORATE DIRECTORY (CONT'D)

CIMB Bank Berhad
17th Floor, Menara CIMB,
No. 1, Jalan Stesen Sentral 2,
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Tel. No.: +60 (3) 2261 8888
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Malayan Banking Berhad
Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel. No.: +60 (3) 2070 8833
Fax. No.: +60 (3) 2715 9442

SHARE REGISTRAR

: Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana I
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Selangor Darul Ehsan
Tel. No.: +60 (3) 7849 0777
Fax. No.: +60 (3) 7841 8151/52

PRINCIPAL ADVISER

: Affin Hwang Investment Bank Berhad
27th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Tel. No.: +60 (3) 2142 3700
Fax. No.: +60 (3) 2141 7701

STOCK EXCHANGE LISTING

: Main Market of Bursa Securities

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 安裕資源有限公司
ANN JOO RESOURCES BERHAD

(Company No. 371152-U)
(Incorporated in Malaysia under the Act)

Registered Office:

Wisma Ann Joo, Lot 19391
Batu 8½, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

7 November 2016

Board of Directors

Dato' Lim Kiam Lam (*Group Executive Chairman*)
Dato' Lim Hong Thye (*Group Managing Director*)
Mr Lim Sin Seong (*Group Executive Director*)
Dato' Lim Aun Chuan (*Group Executive Director*)
Mr Lim Kien Lip (*Non-Independent Non-Executive Director*)
Mr Lim Hong Hock (*Non-Independent Non-Executive Director*)
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar (*Independent Non-Executive Director*)
Datuk Kamarudin bin Md Ali (*Independent Non-Executive Director*)
Mr Lim Hun Soon @ David Lim (*Independent Non-Executive Director*)

To: The Shareholders of Ann Joo Resources Berhad

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 125,139,720 NEW RCPS CONVERTIBLE INTO ANN JOO SHARES ON THE BASIS OF 1 RCPS FOR EVERY 4 EXISTING ANN JOO SHARES HELD AS AT 5.00 P.M. ON 7 NOVEMBER 2016 AT AN ISSUE PRICE OF RM0.50 PER RCPS

1. INTRODUCTION

On 24 May 2016, Affin Hwang IB had, on behalf of our Board, announced that the Company had proposed to implement the Corporate Exercises.

On 13 July 2016, Affin Hwang IB, on behalf of our Board, announced that the listing application in relation to the Rights Issue of RCPS and the LTIP had been submitted to Bursa Securities.

On 7 September 2016, Affin Hwang IB had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 7 September 2016 approved, amongst others, the following:-

- (i) admission of up to 125,139,720 new RCPS to the Official List of Bursa Securities and the listing of and quotation for up to 125,139,720 new RCPS to be issued pursuant to the Rights Issue of RCPS on the Main Market of Bursa Securities;
- (ii) the listing of and quotation for up to 125,139,720 new Ann Joo Shares to be issued pursuant to the conversion of the RCPS on the Main Market of Bursa Securities; and
- (iii) the listing of and quotation for such number of additional new Ann Joo Shares, representing up to 15% of the issued and paid-up ordinary share capital of Ann Joo (excluding treasury shares) to be issued pursuant to the LTIP on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

Conditions		Status of compliance
(1)	Ann Joo and Affin Hwang IB, the adviser for the Rights Issue of RCPS and LTIP, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of RCPS	Noted
(2)	Ann Joo and Affin Hwang IB to inform Bursa Securities upon the completion of the Rights Issue of RCPS	To be complied
(3)	Ann Joo to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of RCPS is completed	To be complied
(4)	Ann Joo obtaining the approval from BNM for the issuance of the RCPS to non-residents	Complied
(5)	Affin Hwang IB to submit a confirmation to Bursa Securities of full compliance of the LTIP pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation, together with the following: (a) a certified true copy of the resolution passed by the shareholders in general meeting approving the LTIP; and (b) letter of compliance in relation to the By-Laws pursuant to Paragraph 2.12 of the Listing Requirements together with a copy of the final By-Laws	To be complied
(6)	Ann Joo to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the conversion of RCPS and the LTIP as at the end of each quarter together with a detailed computation of the listing fees payable; and	To be complied
(7)	To incorporate Bursa Securities' comments in respect of the draft circular to shareholders.	Complied

On 10 October 2016, Affin Hwang IB, on behalf of our Board, announced that BNM had, vide its letter dated 5 October 2016, approved the issuance of the RCPS to the non-resident shareholders of the Company pursuant to the Rights Issue of RCPS.

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The approval of BNM is subject to the following conditions:

Conditions		Status of compliance
(1)	Ann Joo is required to inform BNM of the details and final RCPS subscription level by the non-resident shareholders upon the completion of the Rights Issue of RCPS.	To be complied
(2)	Ann Joo is required to obtain BNM's prior approval (a) for any changes to the salient terms of the RCPS and (b) for any changes to the purpose of the utilisation of the proceeds raised from the RCPS issued and/or (c) where the RCPS is issued later than the second half of December 2016.	Noted and to be complied, if applicable
(3)	In the event the subscription of RCPS by non-residents is to be financed vide any guarantee by Ann Joo of more than RM50 million in aggregate, BNM's approval is required to be obtained prior to the subscription of RCPS.	Noted and to be complied, if applicable
(4)	Ann Joo is required to redeem the RCPS in RM or foreign currency (other than in the national currency of Israel). In the case where redemption is made in RM, it is to be made into the external accounts of the non-resident shareholders which are maintained in Malaysia.	To be complied
(5)	Any conversion of foreign currency into RM or vice versa is to be conducted with licensed domestic banks (commercial banks, licensed investment banks or Islamic banks other than international Islamic banks) (" Licensed Local Banks ").	Noted and to be complied, if applicable
(6)	Ann Joo is required to notify the non-resident shareholders of the requirement that any foreign currency hedging to minimise the exposure risk to RM by the non-resident shareholders should only be carried out with the Licensed Local Banks.	To be complied
(7)	In the event Ann Joo fails to comply the rules under BNM's Foreign Exchange Administration, legal actions can be taken against Ann Joo.	Noted
(8)	For each redemption and dividend payable to the non-resident shareholders equal to or more than RM200,000 (or its equivalent in foreign currency), Ann Joo is required to provide the Licensed Local Banks with such information that is required by them, to ease the compilation of the balance of payment statistics by BNM.	To be complied

On 21 October 2016, the shareholders of Ann Joo had approved the Corporate Exercises at the EGM. A certified true extract of the ordinary resolution in respect of the Rights Issue of RCPS passed by the shareholders of Ann Joo at the aforesaid EGM is set out in Appendix I of this AP.

Further, on 21 October 2016, Affin Hwang IB had, on behalf of our Board, announced that:

- (i) the issue price for the RCPS has been fixed at RM0.50 per RCPS; and
- (ii) the conversion price for the RCPS has been fixed at RM1.80 per RCPS.

On 24 October 2016, Affin Hwang IB, on behalf of our Board, announced that the Entitlement Date for the Rights Issue of RCPS has been fixed at 5.00 p.m. on 7 November 2016, together with the other relevant dates pertaining to the Rights Issue of RCPS.

The admission of the RCPS to the Official List of Bursa Securities and the listing of and quotation for the RCPS pursuant to the Rights Issue of RCPS will commence after, amongst others, the receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or make any representation not contained in this AP in connection with the Rights Issue of RCPS and if given or made, such information or representation must not be relied upon as having been authorised by the Company or Affin Hwang IB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. PARTICULARS OF THE RIGHTS ISSUE OF RCPS

2.1 Details of the Rights Issue of RCPS

In accordance with the terms of the Rights Issue of RCPS as approved by the shareholders of Ann Joo at the EGM held on 21 October 2016, and subject to the terms of these Documents, we shall provisionally allot up to 125,139,720 RCPS to the Entitled Shareholders on the basis of 1 RCPS for every 4 existing Ann Joo Shares held by the Entitled Shareholders on the Entitlement Date at the RCPS Issue Price. The minimum and maximum number of the RCPS to be provisionally allotted by our Board pursuant to the Rights Issue of RCPS is further shown in Section 8.1 of this AP.

The issue price of RM0.50 per RCPS is payable in full on application in cash.

The number of RCPS that could be issued and the gross proceeds raised pursuant to the Rights Issue of RCPS would be:-

- (i) based on the Minimum Subscription Level, where the Rights Issue of RCPS would entail a minimum issuance of 84,414,421 RCPS, raising a minimum gross proceeds of approximately RM42.21 million pursuant to the Undertakings under the Minimum Scenario; or
- (ii) up to 125,139,720 RCPS, raising a maximum gross proceeds of approximately RM62.57 million, assuming all Entitled Shareholders subscribe in full for their respective entitlements of the RCPS under the Maximum Scenario.

Ann Joo confirms that none of the treasury shares will be resold prior to the Entitlement Date for the Rights Issue of RCPS.

As the RCPS are equity securities and not private debt securities, the terms of the RCPS do not require guarantee, security or rating.

The Rights Issue of RCPS is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the RCPS in full or in part.

Any fractional entitlements under the Rights Issue of RCPS will be disregarded and will be dealt with in such manner as our Board shall in its absolute discretion deem fit and/or expedient and in the best interest of the Company.

The RCPS which are not taken up or validly taken up shall be made available for excess applications by the other Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). Our Board reserves the right to allot the excess RCPS, if any, applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out below is achieved. Our Board also reserves the right to accept any excess RCPS application, in full or in part.

It is the intention of our Board to allot the excess RCPS, if any, on a fair and equitable basis and in the following order of priority, where applicable:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess RCPS application; and
- (iv) finally, for allocation to the renounee(s)/transferee(s) (if applicable) who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess RCPS application.

In the event of any excess RCPS balance after the above allocations are completed, the balance will be allocated again through the processes above until all excess RCPS are fully allocated.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisional allotted RCPS, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of RCPS. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional RCPS into your CDS Account and the RSF to enable you to subscribe for the Provisional RCPS, as well as to apply for the excess RCPS if you choose to.

Any dealing in our securities is subject to SICDA and the Rules of Bursa Depository. As the RCPS and new Shares to be issued arising from the conversion of the RCPS are all prescribed securities, they will, upon allotment and issuance, be credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their renounee(s)/transferee(s) (as the case may be) who have successfully subscribed for such RCPS. No physical RCPS certificate will be issued to the Entitled Shareholders and/or their renounee(s)/transferee(s) (as the case may be) nor will any physical share certificates be issued for the new Shares to be issued upon conversion of the RCPS.

Within 8 Market Days from the last date for acceptance and payment for the RCPS or such other period as may be prescribed or allowed by Bursa Securities, Ann Joo must:

- (i) issue and allot the RCPS;
- (ii) despatch notices of allotment to the allottees; and
- (iii) apply for the quotation of the RCPS on the Main Market of Bursa Securities.

The RCPS will then be quoted on the Main Market of Bursa Securities 2 Market Days after the application for quotation is made to Bursa Securities.

2.2 Basis and justification of arriving at the RCPS Issue Price and RCPS Conversion Price

The RCPS Issue Price and the RCPS Conversion Price was fixed and announced by our Board after taking into consideration, amongst others, the following:-

- (i) the funding requirements of the Ann Joo Group;
- (ii) the audited NA per Share of the Ann Joo Group as at 31 December 2015 of RM1.85;
- (iii) 5-day VWAP of Ann Joo Shares immediately preceding the Price Fixing Date of RM2.04 per Ann Joo Share;
- (iv) the indicative salient terms of the RCPS as set out in Section 2.4 of this AP;
- (v) the par value of the RCPS of RM0.01; and
- (vi) the then prevailing market conditions.

Further, the RCPS Issue Price was arrived at after taking into consideration the minimum funding requirements of the Group of approximately RM42.21 million that the Group wishes to raise from the Rights Issue of RCPS, which translates into RM0.50 per RCPS.

In addition, the RCPS Conversion Price is fixed at RM1.80 after taking into consideration the audited NA per Share of the Ann Joo Group as at 31 December 2015 of RM1.85, the industry outlook in which the Ann Joo Group is involved in and the Ann Joo Group's prospects as disclosed in Sections 7.2 and 7.3 of this AP, respectively. Furthermore, as and when the RCPS is converted, the Group would be able to raise additional funds for working capital of the Group.

The RCPS are convertible into new Ann Joo Shares at the option of the RCPS holders at the RCPS Conversion Price. Based on the RCPS Issue Price and the RCPS Conversion Price, the RCPS holders would be required to surrender 1 RCPS together with the RCPS Cash Consideration for conversion of the RCPS into 1 new Ann Joo Share, as tabulated below:

Upon Conversion:-

To surrender 1 RCPS for conversion into 1 new Ann Joo Share

	RM
RCPS Conversion Price	1.80
Less : RCPS Issue Price paid upon subscription of the RCPS	(0.50)
RCPS Cash Consideration payable upon conversion	<u>1.30</u>

The conversion price shall be subject to adjustments under certain circumstances in accordance with the provisions of the Articles of Association of the Company.

The RCPS Conversion Price represents:

- (i) a discount of RM0.05 or 2.70% to the audited NA per Share of the Ann Joo Group as at 31 December 2015 of RM1.85; and
- (ii) a discount of RM0.24 or 11.76% to the 5-day VWAP of up to and including the LTD of RM2.04 per Ann Joo Share.

2.3 Ranking of the RCPS and new Shares arising from the conversion of the RCPS

The RCPS shall rank equally amongst themselves and may rank in priority to, or equally with other preference shares that may be created in future. The RCPS shall rank in priority to the Ann Joo Shares, but shall rank behind all secured and unsecured obligations of Ann Joo.

The new Shares to be issued upon conversion of the RCPS shall rank equally in all respect with the then existing Shares, except that the new Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of conversion of the RCPS into new Shares.

2.4 Salient terms of the RCPS

The terms of the RCPS have been incorporated into the Articles of Association of Ann Joo via the Amendments.

Terms	Details
Issuer	: Ann Joo.
Issue size	: Up to 125,139,720 RCPS, convertible into up to 125,139,720 new Shares (subject to adjustments, if any).
Issue Price	: RM0.50 per RCPS and paid upon subscription of the RCPS.
Par value	: RM0.01 per RCPS.
Form and denomination	: The RCPS shall be issued in registered form in denomination or multiples of RM0.01 each.
Board Lot	: For the purpose of trading on Bursa Securities, a board lot of RCPS will be 100 RCPS.
Dividend	: The RCPS shall carry the right to receive a fixed cumulative dividend rate of 5.0% per annum (net of tax) (" Fixed Dividend ") calculated based on the Issue Price and on the amount of RCPS outstanding. The Fixed Dividend is payable semi-annually, subject to availability of distributable profits, or as our Board deems fit and/or expedient and in the best interest of the Company. To the extent that the Fixed Dividends or any part thereof is not declared or paid on a semi-annual basis, after the date on which the RCPS are first issued, it shall continue to accumulate and be declared and paid on a cumulative basis no later than on Maturity.
Tenure	: 8 years commencing from and including the date of issuance of the RCPS.
Maturity	: The date occurring on the day immediately preceding the 8 th anniversary of the date of issuance of the RCPS.

Terms	Details
<p>Redemption and NRA adjustment</p>	<p>:</p> <p>The Issuer shall give a redemption notice to the RCPS holders ("Redemption Notice") not less than 30 days prior to the last date for the RCPS holders to give notice of their intention to convert their RCPS ("Conversion Notice") to the Share Registrar ("Last Election Date"). For the avoidance of doubt, the Last Election Date and the book closure date for determining the RCPS holders who will be entitled to the redemption of their RCPS ("RCPS BCD") will be determined and announced at a later date by our Board. The Redemption Notice shall state, amongst others, the amount or percentage of RCPS that the Issuer wishes to redeem at the RCPS BCD ("RCPS Offered to be Redeemed") and the Last Election date.</p> <p>At any time after the issuance of the Redemption Notice, the RCPS holders may give the Conversion Notice to the Share Registrar in accordance with the Conversion Rights as set out below. The Conversion Notice must be submitted by the RCPS holders and received by the Share Registrar on or before the Last Election Date.</p> <p>In calculating the number of RCPS Offered to be Redeemed from each RCPS holder, the number of RCPS Offered to be Redeemed shall be calculated based on the Record of Depositors of the RCPS holders as at the RCPS BCD and only RCPS which are converted based on the Conversion Notice received after the issuance of the Redemption Notice up to and including the Last Election Date ("Acceptable Conversion Notice Period") may be taken into account (subject to the RCPS holder opting for the NRA adjustment in the Conversion Notice) and deducted from the number of RCPS Offered to be Redeemed and the number of RCPS that are entitled to be redeemed from each RCPS holder shall be reduced accordingly and in accordance with the following formula:-</p> <p>Net redemption amount ("NRA")</p> $= \left(\begin{array}{l} \text{No. of} \\ \text{RCPS} \\ \text{held on} \\ \text{RCPS} \\ \text{BCD} \end{array} \times \begin{array}{l} \text{Redemption} \\ \text{percentage} \end{array} \right) - \begin{array}{l} \text{No. of RCPS} \\ \text{converted pursuant} \\ \text{to the Conversion} \\ \text{Notice received} \\ \text{during Acceptable} \\ \text{Conversion Notice} \\ \text{Period} \end{array}$ <p>Thereafter, the NRA will be redeemed and the redemption price is at the Issue Price, together with cumulative unpaid dividends up to the date of redemption. The Redemption shall be in cash and in one lump sum at the redemption price.</p>

Terms	Details
Redemption and NRA adjustment (Cont'd)	<p>: The Issuer may redeem the RCPS in part on a pro-rata basis or in its entirety as the case may be, at the option of the Issuer at the Issue Price, at any time up to Maturity but always subject to the requirement of Section 61 of the Act, currently in force and as may be amended from time to time and any re-enactment thereof. As such, there is no fixed redemption schedule in respect of the RCPS.</p> <p>: To facilitate the Redemption, the trading of the RCPS will be suspended prior to and after the RCPS BCD (inclusive of the RCPS BCD) for such period as may be approved by Bursa Securities. Full details on the suspension will be disclosed in the Redemption Notice to be issued to the RCPS holders when the Company announces its intention to redeem the RCPS.</p> <p>The Company shall pay the applicable redemption price and the company secretary/Share Registrar shall record the Redemption (whereupon the Redemption shall be deemed to have taken effect) and shall cancel the RCPS that has been redeemed.</p> <p>Any outstanding RCPS not converted or redeemed at the Maturity shall automatically be redeemed by the Issuer at the Issue Price on Maturity together with cumulative unpaid dividends up to the date of Redemption.</p> <p>Further details on the redemption and NRA adjustment are set out in Section 2.5(ii) of this AP.</p>
Conversion Price	: RM1.80 per RCPS.
Conversion Period	: The period commencing from the date of listing of the RCPS up to and including the Maturity.
Conversion Rights	<p>: The RCPS shall be convertible at the option of the RCPS holder into new Shares, at any time during the Conversion Period. The conversion shall be exercised by the RCPS holder delivering the duly completed Conversion Notice to the Share Registrar together with banker's order or similar instruments payable to the Company in respect of all applicable taxes and stamp, issue and registration duties (if any) arising in any jurisdiction on conversion of such RCPS. The duly completed and valid Conversion Notice shall be irrevocable after receipt thereof by the Share Registrar and the right to receive the preferential dividends referred to in the Articles of Association of Ann Joo in respect of the RCPS that has been converted into Shares shall cease as from the date of issue and allotment of the new Shares.</p> <p>Further details on the conversion is set out in Section 2.5(i) of this AP.</p>

Terms	Details
Conversion Mode	: The RCPS holder shall surrender 1 RCPS, being equivalent to the value of the RCPS Issue Price and the RCPS Cash Consideration towards satisfying the RCPS Conversion Price for each Share.
Adjustment to Conversion Price	: The Issuer shall make the necessary adjustments to the Conversion Price in the event of any alteration to its share capital occurring prior to the expiry of the Conversion Period, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Articles of Association of Ann Joo.
Rights	: <ul style="list-style-type: none"> • Distribution of assets upon winding-up <p>On a return of capital on liquidation or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be applied:</p> <ol style="list-style-type: none"> (a) first, in paying to the RCPS holder, a sum equal to any arrears of dividends declared but remaining unpaid on the RCPS; (b) secondly, in paying to the RCPS holders, an amount equal to the aggregate of the Issue Price on each RCPS; (c) thirdly, in paying the holders of ordinary shares, a sum equal to any arrears of dividends due on the ordinary shares whether or not the Company has sufficient distributable reserves; and (d) fourthly, the balance of the assets shall belong to and be distributed among the holders of any class of shares in the capital of the Company and in accordance with the respective rights attaching thereto. The RCPS will not confer on the RCPS holders the right to participate in the balance of the assets of the Company. • Voting Rights <p>A RCPS does not carry any right to vote at any general meeting of the Company except for the right to vote in person or by proxy at such meeting in each of the following circumstances:</p> <ol style="list-style-type: none"> (a) when the dividend or part of the dividend on the RCPS has been declared but remains unpaid for more than 6 months; (b) on a proposal to reduce the Company's share capital; (c) on a proposal for the disposal of a substantial portion of the Company's property, business and undertaking;

Terms	Details
Rights (<i>cont'd</i>)	<p>(d) on a proposal that affects the rights attached to the RCPS;</p> <p>(e) on a proposal to wind up the Company; and</p> <p>(f) during the winding up of the Company.</p> <ul style="list-style-type: none"> • Changes in capital Ann Joo may not create and issue further preference shares ranking in priority to the RCPS save with the requisite approval of the RCPS holders. Subject to such approval, the issue of further RCPS ranking in priority to the RCPS will be deemed to be a variation of the special rights attaching to such RCPS. • Directorship The RCPS does not entitle any holders to be represented on our Board. • Rights to receive notices, reports and attend meetings The holders of the RCPS shall have the right to receive notices, reports and accounts and attend meetings, being the same as those which ordinary shareholders are entitled, save that they do not have voting rights except when allowed under Articles of Association of Ann Joo.
Ranking of RCPS	<p>: The RCPS shall rank equally amongst themselves and may rank in priority to, or equally with other preference shares that may be created in future. The RCPS shall rank in priority to the Shares, but shall rank behind all secured and unsecured obligations of Ann Joo.</p> <p>The RCPS will rank ahead in regards to payment of dividends in all classes of shares of Ann Joo.</p> <p>Upon liquidation of the Company, the RCPS holders shall have priority in the repayment of the RCPS over any payment to the shareholders of ordinary shares of the Company. The RCPS holders shall not be entitled to participate in the balance assets of the Company as set out in the Articles of Association of Ann Joo.</p>
Listing	<p>: The RCPS shall be listed on the Main Market of Bursa Securities.</p>
Ranking of new Shares to be Issued Arising from the Conversion of the RCPS	<p>: The new Shares to be issued pursuant to the conversion of the RCPS, if any, shall, upon allotment and issue, rank equally in all respects with the then existing issued and fully paid-up Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid, the entitlement date for which is prior to the date of conversion of the RCPS.</p>

Terms	Details
Listing Status of new Shares	: The new Shares to be issued upon conversion of the RCPS will be listed on the Main Market of Bursa Securities.
Governing law	: Laws of Malaysia.

2.5 Conversion and redemption

(i) Conversion

The RCPS shall be convertible at the option of the RCPS holder into new Shares, at any time during the Conversion Period.

The RCPS holder shall surrender 1 RCPS (being equivalent to the value of the RCPS Issue Price) and the payment of the RCPS Cash Consideration towards satisfying the RCPS Conversion Price for each Share.

The conversion shall be exercised by the RCPS holder by delivering the duly completed Conversion Notice to the Share Registrar together with a banker's order or similar instrument payable to the Company in respect of all applicable taxes and stamp, issue and registration duties (if any) arising in any jurisdiction on conversion of such RCPS. The duly completed and valid Conversion Notice shall be irrevocable after receipt thereof by the Share Registrar and the right to receive any preferential dividends referred to in the Articles of Association of Ann Joo relating to the RCPS that have been converted into Shares shall cease as from the date of issue and allotment of the new Shares.

In the event of redemption in part on a pro-rata basis by the Company, the RCPS holder may convert their RCPS during the Acceptable Conversion Notice Period and opt for NRA adjustment as detailed in item (ii)(b) below.

For illustrative purposes only, based on the RCPS Issue Price and the RCPS Conversion Price, the estimated cash outlay required from an Entitled Shareholder holding 4,000 Ann Joo Shares who wishes to fully subscribe for his entitlement of 1,000 RCPS is RM500. In the event that all the RCPS are converted, the Entitled Shareholder shall be issued 1,000 Ann Joo Shares upon surrendering 1,000 RCPS together with an aggregate cash consideration of RM1,300, being the RCPS Cash Consideration for the conversion of RCPS into new Ann Joo Shares, based on the RCPS Conversion Price as follows:-

Assuming an Entitled Shareholder holding 4,000 Ann Joo Shares

Number of RCPS entitled pursuant to the Rights Issue of RCPS	1,000
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Number of new Ann Joo Shares to be issued upon conversion	1,000
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Upon conversion:-

	No. of RCPS		RM	RM
(i) Number of RCPS to be surrendered	1,000	at	0.50 =	500
(ii) Cash consideration (upon conversion)	1,000	at	1.30 =	1,300

Total conversion cost	<u>1,800</u>
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Conversely, should Ann Joo exercise its option to redeem all the RCPS in its entirety, the Entitled Shareholder holding 4,000 Ann Joo Shares shall receive the redemption price in cash of RM500 (i.e. 1,000 RCPS at the RCPS Issue Price) and any dividends declared but not paid.

(ii) Redemption

The Company may redeem the RCPS in part on a pro-rata basis or in its entirety as the case may be, at the option of the Company at the RCPS Issue Price, at any time up to Maturity. As such, there is no fixed redemption schedule in respect of the RCPS.

The redemption price is at the RCPS Issue Price, together with cumulative unpaid dividends up to the date of redemption. The Redemption shall be in cash and in one lump sum at the redemption price.

To facilitate the Redemption, the trading of the RCPS will be suspended prior to and after the RCPS BCD (inclusive of the RCPS BCD) for such period as may be approved by Bursa Securities. Full details on the suspension will be disclosed in the Redemption Notice to be issued to the RCPS holders when the Company announces its intention to redeem the RCPS.

For purposes of the redemption, all RCPS so redeemed by the Company shall be debited from the respective securities account of the RCPS holders and duly cancelled.

In the event of redemption in part on a pro-rata basis by the Company, the number of RCPS to be redeemed from each RCPS holder will depend on the following:

(a) If the RCPS holder does not opt for the NRA adjustment:

$$\begin{array}{l} \text{No. of RCPS entitled} \\ \text{to be redeemed from} \\ \text{the RCPS holder} \end{array} = \begin{array}{l} \text{RCPS Offered to} \\ \text{be Redeemed as} \\ \text{at RCPS BCD} \end{array}$$

or

(b) if the RCPS holder opts for the NRA adjustment:

$$\begin{array}{l} \text{No. of RCPS entitled} \\ \text{to be redeemed from} \\ \text{the RCPS holder} \end{array} = \begin{array}{l} \text{RCPS Offered to} \\ \text{be Redeemed as} \\ \text{at RCPS BCD} \end{array} - \begin{array}{l} \text{No. of RCPS converted} \\ \text{during the Acceptable} \\ \text{Conversion Notice} \\ \text{Period} \end{array}$$

This option is not applicable when the redemption by the Company is in its entirety.

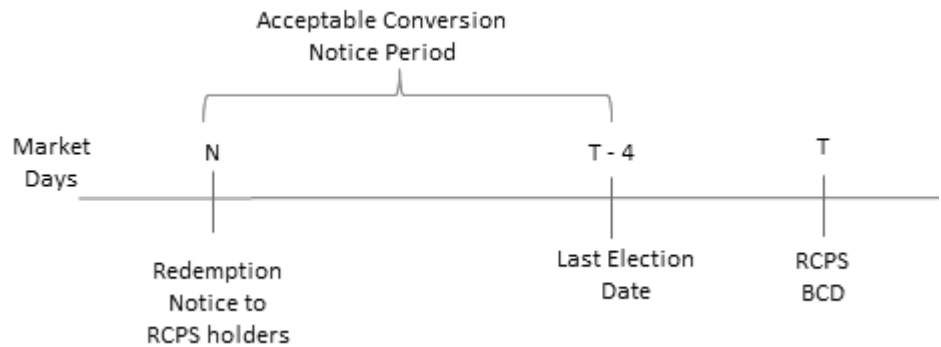
• **NRA Option**

Pursuant to the NRA adjustment, the number of RCPS that are entitled to be redeemed from the RCPS holder as at the RCPS BCD shall be in accordance with the following formula:

NRA to be redeemed

$$= \left(\begin{array}{l} \text{No. of} \\ \text{RCPS held} \\ \text{on RCPS} \\ \text{BCD} \end{array} \times \text{Redemption} \right) - \begin{array}{l} \text{No. of RCPS converted} \\ \text{pursuant to the Conversion} \\ \text{Notice received during} \\ \text{Acceptable Conversion} \\ \text{Notice Period} \end{array}$$

RCPS holders may opt for the NRA adjustment by **converting such number of their RCPS together with opting for the NRA adjustment in the Conversion Notice to be submitted during the Acceptable Conversion Notice Period** to the Share Registrar and received by the Share Registrar on or before the Last Election Date as depicted below:



However, there will be no redemption of RCPS in the event the NRA is nil or negative, i.e. when the RCPS holder converts the equivalent of or more than the number of RCPS Offered to be Redeemed as at the RCPS BCD, as illustrated under Holder 2 in the table below.

Benefits of the NRA adjustment to the RCPS holders

This option will benefit the RCPS holder who, based on their individual investment decision, does not wish to be redeemed by the Company, particularly when the RCPS is “in-the-money”, i.e. the RCPS Conversion Price is below the current market price per Ann Joo Share. Otherwise, without the NRA adjustment, the “in-the-money” RCPS would have been subject to the redemption (Please refer to the illustration below).

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For illustrative purposes only, assuming:

- (i) the Company announces a redemption in part on a pro-rata basis of 20% of the outstanding RCPS;
- (ii) as at the date of the Redemption Notice, the RCPS holder holds 1,000 RCPS;
- (iii) the market price of Ann Joo Share is RM2.20 per Share;
- (iv) the RCPS Conversion Price is RM1.80 per RCPS;
- (v) the RCPS Cash Consideration is RM1.30 per RCPS; and
- (vi) the RCPS Issue Price is RM0.50 per RCPS, being the initial cash outlay,

the number of RCPS to be redeemed and net surplus value to the RCPS holders are as follows:-

	A	I	B	II	III	C=A-B	D=(C x 20%)-B	IV	A-B-D	V	II-III+IV+V-I
	RCPS held by a RCPS holder as at the date of the Redemption Notice (No. of RCPS)	Initial cash outlay (RM)	Assumed RCPS converted during Acceptable Conversion Notice Period (No. of RCPS)	Market Value of Shares from conversion of RCPS (RM)	RCPS Cash Consideration for conversion (RM)	RCPS held as at the RCPS BCD (No. of RCPS)	RCPS to be redeemed (No. of RCPS)	Redemption proceeds (RM)	Balance of RCPS held after redemption (No. of RCPS)	(⁽¹⁾)Market value attributable to the balance of RCPS held (RM)	Net surplus value to the RCPS holder (RM)
RCPS Holder											
Opting for NRA adjustment											
• Holder 1	1,000	500	100	220	130	900	80	40	820	738	368
• Holder 2	1,000	500	300	660	390	700	⁽²⁾ Nil	Nil	700	630	400
Not opting for NRA adjustment											
• Holder 3	1,000	500	100	220	130	900	⁽³⁾ 180	90	720	648	328
• Holder 4	1,000	500	300	660	390	700	⁽³⁾ 140	70	560	504	344
No conversion											
• Holder 5	1,000	500	-	-	-	1,000	⁽³⁾ 200	100	800	720	320

Notes:-

- (1) Market value attributable to the balance of RCPS held is calculated based on the difference between the market price of Ann Joo Share assumed at RM2.20 and the RCPS Cash Consideration of RM1.30.
- (2) No redemption as the amount of RCPS converted exceeds the amount to be redeemed.
- (3) As the RCPS holder has not opted for the NRA adjustment, the calculation shall be $C \times 20\%$.

For clarification, in the event the RCPS holders convert their RCPS during the Acceptable Conversion Notice Period without opting for the NRA adjustment, the number of RCPS that are entitled to be redeemed from the RCPS holders shall be calculated based on the RCPS held by the RCPS holders as at the RCPS BCD.

Based on the scenarios above, for “in-the-money” RCPS, a **RCPS holder that opts for NRA adjustment is better-off with a higher net value** compared to if the RCPS holder did not opt for the NRA adjustment (by comparing Holder 1 of RM368 vs Holder 3 of RM328 and Holder 2 of RM400 vs Holder 4 of RM344).

The RCPS holder who does not convert any RCPS has the lowest net value of RM320.

2.6 Other corporate proposals announced but pending completion

Save for the Corporate Exercises, as at the date of this AP, there are no other outstanding corporate proposals which have been announced by the Company but pending completion.

3. RATIONALE FOR THE RIGHTS ISSUE OF RCPS

After due consideration of the various funding options available to the Company, our Board is of the opinion that the Rights Issue of RCPS is the most appropriate avenue of fund raising for the Company in anticipation of future growth and expansion of the Ann Joo Group after taking into consideration, amongst others, the following factors:

- (i) the issuance of RCPS will not result in an immediate dilution effect on the EPS of the Group, which would otherwise have an immediate upfront impact from full issuance of Shares, as the RCPS are expected to be converted over a period of time;
- (ii) RCPS bearing a dividend rate of 5.0% per annum will serve as an unsecured fixed funding cost to Ann Joo for the tenure of the RCPS of 8 years, which will consequently mitigate Ann Joo's exposure to any interest rate fluctuation and hence provide better cash flow management. Further, the RCPS also serves as an attractive investment alternative for Ann Joo's shareholders;
- (iii) RCPS bearing a dividend rate of 5.0% per annum is higher than fixed deposits interest rates of 3.10% per annum (*Source: Maybank fixed deposits rates as at the LPD*). The Rights Issue of RCPS will also provide the shareholders of Ann Joo with an opportunity to further increase their equity participation in the Company via the option to convert the RCPS into Ann Joo Shares. Furthermore, taking into account the RCPS Conversion Price, shareholders may also benefit from any upside from potential future capital appreciation of the RCPS and/or Ann Joo Shares.

In addition, in light of the improved financial performance of the Group for the 6 month FPE 30 June 2016 recording an unaudited consolidated PAT of approximately RM97.92 million as disclosed in Section 6 of Appendix II of this AP, the Rights Issue of RCPS would allow the Group to raise additional funds to purchase additional inventory and raw materials for the Group's manufacturing and trading activities to achieve accelerated production and business activities. This will positively contribute to the Group's revenue and profitability that may potentially impact the market performance of the RCPS which may in turn increase the value of the RCPS holders.

As disclosed in Section 2.5(ii), the RCPS with the NRA option, will benefit the RCPS holder who, based on their individual investment decision, may not wish to be redeemed by the Company, particularly when the RCPS is "in-the-money". Otherwise, without the NRA adjustment, the "in-the-money" RCPS would have been subject to the redemption; and

- (iv) any conversion of the RCPS will further strengthen the Company's capital base and provide additional funding for the Company via the RCPS Cash Consideration and hence improve its gearing levels as well as potentially increase the liquidity of Ann Joo Shares.

4. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

4.1 Undertaking on a Minimum Subscription Level

The Rights Issue of RCPS is intended to be undertaken on a minimum subscription basis to raise minimum gross proceeds of approximately RM42.21 million. The Minimum Subscription Level has been determined by our Board after taking into consideration, amongst others, the following:

- (i) The funding requirements, including working capital, of the Group; and
(ii) The estimated expenses for the Corporate Exercises.

In order to achieve the Minimum Subscription Level, the Company had procured Undertakings from the Identified Shareholders under the Rights Issue of RCPS. The Undertakings received by Ann Joo will ensure Minimum Subscription Level is achieved.

A summary of the Undertakings are set out below:

Identified Shareholders	Shareholdings as at the LPD		Minimum Scenario		Maximum Scenario	
			⁽¹⁾ RCPS to be subscribed pursuant to the Undertakings		⁽²⁾ RCPS to be subscribed pursuant to the Undertakings	
	No. of Shares	%	No. of RCPS	%	No. of RCPS	%
AJC	183,512,532	36.66	45,878,133	54.36	45,878,133	36.66
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	17,351,400	20.56	17,351,400	13.87
LSQ & Sons Sdn Bhd	59,096,400	11.81	14,774,100	17.50	14,774,100	11.81
Lim Sin Seong Sdn Bhd	14,520,000	2.90	3,630,000	4.30	3,630,000	2.90
Dato' Lim Kiam Lam	9,018,250	1.80	2,254,563	2.67	2,254,563	1.80
Dato' Lim Hong Thye	2,104,900	0.42	526,225	0.61	526,225	0.42
Total	337,657,682	67.46	84,414,421	100.00	84,414,421	67.46

Notes:-

- (1) Based on 84,414,421 RCPS available for subscription under the Minimum Scenario.
(2) Based on 125,139,720 RCPS available for subscription under the Maximum Scenario.

Pursuant to the Undertakings, the Identified Shareholders have confirmed that they have sufficient financial resources to subscribe in full for their respective entitlements for the RCPS as specified in the Undertakings and such confirmations have been verified by Affin Hwang IB.

As the Rights Issue of RCPS will be undertaken on a Minimum Subscription Level basis taking into account the Undertakings, Ann Joo does not intend to procure any underwriting arrangement for the remaining RCPS not subscribed for by other Entitled Shareholders and/or their renounees pursuant to the Rights Issue of RCPS.

Notwithstanding the above, in the event the Minimum Subscription Level is not achieved, the Rights Issue of RCPS will be aborted and our Board will consider other alternative forms of fund raising, where required, for the Company's future cash flow and working capital requirements. As at the LPD, the Company does not have any other alternative plan in the event the Minimum Subscription Level is not achieved.

After taking into consideration of the Undertakings, subscription of the RCPS by the Identified Shareholders will not give rise to any mandatory general offer obligations pursuant to the Rules. Nonetheless, the Identified Shareholders have given their respective confirmations to observe and comply at all times with the provisions of the Rules.

5. UTILISATION OF PROCEEDS

Based on the RCPS Issue Price, the Rights Issue of RCPS is expected to raise gross proceeds of RM42.21 million and up to RM62.57 million under the Minimum Scenario and Maximum Scenario, respectively, which shall be utilised as follows:

Details of utilisation	Minimum Scenario (RM' mil)	Maximum Scenario (RM' mil)	⁽³⁾ Estimated timeframe for the utilisation
Working capital ⁽¹⁾	41.21	61.57	Within 12 months
Estimated expenses ⁽²⁾	1.00	1.00	Upon completion of the Corporate Exercises
Total	42.21	62.57	

Notes:-

- (1) The proceeds for working capital will be utilised to purchase additional inventory and raw materials as shown below in anticipation of future growth and expansion of the Ann Joo Group:

	Minimum Scenario (RM'mil)	Maximum Scenario (RM'mil)
Manufacturing activities Scrap, iron ore, coke and anthracite*	30.00	43.00
Trading of steel products Steel plates, cold rolled coils, hot rolled coils, shapes and sections*	11.21	18.57
Total	41.21	61.57

- * The working capital allocation for the manufacturing activities division and trading of steel products division is based on the revenue contribution of the respective divisions, being approximately 70% for the manufacturing activities division and approximately 30% for the trading of steel products division. The breakdown of funds to be utilised to purchase the additional inventories and raw materials under the Minimum Scenario and Maximum Scenario cannot be determined at this juncture, as the amount for each inventory and raw material will depend on the operating requirements of Ann Joo at the time of utilisation.

The proceeds raised for working capital utilised to purchase additional inventory and raw materials represent less than 10.0% of the total purchases of inventory and raw materials of Ann Joo Group for FYE 31 December 2015 of approximately RM849.02 million under the Minimum Scenario and Maximum Scenario, respectively. The additional working capital is expected to be in line with the industry outlook and prospects of the Ann Joo Group as detailed in Sections 7.2 and 7.3 of this AP, respectively.

- (2) *Estimated expenses include all costs related to the Corporate Exercises, comprising professional fees, estimated fees payable to the relevant authorities, printing costs, expenses relating to the convening of the EGM and advertising expenses. If the actual expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than budgeted, the excess will be utilised for working capital purposes.*
- (3) *From the listing date of the RCPS.*

Any variation in the actual proceeds raised from the Rights Issue of RCPS and the consequential changes to the actual utilisation of proceeds will be adjusted to or from the amount allocated for working capital.

Pending utilisation of the proceeds from the Rights Issue of RCPS for the abovementioned purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest income derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital for Ann Joo Group.

Based on the RCPS Issue Price and the RCPS Conversion Price, the RCPS holders shall have the right to convert the RCPS into new Ann Joo Shares by surrendering 1 RCPS together with the RCPS Cash Consideration for conversion of the RCPS into 1 new Ann Joo Share. The gross proceeds to be raised from the conversion of the RCPS into new Ann Joo Shares are dependent on the total number of RCPS converted during the tenure of the RCPS.

For illustrative purposes only, the maximum gross proceeds that are expected to be raised upon the full conversion of the RCPS is up to approximately RM162.68 million based on the RCPS Cash Consideration. The Company intends to utilise the proceeds arising from the conversion of the RCPS for the working capital requirements of the Group in the future. The proceeds for working capital will be utilised to purchase additional inventory and raw materials for the Group's manufacturing activities, such as scrap, iron ore, coke and anthracite as well as for its trading of steel products, such as steel plates, cold rolled coils, hot rolled coils, shapes and sections.

6. RISK FACTORS

You and/or your renounee(s)/transferee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of RCPS.

6.1 Risks relating to the Rights Issue of RCPS

6.1.1 No prior market for the RCPS

The RCPS comprises a new issuance of securities for which there is currently no public market. The market price of the RCPS, like other securities traded on Bursa Securities, is subject to fluctuation and will be influenced by, amongst others, the market price and volatility of the underlying Ann Joo Shares, trades of substantial amounts of the RCPS on Bursa Securities in the future, corporate developments and financial performance of our Group.

In addition to the fundamentals of Ann Joo, the future price performance of the RCPS will also depend on various external factors such as the economic and political conditions of the country, sentiments and liquidity in the local stock market as well as the performance of regional and world business.

The market price of Ann Joo Shares will be influenced by, inter-alia, the prevailing market sentiments, volatility of stock market of the country, operating results of our Group and prospects of the industries in which we operate in.

6.1.2 Delay in or abortion of the RCPS

The Rights Issue of RCPS is exposed to risk that it may be aborted or delayed due to, inter-alia, the following events:-

- (i) force majeure events or circumstances such as natural disasters, health epidemics, acts of government, terrorism, strikes, international/national disorders, and states of emergency, which are beyond the control of our Company and our advisers, arising prior to the implementation of the Rights Issue of RCPS; and/or
- (ii) the RCPS not being listed or quoted on Bursa Securities as a result of non-compliance with the requirements (including the requirement for at least 100 holders holding not less than 1 board lot of RCPS) or conditions determined or imposed by Bursa Securities.

In the event the Rights Issue of RCPS is aborted/terminated, all monies received in respect of all subscriptions/applications for any RCPS will be refunded to the subscribing Entitled Shareholders and/or their renounee(s)/transferee(s), if applicable, without interest. If any money received from the Entitled Shareholders and/or their renounee(s)/transferee(s) are not repaid within 14 days after our Company becomes liable to repay, our Company will repay such money with interest at the rate of 10% per annum or such other rates as may be prescribed by the SC in accordance with Section 243(2) of the CMA.

6.2 Forward-looking statements

Certain statements in this AP are based on historical data, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on assumptions and estimates made by our Board and management and although believed to be reasonable at that time, are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting us and the industries in which we operate in.

6.3 Risks relating to our Group

6.3.1 Business and operational risks

Our Group is subject to certain risks inherent in the steel manufacturing industry. These include increases in costs of labour and raw materials, labour and raw material shortages, changes in economic, business and credit conditions, business disruptions due to unexpected events such as temporary power outages and natural disasters, unfavourable changes in Government policies and competition from local and international players.

6.3.2 Competition

Our steel manufacturing, sale and trading business operate in a market characterised by strong competition resulting from the number of established market participants as well as the volume of imported steel products. In particular, the influx of steel products from China which has depressed margins for local steel producers in Malaysia. As with all competitive situations, there is a risk that we may not be able to compete effectively against other manufacturers, thus impacting on our business.

However, due to the Chinese government's initiatives to deal with closures of loss-making, outdated and excess steel-making capacity factories, steel prices across the globe started to recover since the beginning of 2016.

6.3.3 Pricing and availability of raw materials

As steel is a commodity, the cost of sourcing steel as raw materials for our manufacturing and trading activities are subjected to fluctuation in world prices. The prices of the raw material for our Group's steel products are dependent on the global demand and supply. In some situations, increases in the prices of raw materials are not easily passed onto the customers. This could impact on the margin or alternatively, if the increase in cost is passed onto the customers, the manufacturer may not be price competitive. Therefore, a significant increase in the market prices of raw materials will have an adverse effect on the business and future earnings of our Group.

Further, the supply of the raw materials may be affected by external factors such as outbreak of diseases, delivery delays or other disruptions on a significant scale.

Manufacturers with strong financial stability are able to hold stocks of these raw materials to cushion against fluctuation in prices. As these raw materials are commodities and therefore subjected to world prices, all manufacturers that use these materials are equally affected.

6.3.4 Dependence on domestic construction industry and cyclical nature of demand

Our Group's prime products such as bars and wire rods are primarily used in the construction industry, which is a key area of focus for Ann Joo. A slew of infrastructure projects including Mass Rapid Transit II and Light Rail Transit Line III, and the construction of mega property development projects such as Menara Warisan Merdeka and Tun Razak Exchange are expected to drive demand for construction steel.

Accordingly, demand for our steel products is, to some extent, dependent on the domestic construction industry, which is sensitive to the overall economic conditions in Malaysia. A decline in economic conditions may result in delays and cancellations of construction projects, which may have a cascading effect on the demand of our steel products.

Further, consumption of steel is also dependent on the demands of the manufacturing sector which in turn is affected by the domestic and global economic conditions which may be cyclical in nature. An economic downturn will result in a slowdown in the said industries and consequently reduce the demand of steel products, which in turn may also have an adverse impact on steel prices.

6.3.5 Borrowings and financing risks and fluctuations in interest rate

Our total bank borrowings as at the LPD amounted to approximately RM0.92 billion, all of which are interest-bearing borrowings. Given that we have interest bearing borrowings, future fluctuation in the interest rate could have material effects on our Group's interest and principal payments. Our performance will be affected in the event of adverse changes in the interest rates. As such, any additional borrowings and/or increase in interest rates may result in an increase in interest expense, which may in turn affect our profitability. Notwithstanding this, the funds to be generated in the future are expected to meet the repayment of the borrowings.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financing flexibility. Any act or omission by us that breaches such covenants may give the rights to the banks or financiers to terminate the relevant credit facilities and/or enforce any security, where applicable, granted in relation to those credit facilities. This may in turn cause a cross default of other credit facility agreements.

6.3.6 Dependency on key personnel

Our Board recognises and believes that our continued success depends, to a significant extent, on the abilities and continuing efforts of our Directors as well as our key management and technical personnel who have been instrumental to our Group's growth and expansion. The loss of any Director, key management personnel and/or technical personnel without suitable and timely replacement may have an effect on our Group's operations and could also adversely affect our Group's continued ability to compete in this industry.

6.3.7 Political, economic and regulatory conditions

Our business operations are subject to the jurisdiction of various governmental agencies or ministries. Any adverse development in the political, economic and regulatory conditions in Malaysia as well as in countries where our Group sources our raw materials from could materially and adversely affect the financial and operational conditions and the overall profitability of our Group. Political and economic uncertainties include but are not limited to changes in general economic and business conditions, government legislations and policies affecting our industry, inflation, political or social development, renegotiation or nullification of existing contracts.

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6.3.8 Foreign exchange risk

We are exposed to foreign exchange risk as part of our sales and purchases are transacted in foreign currency, notably USD. Any significant fluctuations in exchange rates, particularly the USD, may have a significant impact, whether positively or negatively, on the revenue and future earnings of our Group.

Although our Group uses “natural hedge” by entering into contracts where our Group’s export revenue earned and purchases made will be denominated in the same foreign currency and we also hedge through financial instruments such as derivatives, the foreign exchange and transaction currency risks may have a material adverse impact on our Group’s operations and financial position.

6.3.9 Dependence on operating licences

Our Group has been granted with various licences, permits and certificates from various governmental authorities. Some of these licences, permits and certificates are subject to periodic inspections, changes and/or fulfilment of certain conditions imposed by the relevant authorities. Failure to comply with the conditions imposed by the relevant authorities may cause Ann Joo’s licences, permits and certificates to be revoked or not renewed.

Any revocation or non-renewal of our licences, permits and certificates from the relevant authorities may have a material impact on our Group’s ability to continue our operations and hence, may affect our profitability.

6.3.10 Adequacy of insurance coverage

Our Directors believe that our assets are adequately insured against unforeseen events such as fire and accidents by employees. Although we have taken the necessary measures to ensure that our business and assets are adequately covered by insurance, the insurance coverage may not be adequate for the replacement cost of all our assets, business or any consequential costs arising therefrom. In addition, such insurance policies may no longer be available or the policy cost may significantly increase in the future. The materiality of this risk shall depend on the nature of the insurance contract that our Group has taken, the insured sum of the respective subject(s) and the cost of such policies.

6.3.11 Fire, energy crisis and other emergency risks

Our Group’s manufacturing plants have to some extent flammable and explosive items which in the event of a fire breakout, our Group’s operation may be affected to the extent of the warehouse or specific area of operations.

Although our plants are located in areas with no history of flooding or any other environmental risk, nevertheless floods are one of the natural risks that we may encounter.

In respect of energy crisis i.e. disruption in electricity supply, our Group’s operations will be affected since electricity is used in the manufacturing process. Our Group’s operations will also be affected by a water crisis as water is used in the manufacturing process.

In respect of other emergency risks, such as riot and labour strikes, our Group may be adversely affected.

6.3.12 Risk relating to our Group's material litigation, claims or arbitration

We may be involved from time to time in disputes with various parties involved in our business such as contractors, suppliers, purchasers as well as our customers. These disputes may lead to legal and other proceedings, and may cause us to suffer additional costs and delays.

As at the LPD, save as disclosed in Section 4 in Appendix VII of this AP, neither our Company nor any of our subsidiary is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which have or may have a material effect on our business or financial position, and our Directors are unaware of any proceedings threatened or of any fact likely to give rise to any proceedings, which may materially affect our financial position or business.

However, any claims or legal proceedings in the future may adversely affect the operations and profitability of our Group.

7. INDUSTRY OVERVIEW AND PROSPECTS OF OUR GROUP

7.1 Outlook of the Malaysian Economy

The Malaysian economy grew by 4% during the second quarter of 2016 (Q1 2016: 4.2%) despite increasing uncertainties in the external environment. The growth was supported mainly by domestic demand amid a decline in net exports and significant drawdown in stocks. On the supply side, all sectors continued to register a positive growth except agriculture. The services sector expanded by 5.7% (Q1 2016: 5.1%) on account of higher activity in the wholesale and trade as well as information and communication subsectors. The manufacturing sector grew by 4.1% (Q1 2016: 4.5%), supported by electrical and electronics ("E&E") and chemical products. The construction sector expanded by 8.8% (Q1 2016: 7.9%) mainly driven by higher civil engineering and residential subsectors. Meanwhile, the mining and quarrying sector increased by 2.6% (Q1 2016: 0.3%) spurred by higher output of natural gas and crude oil as well as other mining segments. However, the agriculture sector contracted significantly by 7.9% (Q1 2016: -3.8%) due to lower output of both crude palm oil and rubber.

Value-added of the manufacturing sector increased by 4.1% during the second quarter of 2016 (Q1 2016: 4.5%). Manufacturing output grew further by 3.7% (Q1 2016: 3.3%) with positive growth in E&E and chemical products. Consequently, the capacity utilisation rate was higher at 77.5% (Q1 2016: 76.6%). Sales of manufacturing products rebounded by 1.2% to RM160 billion (Q1 2016: -1.8%; RM164 billion).

The construction sector continued to record a strong growth of 8.8% during the second quarter of 2016 (Q1 2016: 7.9%) led mainly by civil engineering and residential activities. The civil engineering subsector continued to post a double-digit growth of 18.9% (Q1 2016: 17.5%) supported by petrochemicals activities. The residential subsector recorded a strong growth of 9.2% (Q1 2016: 4.9%) driven by construction of high-end projects such as service apartments and terrace houses as well as Housing Project for the Hardcore Poor in the East Coast of Peninsular Malaysia. The specialised construction activities posted a growth of 7.9% (Q1 2016: 8.9%) mainly driven by piling, land clearing and earthworks activities, while the non-residential subsector contracted by 0.9% (Q1 2016: 0.4%) as there were no new projects during the quarter. The total value of construction work completed continued to increase at a double-digit pace of 11.7% year-on-year to RM30.4 billion with 9,983 projects registered (Q1 2016: 11.1%; RM31.9 billion; 10,043 projects). The civil engineering subsector contributed the highest share in terms of value (33.1%), followed by non-residential buildings (31.6%), residential buildings (30.5%) and specialised construction activities (4.8%). The private sector continued to dominate construction activity with a share of 66.5% during the quarter.

The labour market remained stable in the second quarter of 2016, with the unemployment rate sustained at 3.4%. The total labour force rose marginally to 14.7 million people (Q1 2016: 14.6 million). Meanwhile, total employment increased to 14.2 million (Q1 2016: 14.1 million) with the services sector accounting for the largest share of 8.6 million. This was followed by manufacturing (2.4 million) and agriculture (1.5 million) sectors.

Total job vacancies registered via JobsMalaysia decreased to 111,995 (Q1 2016: 156,753). On sectoral basis, the manufacturing sector continued to generate the bulk of job openings, registering 39,740 vacancies or 35.5% of total job vacancies, followed by agriculture (31,251; 27.9%) and services (30,081; 26.9%). By occupational category, elementary occupation such as domestic cleaners and helpers as well as manufacturing and agricultural labourers recorded the highest vacancies at 61,032 or 54.5% of total job vacancies. This was followed by plant and machine operators and assemblers (20,272; 18.1%) and professionals (10,119; 9%).

From January to July 2016, a total of 19,381 employees were retrenched (January – July 2015: 14,452). The highest retrenchment was recorded in manufacturing sector (6,876) which accounted for 35.5% of total retrenchments mainly due to downsizing of workforce and closure of manufacturing plants, followed by financial and insurance activities (4,356; 22.5%) and wholesale and retail trade; repair of motor vehicles and motorcycles (3,801; 19.6%).

The Malaysian economy is expected to remain on its growth trajectory in the third quarter of 2016. This is underpinned by strong macroeconomic fundamentals as well as pro-growth fiscal and accommodative monetary policies. Domestic demand will continue to be the main engine of growth supported by private sector activity. On the supply side, the services, manufacturing and construction sectors will remain as the key drivers of growth. The economy will continue to operate under conditions of full employment while inflation is expected to remain manageable.

(Source: Quarterly Update on the Malaysian Economy – 2nd Quarter 2016, Ministry of Finance Malaysia)

7.2 Outlook of the Steel Manufacturing Industry in Malaysia

Value-added of the manufacturing sector grew 4.3% during the first six months of 2016 (January – June 2015: 4.9%), while output increased 4% mainly supported by export-oriented industries (January – July 2015: 4.8%). Higher production of E&E and resource-based products contributed significantly to the export-oriented industries, which grew 4.2% (January – July 2015: 5.3%). Meanwhile, growth of the domestic-oriented industries was sustained at 3.3% supported by steady construction activity and consumer spending. Average wage per employee continued to increase 4.1% to RM3,076, while the number of employees decreased 0.1% largely due to automation to replace unskilled workers (January – July 2015: 4.7%; RM2,897; 0.1%). Capacity utilisation rate remained high at 77.5% during the second quarter of 2016 (Q1 2016: 76.7%), indicating higher output of the sector. For the year, the manufacturing sector is expected to grow 4% (2015: 4.9%).

Output of construction-related materials continued to increase 4.8% (January – July 2015: 4.5%) mainly supported by higher production of non-metallic mineral and basic metals as well as fabricated metal products, which grew 6.3%, 2.1% and 5.6%, respectively (January – July 2015: 7.2%; 2.5%; 3.6%). Production of glass products, pig iron and other structural metal products increased significantly by 21.9%, 24.7% and 8.3%, respectively (January – July 2015: 1.1%; 16.4%; 0.2%). Growth of the subsector was attributed to higher demand from civil engineering and residential subsectors.

For the year, capital outlays will be mainly concentrated in the services, manufacturing and construction sectors. In the services sector, investment will be largely in the distributive trade and tourism subsectors. Information and communication subsector is expected to support investment following further enhancement in network and application services. Meanwhile, capital spending in the manufacturing sector will be supported by expansion in E&E and medical devices industries. Investment in construction sector will be mainly driven by infrastructure projects.

Non E&E exports rebounded 5.1% (January – August 2015: 0.2%) with expansion across major subsectors, particularly chemicals and chemical products; machinery, equipment and parts; manufactures of metal as well as optical and scientific equipment. However, negative growth was recorded in petroleum products; iron and steel; non-metallic mineral; and jewellery.

In line with robust re-export activities during the first eight months of 2016, receipts from manufactures of metal increased 10.3% (January – August 2015: 15.6%). Growth was mainly attributed to non-ferrous metals, particularly aluminium (63.1%) and copper (5.9%). Major export destinations for manufactures of metal include Singapore, China, India, Japan and Vietnam.

(Economic Report 2016/2017, Ministry of Finance Malaysia)

Association of Southeast Asia Nations (“**ASEAN**”) steel demand registered a healthy growth rate of 8.9% year-on-year in the first half of 2015. This was contributed largely by a significant surge in steel demand in Vietnam, from 6.35 million tonnes in the first half of 2014 to 8.38 million tonnes in the corresponding period of 2015, a huge jump of 32% year-on-year. In the same period, Singapore also registered a strong growth of 37.8% year-on-year in steel demand to 2.2 million tonnes. Philippines’ steel demand also picked up by 8.9% year-on-year to 3.8 million tonnes while Malaysia maintained its modest growth momentum with steel demand increasing 2.6% year-on-year to register 5.1 million tonnes in the same period. Thailand’s steel demand stagnated at 8.3 million tonnes in the first half of 2015. Indonesia was the only country in the region that experienced a decline of 2.6% year-on-year in steel consumption to 7.3 million tonnes.

Despite the continued growth in steel demand in the region, domestic producers were not benefiting from the expansion. Total production of hot rolled steel products declined from 15 million tonnes in the first half of 2014 to 14 million tonnes in the same period of 2015. On the other hand, import rose sharply, by 18.7% year-on-year to 25.8 million tonnes. Export surged moderately by 5.6% year-on-year in the same period.

Malaysia maintained its moderate growth path in steel demand, increasing by 2.6% year-on-year in the first half of 2015. Malaysia’s long steel demand picked up robustly, by 20% year-on-year. However, domestic production only surged by 4% year-on-year. Import, on the other hand, increased by half a million tonnes to nearly 2 million tonnes in the first half of 2015. Flat steel demand declined substantially, by 25% year-on-year, with both domestic production and imports registering negative growth rates. Domestic production dropped 31% year-on-year and import contracted 6% year-on-year. On the other hand, export surged significantly, by 24% year-on-year during the same period.

(Source: South East Asia Iron and Steel Institute – ASEAN steel demand in the first half of 2015)

Overall apparent steel consumption in the ten countries, namely Australia, South Korea, Taiwan, Indonesia, Japan, Thailand, Vietnam, Philippines, Singapore and Malaysia slowed down by 4.7% year-on-year to 206 million tonnes in 2015 (2014: 216 million tonnes). ASEAN’s steel demand increased by 4.3% year-on-year in 2015.

(Source: South East Asia Iron and Steel Institute – Overview of Steel Consumption Pattern, 29 July 2016, http://www.seaisi.org/news_details.php?nid=5485)

Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand (collectively, “**ASEAN-6**”) continued to show resilient growth in steel demand with total apparent steel consumption increasing 5% year-on-year in 2015 to reach 69 million tonnes. The growth in steel consumption in 2015 saw a parallel increase in volume of steel imports which rose 5.2% year-on-year while regional production of hot-rolled products saw a moderate growth of 4.4% year-on-year. Going forward, ASEAN economies are expected to see healthy growth in the near to medium term which will boost steel consumption in the region. The ASEAN-6 is projected to be able to maintain a steady growth in steel consumption of around 5%-6% per annum and total apparent steel demand is expected to exceed 80 million tonnes in 2018.

Philippines and Vietnam are expected to continue to see strong growth in steel demand while Indonesia and Thailand will start to return to growth path and see gradual increase in steel consumption. Steelmakers in the region will continue to face intense competition from cheap imports, particularly from China. The ability of the Chinese government in making good its intention of cutting down excess steel production capacity in the country will be monitored closely by the regional steel groupings which will continue to put pressure on the Chinese side to effectively address the issue.

(Source: Paper presented at the 2016 South East Asia Iron and Steel Institute Conference & Exhibition)

The Malaysian steel industry contributes approximately 4% to Malaysia’s Gross Domestic Product (“**GDP**”). Although having a population lesser than its ASEAN peers, Malaysia’s steel demand is currently the 4th largest in ASEAN. Meanwhile, the average annual growth rate of the Malaysian steel industry from 2016 to 2018 is forecasted at 4% per annum.

Under the 11th Malaysian Plan (2016-2020), the construction sector is projected to grow at 10.3% per year and contribute RM 327 billion, or 5.5% of the GDP by 2020. The construction industry transformation programme 2016-2020 is expected to meet the demand driven by the acceleration in the industrial and infrastructure sector via Entry Point Projects. Efforts to transform the construction sector will be based on four strategies including driving productivity through improved use of technology and modernized construction methods. Apparent Steel Consumption is estimated to have increased by 0.6%, from 10.08 million metric tonne (“**mt**”) in 2014 to 10.14 million mt in 2015. Overall, in Malaysia, long products consumption (64.9%) is still higher than flat products (35.1%). The consumption for long products increased by 0.3% to 6.65 million mt in 2015. Flat products consumption recorded a positive growth of 2.6%, from 3.50 million mt in 2014, to 3.6 million mt in 2015. Finished steel production recorded a negative growth in 2015, down 3.88% to 7.2 million mt, from 7.5 million mt in 2014.

In 2015, Malaysia imported 7.92 million mt of steel, a surge of 2.5% mainly due to China imports. Export declined by 15% from 2.77 million in 2014 to 2.34 million mt in 2015. Major sources of imports were from China (43.40%), Japan (18.30%) and Korea (12.01%). Imports from China showed a steep increase of 30% in 2015 to 3.4 million mt, from 2.6 million mt in 2014. Major steel imports from China were bars (1.17 million mt) and wire rods (845,138 mt) while from Japan are hot rolled coil (437,562 mt) and cold rolled coil (252,336 mt). China surpassed Japan in 2013, to become Malaysia’s largest source of steel imports while imports from Japan, Korea, India and Vietnam showed a downward trend in 2015.

The Malaysian steel industry, however, remains in the doldrums despite growth in steel consumption. Some of the main issues that largely reflect the current state of affairs and concerns of the industry, include the influx/circumvention of imports, widening gap between imports and exports, depressed prices/thinning margins/massive losses, under-utilisation of capacity and shrinking market share, and growing capacities in ASEAN countries. Additionally, the liberalisation of the industry (2020 and beyond), trade actions within ASEAN and elsewhere, being competitive versus cash flow issues/rising cost of doing business (raw materials, energy, labour, Goods and Services Tax (“**GST**”)/taxation, subsidy rationalisation, forex, etc.) and the threat of financial institutions losing interest in the industry resulting in withdrawal or reduction of financial facilities/unutilised funds.

The Malaysian steel industry hopes for better times in 2016. Prices of materials and products have shown upward trends in the first quarter and domestic consumption is expected to improve, driven by government projects such as Greater KL, high rail transit, mass rapid transit, as well as new highways, including the Pan Borneo Highway.

(Source: Malaysian Iron & Steel Industry Federation Country Report – Malaysia 2016)

7.3 Prospects of Ann Joo

After years of turmoil in the global steel industry, a turnaround happened in the form of a broad recovery in steel prices across the globe, prompted by the Chinese government's initiatives to deal with closures of loss-making, outdated and excess steel-making capacity factories. According to Bloomberg news dated 5 February 2016, the Chinese annual crude steel capacity will be cut by 100 to 150 million tonnes by 2020. Such industry movements are expected to significantly improve the operating environment for steel millers worldwide.

The year 2016 is shaping up as a year of recovery in steel prices whereby China's domestic prices have recovered by more than 30% from its December 2015 lows of RMB1,610 per metric tonne ("pmt") to RMB2,200 pmt as at 30 June 2016. International steel prices, including Malaysia, have also rebounded by the same magnitude as international steel prices, including Malaysia, are based on China's domestic prices for steel. Prices for the remainder of 2016 will continue to be influenced by industry sentiment, including the expected pace of China's capacity cuts of 100 to 150 million tonnes as mentioned above, and the trend in raw materials prices such as iron ore and scrap. However, in view of the huge losses of RMB64.50 billion by China's steel companies in 2015, it appears that prices are likely to remain significantly above December 2015 lows of RMB1,610 pmt. The management of Ann Joo is of the view that the price rally and temporary supply shortage in March-April 2016 were triggered by China suppliers having cancelled export orders given the surge in China's domestic prices from RMB1,980 pmt as at 1 March 2016 to RMB3,060 pmt as at 30 April 2016 as well as the over reliance of Malaysia on steel imports from China including both semi-finished products such as billets and finished products such as steel bars and wire rods. With the absence of billet supply from China, certain local mills were unable to produce finished products as billets were needed as key raw materials for these mills. Further, an idle steel plant would take time to restart and resume operations, a scenario that is both costly and inefficient to the supply of local Malaysian steel.

The subsequent price correction in May 2016 resulted in a normalisation of profit margins for efficient steel mills. Looking forward, while steel prices continue to fluctuate, the risk of China's mills resuming their past practice (in second half 2015) of exporting at loss-making prices appears low. This is because the Chinese government remains firm on its industry capacity reduction program with various initiatives and financial measures to close excess capacity. Nonetheless, steel prices are expected to remain highly volatile for quite some time.

Prices of key raw materials such as iron ore and scrap have also recovered from second half 2015 lows, whereby, the monthly average prices of iron ore have recovered from USD40 pmt in December 2015 to USD51 pmt in June 2016 and the monthly average scrap prices have recovered from USD175 pmt in December 2015 to USD235 pmt in June 2016. International iron ore prices temporarily surged to above USD60 pmt in early March 2016 due partly to steel mills' restocking. However, prices of iron ore have since eased from the low to mid USD50 pmt range. Given that China's domestic demand is expected to decline by around 2% in 2016 (according to the World Steel Association) which may hinder steel output, iron ore prices are expected to remain low for the year. Coking coal, which is used in the steel production process, is similarly expected to remain at relatively low levels.

The expected low prices of iron ore and coking coal would result in continued cost competitiveness for steel companies such as Ann Joo, with its integrated iron and steel making operations, which involves the use of iron ore and coking coal.

Scrap iron prices, in contrast, are expected to continue rising, as steel producers that use purely Electric Arc Furnace (“**EAF**”) in East and South East Asia resume or increase their operations in view of the increase in steel prices. If prices of domestic and international scrap continue to rise at a faster pace than iron ore prices, this could continue to extend Ann Joo’s cost competitiveness in comparison to pure EAF steel producers.

Leveraging on the advantages of the Group’s hybrid Blast Furnace–EAF operations, the Group enjoys an unparalleled operational flexibility, especially in varying its raw material feed. This allows the Group to effectively manage its manufacturing costs and hedge against fluctuations in raw material prices. The hybrid combination of Blast Furnace EAF via hot metal charging has propelled Ann Joo Group to become a low cost producer of long steel products in Malaysia.

In Malaysia, the demand for construction steel, a key area of focus for Ann Joo, is expected to remain robust in 2016. A slew of infrastructure projects including Mass Rapid Transit II and Light Rail Transit Line III, and the construction of major high-rise buildings such as Menara Warisan Merdeka, are expected to drive demand in 2016. Imposition of trade measures on China by certain regional markets, such as Vietnam in March 2016 which has imposed safeguard duty of 23.30% on import of steel ingots (amongst others, billets) and 15.40% on import of long steel products (amongst others, steel bars and wire rods), also creates large regional opportunities for Ann Joo’s products. This provides Ann Joo with the flexibility of selling to domestic and/or export markets, depending on price and market conditions.

Ann Joo is the only pig iron producer in Malaysia. With the resumption in regional and domestic demand for pig iron as evidenced by Ann Joo’s pig iron of which demand has been strong in the 1st half of 2016, and regional demand for billets from Vietnam who has imposed a safeguard duty on import of billets from China. Malaysia is exempted from the aforesaid safeguard duty. Based on the aforementioned, the Group is provided with more opportunities to increase sales of iron products and semi-finished goods as the Ann Joo Group is the only local pig iron producer catering for the demand in Malaysia and Southeast Asia.

Further, the enforcement of the certification of standards compliance for building materials on 1 December 2015 under the Lembaga Pembangunan Industri Pembinaan Malaysia (Amendment) Act 2011 which came into operation on 1 June 2015, showed the elimination of sub-standard steel products, both imported and locally produced for the consumption of the construction industry. Stringent enforcement of these regulated requirements would benefit Ann Joo, given its position as a premier manufacturer of bars and wire rods.

Notwithstanding that the Group recorded an audited consolidated LAT of approximately RM135.48 million for FYE 31 December 2015, the financial performance of the Group has improved significantly recording an unaudited consolidated PAT of approximately RM97.92 million for the 6 month FPE 30 June 2016 after the Group utilised the hybrid Blast Furnace–EAF technology in its manufacturing activities coupled with the recovery in steel prices and increased revenue. With the recovery of steel prices across the globe as well as a temporary supply shortage caused by Chinese mills cancelling export orders for both semi-finished and finished products, the Ann Joo Group may be able to expand its manufacturing of integrated iron and steel making operations to increase production output and to sell its inventory to mitigate the supply shortage situation. In light of the above, the Rights Issue of RCPS would serve as an avenue for the Group to raise additional funds which will be utilised to purchase additional inventory and raw materials for the Group’s manufacturing activities, such as scrap, iron ore, coke and anthracite as well as for its trading of steel products, such as steel plates, cold rolled coils, hot rolled coils, shapes and sections to achieve accelerated production and business activities.

The Group will continue to focus on improving its productivity by integrating its blast furnaces to rolling mills to maximise production output in order to meet the market demand as well as to further enhance its cost competitiveness. Moving forward, the Group is focused on becoming a total steel solution provider for the upcoming infrastructure projects, amongst others, Tun Razak Exchange, Light Rail Transit 3, Bandar Malaysia and Mass Rapid Transit 2, by combining the strength of its iron and steel making plants and its trading division. Further, the Group has resumed its steel bars cut and bend service centre, and the development of 50 mm diameter (D50) deformed bars to drive towards its strategy of becoming a total steel solution provider.

Barring unforeseen circumstances, our Board is confident on the future prospects of the Group. The Rights Issue of RCPS to be undertaken will strengthen its financial position which will allow the Group to expand its business activities in anticipation of future growth and after having considered the outlook of the steel manufacturing industry in Malaysia as set out in Section 7.2 of this AP. Premised on the aforementioned and the Group's efforts in improving its cost structure, the future prospects of the Group are expected to be favourable moving forward.

(Source: The management of the Ann Joo Group)

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8. FINANCIAL EFFECTS

8.1 Issued and paid-up share capital

For illustration purposes, the proforma effects on the issued and paid-up share capital of Ann Joo as at the LPD after the Rights Issue of RCPS and full conversion of RCPS into new Ann Joo Shares are as follows:

	Minimum Scenario			Maximum Scenario		
	No. of Ann Joo Shares	Amount RM	No. of RCPS	Amount RM	No. of RCPS	Amount RM
Issued and paid-up share capital as at the LPD	522,708,178	522,708,178	-	-	-	-
Treasury shares ⁽¹⁾	(22,149,300)	⁽²⁾ (22,149,300)	-	⁽²⁾ (22,149,300)	-	-
After the Rights Issue of RCPS	500,558,878	500,558,878	-	500,558,878	-	-
Maximum number of Ann Joo Shares to be issued pursuant to the LTIP ⁽⁴⁾	75,083,832	75,083,832	84,414,421	⁽³⁾ 844,144	125,139,720	⁽³⁾ 1,251,397
Issuance of new Ann Joo Shares pursuant to the full conversion of the RCPS	575,642,710	575,642,710	84,414,421	844,144	125,139,720	1,251,397
Enlarged issued and paid-up share capital	660,057,131	660,057,131	-	-	700,782,430	-

Notes:-

(1) Ann Joo confirms that none of the treasury shares will be resold prior to the Entitlement Date for the Rights Issue of RCPS.

(2) Based on the par value of RM1.00 each.

(3) Based on the par value of RM0.01 each.

(4) Assuming full exercise of the options granted under the LTIP after the completion of the Rights Issue of RCPS, representing up to 15% of the prevailing issued and paid-up share capital of the Company of 500,558,878 Ann Joo Shares.

8.2 NA per Share and gearing

Based on the audited consolidated statements of financial position of Ann Joo Group as at 31 December 2015 and on the assumption that the Rights Issue of RCPS had been effected on that date, the proforma effect of the Rights Issue of RCPS on the NA per Share and gearing of the Group are as follows:-

Minimum Scenario:

	Audited as at 31 December 2015 (RM'000)	Proforma I (2)After the Rights Issue of RCPS (RM'000)	Proforma II(A) After Proforma I and assuming full redemption of the RCPS (RM'000)	Proforma II(B) After Proforma I and assuming full conversion of the RCPS (RM'000)
Share capital	522,708	522,708	522,708	(7)607,122
Treasury shares	(71,366)	(71,366)	(71,366)	(71,366)
RCPS - Equity	-	(3)2,651	(6)-	(7)-
Other reserves	86,135	86,135	(6)88,786	(7)153,667
Retained earnings	389,099	(4)388,099	(6)385,448	(7)388,099
Total equity	926,576	928,227	925,576	1,077,522
No. of Ann Joo Shares ('000)	(1)500,579	500,579	500,579	(7)584,993
NA per Ann Joo Share (RM)	1.85	1.85	1.85	1.84
Total loans and borrowings	1,300,283	(6)1,339,839	(6)1,300,283	(8)1,300,283
Gearing (times)	1.40	1.44	1.40	1.21

Notes:-

- (1) Excluding treasury shares of 22,129,300 as at 31 December 2015.
- (2) On issuance of RCPS, the fair value of RCPS is determined and allocated into its liability and equity components, as the RCPS are accounted for as a compound instrument. The liability component is initially determined at the fair value of approximately RM39.56 million, which is derived from present value of all RCPS dividend obligations throughout its tenure of 8 years based on a discount rate of 6.0% as well as the present value of the full RCPS redemption amount on the 8th year. The equity component of the RCPS represents the difference between the fair value of the RCPS as a whole of approximately RM42.21 million and the fair value of the liability component of the RCPS amounting to approximately RM39.56 million.
- (3) Being the equity component of the RCPS of approximately RM2.65 million which represents the difference between the fair value of the RCPS as a whole of approximately RM42.21 million and the fair value of the liability component of the RCPS amounting to approximately RM39.56 million.
- (4) After deduction of estimated expenses of RM1.0 million for the Corporate Exercises.
- (5) After taking into account the fair value of the liability component of the RCPS of RM39.56 million.

- (6) Assuming full redemption of 84.41 million RCPS at the total redemption sum of approximately RM42.21 million which will result in the following:-
 (a) decrease in total loans and borrowings of approximately RM39.56 million due to the decrease in the liability component of the RCPS;
 (b) reversal of the RCPS - Equity amounting to approximately RM2.65 million;
 (c) increase in capital redemption reserves of approximately RM2.65 million at redemption in accordance to requirement of Section 61 of the Act; and
 (d) decrease in retained earnings of approximately RM2.65 million in accordance to requirement of Section 61 of the Act.
- (7) Assuming full conversion of 84.41 million RCPS into 84.41 million new Ann Joo Shares at the RCPS Conversion Price which will result in the following:-
 (a) increase in share capital by approximately RM84.41 million;
 (b) reversal of the RCPS – Equity amounting to approximately RM2.65 million;
 (c) increase in share premium by approximately RM67.53 million, i.e. RM0.80 share premium for each new Ann Joo Share converted; and
 (d) increase in number of Ann Joo Shares in issue by 84.41 million Shares.
- (8) After deduction of the liability component of the RCPS of approximately RM39.56 million upon full conversion of the RCPS.

Maximum Scenario:

	Audited as at 31 December 2015 (RM'000)	Proforma (I) (2) After the Rights Issue of RCPS (RM'000)	Proforma II(A) After Proforma I and assuming full redemption of the RCPS (RM'000)	Proforma II(B) After Proforma I and assuming full conversion of the RCPS (RM'000)
Share capital	522,708	522,708	522,708	(7)647,848
Treasury shares	(71,366)	(71,366)	(71,366)	(71,366)
RCPS - Equity	-	(3)3,930	(6)-	(7)-
Other reserves	86,135	86,135	(6)90,065	(7)186,247
Retained earnings	389,099	(4)388,099	(6)384,169	(7)388,099
Total equity	926,576	929,506	925,576	1,150,828
No. of Ann Joo Shares ('000)	(1)500,579	500,579	500,579	(7)625,719
NA per Ann Joo Share (RM)	1.85	1.86	1.85	1.84
Total loans and borrowings	1,300,283	(5)1,358,923	(6)1,300,283	(8)1,300,283
Gearing (times)	1.40	1.46	1.40	1.13

Notes:-

- (1) Excluding treasury shares of 22,129,300 as at 31 December 2015.
- (2) On issuance of RCPS, the fair value of RCPS is determined and allocated into its liability and equity components, as the RCPS are accounted for as a compound instrument. The liability component is initially determined at the fair value of approximately RM58.64 million, which is derived from present value of all RCPS dividend obligations throughout its tenure of 8 years based on a discount rate of 6.0% as well as the present value of the full RCPS redemption amount on the 8th year. The equity component of the RCPS represents the difference between the fair value of the RCPS as a whole of approximately RM62.57 million and the fair value of the liability component of the RCPS amounting to approximately RM58.64 million.
- (3) Being the equity component of the RCPS of approximately RM3.93 million which represents the difference between the fair value of the RCPS as a whole of approximately RM62.57 million and the fair value of the liability component of the RCPS amounting to approximately RM58.64 million.
- (4) After deduction of estimated expenses of RM1.0 million for the Corporate Exercises.
- (5) After taking into account the fair value of the liability component of the RCPS of RM58.64 million.
- (6) Assuming full redemption of 125.14 million RCPS at the total redemption sum of approximately RM62.57 million which will result in the following:-
 - (a) decrease in total loans and borrowings of approximately RM58.64 million due to the decrease in the liability component of the RCPS;
 - (b) reversal of the RCPS - Equity amounting to approximately RM3.93 million;
 - (c) increase in capital redemption reserves of approximately RM3.93 million at redemption in accordance to requirement of Section 61 of the Act; and
 - (d) decrease in retained earnings of approximately RM3.93 million in accordance to requirement of Section 61 of the Act.
- (7) Assuming full conversion of 125.14 million RCPS into 125.14 million new Ann Joo Shares at the RCPS Conversion Price which will result in the following:-
 - (a) increase in share capital by approximately RM125.14 million;
 - (b) reversal of the RCPS - Equity amounting to approximately RM3.93 million;
 - (c) increase in share premium by approximately RM100.11 million, i.e. RM0.80 share premium for each new Ann Joo Share converted; and
 - (d) increase in number of Ann Joo Shares in issue by 125.14 million Shares.
- (8) After deduction of the liability component of the RCPS of approximately RM58.64 million upon full conversion of the RCPS.

The full redemption of the RCPS in cash results in a settlement of the liability component of the RCPS and reversal of the equity component of the RCPS. There is no material impact to the consolidated reserves assuming full redemption of the RCPS on the same date of the proforma illustration of the Rights Issue of RCPS.

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8.3 Substantial shareholders' shareholdings

The Rights Issue of RCPS will not have any immediate effect on the substantial shareholding structure of Ann Joo. However, if the RCPS are converted in the future, the percentage shareholdings of the substantial shareholders may change depending on the extent of conversion.

Assuming all Entitled Shareholders subscribe for their respective entitlements and full conversion of the RCPS into new Shares, the Rights Issue of RCPS will not have any effect on the substantial shareholders' percentage of shareholdings in Ann Joo as the RCPS will be allotted on a pro-rated basis to all the Entitled Shareholders. Accordingly, the number of Shares held by each shareholder will increase proportionately pursuant to the conversion of the RCPS into new Shares.

For illustration purpose, the proforma effects of the Rights Issue of RCPS on Ann Joo's substantial shareholders' shareholdings based on the Record of Depositors as at the LPD are shown below:

Minimum Scenario:

	(I) As at the LPD			(II) After (I) and the Rights Issue of RCPS		
	Direct		Indirect	Direct		Indirect
	No. of Ann Joo Shares	%		No. of Ann Joo Shares	%	
AJC	183,512,532	36.66	-	183,512,532	36.66	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	69,405,600	13.87	(1)183,512,532
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	59,096,400	11.81	(1)183,512,532
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	14,520,000	2.90	(1)183,512,532
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	5,915,100	1.18	(1)252,918,132
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	5,734,955	1.15	(1)242,608,932
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	9,018,250	1.80	(2)252,938,132
Lim Sin Seong	-	-	(2)198,082,532	-	-	(2)198,082,532

	(III)(a)				(III)(b)			
	After (I) and assuming full redemption of the RCPS		After (II) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	229,390,665	39.21	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	86,757,000	14.83	(1)229,390,665	39.21
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	73,870,500	12.63	(1)229,390,665	39.21
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	18,150,000	3.10	(1)229,390,665	39.21
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	5,915,100	1.01	(1)316,147,665	54.05
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	5,734,955	0.98	(1)303,261,165	51.84
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	11,272,813	1.93	(2)316,167,665	54.05
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)247,590,665	42.33

Notes:-

- (1) Deemed interest pursuant to Section 6A of the Act.
(2) Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.

Maximum Scenario:

	(I)				(II)			
	As at the LPD		After (I) and the Rights Issue of RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	183,512,532	36.66	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	69,405,600	13.87	(1)183,512,532	36.66
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	59,096,400	11.81	(1)183,512,532	36.66
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	14,520,000	2.90	(1)183,512,532	36.66
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	5,915,100	1.18	(1)252,918,132	50.53
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	5,734,955	1.15	(1)242,608,932	48.47
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	9,018,250	1.80	(2)252,938,132	50.53
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)198,082,532	39.57

	(III)(a)				(III)(b)			
	After (II) and assuming full redemption of the RCPS		After (II) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	229,390,665	36.66	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	86,757,000	13.87	(1)229,390,665	36.66
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	73,870,500	11.81	(1)229,390,665	36.66
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	18,150,000	2.90	(1)229,390,665	36.66
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	7,393,875	1.18	(1)316,147,665	50.53
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	7,168,694	1.15	(1)303,261,165	48.47
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	11,272,813	1.80	(2)316,172,665	50.53
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)247,603,165	39.57

Notes:-

- (1) Deemed interest pursuant to Section 6A of the Act.
(2) Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.

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8.4 Earnings and EPS

The liability component of the RCPS (net of estimated expenses) shall be amortised at an effective interest rate per annum of 6% over the tenure of the RCPS. The effective interest rate per annum of 6% was arrived at based on the effective interest rate of unrated redeemable bonds of Ann Joo for 2015 of between 5.60%-6.00%.

As such, a discount on liability component of the RCPS totalling RM2.65 million and RM3.93 million shall be unwound and charged to the income statement on an effective interest method over the 8-year tenure of the RCPS, for the Minimum Scenario and Maximum Scenario, respectively (“**Unwinding of Discount**”).

In addition, the EPS of the Group may be diluted as a result of the increase in the number of Shares in issue after the issuance of Shares arising from the conversion of the RCPS in the future.

For illustrative purposes only, assuming the Rights Issue of RCPS had been completed and all the RCPS had been converted into new Ann Joo Shares, the proforma dilution effect on the basic EPS of the Ann Joo Group as a result of the increase in number of Ann Joo Shares in issue, is set out below:-

	Audited FYE 31 December 2015	After the Rights Issue of RCPS		After the Rights Issue of RCPS and assuming full conversion of the RCPS	
		Minimum Scenario	Maximum Scenario	Minimum Scenario	Maximum Scenario
(Loss) after tax attributable to the equity holders of the Company (RM '000)	(135,475)	(135,475)	(135,475)	(135,475)	(135,475)
Less:- Total Unwinding of Discount	-	⁽¹⁾ (2,651)	⁽¹⁾ (3,930)	-	-
Proforma (loss) after tax attributable to the equity holders of the Company (RM '000)	(135,475)	(138,126)	(139,405)	(135,475)	(135,475)
Number of Shares in issue as at the LPD ('000)	500,559	⁽²⁾ 500,559	⁽²⁾ 500,559	⁽³⁾ 584,973	⁽³⁾ 625,699
Basic EPS (sen)	(27.06)	⁽⁴⁾ (27.59)	⁽⁴⁾ (27.85)	⁽⁵⁾ (23.16)	⁽⁵⁾ (21.65)

Notes:-

- (1) Assuming the total Unwinding of Discount of RM2.65 million and RM3.93 million, under the Minimum Scenario and Maximum Scenario, respectively, are unwound and charged in full to the income statement for the FYE 31 December 2015.

The expected Unwinding of Discount for each year are as follows:-

Year	Minimum Scenario RM'000	Maximum Scenario RM'000
Year 1	267	396
Year 2	283	420
Year 3	300	445
Year 4	319	473
Year 5	338	501
Year 6	359	532
Year 7	381	564
Year 8	404	599
Total	2,651	3,930

- (2) Being the proforma enlarged issued and paid-up share capital after the Rights Issue of RCPS under Minimum Scenario and Maximum Scenario, respectively.
- (3) Being the proforma enlarged issued and paid-up share capital after the Rights Issue of RCPS and assuming full conversion of the RCPS since day-1 of the FYE 31 December 2015 under Minimum Scenario and Maximum Scenario, respectively.
- (4) This illustrates the dilution of the basic EPS as a result of the total Unwinding of Discount arising from the Rights Issue of RCPS.
- (5) This illustrates the full dilution of the basic EPS as a result of the Rights Issue of RCPS and assuming full conversion of the RCPS.

The Rights Issue of RCPS is not expected to have any material and/or immediate effect on the earnings of the Group.

8.5 Convertible securities

As at the LPD, Ann Joo does not have any existing convertible securities.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that, based on the banking facilities currently available to our Group, our Group's cash balance, internally generated funds from our business operations as well as the proceeds to be raised from the Rights Issue of RCPS, our Group has sufficient working capital for a period of 12 months from the date of this AP to meet our present and foreseeable future requirements.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM923.0 million which are interest bearing, as follows:

	(RM'000)
Unsecured short-term borrowings	922,996

The figure above is also inclusive of the following borrowing which is denominated in USD, but expressed in RM terms:

Currency	Amount of debt denominated in foreign currencies ('000)	Exchange rate as at the LPD*	Amount of debt denominated in RM (RM'000)
USD	35,987	4.15	149,346

Note:-

* The middle exchange rate of USD1.00:RM4.15 from BNM's website as at the LPD.

Other than disclosed above, we do not have any other borrowings. After having made all reasonable enquiries, there has not been any default on payments of either interest and/or principal sums in respect of any borrowings throughout the FYE 31 December 2015 and the subsequent financial period up to the LPD.

As at the LPD, neither we nor our subsidiaries are in breach of any terms and conditions or covenants associated with our borrowing facility agreements, which could materially affect our financial position, results and/or business operations.

9.3 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by the Ann Joo Group, which upon becoming enforceable may affect the business or financial position of the Group save for the material litigation as disclosed in Section 4 of Appendix VII.

9.4 Material commitments

Save as disclosed below, our Board is not aware of any material commitments for capital expenditure incurred or known to be incurred by the Ann Joo Group as at the LPD, which upon becoming enforceable may have a material effect on the business or financial position of the Ann Joo Group:

	RM'000
Property, plant and equipment	
Contracted but not provided for	9,600
Approved but not contracted for	<u>5,366</u>
	<u>14,966</u>

The material commitments are expected to be financed through our Group's internally generated funds and/or borrowings.

10. PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION**10.1 General**

As you are an Entitled Shareholder and the RCPS are prescribed securities, your CDS Account will be duly credited with the number of Provisional RCPS, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of RCPS. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional RCPS into your CDS Account and the RSF to enable you to subscribe for the RCPS provisionally allotted to you, as well as to apply for excess RCPS, if you choose to do so. This AP and the RSF are also available on Bursa Securities' website (<https://www.bursamalaysia.com>).

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Nominees Provisional RCPS Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 10.5, 10.6 and 10.8 of this AP for the procedures for acceptance as well as to apply for excess RCPS, if you choose to do so.

The minimum number of RCPS that can be subscribed for or accepted is 1 RCPS. You and your renouncee(s)/transferee(s) (if applicable) should take note that a trading board lot of the RCPS is 100 RCPS.

Our Company shall make an announcement after the closing date of RCPS on the outcome of the Rights Issue of RCPS.

10.2 NPA

The provisional allotted of the RCPS are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional RCPS will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

10.3 Last date and time for acceptance and payment

The last date and time for acceptance for the provisional RCPS is at **5.00 p.m. on 22 November 2016**, or such extended date and time as our Board may decide at its absolute discretion.

10.4 Methods of application

You may subscribe for such number of RCPS that you have been provisionally allotted as well as to apply for excess RCPS, if you choose, using either of the following methods:

Method of application	Category of Entitled Shareholders
RSF ⁽¹⁾	All Entitled Shareholders
Electronic Application ⁽²⁾ or Internet Application ⁽³⁾	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

Notes:

- (1) *A copy of the RSF will be enclosed together with this AP. The RSF is also available on the website of Bursa Securities (<https://www.bursamalaysia.com>).*
- (2) *The following surcharge per Electronic Application will be charged by the Participating Financial Institution:*
- *Public Bank Berhad – RM4.24 (inclusive of 6% GST); and*
 - *Affin Bank Berhad – RM4.24 (inclusive of 6% GST).*
- (3) *The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institution:*
- *Public Bank Berhad (<http://www.pbebank.com>) – RM4.24 (inclusive of 6% GST); and*
 - *Affin Bank Berhad (<http://www.affinonline.com>) – RM4.24 (inclusive of 6% GST).*

10.5 Procedures for full acceptance by the Entitled Shareholders and/or their renounee(s)/transferee(s)**10.5.1 By way of RSF**

If you wish to accept your entitlement to the Provisional RCPS, the acceptance of and payment for the Provisional RCPS must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in the Documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renounees/transferees who wish to accept the Provisional RCPS must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders also applies to renounees/transferees who wish to accept the Provisional RCPS.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RCPS PROVISIONAL ALLOTTED TO THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFeree(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD THE ENTITLED SHAREHOLDERS WISH TO SELL OR TRANSFER ALL OR ANY PART OF THEIR PROVISIONAL ENTITLEMENTS ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFeree(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who wish to accept their provisional allotment in full are required to complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar in the envelope provided by **ORDINARY POST** (at your own risk) or **DELIVERED BY HAND** or **BY COURIER** at the following address:

BY COURIER / DELIVERED BY HAND	BY ORDINARY POST
<p>Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia</p> <p>Helpdesk Tel: 03-7849 0777 Fax: 03-7841 8151/52</p>	<p>Peti Surat 9150 Pejabat Pos Kelana Jaya 46785 Petaling Jaya Selangor Darul Ehsan</p>

so as to arrive not later than 5.00 p.m. on 22 November 2016, being the last date and time for acceptance and payment.

Entitled Shareholders who lose, misplace or for any other reasons require another copy of the RSF, may obtain additional copies from their stockbroker, our Share Registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

1 RSF can only be used for acceptance of the Provisional RCPS standing to the credit of 1 CDS Account belonging to an Entitled Shareholder. Separate RSF(s) must be used for the acceptance of Provisional RCPS standing to the credit of more than 1 CDS Account. If successful, the RCPS subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar, Entitled Shareholders are advised to use 1 reply envelope for each completed RSF.

If acceptance and payment for the Provisional RCPS to any Entitled Shareholder and/or their renounee(s)/transferee(s) (if applicable) are not received by our Share Registrar by 5.00 p.m. on 22 November 2016, being the last date and time for acceptance and payment for the Provisional RCPS, or any other extended date and time as may be determined and announced by our Board, such provisional allotment of RCPS will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

Our Board will then have the right to allot such RCPS, which have not been taken up, to applicants applying for excess RCPS on a fair and equitable basis and in such manner as our Board in its absolute discretion deems fit and expedient and in the best interest of the Company, and such that the incidence of odd lots will be minimised. Our Board reserves the right not to accept any application or to accept any application in part only without assigning any reason thereof.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE IN THE FORM OF BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA AND MUST BE MADE PAYABLE TO "ANN JOO RCPS ACCOUNT" CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF FOR THE RCPS ACCEPTED OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE OF RCPS WILL BE MADE BY THE COMPANY OR OUR SHARE REGISTRAR. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RCPS AND NOTICES OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE SUCCESSFUL APPLICANTS AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RCPS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

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

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

OUR SHARE REGISTRAR WILL NOT CONTACT YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) FOR ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS OF THIS AP OR THE RSF OR THE NOTES AND INSTRUCTIONS CONTAINED IN THESE DOCUMENTS, OR WHICH ARE ILLEGIBLE.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RCPS.

10.5.2 By way of Electronic Application

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Electronic Applications and the procedures set out at the ATMs of the Participating Financial Institutions before making an Electronic Application.

(i) Steps for the Electronic Applications through Participating Financial Institutions' ATMs within Malaysia

The procedures for Electronic Applications at the ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustrative purposes, the procedures for Electronic Application at ATMs are set out below. The Steps set out the actions that you must take at the ATM to complete an Electronic Application. Please read carefully the terms of this AP, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for the RCPS at an ATM belonging to other Participating Financial Institutions;
- (b) You are advised to read and understand this AP **BEFORE** making the application; and
- (c) You shall apply for the RCPS via the ATM of the Participating Financial Institutions by choosing the Electronic Application option. Mandatory statements required in the application are as set out in "**Terms and conditions for Electronic Applications**" (please refer to Section 10.5.2(iii) (Terms and conditions of Electronic Applications) below). You shall enter at least the following information through the ATM when the instructions on the ATM screen requires you to do so:
 - Personal Identification Number ("**PIN**");
 - Select Ann Joo RCPS Account;
 - CDS Account number;
 - Number of RCPS and/or the RM amount to be debited from the account;
 - Current contact number (e.g. your mobile phone number); and
 - Confirmation of several mandatory statements.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by our Company or the Share Registrar. The Transaction Record is for your record and is not required to be submitted with your application.

YOU MUST ENSURE THAT YOU USE THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN MAKING AN ELECTRONIC APPLICATION. IF YOU OPERATE A JOINT BANK ACCOUNT WITH ANY OF THE PARTICIPATING FINANCIAL INSTITUTIONS, YOU MUST ENSURE THAT YOU ENTER THE NUMBER OF THE CDS ACCOUNT HELD IN YOUR NAME WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING.

(ii) Participating Financial Institutions

Electronic Applications may be made through an ATM of the following Participating Financial Institutions and their branches within Malaysia:

- Public Bank Berhad
- Affin Bank Berhad

(iii) Terms and conditions of Electronic Applications

The Electronic Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Participating Financial Institutions and those appearing herein:

- (a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
- (i) You have attained 18 years of age as at the day for the application and payment;
 - (ii) You have read the relevant AP and understood and agreed with the terms and conditions of the application; and
 - (iii) You hereby give consent to our Company, Bursa Depository, our Share Registrar, the relevant Participating Financial Institutions, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institutions and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/refund.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

- (b) You confirm that you are not applying for the RCPS as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.
- (c) You must have sufficient funds in your account with the relevant Participating Financial Institutions at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.
- (d) You agree and undertake to subscribe for or purchase and to accept the number of RCPS applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of RCPS applied for shall signify, and shall be treated as, your acceptance of the number of RCPS that may be allotted to you.

Should you encounter any problems in your Electronic Application, please refer to the Participating Financial Institutions.

- (e) By making and completing your Electronic Application, you, if successful, requests and authorises our Company to credit the RCPS allotted to you into your CDS Account.
- (f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository and irrevocably agrees that if:
 - (i) Our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or
 - (ii) Data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institutions or Bursa Depository for the RCPS applied for or for any compensation, loss or damage relating to the application for the RCPS.

- (g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institutions at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the relevant Participating Financial Institutions and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institutions are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (i) By making and completing and Electronic Application, you agree that:
 - (i) In consideration of our Company agreeing to allow and accept your application for the RCPS via the Electronic Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;
 - (ii) Our Company, the Participating Financial Institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

- (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the RCPS for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said RCPS; and
- (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the courts of Malaysia.
- (j) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (k) Notification on the outcome of your application for the RCPS will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
 - (i) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the RCPS; or
 - (ii) Unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the RCPS.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 10.5.2(iii) (Terms and conditions of Electronic Application) of this AP and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.5.3 By way of Internet Application

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services websites of the Internet Participating Financial Institutions before making an Internet Application.

(i) Step 1: Set up of account

Before making an application by way of Internet Application, you **must have all** of the following:

- (a) an existing account with access to internet financial services with **Public Bank Berhad** at <http://www.pbebank.com> or **Affin Bank Berhad** at <http://www.affinonline.com>. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and
- (b) a CDS Account held in your name.

(ii) Step 2 : Read the AP

You are advised to read and understand this AP **BEFORE** making your application.

(iii) Step 3 : Apply through Internet

While we will attempt to provide you with assistance in your application for the RCPS through Internet Applications, please note that the actual steps for Internet Applications through the internet financial services website of the Internet Participating Financial Institutions may differ from the steps outlined below. The possible steps set out below are purely for illustrative purposes only.

- (a) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have a bank account;
- (b) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (c) Navigate to the section of the website on applications in respect of the RCPS;
- (d) Select the counter in respect of the RCPS to launch the terms and conditions of the Internet Application;
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (f) At the next screen, complete the online application form;
- (g) Check that the information contained in your online application form, such as the share counter (in this case, Ann Joo RCPS Account), your current contact number (for e.g. your mobile number), your CDS Account number, number of RCPS applied for, the amount of payment of subscription monies, the payment of bank charges and the account number to debit are correct. Then select confirm and submit the online application form;
- (h) As soon as the transaction is completed, a message from the Authorised Financial Institution (as defined below) with details of your application appear on the screen of the website; and
- (i) You are advised to print out the confirmation screen for your reference and record.

(iv) Terms and conditions of Internet Applications

The Internet Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Internet Participating Financial Institutions and those appearing herein:

- (a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given are true and correct:
 - (i) You have attained 18 years of age as at the last day for application and payment;
 - (ii) You have, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of this AP, the contents of which you have read and understood;
 - (iii) You agree to all the terms and conditions of the Internet Application as set out in this AP and have carefully considered the risk factors set out in this AP, in addition to all other information contained in this AP, before making the Internet Application;
 - (iv) You authorise the financial institution with which you have a bank account to deduct the full amount payable for the RCPS (including the processing fee as mentioned in Section 10.4 (Methods of application) (Note 3) of this AP) from your bank account with the said financial institution ("**Authorised Financial Institution**"); and
 - (v) You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant Internet Participating Financial Institutions, their respective agents and any third party involved in facilitating the application/refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institutions and/or the Authorised Financial Institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the application/refund.
- (b) You confirm that you are not applying for the RCPS as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this AP.
- (c) You agree and undertake to subscribe for our purchase and to accept the number of RCPS applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of RCPS applied for shall signify, and shall be treated as, your acceptance of the number of RCPS that may be allotted to you.

Should you encounter any problems in your Internet Application, please refer to the Internet Participating Financial Institution.

- (d) By making and completing your Internet Application, you, if successful, requests and authorises our Company to credit the RCPS allotted to you into your CDS Account.

- (e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Internet Participating Financial Institutions or Bursa Depository and irrevocably agrees that if:
- (i) Our company, our Share Registrar or Bursa Depository does not receive your Internet Application; or
 - (ii) Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Internet Participating Financial Institutions or Bursa Depository for the RCPS applied for or any compensation, loss or damage relating to the application for the RCPS.

- (f) All of your particulars, including your nationality and place of residence, in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Share Registrar, the relevant Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (h) By making and completing an Internet Application, you agree that:
- (i) In consideration of our Company agreeing to allow and accept your application for the RCPS via the Internet Application facility established by the Internet Participating Financial Institution at their respective internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;
 - (ii) Our Company, the Internet Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
 - (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the RCPS for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said RCPS; and

- (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the courts of Malaysia.
- (i) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (j) Notification on the outcome of your application for the RCPS will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:-
- (i) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Rights Issue of RCPS; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Rights Issue of RCPS.
- The refund will be credited directly into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 10.5.3(iv) of this AP and the required consent in making your Internet Application.
- If the crediting of the refund into your bank account with the Authorised Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.
- (k) A surcharge is imposed on each Internet Application which will be charged by the Internet Participating Financial Institutions as mentioned in Section 10.4 (Methods of application) (Note 3) of this AP.
- (l) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue of RCPS, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue of RCPS. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Application services.

10.5.4 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

(i) Steps for application via NRS

- (a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, you will not be receiving this AP, the RSF nor the NPA by post.
- (b) Instead, this AP and a Nominees Provisional RCPS Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's User Guide for NRS, on the next business day after the Entitlement Date.
- (c) A notification of the delivery of the AP and the Nominees Provisional RCPS Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.
- (d) You are advised to read carefully, understand and follow the terms of this AP, **BEFORE** making the application.
- (e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue of RCPS.
- (f) To apply for the Rights Issue of RCPS, you will be required to submit your subscription information via RCPS Subscription File which is to be prepared based on the format as set out in Bursa Depository's User Guide for NRS.
- (g) Once completed, you will need to submit the RCPS Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.
- (h) Together with the RCPS Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:
 - (i) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this AP, the contents of which you have read, understood and agreed; and
 - (ii) Consent to the disclosure of your information to facilitate electronic refunds where applicable.

- (i) With regards to payment for the RCPS which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:

Bank : **MALAYAN BANKING BERHAD**
Account Name : **ANN JOO RCPS ACCOUNT**
Bank Account No. : **514012081925**

prior to submitting the RCPS Subscription File to Bursa Depository.

- (j) Upon completion of the transfer/payment, you may receive a transaction slip ("**Transaction Record**") from the transacting financial institution confirming the details of your transfer/payment. The Transaction Record is only a record of the completed transaction and not a record of receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transaction Record is for your record and is not required to be submitted with your application via NRS.
- (k) You will be notified on the outcome of your application for the RCPS electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
- (i) successful application – an electronic notification will be sent to you within 8 Market Days from the last day for application and payment for the RCPS; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the RCPS.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 10.5.4(ii)(a) of this AP and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the RCPS Subscription File) from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

- (l) Upon crediting of the RCPS allotted to you into your CDS account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.
- (m) You should note that all applications made for the RCPS submitted under NRS will be irrevocable upon submission of the RCPS Subscription File to Bursa Depository and cannot be subsequently withdrawn.

(ii) Terms and conditions for application via NRS

The application via NRS shall be made on, and subject to, the terms of this AP, Bursa Depository's terms and conditions for NRS and Bursa Depository's User Guide for NRS as well as the terms and conditions appearing herein:-

- (a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act, 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.
- (b) You agree and undertake to subscribe for or purchase and to accept the number of RCPS applied for as stated on your RCPS Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of RCPS that may be allotted to you.
- (c) You acknowledge that by completing and submitting the RCPS Subscription File to Bursa Depository, you, if successful, request and authorise our Company to credit the RCPS allotted to you into the respective CDS Account(s) as indicated in the RCPS Subscription File.
- (d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:-
 - (i) our Company, our Share Registrar or Bursa Depository does not receive your application via NRS; or
 - (ii) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the RCPS applied for or for any compensation, loss or damage relating to the application for RCPS.
- (e) By completing and submitting the RCPS Subscription File to Bursa Depository, you agree that:-
 - (i) In consideration of our Company agreeing to allow and accept your application for the RCPS via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;

- (ii) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
- (iii) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the RCPS issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said RCPS; and
- (iv) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the courts of Malaysia.
- (f) Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

10.6 Procedures for part acceptance by the Entitled Shareholders and/or their renouncee(s)/transferee(s)

10.6.1 By way of RSF

You must complete both Part I(a) of the RSF by specifying the number of the RCPS which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.5.1 (By way of RSF) of this AP.

10.6.2 By way of Electronic Applications and Internet Applications

If you are an individual who is an Entitled Shareholder and wish to accept part of your Provisional RCPS via Electronic Application or Internet Application, you may do so by following the same steps as set out in Sections 10.5.2 (By way of Electronic Application) and 10.5.3 (By way of Internet Application), respectively of this AP.

10.6.3 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and wish to accept part of your Provisional RCPS, you may do so by following the same steps as set out in Section 10.5.4 (By way of NRS) of this AP.

The portion of the Provisional RCPS that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional RCPS.

10.7 Procedures for sale/transfer of Provisional RCPS

The Provisional RCPS are renounceable securities and will be traded on Bursa Securities commencing from 8 November 2016 up to and including 14 November 2016. As such, you may sell all or part of your entitlements under the Rights Issue of RCPS during such period. You may also transfer all or part of your entitlements under the Rights Issue of RCPS from 8 November 2016 to 4.00 p.m. on 17 November 2016.

As the Provisional RCPS are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional RCPS to one or more persons, you may do so through your stockbrokers without first having to request for a split of the Provisional RCPS standing to the credit in your CDS Account.

You may sell such entitlement on Bursa Securities or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository, both for the period up to the last day and time for the sale or transfer of the Provisional RCPS (in accordance with the Rules of Bursa Depository).

You are advised to read and adhere to the RSF and the notes and instructions contained in the RSF. In selling or transferring all or part of your Provisional RCPS you need not deliver any document (including the RSF) to your stockbrokers in respect of the portion of the Provisional RCPS sold or transferred. However, you are advised to ensure that you must have sufficient number of Provisional RCPS standing to the credit in your CDS Account before selling or transferring.

If you have sold or transferred only part of the Provisional RCPS, you may still accept the balance of the Provisional RCPS. Please refer to Section 10.5 of this AP for the procedures for acceptance and payment.

10.8 Procedures for application of excess RCPS

10.8.1 By way of RSF

If you are an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional RCPS, and wish to apply for additional RCPS in excess of your entitlement, you may do so by completing Part I(b) and II of the RSF. Send each completed and signed RSF with a **separate remittance** for the full amount payable on the excess RCPS applied for to our Share Registrar at Level 6, Symphony House, Pusat Dagangan Dana I, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on 22 November 2016.

The minimum number of excess RCPS that can be applied for is 1 excess RCPS. However, you should take note that a trading board lot comprises 100 Ann Joo Shares.

PAYMENT FOR THE EXCESS RCPS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.5.1 OF THIS AP, EXCEPT THAT THE BANKER'S DRAFTS OR CASHIER'S ORDERS OR MONEY ORDERS OR POSTAL ORDERS DRAWN ON A BANK OR POST OFFICE IN MALAYSIA SHOULD BE MADE PAYABLE TO "ANN JOO RCPS EXCESS ACCOUNT", CROSSED "ACCOUNT PAYEE ONLY" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS IN BLOCK LETTERS AND YOUR CDS ACCOUNT NUMBER. THE PAYMENT MUST BE MADE FOR THE EXACT AMOUNT. ANY EXCESS OR INSUFFICIENT PAYMENT MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. CHEQUES OR OTHER MODES OF PAYMENT NOT PRESCRIBED HERE ARE NOT ACCEPTABLE.

It is the intention of our Board to allocate the excess RCPS, if any, on a fair and equitable basis and in the following order of priority, where applicable:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess RCPS application; and
- (iv) finally, for allocation to the renouncee(s)/transferee(s) (if applicable) who have applied for the excess RCPS on a pro-rata basis and in board lots, calculated based on the quantum of their respective excess RCPS application.

In the event of any excess RCPS balance after the above allocations are completed, the balance will be allocated again through the processes above until all excess RCPS are fully allocated.

Nevertheless, our Board reserves the right to allot any excess RCPS applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intentions of our Board as set out in Section 10.8.1 (By way of RSF) (i) to (iv) above are achieved. Our Board also reserves the right not to accept any excess RCPS application, in full or in part.

APPLICATIONS ACCOMPANIES BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

10.8.2 By way of Electronic Applications

If you are an individual who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional RCPS, and wish to apply for additional RCPS via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 10.5.2 of this AP save and except that you shall proceed with the option for excess RCPS application and the amount payable to be directed to “**ANN JOO RCPS EXCESS ACCOUNT**” for the excess RCPS applied.

It is the intention of our Board to allocate the excess RCPS, if any, in a fair and equitable manner as set out in 10.8.1 (By way of RSF) of this AP.

The Electronic Application for excess RCPS shall be made on, and subject to, the same terms and conditions appearing in Section 10.5.2 (By way of Electronic Application) of this AP.

10.8.3 By way of Internet Application

If you are an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional RCPS, and wish to apply for additional RCPS via Internet Applications in excess of your entitlement, you may do so by following the same steps as set out in Section 10.5.3 of this AP save and except that you shall proceed with the option for excess RCPS application and the amount payable to be directed to “**ANN JOO RCPS EXCESS ACCOUNT**” for the excess RCPS applied.

It is the intention of our Board to allocate the excess RCPS, if any, in a fair and equitable manner as set out in 10.8.1 (By way of RSF) of this AP.

The Electronic Application for excess RCPS shall be made on, and subject to, the same terms and conditions appearing in Section 10.5.3 (By way of Internet Application) of this AP.

10.8.4 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renouncee and/or a transferee and/or if you have purchased any Provisional RCPS, and wish to apply for additional RCPS via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 10.5.4 (By way of NRS) of this AP save and except for the amount payable to be directed to “**ANN JOO RCPS EXCESS ACCOUNT**” (Bank Account No. 514012081918 with MALAYAN BANKING BERHAD) for the excess RCPS applied and also that you should complete the details for excess RCPS application at the designated fields for excess RCPS applications in the RCPS Subscription File.

It is the intention of our Board to allocate the excess RCPS, if any, in a fair and equitable manner as set out in 10.8.1 (By way of RSF) of this AP.

The Application for excess RCPS via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 10.5.4 (By way of NRS) of this AP, Bursa Depository's terms and conditions for NRS and User Guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS).

10.9 Notice of allotment

Upon allotment of the RCPS in respect of your acceptance and/or your renounce(s)/transferee(s) acceptance (if applicable) and excess RCPS application (if any), the RCPS shall be credited directly into the respective CDS Account. No physical RCPS certificates will be issued in respect of the RCPS. However, a notice of allotment will be despatched to you and/or your renounce(s)/transferee(s) (who are not an Authorised Nominee who has subscribed for NRS) (if applicable), by ordinary post within 8 Market Days from the last date of acceptance and payment for the RCPS and excess RCPS application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic notification will be sent to you within 8 Market Days from the last day for application and payment for the RCPS and excess RCPS application, or such other period as may be prescribed or allowed by Bursa Securities through Bursa Depository's existing network facility with the Authorised Nominees in the manner set out in Bursa Depository's User Guide for NRS.

Where any application for the RCPS is not accepted due to non-compliance with the terms of the Rights Issue of RCPS 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 to you 15 Market Days from the last date and time for acceptance and payment of the RCPS by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the RCPS cannot be withdrawn subsequently.

10.10 Form of issuance

Bursa Securities has already prescribed the RCPS to be listed on the Main Market of Bursa Securities and to be deposited with Bursa Depository. Accordingly, the RCPS are prescribed securities and as such, all dealings in the RCPS will be subject to the SICDA and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical RCPS certificate will be issued to you. A notice of allotment will be despatched to the respective Entitled Shareholders and/or their renounee(s)/transferee(s) (as the case may be) by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at their own risk within 8 Market Days from the last date for acceptance of and payment for the RCPS or such other period as may be prescribed by Bursa Securities.

Where the RCPS are provisionally allotted to Entitled Shareholders in respect of their existing Ann Joo Shares standing to the credit to their CDS Account on the Entitlement Date, the acceptance by Entitled Shareholders of the provisional allotment of RCPS shall mean that they consent to receive such provisional allotment of RCPS as prescribed or deposited securities which will be credited directly into their CDS Account.

Any person who has purchased the provisional allotment of RCPS or to whom the provisional allotment of RCPS has been transferred and intends to subscribe for the RCPS must state his/her CDS Account number in the space provided in the RSF. The RCPS will be credited directly as prescribed or deposited securities into his/her CDS Account upon allotment and issuance.

The excess RCPS, if allotted to the successful applicant who applies for the excess RCPS, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the excess RCPS will be made on a fair and equitable basis in such manner as our Board in its absolute discretion deems fit and expedient and in the best interest of the Company, such that the incidence of odd lots will be minimised, as disclosed in Section 10.8.1 of this AP.

10.11 Laws of foreign jurisdictions

The Documents to be issued in connection to the Rights Issue of RCPS have not been and will not be made to comply with the laws of any foreign jurisdictions, and have not been and will not be lodged, registered or approved pursuant to or under any legislation of any countries or with or by any regulatory authorities or other relevant bodies of any foreign jurisdictions. The Rights Issue of RCPS will not be made or offered for subscription in any foreign jurisdictions other than Malaysia.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlement and exercise any other rights in respect of the Rights Issue of RCPS to the extent that it would be lawful to do so, and we, our Directors and officers, Affin Hwang IB and other experts would not, in connection with the Rights Issue of RCPS, be in breach of the laws of any jurisdictions to which they are or may be subject. We, our Directors and officers, Affin Hwang IB and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such jurisdictions.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company, our directors and officers, Affin Hwang IB and other experts shall be entitled to be fully indemnified and held harmless by such applicants for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company, our Directors and officers, Affin Hwang IB and other experts in respect of their rights and entitlements under the Rights Issue of RCPS. Such applicants should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of RCPS.

By signing the RSF, the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) us, our Directors and officers, Affin Hwang IB and other experts that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of RCPS, be in breach of the laws of any jurisdiction to which the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are or may be subject to;
- (ii) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional RCPS;
- (iii) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are not nominees or agents of any person in respect of whom our Company would, by acting on the acceptance or renunciation of the Provisional RCPS, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are aware that the RCPS can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the Entitled Shareholder and/or his renounee(s)/transferee(s) has obtained a copy of this AP and has had access to such financial and other information and has been provided the opportunity to ask such questions to the representatives of our Company and receive answers thereto as the Entitled Shareholder and/or his renounee(s)/transferee(s) deems necessary in connection with the Entitled Shareholder and/or his renounee's decision to subscribe for or purchase the RCPS; and
- (vi) the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the RCPS, are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the RCPS.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send the documents into any foreign jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and our Company reserves the right to reject a purported acceptance of the RCPS from any such application by foreign Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the RCPS as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

11. TERMS AND CONDITIONS

The issuance of the RCPS pursuant to the Rights Issue of RCPS is governed by the terms and conditions as set out in the Documents enclosed herewith.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

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



DATO' LIM HONG THYE
GROUP MANAGING DIRECTOR

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RESPECT OF THE RIGHTS ISSUE OF RCPS PASSED AT OUR EGM HELD ON 21 OCTOBER 2016

CERTIFIED TRUE COPY

ANN JOO RESOURCES BERHAD
(Company No: 371152-U)
(Incorporated in Malaysia)


.....
MABEL TIO MEI PENG
Chartered Secretary
MAICSA 7009237
Date : **21 OCT 2016**

EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD ON 21 OCTOBER 2016

RESOLVED:

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 125,139,720 NEW REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF RM0.01 EACH IN ANN JOO ("RCPS") CONVERTIBLE INTO ORDINARY SHARES OF RM1.00 EACH IN ANN JOO ("ANN JOO SHARES" OR "SHARES") ON THE BASIS OF 1 RCPS FOR EVERY 4 EXISTING ANN JOO SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF RCPS")

"**THAT** subject to the passing of the Special Resolution, the approvals granted by Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of the RCPS to the Official List of Bursa Securities and the listing of and quotation for the RCPS and new Ann Joo Shares to be issued pursuant to conversion of the RCPS, the approval of Bank Negara Malaysia and any other relevant authorities/parties (if required), approval be and is hereby given to the Board of Directors of Ann Joo ("**Board**") for the following:-

- (i) to provisionally allot and issue by way of a renounceable rights issue of up to 125,139,720 new RCPS at an issue price to be determined later by the Board on the basis of one (1) RCPS for every 4 existing Shares held by the shareholders of Ann Joo whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board; and
- (ii) to allot and issue such number of new Shares credited as fully paid-up pursuant to any conversion of the RCPS and that such approval shall remain in full force and effect for the duration of the conversion period;

THAT the RCPS shall, upon allotment and issue, rank equally amongst themselves and that the new Shares to be issued upon conversion of the RCPS shall rank equally in all respects with the then existing Shares, except that the new Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of conversion of the RCPS into new Shares;

THAT any fractional entitlements under the Proposed Rights Issue of RCPS will be disregarded and will be dealt with in such manner as the Board shall in its absolute discretion deem fit and/or expedient and in the best interest of the Company;

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary, expedient and/or appropriate, in the best interests of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and/or parties, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Rights Issue of RCPS."

CERTIFIED TRUE AND CORRECT


.....
DATO' LIM KIAM LAM
DIRECTOR


.....
DATO' LIM HONG THYE
DIRECTOR

Date: 21 October 2016

INFORMATION ON ANN JOO

1. HISTORY AND PRINCIPAL ACTIVITIES

Ann Joo was incorporated in Malaysia under the Act on 19 December 1995, as a private limited company under the name of Ann Joo Resources Sdn Bhd. Subsequently, on 14 March 1996, Ann Joo was converted to a public limited company and assumed its present name. On 26 November 1996, Ann Joo was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities).

The principal activity of our Company is investment holding. The principal activities of our subsidiaries and associated companies are set out in Section 5 of this Appendix.

2. SHARE CAPITAL

Our authorised share capital and issued and paid-up share capital as at the LPD are as follows:-

	No. of Ann Joo Shares	Par value (RM)	Total (RM)
Authorised	1,000,000,000	1.00	1,000,000,000
Issued and paid-up	522,708,178	1.00	522,708,178

As at the LPD, there had been no changes in our authorised, the issued and paid-up share capital of Ann Joo for the past 3 years preceding the date of this AP.

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INFORMATION ON ANN JOO (CONT'D)

3. SUBSTANTIAL SHAREHOLDERS

The effects of the Rights Issue of RCPS on the shareholdings of the substantial shareholders of Ann Joo based on the Company's Register of Substantial Shareholders as at the LPD are set out below:

Minimum Scenario:

	(i)				(ii)			
	As at the LPD		After (i) and the Rights Issue of RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	183,512,532	36.66	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	69,405,600	13.87	(1)183,512,532	36.66
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	59,096,400	11.81	(1)183,512,532	36.66
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	14,520,000	2.90	(1)183,512,532	36.66
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	5,915,100	1.18	(1)252,918,132	50.53
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	5,734,955	1.15	(1)242,608,932	48.47
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	9,018,250	1.80	(2)252,938,132	50.53
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)198,082,532	39.57

	(iii)(a)				(iii)(b)			
	After (i) and assuming full redemption of the RCPS		After (ii) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	229,390,665	39.21	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	86,757,000	14.83	(1)229,390,665	39.21
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	73,870,500	12.63	(1)229,390,665	39.21
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	18,150,000	3.10	(1)229,390,665	39.21
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	5,915,100	1.01	(1)316,147,665	54.05
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	5,734,955	0.98	(1)303,261,165	51.84
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	11,272,813	1.93	(2)316,167,665	54.05
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)247,590,665	42.33

INFORMATION ON ANN JOO (CONT'D)

Notes:

(1) Deemed interest pursuant to Section 6A of the Act.

(2) Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.

Maximum Scenario:

	(I)				(II)			
	As at the LPD		After (I) and the Rights Issue of RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	183,512,532	36.66	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	69,405,600	13.87	(1)183,512,532	36.66
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	59,096,400	11.81	(1)183,512,532	36.66
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	14,520,000	2.90	(1)183,512,532	36.66
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	5,915,100	1.18	(1)252,918,132	50.53
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	5,734,955	1.15	(1)242,608,932	48.47
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	9,018,250	1.80	(2)252,938,132	50.53
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)198,082,532	39.57
	(III)(a)				(III)(b)			
	After (II) and assuming full redemption of the RCPS		After (II) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
AJC	183,512,532	36.66	-	-	229,390,665	36.66	-	-
Lim Seng Chee & Sons Sdn Bhd	69,405,600	13.87	(1)183,512,532	36.66	86,757,000	13.87	(1)229,390,665	36.66
LSQ & Sons Sdn Bhd	59,096,400	11.81	(1)183,512,532	36.66	73,870,500	11.81	(1)229,390,665	36.66
Lim Sin Seong Sdn Bhd	14,520,000	2.90	(1)183,512,532	36.66	18,150,000	2.90	(1)229,390,665	36.66
Lim Seng Chee	5,915,100	1.18	(1)252,918,132	50.53	7,393,875	1.18	(1)316,147,665	50.53
Lim Seng Qwee	5,734,955	1.15	(1)242,608,932	48.47	7,168,694	1.15	(1)303,261,165	48.47
Dato' Lim Kiam Lam	9,018,250	1.80	(2)252,938,132	50.53	11,272,813	1.80	(2)316,172,665	50.53
Lim Sin Seong	-	-	(2)198,082,532	39.57	-	-	(2)247,603,165	39.57

INFORMATION ON ANN JOO (CONT'D)**Notes:**(1) *Deemed interest pursuant to Section 6A of the Act.*(2) *Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.***4. DIRECTORS**

The particulars of our Directors are set out in the Corporate Directory section of this AP. The effects of the Rights Issue of RCPS on the shareholdings of the Directors of Ann Joo based on the Company's Register of Directors' Shareholdings as at the LPD are set out below:

Minimum Scenario:

	(i)				(ii)			
	As at the LPD		After (i) and the Rights Issue of RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
Dato' Lim Kiam Lam	9,018,250	1.80	⁽¹⁾ 252,938,132	50.53	9,018,250	1.80	⁽¹⁾ 252,938,132	50.53
Dato' Lim Hong Thye	2,104,900	0.42	-	-	2,104,900	0.42	-	-
Dato' Lim Aun Chuan	300,000	0.06	-	-	300,000	0.06	-	-
Lim Hong Hock	419,500	0.08	-	-	419,500	0.08	-	-
Lim Sin Seong	-	-	⁽¹⁾ 198,082,532	39.57	-	-	⁽¹⁾ 198,082,532	39.57
Lim Kien Lip	-	-	⁽²⁾ 1,500,000	0.30	-	-	⁽²⁾ 1,500,000	0.30
Y.A.M Tunku Naquiyuddin Ja'afar	-	-	-	-	-	-	-	-
Ibni Tuanaku	-	-	-	-	-	-	-	-
Datuk Kamarudin bin Md Ali	-	-	-	-	-	-	-	-
Lim Hun Soon @ David Lim	-	-	-	-	-	-	-	-

INFORMATION ON ANN JOO (CONT'D)

	(III)(a)				(III)(b)			
	After (II) and assuming full redemption of the RCPS		After (II) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
Dato' Lim Kiam Lam	9,018,250	1.80	(1)252,938,132	50.53	11,272,813	1.93	(1)316,167,665	54.05
Dato' Lim Hong Thye	2,104,900	0.42	-	-	2,631,125	0.45	-	-
Dato' Lim Aun Chuan	300,000	0.06	-	-	300,000	0.05	-	-
Lim Hong Hock	419,500	0.08	-	-	419,500	0.07	-	-
Lim Sin Seong	-	-	(1)198,082,532	39.57	-	-	(1)247,590,665	42.33
Lim Kien Lip	-	-	(2)1,500,000	0.30	-	-	(2)1,500,000	0.26
Y.A.M Tunku Naquiyuddin Ibni Tuanku Ja'afar	-	-	-	-	-	-	-	-
Datuk Kamarudin bin Md Ali	-	-	-	-	-	-	-	-
Lim Hun Soon @ David Lim	-	-	-	-	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.

(2) Deemed interest pursuant to Section 134(12)(c) of the Act.

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INFORMATION ON ANN JOO (CONT'D)

Maximum Scenario:

	(I)				(II)			
	As at the LPD		After (I) and the Rights Issue of RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
Dato' Lim Kiam Lam	9,018,250	1.80	(1)252,938,132	50.53	9,018,250	1.80	(1)252,938,132	50.53
Dato' Lim Hong Thye	2,104,900	0.42	-	-	2,104,900	0.42	-	-
Dato' Lim Aun Chuan	300,000	0.06	-	-	300,000	0.06	-	-
Lim Hong Hock	419,500	0.08	-	-	419,500	0.08	-	-
Lim Sin Seong	-	-	(1)198,082,532	39.57	-	-	(1)198,082,532	39.57
Lim Kien Lip	-	-	(2)1,500,000	0.30	-	-	(2)1,500,000	0.30
Y.A.M Tunku Naquiyuddin Ibni Tuanku Ja'afar	-	-	-	-	-	-	-	-
Datuk Kamarudin bin Md Ali	-	-	-	-	-	-	-	-
Lim Hun Soon @ David Lim	-	-	-	-	-	-	-	-

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INFORMATION ON ANN JOO (CONT'D)

	(III)(a)				(III)(b)			
	After (II) and assuming full redemption of the RCPS		After (II) and assuming full conversion of the RCPS		Direct		Indirect	
	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%	No. of Ann Joo Shares	%
Dato' Lim Kiam Lam	9,018,250	1.80	(1)252,938,132	50.53	11,272,813	1.80	(1)316,172,665	50.53
Dato' Lim Hong Thye	2,104,900	0.42	-	-	2,631,125	0.42	-	-
Dato' Lim Aun Chuan	300,000	0.06	-	-	375,000	0.06	-	-
Lim Hong Hock	419,500	0.08	-	-	524,375	0.08	-	-
Lim Sin Seong	-	-	(1)198,082,532	39.57	-	-	(1)247,603,165	39.57
Lim Kien Lip	-	-	(2)1,500,000	0.30	-	-	(2)1,875,000	0.30
Y.A.M Tunku Naquiyuddin Ja'afar	-	-	-	-	-	-	-	-
Datuk Kamarudin bin Md Ali	-	-	-	-	-	-	-	-
Lim Hun Soon @ David Lim	-	-	-	-	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 6A and Section 134(12)(c) of the Act.

(2) Deemed interest pursuant to Section 134(12)(c) of the Act.

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INFORMATION ON ANN JOO (CONT'D)

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

Our subsidiaries as at the LPD are as follows:-

Name	Date/Place of incorporation	Issued and paid-up capital	Effective equity interest (%)	Principal activities
<i>Held by the Company:</i> Ann Joo Management Services Sdn. Bhd.	29.01.1991/ Malaysia	RM50,000,000	100	Property management and management services
Ann Joo Metal Sdn. Bhd.	02.04.1993/ Malaysia	RM60,000,000	100	Trading, retailing, importing, exporting and supplying of all kinds of metal products
Ann Joo Trading Sdn. Bhd.	13.01.1981/ Malaysia	RM3,000,020	100	Trading, retailing, importing, exporting and supplying of all kinds of metal products and building materials
Anshin Steel Industries Sdn. Bhd.	09.12.1976/ Malaysia	RM50,000,000	100	Manufacturing, sales and distribution of steel and iron products
Anshin Steel Service Centre Sdn. Bhd.	07.09.1987/ Malaysia	RM8,600,000	100	Steel service centre
Anshin Steel Processor Sdn. Bhd.	07.07.1999/ Malaysia	RM15,000,000	100	Steel service centre
Saga Makmur Industri Sdn. Bhd.	16.10.1996/ Malaysia	RM5,000,000	100	Trading of steel and steel related products
Ann Joo Steel Berhad	10.10.1961/ Malaysia	RM197,735,238	100	Steel mill
Ann Joo Integrated Steel Sdn. Bhd.	25.05.2007/ Malaysia	RM147,000,000	100	Manufacturing and trading of iron, steel and steel related products
Ann Joo International Pte. Ltd.	05.09.2007/ Labuan Offshore	USD1.00	100	Trading steel related products
Ann Joo Metal (Singapore) Pte. Ltd.	06.01.2012/ Singapore	SGD1,000,000	100	Trading, retailing, importing, exporting and supplying all kinds of metal products

INFORMATION ON ANN JOO (CONT'D)

Name	Date/Place of incorporation	Issued and paid-up capital	Effective equity interest (%)	Principal activities
Held through Ann Joo Metal Sdn. Bhd.: AJE Best-on Sdn. Bhd.	02.10.1973/ Malaysia	RM1,200,000	100	Dormant
Deluxe Steel Service Centre Sdn. Bhd.	27.11.2002/ Malaysia	RM200,000	100	Providing slitting service of steel related products
Held through Anshin Steel Industries Sdn. Bhd.: Anshin Casting Industries Sdn. Bhd.	12.04.1984/ Malaysia	RM3,500,000	100	Dormant
Held through Ann Joo Steel Berhad: AJSB Properties Sdn. Bhd.	11.03.1966/ Malaysia	RM3,000,000	100	Property management
Malayawata Marketing Sdn. Bhd.	13.05.1971/ Malaysia	RM2	100	Dormant
Sachiew Palm Oil Mill Sdn. Bhd.	19.06.2001/ Malaysia	RM2	100	Dormant
AJSB Land Sdn. Bhd.	30.08.2002/ Malaysia	RM2,000,002	100	Property management

Our associated companies as at the LPD are as follows:-

Name	Date/Place of incorporation	Issued and paid-up capital	Effective equity interest (%)	Principal activities
Baycorp AJ Metal Sdn Bhd	20.12.2012/ Malaysia	RM100,000	30	Has yet to commence business operations
Anjung Jasa Sdn Bhd	18.06.2013/ Malaysia	RM1,000,000	30	Trading, retailing and supplying of all kind of metal products

As at the LPD, we do not have any jointly controlled entities.

INFORMATION ON ANN JOO (CONT'D)

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of our Group based on our audited consolidated financial statements for the past 3 years up to FYE 31 December 2015 and the unaudited quarterly results for the 6 month FPEs 30 June 2015 and 30 June 2016 are summarised as follows:-

	Audited			Unaudited	
	FYE 31 December 2013 (RM'000)	FYE 31 December 2014 (RM'000)	FYE 31 December 2015 (RM'000)	6 month FPE 30 June 2015 (RM'000)	6 month FPE 30 June 2016 (RM'000)
Revenue	2,155,373	2,291,974	1,760,928	1,021,916	1,074,184
Operating expenses*	(2,101,069)	(2,227,630)	(1,847,890)	(1,003,755)	(955,576)
Other income	8,395	16,969	6,520	3,656	8,860
Finance costs	(58,217)	(56,323)	(60,092)	(30,591)	(24,617)
Share of results of associates	(2)	(20)	(10)	(8)	(15)
Profit/(Loss) before tax	4,480	24,970	(140,544)	(8,782)	102,836
Income tax credit/(expense)	7,788	(1,582)	5,069	3,260	(4,920)
Profit/(Loss) for the financial year	12,268	23,388	(135,475)	(5,522)	97,916
Profit/(Loss) attributable to: Owners of the Company	12,268	23,388	(135,475)	(5,522)	97,916
Earnings before interest, taxation, depreciation and amortisation	109,770	127,024	(34,722)	44,840	148,783
Weighted average number of Shares in issue ('000)	500,659	500,618	500,584	500,581	500,572
Gross profit	197,588	213,149	29,076	74,177	175,501
Gross profit margin (%)	9.17	9.30	1.65	7.26	16.34
Net profit/(loss) margin (%)	0.57	1.02	(7.69)	(0.54)	9.12
EPS/(LPS) (sen):-					
- Basic	2.45	4.67	(27.06)	(1.10)	19.56
- Diluted	2.45	4.67	(27.06)	(1.10)	19.56

Note:

* Consisting of cost of sales, administrative expenses, distribution expenses and other operating expenses.

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INFORMATION ON ANN JOO (CONT'D)

Commentary on financial performance**FYE 31 DECEMBER 2013**

For FYE 31 December 2013, the Group's consolidated revenue increased by approximately 2.11% or RM44.61 million to approximately RM2.16 billion as compared to approximately RM2.11 billion recorded in FYE 31 December 2012 as a result of higher sales tonnage from both the manufacturing and trading divisions during the financial year. Further, manufacturing revenue increased by approximately 4.30% or RM58.63 million to approximately RM1.42 billion as compared to approximately RM1.36 billion recorded in FYE 31 December 2012 which was mainly attributable to higher sales tonnage. The trading division's revenue decreased by approximately 1.97% or RM14.69 million to approximately RM732.80 million from RM747.49 million in the preceding year due to depressed steel prices despite higher sales tonnage.

In tandem with the increase in revenue, the Group recorded a consolidated PAT of approximately RM12.27 million for FYE 31 December 2013 as compared to a LAT of approximately RM18.88 million in FYE 31 December 2012. This was mainly due to better cost structure, despite the recognition of foreign exchange losses amounting to RM25.81 million for the year as a result of the weakening RM against the USD.

FYE 31 DECEMBER 2014

For FYE 31 December 2014, the Group's consolidated revenue increased by approximately 6.34% or RM136.60 million to approximately RM2.29 billion as compared to approximately RM2.16 billion recorded in FYE 31 December 2013 as a result of higher sales tonnage sold notwithstanding depressed selling prices due to the accelerated dumping activities by Chinese steel mills. Further, manufacturing revenue increased by approximately 12.68% or RM183.80 million to approximately RM1.60 billion as compared to approximately RM1.42 billion recorded in FYE 31 December 2013 which was mainly attributable to higher sales tonnage driven by a resilient domestic demand. Trading revenue decreased by RM46.65 million to RM686.15 million for FYE 31 December 2014 compared to RM732.80 million in FYE 31 December 2013 mainly due to depressed steel prices despite higher tonnage sold.

In tandem with the increase in revenue, the Group recorded a consolidated PAT of approximately RM23.39 million for FYE 31 December 2014 as compared to approximately RM12.27 million in FYE 31 December 2013. The higher profits were attributable to improved operational profit achieved via lower material costs and productivity improvement despite extremely tough environment exacerbated by dumped imports from China depressing steel prices.

FYE 31 DECEMBER 2015

For FYE 31 December 2015, the Group's consolidated revenue decreased by approximately 23.17% or RM531.05 million to approximately RM1.76 billion as compared to approximately RM2.29 billion recorded in FYE 31 December 2014 mainly attributable to depressed selling price and lower tonnage sold in both the manufacturing and trading divisions during the financial year. The manufacturing division's revenue decreased by approximately 26.26% or RM421.38 million to approximately RM1.18 billion, mainly attributable to depressed selling prices and lower sales tonnage. The trading division's revenue also decreased by approximately 16.09% or RM110.39 million to approximately RM575.76 million, due to depressed prices and sluggish demand for plate and flat products from the oil and gas and offshore engineering sectors.

INFORMATION ON ANN JOO (CONT'D)

In tandem with the decrease in revenue, the Group recorded a consolidated LAT of approximately RM135.48 million for FYE 31 December 2015, a decreased of more than 100% or RM158.86 million as compared to a PAT of approximately RM23.39 million in FYE 31 December 2014. The LAT was mainly attributable to steep plunge in selling price which resulted in margin erosion and thus recognition of inventory written down to net realisable value of approximately RM60.56 million in FYE 31 December 2015.

FPE 30 June 2016

For FPE 30 June 2016, the Group's consolidated revenue increased slightly by approximately 5.11% or RM52.27 million to approximately RM1.07 billion as compared to approximately RM1.02 billion recorded in FPE 30 June 2015 as a result of improved market sentiments, which led to a higher tonnage sold.

In tandem with the increase in revenue, the Group recorded a consolidated PAT of approximately RM97.92 million for FPE 30 June 2016, an increase of more than 100% or RM103.44 million, as compared to a LAT of approximately RM5.52 million in FPE 30 June 2015. This was mainly due to the improved cost structure achieved from the Group's investment in hybrid Blast Furnace-EAF technology and higher tonnage sold.

(Source: Annual report 2013, 2014 and 2015, interim financial statements for FPEs 30 June 2015 and FPE 30 June 2016, and the management of Ann Joo)

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INFORMATION ON ANN JOO (CONT'D)

7. HISTORICAL SHARE PRICE

The monthly highest and lowest market prices of the Ann Joo Shares traded on Bursa Securities for the past 12 months are as follows:

	Low RM	High RM
2015		
November	0.66	0.81
December	0.65	0.69
2016		
January	0.64	0.69
February	0.62	0.70
March	0.62	0.97
April	0.87	1.26
May	0.98	1.18
June	0.95	1.20
July	1.13	1.44
August	1.37	1.88
September	1.73	2.18
October	1.91	2.23

Last transacted market price of Ann Joo Shares immediately prior to the date of Announcement 1.05

Last transacted market price of Ann Joo Shares as at the LPD 2.08

The last transacted market price of Ann Joo Shares on 2 November 2016, being the last market date prior to the ex-date 2.12

(Source: Bloomberg)

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

Deloitte.

Deloitte (AF 0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

The Board of Directors
Ann Joo Resources Berhad
Wisma Ann Joo, Lot 19391
Batu 8½ Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

P.O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel: +60 3 7610 8888
Fax: +60 3 7726 8986
myaaa@deloitte.com
www.deloitte.com/my

Dear Sirs,

**INDEPENDENT ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA
FINANCIAL INFORMATION INCLUDED IN AN ABRIDGED PROSPECTUS TO THE
BOARD OF DIRECTORS OF ANN JOO RESOURCES BERHAD**

Report on the Compilation of Pro Forma Financial Information

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ann Joo Resources Berhad (“the Company” or “Ann Joo”) and its subsidiaries (“the Group”) by the Board of Directors of the Company (“the Directors”).

The pro forma financial information consists of the pro forma consolidated statements of financial position of the Group as at December 31, 2015, and related notes as set out on pages 31 to 33 in the abridged prospectus to shareholders issued by the Company and stamped by us for the purpose of identification.

The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Notes 1 to 3.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue of Redeemable Convertible Cumulative Preference Shares (“RCPS”), had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS been implemented and completed on the Group’s financial position as at December 31, 2015 as if the event or transaction had taken place as at December 31, 2015. As part of this process, information about the Group’s financial position, has been extracted by the directors from the Group’s financial statements for the year ended December 31, 2015, on which an auditors’ report has been published.

Directors’ Responsibilities

The Directors are responsible for compiling the pro forma financial information on the basis set out in the notes thereon.

Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis set out in the notes thereon.

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors has compiled, in all material respects, the pro forma financial information on the basis set out in the notes thereon.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an abridged prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial position of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information of the Group has been properly compiled on the basis stated.

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Other Matters

This report is issued for the sole purpose for inclusion in the abridged prospectus to shareholders in connection with the abovementioned Rights Issue of RCPS and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the abovementioned Rights Issue of RCPS.



DELOITTE
AF 0080
Chartered Accountants



LIM KENG PEO
Partner - 2939/01/18 (J/PH)
Chartered Accountant

October 21, 2016

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Prepared for the purpose of
identification only with our
letter / report dated

21 OCT 2016

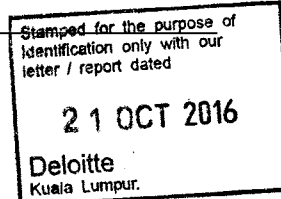
Deloitte
Kuala Lumpur.

**ANN JOO RESOURCES BERHAD (371152-U)
PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015
MINIMUM SCENARIO**

The Proforma Financial Information of Ann Joo Resources Berhad as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated statements of financial position of Ann Joo Resources Berhad and its subsidiaries as at 31 December 2015 had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS as set out in Notes 1 and 2 respectively, have been effected on that date.

	Proforma (I)	Proforma (II)A	Proforma (II)B
Audited as at 31.12.2015	Rights Issue of RCPS	After Proforma (I) and assuming full redemption of RCPS	After Proforma (I) and assuming full conversion of RCPS
RM'000	RM'000	RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	1,038,971	1,038,971	1,038,971
Prepaid lease payments	10,846	10,846	10,846
Investment properties	4,058	4,058	4,058
Intangible assets	7,182	7,182	7,182
Investment in associates	498	498	498
Other investments	29	29	29
Deferred tax assets	78,166	78,166	78,166
	<u>1,139,750</u>	<u>1,139,750</u>	<u>1,139,750</u>
Current Assets			
Inventories	951,990	951,990	951,990
Receivables and prepayments	287,080	287,080	287,080
Derivative assets	171	171	171
Current tax assets	4,139	4,139	4,139
Cash and bank balances	62,415	103,622	61,415
	<u>1,305,795</u>	<u>1,347,002</u>	<u>1,304,795</u>
TOTAL ASSETS	<u>2,445,545</u>	<u>2,486,752</u>	<u>2,444,545</u>

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ANN JOO RESOURCES BERHAD (371152-U)
PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015
MINIMUM SCENARIO**

The Proforma Financial Information of Ann Joo Resources Berhad as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated statements of financial position of Ann Joo Resources Berhad and its subsidiaries as at 31 December 2015 had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS as set out in Notes 1 and 2 respectively, have been effected on that date.

	Proforma (I)	Proforma (II)A	Proforma (II)B
Audited as at 31.12.2015 RM'000	Rights Issue of RCPS RM'000	After Proforma (I) and assuming full redemption of RCPS RM'000	After Proforma (I) and assuming full conversion of RCPS RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share Capital	522,708	522,708	607,122
RCPS - Equity	-	2,651	-
Treasury shares	(71,366)	(71,366)	(71,366)
Other reserves	86,135	86,135	153,667
Retained earnings	389,099	388,099	388,099
Total Equity	926,576	928,227	1,077,522
Non-current Liabilities			
RCPS - liability	-	39,556	-
Provision for retirement benefits	5,942	5,942	5,942
Deferred tax liabilities	14,230	14,230	14,230
	20,172	59,728	20,172
Current Liabilities			
Loans and borrowings	1,300,283	1,300,283	1,300,283
Payables and accruals	197,784	197,784	197,784
Current tax liabilities	730	730	730
	1,498,797	1,498,797	1,498,797
Total Liabilities	1,518,969	1,558,525	1,518,969
TOTAL EQUITY AND LIABILITIES	2,445,545	2,486,752	2,596,491
No. of Ann Joo Shares in issue with voting rights ('000), excluding treasury shares as at 31 December 2015			
	500,579	500,579	584,993
Gearing (times)	1.40	1.44	1.21
Net assets per share attributable to owners of the parent (RM)	1.85	1.85	1.84

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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21 OCT 2016

Deloitte
Kuala Lumpur.

**ANN JOO RESOURCES BERHAD (371152-U)
PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015
MAXIMUM SCENARIO**

The Proforma Financial Information of Ann Joo Resources Berhad as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated statements of financial position of Ann Joo Resources Berhad and its subsidiaries as at 31 December 2015 had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS as set out in Notes 1 and 3 respectively, have been effected on that date.

	Audited as at 31.12.2015 RM'000	Proforma (I) Rights Issue of RCPS RM'000	Proforma (II)A After Proforma (I) and assuming full redemption of RCPS RM'000	Proforma (II)B After Proforma (I) and assuming full conversion of RCPS RM'000
ASSETS				
Non-current Assets				
Property, plant and equipment	1,038,971	1,038,971	1,038,971	1,038,971
Prepaid lease payments	10,846	10,846	10,846	10,846
Investment properties	4,058	4,058	4,058	4,058
Intangible assets	7,182	7,182	7,182	7,182
Investment in associates	498	498	498	498
Other investments	29	29	29	29
Deferred tax assets	78,166	78,166	78,166	78,166
	<u>1,139,750</u>	<u>1,139,750</u>	<u>1,139,750</u>	<u>1,139,750</u>
Current Assets				
Inventories	951,990	951,990	951,990	951,990
Receivables and prepayments	287,080	287,080	287,080	287,080
Derivative assets	171	171	171	171
Current tax assets	4,139	4,139	4,139	4,139
Cash and bank balances	62,415	123,985	61,415	286,667
	<u>1,305,795</u>	<u>1,367,365</u>	<u>1,304,795</u>	<u>1,530,047</u>
TOTAL ASSETS	<u>2,445,545</u>	<u>2,507,115</u>	<u>2,444,545</u>	<u>2,669,797</u>

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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**ANN JOO RESOURCES BERHAD (371152-U)
PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015
MAXIMUM SCENARIO**

The Proforma Financial Information of Ann Joo Resources Berhad as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated statements of financial position of Ann Joo Resources Berhad and its subsidiaries as at 31 December 2015 had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS as set out in Notes 1 and 3 respectively, have been effected on that date.

	Audited as at 31.12.2015 RM'000	Proforma (I) Rights Issue of RCPS RM'000	Proforma (II)A After Proforma (I) and assuming full redemption of RCPS RM'000	Proforma (II)B After Proforma (I) and assuming full conversion of RCPS RM'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share Capital	522,708	522,708	522,708	647,848
RCPS - Equity	-	3,930	-	-
Treasury shares	(71,366)	(71,366)	(71,366)	(71,366)
Other reserves	86,135	86,135	90,065	186,247
Retained earnings	389,099	388,099	384,169	388,099
Total Equity	926,576	929,506	925,576	1,150,828
Non-current Liabilities				
RCPS - liability	-	58,640	-	-
Provision for retirement benefits	5,942	5,942	5,942	5,942
Deferred tax liabilities	14,230	14,230	14,230	14,230
	20,172	78,812	20,172	20,172
Current Liabilities				
Loans and borrowings	1,300,283	1,300,283	1,300,283	1,300,283
Payables and accruals	197,784	197,784	197,784	197,784
Current tax liabilities	730	730	730	730
	1,498,797	1,498,797	1,498,797	1,498,797
Total Liabilities	1,518,969	1,577,609	1,518,969	1,518,969
TOTAL EQUITY AND LIABILITIES	2,445,545	2,507,115	2,444,545	2,669,797
No. of Ann Joo Shares in issue with voting rights ('000), excluding treasury shares as at 31 December 2015				
	500,579	500,579	500,579	625,719
Gearing (times)	1.40	1.46	1.40	1.13
Net assets per share attributable to owners of the parent (RM)	1.85	1.86	1.85	1.84

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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

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21 OCT 2016

Deloitte
Kuala Lumpur.

NOTES TO THE PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015

RENOUNCEABLE RIGHTS ISSUE OF UP TO 125,139,720 NEW REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES OF RM0.01 EACH IN ANN JOO RESOURCES BERHAD ("ANN JOO") ("RCPS") CONVERTIBLE INTO ORDINARY SHARES OF RM1.00 EACH IN ANN JOO ("ANN JOO SHARES" OR "SHARES") ON THE BASIS OF 1 RCPS FOR EVERY 4 EXISTING ANN JOO SHARES ("RIGHTS ISSUE OF RCPS")

1. Basis of Preparation

The Proforma Consolidated Statements of Financial Position of Ann Joo Group, have been prepared for the illustrative purposes only, to show the effect of the Rights Issue of RCPS, had the Rights Issue of RCPS, Full Redemption of RCPS and Full Conversion of RCPS been implemented and completed on 31 December 2015.

The Proforma Consolidated Statements of Financial Position have been prepared on the basis stated in the notes described below using the audited consolidated financial statements of Ann Joo Group for the financial year ended 31 December 2015, prepared in accordance with Malaysian Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of Ann Joo Group including the adoption of the following new accounting policies:

Redeemable Convertible Preference Shares

Redeemable convertible preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the redeemable convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

The Proforma Consolidated Statements of Financial Position, because of its nature, may not be reflective of the Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of the Group.

2. Effects of Rights Issue of RCPS under Minimum Scenario

The Rights Issue of RCPS will be undertaken on a minimum subscription level basis, where the Rights Issue of RCPS would entail a minimum issuance of 84,414,421 RCPS at an issue price of RM0.50 per RCPS, raising a minimum gross proceeds of approximately RM42.21 million pursuant to the undertakings by Ann Joo Corporation Sdn Bhd, Lim Seng Chee & Sons Sdn Bhd, LSQ & Sons Sdn Bhd, Lim Sin Seong Sdn Bhd, Dato' Lim Kiam Lam and Dato' Lim Hong Thye ("**Minimum Scenario**").

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

ANN JOO RESOURCES BERHAD (371152-U)
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Kuala Lumpur.

NOTES TO THE PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015

2. Effects of Rights Issue of RCPS under Minimum Scenario (continued)

2.1. Proforma I – Issuing of RCPS

Proforma I incorporates the issuance of RCPS under the Minimum Scenario.

On issuance of RCPS, the fair value of RCPS is determined and allocated into its liability and equity components, as the RCPS are accounted for as a compound instrument. The liability component is initially determined at the fair value of approximately RM39.56 million, which is derived from present value of all RCPS dividend obligations throughout its tenure of 8 years based on a discount rate of 6.0% as well as the present value of the full RCPS redemption amount on the 8th year. The equity component of the RCPS represents the difference between the fair value of the RCPS as a whole of approximately RM42.21 million and the fair value of the liability component of the RCPS amounting to approximately RM39.56 million.

The estimated expenses of the Rights Issue of RCPS together with other corporate exercises undertaken by the Company, of RM1.00 million will be charged to the profit or loss.

2.2. Proforma IIA – Full redemption of RCPS

Proforma IIA incorporates the effect of Proforma I and the full redemption of RCPS.

Assuming full redemption of 84.41 million RCPS at the total redemption sum of approximately RM42.21 million which will result in the following:-

- a. decrease in RCPS - liability of approximately RM39.56 million;
- b. decrease in cash and bank balances of approximately RM42.21 million;
- c. reversal of the RCPS -equity amounting to approximately RM2.65 million;
- d. increase in capital redemption reserves of approximately RM2.65 million at redemption in accordance to requirement of Section 61 of the Companies Act 1965; and
- e. decrease in retained earnings of approximately RM2.65 million in accordance to requirement of Section 61 of the Companies Act 1965.

2.3. Proforma IIB – Full conversion of RCPS

Proforma IIB incorporates the effect of Proforma I and the full conversion of RCPS into Ann Joo Shares.

Assuming full conversion of 84.41 million RCPS into 84.41 million new Ann Joo Shares at the conversion price of RM1.80 which will result in the following:-

- a. increase in share capital by approximately RM84.41 million;
- b. increase in the cash and bank balances of RM109.74million, i.e. RM1.30 of conversion price received;
- c. reversal of the RCPS - equity amounting to approximately RM2.65 million;
- d. decrease in RCPS - liability of approximately RM39.56 million;
- e. increase in share premium by approximately RM67.53 million, i.e. RM0.80 share premium for each new Ann Joo Share converted; and
- f. increase in number of Ann Joo Shares in issue by 84.41 million Shares.

3. Effects of Rights Issue of RCPS under Maximum Scenario

The Rights Issue of RCPS will be undertaken on a maximum subscription level basis, assuming all entitled shareholders, excluding the treasury shares held by the Company as of 31 December 2015, subscribe for their respective entitlements of the RCPS, the Rights Issue of RCPS would entail a maximum issuance of 125,139,720 RCPS at an issue price of RM0.50 per RCPS, raising a maximum gross proceeds of approximately RM62.57 million. ("**Maximum Scenario**")

**PROFORMA FINANCIAL INFORMATION OF ANN JOO GROUP AS AT 31 DECEMBER 2015
TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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

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letter / report dated

21 OCT 2016

NOTES TO THE PROFORMA FINANCIAL INFORMATION AS AT 31 DECEMBER 2015

Deloitte
Kuala Lumpur.

3.1. Proforma I – Issuing of RCPS

Proforma I incorporates the issuance of RCPS under the Maximum Scenario.

On issuance of RCPS, the fair value of RCPS is determined and allocated into its liability and equity components, as the RCPS are accounted for as a compound instrument. The liability component is initially determined at the fair value of approximately RM58.64 million, which is derived from present value of all RCPS dividend obligations throughout its tenure of 8 years based on a discount rate of 6.0% as well as the present value of the full RCPS redemption amount on the 8th year. The equity component of the RCPS represents the difference between the fair value of the RCPS as a whole of approximately RM62.57 million and the fair value of the liability component of the RCPS amounting to approximately RM58.64 million.

The estimated expenses of the Rights Issue of RCPS together with other corporate exercises undertaken by the Company, of RM1.00 million will be charged to the profit or loss.

3.2. Proforma IIA – Full redemption of RCPS

Proforma IIA incorporates the effect of Proforma I and the full redemption of RCPS.

Assuming full redemption of 125.14 million RCPS at the total redemption sum of approximately RM62.57 million which will result in the following:-

- a. decrease in RCPS - liability of approximately RM58.64 million;
- b. decrease in cash and bank balances of approximately RM62.57 million;
- c. reversal of the RCPS -equity amounting to approximately RM3.93 million;
- d. increase in capital redemption reserves of approximately RM3.93 million at redemption in accordance to requirement of Section 61 of the Companies Act 1965; and
- e. decrease in retained earnings of approximately RM3.93 million in accordance to requirement of Section 61 of the Companies Act 1965.

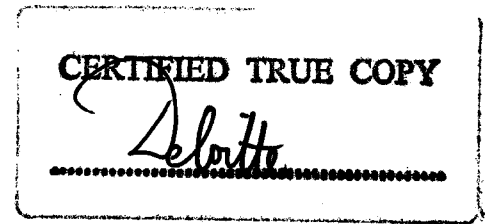
3.3. Proforma IIB – Full conversion of RCPS

Proforma IIB incorporates the effect of Proforma I and the full conversion of RCPS into Ann Joo Shares.

Assuming full conversion of 125.14 million RCPS into 125.14 million new Ann Joo Shares at the conversion price of RM1.80 which will result in the following:-

- a. increase in share capital by approximately RM125.14 million;
- b. increase in the cash and bank balances of RM162.68million, i.e.: RM1.30 of conversion price received;
- c. reversal of the RCPS - equity amounting to approximately RM3.93 million;
- d. decrease in RCPS - liability of approximately RM58.64 million;
- e. increase in share premium by approximately RM100.11 million, i.e. RM0.80 share premium for each new Ann Joo Share converted; and
- f. increase in number of Ann Joo Shares in issue by 125.14 million Shares.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON**



ANN JOO RESOURCES BERHAD
(Company No. 371152 - U)
(Incorporated In Malaysia)
AND ITS SUBSIDIARIES

**REPORTS OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES**FINANCIAL STATEMENTS**

CONTENTS	PAGE(S)
Directors' report	1 - 6
Independent auditors' report	7 - 9
Statements of profit or loss and other comprehensive income	10 - 11
Statements of financial position	12 - 13
Statements of changes in equity	14 - 16
Statements of cash flows	17 - 19
Notes to the financial statements	20 - 115
Supplementary information	116
Statement by Directors	117
Statutory declaration	118

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors of **ANN JOO RESOURCES BERHAD** present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are as stated in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Loss attributable to:		
Owners of the Company	<u>(135,475)</u>	<u>(989)</u>

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effect arising from the write down amounting to RM60,561,000 of inventories to their net realisable values as disclosed in Note 8 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company has paid an interim single tier dividend of 1 sen per ordinary share amounting to RM5,006,510 in respect of the financial year ended 31 December 2014 on 23 June 2015.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debenture during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the year by virtue of the exercise of any option to take up unissued shares in the Company. As of the end of the year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

OTHER STATUTORY INFORMATION (CONTINUED)

- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Dato' Lim Kiam Lam
Dato' Lim Hong Thye
Lim Sin Seong
Lim Kien Lip
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar
Datuk Kamarudin bin Md Ali
Lim Hun Soon @ David Lim
Lim Aun Chuan (Appointed on 1 July 2015)
Lim Hong Hock (Appointed on 1 July 2015)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

(a) Shares in the Company

	Number of ordinary shares of RM1 each			Balance at 31.12.2015
	Balance at 1.1.2015/ Date of appointment	Acquired	Sold	
Direct interest				
Dato' Lim Kiam Lam	9,018,250	-	-	9,018,250
Dato' Lim Hong Thye	1,809,400	30,000	-	1,839,400
Lim Aun Chuan	50,000	10,000	-	60,000
Lim Hong Hock	419,500	-	-	419,500
Indirect interest				
Dato' Lim Kiam Lam*	252,480,632	205,000	(50,000)#	252,635,632
Lim Sin Seong*	197,575,032	205,000	-	197,780,032
Lim Kien Lip*	1,500,000	-	-	1,500,000

Cessation of deemed interest in shares held by Lim Aun Chuan pursuant to Section 134(12)(c) of the Companies Act, 1965

(b) Shares in the Ultimate Holding Company - Ann Joo Corporation Sdn. Bhd.

	Number of ordinary shares of RM1 each			Balance at 31.12.2015
	Balance at 1.1.2015	Acquired	Sold	
Direct interest				
Dato' Lim Kiam Lam	750,000	-	-	750,000
Indirect interest:				
Dato' Lim Kiam Lam*	23,900,000	-	-	23,900,000
Lim Sin Seong*	5,000,000	-	-	5,000,000

* Deemed interest by virtue of Section 6A(4)(c) and Section 134(12)(c) of the Companies Act, 1965

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

DIRECTORS' INTERESTS (CONTINUED)

By virtue of Section 6A(4)(c) of the Companies Act 1965, Dato' Lim Kiam Lam and Mr. Lim Sin Seong are also deemed to have interest in the shares of the Company and its related companies during the financial year to the extent that the ultimate holding company has an interest.

None of the other Directors in office at the end of the financial year had any interest in the ordinary shares and options over ordinary shares of the Company and of its related companies during or at the beginning of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Directors has received or become entitled to receive any benefits (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salaries of full-time employees of the Company as shown in Note 8.2 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

HOLDING COMPANY

The ultimate holding company of the Company is Ann Joo Corporation Sdn. Bhd., a private limited liability company incorporated in Malaysia.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

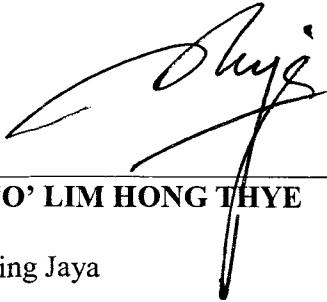
AUDITORS

The auditors, Messrs. Deloitte, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors,



DATO' LIM KIAM LAM



DATO' LIM HONG THYE

Petaling Jaya

13 April 2016

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Deloitte.

Deloitte (AF 0080)
Chartered Accountants
Level 16, Menara LGB
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANN JOO RESOURCES BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **ANN JOO RESOURCES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 115.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and auditors' reports of the subsidiaries of which we have not acted as auditors, as shown in Note 16 to the financial statements, being accounts that have been included in the financial statements of the Group;
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and
- (d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under sub-section (3) of Section 174 of the Act.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Other Reporting Responsibilities

The supplementary information set out on page 116 of the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.



DELOITTE
AF 0080

Chartered Accountants



YEE YOON CHONG
Partner - 1829/07/17 (J)

Chartered Accountant

13 April 2016

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	5	1,760,928	2,291,974	-	10,824
Cost of sales		(1,731,852)	(2,078,825)	-	-
Gross profit		29,076	213,149	-	10,824
Other operating income		4,061	14,540	1	4
Administrative expenses		(71,064)	(79,520)	(992)	(1,077)
Distribution expenses		(37,085)	(42,208)	-	-
Other operating expenses		(7,889)	(27,077)	-	-
Results from operating activities		(82,901)	78,884	(991)	9,751
Interest income	6	2,459	2,429	1	67
Finance costs	7	(60,092)	(56,323)	-	-
Operating (loss)/profit	8	(140,534)	24,990	(990)	9,818
Share of results of associates		(10)	(20)	-	-
(Loss)/profit before tax		(140,544)	24,970	(990)	9,818
Income tax credit/(expense)	9	5,069	(1,582)	1	(17)
(Loss)/profit for the year		(135,475)	23,388	(989)	9,801
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		3,533	983	-	-
Change in fair value of equity securities classified as available-for-sale		-	(2)	-	-
Net movement on cash flow hedges:					
Foreign currency forward contracts	29	55	-	-	-
Other comprehensive income for the year, net of tax		3,588	981	-	-
Total comprehensive (loss)/income for the year		(131,887)	24,369	(989)	9,801

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/profit attributable to:					
Owners of the Company		<u>(135,475)</u>	<u>23,388</u>	<u>(989)</u>	<u>9,801</u>
Total comprehensive (loss)/income attributable to:					
Owners of the Company		<u>(131,887)</u>	<u>24,369</u>	<u>(989)</u>	<u>9,801</u>
Earnings per ordinary share (sen):					
Basic and diluted	10	<u>(27.06)</u>	<u>4.67</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,038,971	1,077,284	-	-
Prepaid lease payments	13	10,846	11,165	-	-
Investment properties	14	4,058	4,105	1,763	1,785
Intangible assets	15	7,182	7,182	-	-
Investment in subsidiaries	16	-	-	927,724	927,724
Investment in associates	17	498	8	-	-
Other investments	18	29	29	-	-
Deferred tax assets	19	78,166	67,445	-	-
Total non-current assets		1,139,750	1,167,218	929,487	929,509
Current assets					
Inventories	20	951,990	1,165,046	-	-
Receivables and prepayments	21	287,080	324,254	10	3,127
Derivative assets		171	-	-	-
Current tax assets		4,139	3,302	10	-
Cash and bank balances	22	62,415	61,812	5	171
Total current assets		1,305,795	1,554,414	25	3,298
TOTAL ASSETS		2,445,545	2,721,632	929,512	932,807
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	23	522,708	522,708	522,708	522,708
Treasury shares	24	(71,366)	(71,343)	(71,366)	(71,343)
Other reserves	25	86,135	82,547	22,342	22,342
Retained earnings	25	389,099	529,581	452,309	458,305
Total equity		926,576	1,063,493	925,993	932,012

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONTINUED)

		The Group		The Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current liabilities					
Loans and borrowings	26	-	220,000	-	-
Provision for retirement benefits	27	5,942	6,238	-	-
Deferred tax liabilities	19	14,230	15,084	-	-
Total non-current liabilities		<u>20,172</u>	<u>241,322</u>	<u>-</u>	<u>-</u>
Current liabilities					
Loans and borrowings	26	1,300,283	1,183,539	-	-
Payables and accruals	28	197,784	231,400	3,519	778
Current tax liabilities		730	1,878	-	17
Total current liabilities		<u>1,498,797</u>	<u>1,416,817</u>	<u>3,519</u>	<u>795</u>
Total liabilities		<u>1,518,969</u>	<u>1,658,139</u>	<u>3,519</u>	<u>795</u>
TOTAL EQUITY AND LIABILITIES		<u>2,445,545</u>	<u>2,721,632</u>	<u>929,512</u>	<u>932,807</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Group	Note	Share capital RM'000	Non- distributable reserves	Distributable reserves		Total equity RM'000
			Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2015		522,708	82,547	(71,343)	529,581	1,063,493
Loss for the year		-	-	-	(135,475)	(135,475)
Other comprehensive income for the year		-	3,588	-	-	3,588
Total comprehensive income/(loss) for the year		-	3,588	-	(135,475)	(131,887)
Share buybacks	24	-	-	(23)	-	(23)
Dividends to owners of the Company	11	-	-	-	(5,007)	(5,007)
At 31 December 2015		<u>522,708</u>	<u>86,135</u>	<u>(71,366)</u>	<u>389,099</u>	<u>926,576</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

The Group	Note	Share capital RM'000	Non-distributable reserves	Distributable reserves		Total equity RM'000
			Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2014		522,708	82,007	(71,284)	515,764	1,049,195
Profit for the year		-	-	-	23,388	23,388
Other comprehensive income for the year		-	981	-	-	981
Total comprehensive income for the year		-	981	-	23,388	24,369
Transfer to retained earnings upon disposal of property, plant and equipment		-	(441)	-	441	-
Share buybacks	24	-	-	(59)	-	(59)
Dividends to owners of the Company	11	-	-	-	(10,012)	(10,012)
At 31 December 2014		<u>522,708</u>	<u>82,547</u>	<u>(71,343)</u>	<u>529,581</u>	<u>1,063,493</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

The Company	Note	Share capital RM'000	Non-distributable reserves	Distributable reserves		Total equity RM'000
			Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2015		522,708	22,342	(71,343)	458,305	932,012
Total comprehensive loss for the year		-	-	-	(989)	(989)
Share buybacks	24	-	-	(23)	-	(23)
Dividends to owners of the Company	11	-	-	-	(5,007)	(5,007)
At 31 December 2015		522,708	22,342	(71,366)	452,309	925,993
At 1 January 2014		522,708	22,342	(71,284)	458,516	932,282
Total comprehensive income for the year		-	-	-	9,801	9,801
Share buybacks	24	-	-	(59)	-	(59)
Dividends to owners of the Company	11	-	-	-	(10,012)	(10,012)
At 31 December 2014		522,708	22,342	(71,343)	458,305	932,012

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
(Loss)/profit before tax	(140,544)	24,970	(990)	9,818
Adjustments for:				
Allowance for diminution in value of raw materials	7,052	5,541	-	-
Allowance for impairment losses on receivables	2,374	6,459	-	-
Amortisation of prepaid lease payments	319	319	-	-
Bargain purchase gain on acquisition of subsidiary	-	(35)	-	-
Bad debts written off	295	-	-	-
Depreciation of property, plant and equipment	47,813	47,774	-	-
Depreciation of investment properties	47	47	22	21
Derivatives gain	(116)	-	-	-
Gain on disposal of property, plant and equipment	(628)	(2,873)	-	-
Finance cost	60,092	56,323	-	-
Interest income	(2,459)	(2,429)	(1)	(67)
Inventories written down to net realisable value ("NRV")	60,561	16,082	-	-
Inventory adjustment (gain)/loss	(463)	7,275	-	-
Property, plant and equipment written off	1	469	-	-
Recovery of bad debts	(9)	(47)	-	-
Retirement benefits	641	700	-	-
Reversal of allowance for impairment losses on trade receivables	-	(44)	-	-
Share of results of an associate	10	20	-	-
Unrealised loss on foreign exchange	4,005	7,335	-	-
	38,991	167,886	(969)	9,772

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES (CONTINUED)					
Movements in working capital:					
Decrease in inventories		146,759	263,009	-	-
Decrease in receivables and prepayments		34,810	59,530	-	165
(Decrease)/increase in payables and accruals		(36,342)	23,095	18	22
Cash flows from/(used in) operations					
		184,218	513,520	(951)	9,959
Finance costs paid		(44,205)	(39,579)	-	-
Income tax (paid)/refunded		(5,833)	(4,510)	(27)	168
Interest income received		2,458	2,428	-	-
Retirement benefits paid	27	(1,130)	(1,098)	-	-
Net cash flows from/(used in) operating activities					
		135,508	470,761	(978)	10,127
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Acquisition of associate		(300)	-	-	-
Acquisition of subsidiary		-	(161)	-	-
Acquisition of other investment		-	(14)	-	-
Interest received		1	1	1	67
Proceeds from disposal of property, plant and equipment		1,407	4,998	-	-
Purchase of property, plant and equipment	12	(10,760)	(15,016)	-	-
Net cash flows (used in)/from investing activities					
		(9,652)	(10,192)	1	67

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Changes in inter-company balances		-	-	5,841	-
Dividends paid to owners of the company		(5,007)	(10,012)	(5,007)	(10,012)
Finance cost paid		(15,887)	(16,744)	-	-
Net repayment of bank borrowings		(107,680)	(425,958)	-	-
Share buybacks	24	(23)	(59)	(23)	(59)
Withdrawal/(Additional) of deposits pledged with licensed banks		1,088	(34)	-	-
Net cash flows (used in)/from financing activities		(127,509)	(452,807)	811	(10,071)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(1,653)	7,762	(166)	123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		57,018	48,045	171	48
Effects of exchange differences		3,343	1,211	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	22	58,708	57,018	5	171

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are as stated in Note 16.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The registered office and principal place of business of the Company is located at Wisma Ann Joo, Lot 19391, Batu 8 ½, Jalan Klang Lama, 46000 Petaling Jaya, Selangor Darul Ehsan.

The Directors regard Ann Joo Corporation Sdn. Bhd., a private limited liability company incorporated in Malaysia, as its ultimate holding company.

The financial statements of the Group and of the Company were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 13 April 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted all the new and revised MFRSs and Issues Committee Interpretations ("IC Interpretation") issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory for financial periods beginning on or after 1 January 2015 as described fully in Note 2.1.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except as otherwise indicated.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONTINUED)**
2.1 Application of new and revised Malaysian Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial year, the Group and the Company adopted the following new and amended MFRS which are mandatory for annual financial periods beginning on or after 1 January 2015.

Amendments to MFRS 119: Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 -2012 Cycle
Annual Improvements to MFRSs 2011 -2013 Cycle

The adoption of these new and revised MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company.

2.2 Standards issued but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, which were issued but not yet effective and not early adopted by the Group and the Company are as listed below:

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 - 2014 Cycle	

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONTINUED)**
2.2 Standards issued but not yet effective (continued)
Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15 ¹	Revenue from Contracts with Customers ¹

¹ The standard was initially effective for annual periods beginning on or after 1 January 2017, but issued in October 2015, moved the mandatory effective date to 1 January 2018.

Deferred to a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The directors anticipate that the abovementioned Standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application other than as disclosed otherwise below.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**2.2 Standards issued but not yet effective (continued)****MFRS 9 Financial Instruments (continued)**

Key requirements of MFRS 9:

- All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 required that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effect of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 130. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**2.2 Standards issued but not yet effective (continued)**

The Directors of the Company anticipate that the application of MFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group completes a detailed review.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Directors of the Company do not anticipate that the application of MFRS 15 in the future will have a significant impact on the amounts reported and disclosures made in these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS
(CONTINUED)****2.2 Standards issued but not yet effective (continued)****Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to MFRS 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to MFRS 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a. when the intangible asset is expressed as a measure of revenue; or
- b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The Directors of the Company do not anticipate that the application of these amendments to MFRS 116 and MFRS 138 will have a significant impact on the Group's and the Company's financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**2.2 Standards issued but not yet effective (continued)****Annual Improvements to MFRSs 2012–2014 Cycle**

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)**2.2 Standards issued but not yet effective (continued)****Annual Improvements to MFRSs 2012–2014 Cycle (continued)****MFRS 134 Interim Financial Reporting**

MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Basis of Accounting**

The financial statements of the Group and of the Company have been prepared on the basis of historical cost other than as disclosed in the accounting policies explained below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristic into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such as basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 Basis of Accounting (continued)**

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 Basis of consolidation (continued)****(i) Subsidiaries (continued)**

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale. The cost of investments included transaction costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 Basis of consolidation (continued)****(ii) Accounting for business combination**

Business combinations are accounted for using the acquisition method from the acquisition date except for business combinations involving Ann Joo Metal Sdn. Bhd., Ann Joo Trading Sdn. Bhd., Anshin Steel Industries Sdn. Bhd. and Saga Makmur Industri Sdn. Bhd. (business combinations prior to 1 January 2006) which were accounted for using the pooling-of-interests method of accounting.

Under the acquisition method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is ceased.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 Basis of consolidation (continued)****(ii) Accounting for business combination (continued)**

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Accounting for acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 Basis of consolidation (continued)****(v) Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale. The cost of investments includes transaction costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 Basis of consolidation (continued)****(vi) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Uniform accounting policies are adopted in the consolidated financial statements for transactions and events in similar circumstances.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 Foreign currencies (continued)**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- (a) Exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gain and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income;
- (b) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- (c) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- (d) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayments of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 Foreign currencies (continued)**

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

3.4 Non-current assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.5 Revenue recognition****(i) Sale of goods**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of estimated customer returns, rebates and other similar allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Management fee

Management fee is recognised in profit or loss when the services in relation to that have been performed.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.6 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

3.7 Employee benefits**(i) Short term employee benefits**

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.7 Employee benefits (continued)****(ii) Defined benefit plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group and the Company make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Group's and the Company's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in salaries and wages.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. The Group has no further payment obligations once these contributions have been paid.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gain and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefit available in the form of refunds and reductions in future contributions to the plan.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.7 Employee benefits (continued)****(ii) Defined benefit plans (continued)**

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.8 Income Taxes**a) Current income tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in countries where the Company and its subsidiaries operate and generate taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the financial year.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.8 Income taxes (continued)****b) Deferred tax (continued)**

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any utilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.8 Income taxes (continued)****b) Deferred tax (continued)**

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and same tax authority.

3.9 Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.9 Property, plant and equipment (continued)****(iii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over the period of 99 years. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	20 - 50 years
• Plant, machinery, tools and equipment	2 - 30 years
• Furniture, fittings and office equipment	3 - 5 years
• Motor vehicles	4 - 5 years

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

3.10 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Freehold land is not depreciated and buildings are depreciated on a straight-line basis to write down the cost of each building to their residual values over their estimated useful lives. The principal annual depreciation rate is 2% per annum.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.10 Investment properties (continued)**

The estimated useful lives, residual values and depreciation method of investment properties are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.11 Intangible assets**(i) Goodwill**

Goodwill arising from business combinations are measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Research and development

Research expenditure is recognised in profit or loss when incurred. Development costs incurred on projects are recognised as an asset when it is probable that the project is expected to generate future economic benefits and only if the development costs can be measured reliably. Other development expenditure is recognised in profit or loss when incurred.

Development costs previously recognised in profit or loss are not recognised as an asset in the subsequent period.

Capitalised development expenditure is measured at cost less any accumulated depreciation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.11 Intangible assets (continued)****(iv) Amortisation**

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Development costs that have been capitalised are amortised from the commencement of the commercial running of the project to which they relate on a straight-line basis over the financial period of the expected benefits.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of capitalised development costs for the current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of semi-finished products and finished products, cost includes an appropriate share of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.13 Provisions (continued)****Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits pledged with licensed banks and highly liquid investments which have an insignificant risk of changes in value that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

3.15 Financial instruments**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.15 Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

Financial assets**(a) *Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market and trade and other receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.15 Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****(c) *Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3.17).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.15 Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)*****Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.15 Financial instruments (continued)****(iv) Derecognition**

A financial asset or part of it, is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.16 Leased assets**(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land, which in substance is a finance lease, is classified as property, plant and equipment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.16 Leased assets (continued)****(ii) Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statements of financial position of the Group or the Company. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land, which in substance is an operating lease, is classified as prepaid lease payments.

3.17 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that an asset is impaired.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.17 Impairment of financial assets (continued)****a) Financial assets carried at amortised cost (continued)**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.17 Impairment of financial assets (continued)****c) Available-for-sale financial assets**

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

3.18 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.18 Impairment of non-financial assets (continued)**

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.19 Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.19 Equity instruments (continued)****(iii) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3.20 Earnings per ordinary share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.22 Hedge accounting**

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss in other expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in other operating income/expenses. Refer to Note 29 for more details.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.22 Hedge accounting (continued)**Cash flow hedges (continued)

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 12 - Measurement of recoverable amounts of property, plant and equipment
- Note 15 - Measurement of recoverable amounts of cash-generating unit
- Note 19 - Measurement of deferred tax assets
- Note 20 - Measurement of net realisable value of inventories

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

5. REVENUE

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,758,048	2,289,728	-	-
Rental income from investment properties	2,880	2,246	-	-
Gross dividends from subsidiaries	-	-	-	10,824
	<u>1,760,928</u>	<u>2,291,974</u>	<u>-</u>	<u>10,824</u>

6. INTEREST INCOME

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest income received from:				
Deposits with licensed banks	732	735	1	1
Overdue accounts	1,727	1,694	-	-
Advance to subsidiaries	-	-	-	66
	<u>2,459</u>	<u>2,429</u>	<u>1</u>	<u>67</u>

7. FINANCE COSTS

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest expense for:				
Bills payable	37,833	30,725	-	-
Redeemable bonds	15,840	19,093	-	-
Foreign currency trade finance	1,716	2,937	-	-
Revolving credit	4,626	2,975	-	-
Term loans	46	591	-	-
Bank overdraft	4	2	-	-
Others	27	-	-	-
	<u>60,092</u>	<u>56,323</u>	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

8. OPERATING (LOSS)/PROFIT

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Operating (loss)/profit is arrived at after charging:					
Allowance for diminution in value of raw material	20	7,052	5,541	-	-
Allowance for impairment losses on receivables:					
- Trade receivables	21.5	810	2,851	-	-
- Other receivables	21.5	1,564	3,608	-	-
Amortisation of prepaid lease payments	13	319	319	-	-
Auditors' remuneration:					
- current year		352	316	55	55
- overprovision in prior years		3	2	-	-
- non-audit fee		38	29	5	5
Bad debts written off		295	-	-	-
Depreciation of property, plant and equipment	12	47,813	47,774	-	-
Depreciation of investment properties	14	47	47	22	21
Employee benefits costs	8.1	112,761	114,821	-	-
Foreign exchange (gain)/loss:					
- realised		(1,341)	(10,104)	-	-
- unrealised		4,005	7,335	-	-
Inventory adjustment (gain)/loss		(463)	7,275	-	-
Inventories written down to NRV	20	60,561	16,082	-	-
Property, plant and equipment written off		1	469	-	-
Rental of premises		2,490	2,198	-	-
Rental of equipment		3,563	3,331	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

8. OPERATING (LOSS)/PROFIT (CONTINUED)

	Note	The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
and after crediting:					
Bargain purchase gain on acquisition of subsidiary	16	-	35	-	-
Derivatives gain		116	-	-	-
Dividend income from subsidiaries	5	-	-	-	10,824
Gain on disposal of property, plant and equipment		628	2,873	-	-
Recovery of bad debts		9	47	-	-
Rental income		828	1,127	-	-
Reversal of allowance for impairment losses on trade receivables	21.5	-	44	-	-

8.1 Employee benefits costs

Employee includes key management personnel

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonus	97,729	93,250	-	-
Defined contribution plan	9,442	9,002	-	-
Provision for retirement benefits (Note 27)	641	700	-	-
Other staff related expenses	4,548	6,014	-	-
	<u>112,360</u>	<u>108,966</u>	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

8. OPERATING (LOSS)/PROFIT (CONTINUED)

8.2. Key management personnel compensation

The key management personnel compensation is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors				
Fees	600	600	600	600
Remuneration	6,807	6,916	163	172
Defined contribution plan	863	923	-	-
Estimated monetary value of benefits-in-kind	229	255	-	-
Others	7	14	-	-
	<u>8,506</u>	<u>8,708</u>	<u>763</u>	<u>772</u>

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. The key management personnel are Directors of the Company and Directors of its subsidiaries.

9. INCOME TAX (CREDIT)/EXPENSE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax expense:				
Malaysian tax	2,957	7,365	-	17
Foreign tax	(5)	798	-	-
Under/(over) provision in prior years	3,566	171	(1)	-
	6,518	8,334	(1)	17
Deferred tax (Note 19):				
Origination and reversal of temporary differences	(9,516)	(6,374)	-	-
Effect of reduction in tax rate	2,280	-	-	-
Overprovision in prior years	(4,351)	(378)	-	-
	<u>(11,587)</u>	<u>(6,752)</u>	<u>-</u>	<u>-</u>
Income tax (credit)/expense	<u>(5,069)</u>	<u>1,582</u>	<u>(1)</u>	<u>17</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Reconciliation of effective tax (credit)/expense

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The Finance (No.2) Act, 2014 gazetted on 31 December 2014 reduced the corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Following this, the applicable tax rate to be used for measurement of any applicable deferred tax will be the respective expected rates.

Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/profit before tax	(140,544)	24,970	(990)	9,818
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	(35,136)	6,243	(248)	2,455
Effect of different tax rates in other countries and for Labuan trading activities	42	(464)	-	-
Effect of reduction in tax rate	2,280	-	-	-
Tax effects of:				
- Non-deductible expenses	5,913	1,480	248	61
- Non-taxable income	(428)	(1,299)	-	(2,499)
Tax incentives	-	(5,529)	-	-
Deferred tax assets not recognised	23,641	1,364	-	-
Utilisation of previously unrecognised deferred tax assets	(594)	-	-	-
Share of results of associates	(2)	(6)	-	-
(Over)/under provision in prior years:				
- Current tax	3,566	171	(1)	-
- Deferred tax	(4,351)	(378)	-	-
Income tax (credit)/expense	(5,069)	1,582	(1)	17

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

10. EARNINGS PER ORDINARY SHARE**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share for the year was based on the (loss)/profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	The Group	
	2015	2014
	RM'000	RM'000
(Loss)/profit attributable to equity holders of the Company	<u>(135,475)</u>	<u>23,388</u>
	The Group	
	2015	2014
	RM'000	RM'000
Weighted average number of ordinary shares at 31 December ('000)	<u>500,584</u>	<u>500,618</u>
Basic earnings per ordinary share (sen)	<u>(27.06)</u>	<u>4.67</u>

Diluted earnings per ordinary share

There is no dilution in earnings per share as the Company has no potential dilutive ordinary shares for year 2015 and 2014.

11. DIVIDENDS

	The Group and The Company	
	2015	2014
	RM'000	RM'000
Dividend on ordinary shares:		
Final single tier dividend for the financial year ended 31 December 2014: 1 sen per share	5,007	-
Interim single tier dividend for the financial year ended 31 December 2014: 2 sen per share	-	10,012
	<u>5,007</u>	<u>10,012</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery, tools, furniture, fittings and equipment RM'000	Motor vehicles RM'000	Construction work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2014	182,659	60,775	569,145	805,837	16,701	27,783	1,662,900
Additions	-	-	244	2,275	454	12,043	15,016
Acquisition through business combination	-	-	-	4,118	-	-	4,118
Disposals	(1,197)	-	-	(723)	(1,560)	(599)	(4,079)
Written off	-	-	-	(7)	(469)	-	(476)
Reclassification	-	-	4,588	13,022	550	(18,160)	-
Adjustment	-	-	-	-	-	(7,127)	(7,127)
At 31 December 2014	181,462	60,775	573,977	824,522	15,676	13,940	1,670,352
At 1 January 2015	181,462	60,775	573,977	824,522	15,676	13,940	1,670,352
Additions	-	-	22	1,749	481	8,508	10,760
Disposals	-	-	-	(2,083)	-	(73)	(2,156)
Written off	-	-	-	(8)	-	-	(8)
Transfer to inventories	-	-	-	-	-	(853)	(853)
Reclassification	-	-	4,694	1,209	1,800	(7,703)	-
Exchange difference	-	-	-	266	-	146	412
At 31 December 2015	181,462	60,775	578,693	825,655	17,957	13,965	1,678,507

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery, tools, furniture, fittings and equipment RM'000	Motor vehicles RM'000	Construction work-in-progress RM'000	Total RM'000
The Group							
Accumulated Depreciation and Accumulated Impairment Losses							
At 1 January 2014	-	10,562	51,164	471,483	12,272	-	545,481
Accumulated depreciation	43	-	9	-	-	-	52
Accumulated impairment losses	43	10,562	51,173	471,483	12,272	-	545,533
Acquisition through business combination	-	-	-	1,722	-	-	1,722
Depreciation for the year (Note 8)	-	728	12,311	33,218	1,517	-	47,774
Disposals	-	-	-	(394)	(1,560)	-	(1,954)
Written off	-	-	-	(7)	-	-	(7)
At 31 December 2014							
Accumulated depreciation	-	11,290	63,475	506,022	12,229	-	593,016
Accumulated impairment losses	43	-	9	-	-	-	52
	43	11,290	63,484	506,022	12,229	-	593,068

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery, tools, furniture, fittings and equipment RM'000	Motor vehicles RM'000	Construction work-in-progress RM'000	Total RM'000
At 1 January 2015	-	11,290	63,475	506,022	12,229	-	593,016
Accumulated depreciation							
Accumulated impairment losses	43	-	9	-	-	-	52
	43	11,290	63,484	506,022	12,229	-	593,068
Depreciation for the year (Note 8)	-	728	12,353	33,345	1,387	-	47,813
Disposals	-	-	-	(1,377)	-	-	(1,377)
Written off	-	-	-	(7)	-	-	(7)
Exchange difference	-	-	-	39	-	-	39
At 31 December 2015	-	12,018	75,828	538,022	13,616	-	639,484
Accumulated depreciation							
Accumulated impairment losses	43	-	9	-	-	-	52
	43	12,018	75,837	538,022	13,616	-	639,536
Net carrying amounts							
At 31 December 2014	181,419	49,485	510,493	318,500	3,447	13,940	1,077,284
At 31 December 2015	181,419	48,757	502,856	287,633	4,341	13,965	1,038,971

65

152

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**12.1 Security**

Land and buildings with a carrying amount of RMNil (2014: RM120,279,000) are pledged to a bank as security for a term loan granted to a subsidiary (see Note 26.1).

Buildings, construction work-in-progress and all plant, machinery and equipment with a carrying amount of RM519,085,000 (2014: RM534,687,000) are pledged to banks as security for redeemable bonds granted to a subsidiary (see Note 26.1).

12.2 Long term leasehold land

Long term leasehold land represents leasehold land with unexpired lease period of more than 50 years.

12.3 Impairment assessment

As at 31 December 2015, the iron making plant of a subsidiary with carrying value of RM519,198,000 (2014: RM534,846,000) was evaluated for impairment. The recoverable amount of the iron making plant was estimated based on value in use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and the projected cash flows were prepared based on the financial budgets and projections approved by management covering a five-year period and the following were the key assumptions:

- The sales tonnage and selling price of saleable products, purchase price of raw materials and the production of the Group in preparing the projected cash flows were determined based on past business performance and management's expectations on market development.
- The existing banking facilities will be rolled over and there is no withdrawal of existing facilities by the banks. The bankers will provide continuous support to enable the Group to fulfill its obligations as and when they fall due.
- A weighted average cost of capital of 4.70% (2014: 5.23%) has been applied to the cash flow projection.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**12.4 Impairment assessment (continued)**

The values assigned to the key assumptions represent management's assessment of future trends as well as historical data in the industry which are based on both external and internal sources. In particular, the assessment is sensitive towards the fluctuation in world steel prices which impact the selling prices of the saleable products.

Premised on the above, the carrying amount of iron making plant was determined to be lower than the recoverable amount and no impairment loss was recognised.

The Directors believe that no reasonably foreseeable changes in any of the above key assumptions would cause the carrying amount of the iron making plant to materially exceed their recoverable amount.

13. PREPAID LEASE PAYMENTS

The Group	Unexpired period less than 50 years RM'000
Cost	
At 1 January 2014/31 December 2014/1 January 2015/ 31 December 2015	<u>13,509</u>
Amortisation	
At 1 January 2014	2,025
Amortisation for the year (Note 8)	<u>319</u>
At 31 December 2014	2,344
Amortisation for the year (Note 8)	<u>319</u>
At 31 December 2015	<u>2,663</u>
Carrying amounts	
At 31 December 2014	<u>11,165</u>
At 31 December 2015	<u>10,846</u>

The unexpired portions of the leasehold land as at 31 December 2015 are within the range of 17 to 42 years (2014: 18 to 43 years).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

14. INVESTMENT PROPERTIES

The Group	Freehold land RM'000	Leasehold Land RM'000	Buildings RM'000	Total RM'000
Cost				
At 1 January 2014/31 December 2014/1 January 2015/31 December 2015	600	1,870	1,824	4,294
Accumulated depreciation				
At 1 January 2014	-	64	78	142
Depreciation for the year (Note 8)	-	21	26	47
At 31 December 2014/ 1 January 2015	-	85	104	189
Depreciation for the year (Note 8)	-	22	25	47
At 31 December 2015	-	107	129	236
Carrying amounts				
At 31 December 2014	600	1,785	1,720	4,105
At 31 December 2015	600	1,763	1,695	4,058
Fair value				
At 31 December 2014	600	1,870	2,063	4,533
At 31 December 2015	600	1,870	2,063	4,533

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

14. INVESTMENT PROPERTIES (CONTINUED)

	Leasehold land RM'000
The Company	
Cost	
At 1 January 2014/31 December 2014/1 January 2015/ 31 December 2015	<u>1,870</u>
Accumulated depreciation	
At 1 January 2014	64
Depreciation for the year (Note 8)	<u>21</u>
At 31 December 2014/ 1 January 2015	85
Depreciation for the year (Note 8)	<u>22</u>
At 31 December 2015	<u>107</u>
Carrying amounts	
At 31 December 2014	<u>1,785</u>
At 31 December 2015	<u>1,763</u>
Fair value	
At 31 December 2014	<u>1,870</u>
At 31 December 2015	<u>1,870</u>

The fair value of investment properties are based on Directors' estimation by reference to market evidence of transaction prices for similar properties and previous valuation in December 2008 and December 2011 carried out by independent valuers.

Details of the Group's and of the Company's investment properties and information about the fair value hierarchy as at 31 December 2015 and 31 December 2014 are as follows:

The Group	Level 1	Level 2	Level 3	Total
31 December 2015/31 December 2014	RM'000	RM'000	RM'000	RM'000
Investment properties	<u>-</u>	<u>4,294</u>	<u>-</u>	<u>4,294</u>
The Company				
31 December 2015/31 December 2014				
Investment properties	<u>-</u>	<u>1,870</u>	<u>-</u>	<u>1,870</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

15. INTANGIBLE ASSETS

The Group	Goodwill RM'000	Development Costs RM'000	Total RM'000
Cost			
At 1 January 2014/31 December 2014/ 1 January 2015/31 December 2015	<u>7,398</u>	<u>2,767</u>	<u>10,165</u>
Accumulated amortisation			
At 1 January 2014/31 December 2014/ 1 January 2015/31 December 2015	<u>216</u>	<u>2,767</u>	<u>2,983</u>
Carrying amounts			
At 31 December 2014	<u>7,182</u>	<u>-</u>	<u>7,182</u>
At 31 December 2015	<u>7,182</u>	<u>-</u>	<u>7,182</u>

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's investment in a subsidiary, Ann Joo Steel Berhad which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of Ann Joo Steel Berhad was based on its value in use calculation. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and the projected cash flows were prepared based on financial budgets approved by management and the following key assumptions:

- The sales tonnage and selling price of saleable products, purchase price of raw materials and the production of the subsidiary, Ann Joo Steel Berhad in preparing the projected cash flows were determined based on past business performance and management's expectations on market development.
- The existing banking facilities will be rolled over and there is no withdrawal of existing facilities by the banks. The bankers will provide continuous support to enable the Group to fulfill its obligations as and when they fall due.
- A weighted average cost of capital of 4.70% (2014: 5.23%) has been applied to the cash flow projections.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

15. INTANGIBLE ASSETS (CONTINUED)**Impairment testing for cash-generating unit containing goodwill (continued)**

The values assigned to the key assumptions represent management's assessment of future trends as well as historical data in the industry which are based on both external and internal sources. In particular, the assessment is sensitive towards the fluctuation in world steel prices which impact the selling prices of the saleable products.

Premised on the above, the carrying amount of the Group's investment in a subsidiary, Ann Joo Steel Berhad was determined to be lower than the recoverable amount and no impairment loss was recognised.

The Directors believe that no reasonably foreseeable changes in any of the above key assumptions would cause the carrying amount of the Group's investment in the subsidiary, Ann Joo Steel Berhad to materially exceed its recoverable amount.

Development costs

Development costs principally comprised expenditure on development costs on major projects where it was reasonably anticipated that the costs would be recovered through future commercial activity.

16. INVESTMENT IN SUBSIDIARIES

	The Company	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost	934,102	934,102
Less: Accumulated impairment losses	(6,378)	(6,378)
	927,724	927,724

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Principal activities
		2015 %	2014 %	
<i>Held by the Company:</i>				
Ann Joo Management Services Sdn. Bhd.*	Malaysia	100	100	Property management and management services
Ann Joo Metal Sdn. Bhd.	Malaysia	100	100	Trading, retailing, importing, exporting and supplying of all kinds of metal products
Ann Joo Trading Sdn. Bhd.*	Malaysia	100	100	Trading, retailing, importing, exporting and supplying of all kinds of metal products and building materials
Anshin Steel Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing, sales and distribution of steel and iron products
Anshin Steel Service Centre Sdn. Bhd.	Malaysia	100	100	Steel service centre
Anshin Steel Processor Sdn. Bhd.	Malaysia	100	100	Steel service centre
Saga Makmur Industri Sdn. Bhd.	Malaysia	100	100	Trading of steel and steel related products
Ann Joo Steel Berhad	Malaysia	100	100	Steel mill
Ann Joo Integrated Steel Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of iron, steel and steel related products

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation	Proportion of ownership interest		Principal activities
		2015 %	2014 %	
<i>Held by the Company: (continued)</i>				
Ann Joo International Pte. Ltd.	Labuan Offshore	100	100	Trading steel related products
Ann Joo Metal (Singapore) Pte. Ltd.	Singapore	100	100	Trading, retailing, importing, exporting and supplying all kinds of metal product
<i>Held through Ann Joo Metal Sdn. Bhd.:</i>				
AJE Best-on Sdn. Bhd.*	Malaysia	100	100	Dormant
Deluxe Steel Service Centre Sdn. Bhd.*	Malaysia	100	100	Providing slitting service of steel related products
<i>Held through Anshin Steel Industries Sdn. Bhd.:</i>				
Anshin Casting Industries Sdn. Bhd.*	Malaysia	100	100	Dormant
<i>Held through Ann Joo Steel Berhad:</i>				
AJSB Properties Sdn. Bhd.*	Malaysia	100	100	Property management
Malayawata Marketing Sdn. Bhd.*	Malaysia	100	100	Dormant
Sachiew Palm Oil Mill Sdn. Bhd.*	Malaysia	100	100	Dormant
AJSB Land Sdn. Bhd.*	Malaysia	100	100	Property management

* Audited by a firm other than Deloitte.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)**16.1 Acquisition of a subsidiary**

On 30 December 2013, a wholly-owned subsidiary of the Company, Ann Joo Metal Sdn. Bhd. ("AJM"), entered into a Shares Sale Agreement ("SSA") with Cheong Soh Fan and Lee Chow Chin ("the Vendors") for the acquisition of the entire shareholdings in Deluxe Steel Service Centre Sdn. Bhd. ("DSSC") comprising 200,000 ordinary shares of RM1.00 each for a total consideration of RM246,000. The agreement was completed on 11 September 2014 and DSSC became a wholly-owned subsidiary of AJM accordingly.

Assets acquired and liabilities recognised at the date of acquisition:

	RM'000
Current assets	
Cash and cash equivalents	85
Trade and other receivables	599
Current tax assets	10
Non-current asset	
Property, plant and equipment	2,396
Current liability	
Trade and other payables	<u>(2,809)</u>
	<u>281</u>

Bargain purchase gain arising on acquisition:

	RM'000
Consideration paid	246
Less: Fair value of identifiable net assets acquired	<u>(281)</u>
Bargain purchase gain	<u>(35)</u>

Bargain purchase gain arose from the acquisition of DSSC as a result of effective negotiation with the owner of DSSC for the agreed consideration.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)**16.1 Acquisition of a subsidiary (continued)**

Net cash outflow on acquisition of subsidiary:

	RM'000
Consideration paid	246
Less: Cash and cash equivalents acquired	<u>(85)</u>
Net cash outflow	<u>161</u>

Impact of acquisition on the results of the Group

Included in the Group's profit for the preceding year was a loss of RM510,658 attributable to the additional business generated by DSSC. Revenue for the preceding year included an amount of RM402,448 in respect of DSSC.

Had these business combinations been effected at 1 January 2014, the revenue of the Group from continuing operations in 2014 would have been RM2,293,180,950 and the profit for that year from continuing operations would have been RM22,853,040. In determining the 'pro-forma' revenue and profit of the Group had DSSC been acquired at the beginning of the previous year, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

17. INVESTMENT IN ASSOCIATES

	The Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	530	30
Group's share of post-acquisition reserves	<u>(32)</u>	<u>(22)</u>
	<u>498</u>	<u>8</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

17. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of the associates are as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2015 %	2014 %	
Baycorp AJ Metal Sdn. Bhd.*	Malaysia	30	30	Has yet to commence business operation
Anjung Jasa Sdn. Bhd.*	Malaysia	30	-	Trading, retailing and supplying all kinds of metal products

* Audited by a firm other than Deloitte.

During the current financial year, the Group through its wholly-owned subsidiary, Ann Joo Metal Sdn. Bhd. acquired 300,000 ordinary shares of RM1.00 each share in Anjung Jasa Sdn. Bhd. ("AJASA") representing 30% of the issued and fully paid share capital of AJASA for a total purchase consideration of RM500,000, of which RM300,000 has been paid upon the transfer of the shares and the remaining RM200,000 shall be paid upon the fulfilment of certain subsequent conditions.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2015 RM'000	2014 RM'000
Total assets	1,234	33
Total liabilities	<u>(315)</u>	<u>(7)</u>
Net assets	<u>919</u>	<u>26</u>
Results		
Revenue	259	-
Loss for the year, representing total comprehensive loss	<u>(73)</u>	<u>(68)</u>

During the year, the Group ceased to recognise losses relating to Baycorp AJ Metal Sdn. Bhd. as its share of losses has exceeded the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date was RM12,000. The Group has no obligation in respect of these losses.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

18. OTHER INVESTMENTS

The Group	Unquoted shares RM'000	Quoted shares in Malaysia RM'000	Total RM'000
2015			
Available-for-sale financial assets			
- at cost	1	-	1
- at fair value	-	28	28
	<u>1</u>	<u>28</u>	<u>29</u>
Market value of quoted shares	<u>-</u>	<u>28</u>	<u>28</u>
2014			
Available-for-sale financial assets			
- at cost	1	-	1
- at fair value	-	28	28
	<u>1</u>	<u>28</u>	<u>29</u>
Market value of quoted shares	<u>-</u>	<u>28</u>	<u>28</u>

19. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2015 RM'000	2014 RM'000 (restated)
At 1 January	52,361	45,609
Recognised in profit or loss (Note 9):		
Property, plant and equipment	(14,465)	(4,726)
Provisions	5,095	2,684
Tax incentives	(7,804)	5,324
Unabsorbed capital allowances	25,709	2,299
Unused tax losses	3,052	1,171
	11,587	6,752
Effect on foreign exchange differences	(12)	-
At 31 December	<u>63,936</u>	<u>52,361</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group	
	2015	2014
	RM'000	RM'000
		(restated)
Deferred tax assets (before offsetting)		
Temporary differences arising from:		
Provisions	15,657	10,562
Tax incentives	68,846	76,650
Unabsorbed capital allowances	212,413	186,704
Unused tax losses	14,423	11,371
	<u>311,339</u>	<u>285,287</u>
Offsetting	<u>(233,173)</u>	<u>(217,842)</u>
Deferred tax assets (after offsetting)	<u>78,166</u>	<u>67,445</u>
Deferred tax liabilities (before offsetting)		
Temporary differences arising from:		
Property, plant and equipment	(247,403)	(232,926)
Offsetting	<u>233,173</u>	<u>217,842</u>
Deferred tax liabilities (after offsetting)	<u>(14,230)</u>	<u>(15,084)</u>

Included in the deferred tax assets as of 31 December 2015 were unused tax credits which arose from operational losses suffered by certain subsidiaries in the financial year ended 31 December 2015. The utilisation of these deferred tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing deductible temporary differences.

The deferred tax assets as of 31 December 2015 were recognised on the basis of subsidiaries' previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future profits involves significant assumptions, especially in respect of the sales tonnage and selling price of saleable products, purchase price of raw materials and the production levels of the subsidiaries. These assumptions have been built based on past business performance and management's expectations on market development.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**Unrecognised deferred tax assets**

At the end of the reporting period, the Group has tax losses, unabsorbed capital allowances and other deductible temporary differences of approximately RM126,035,000 (2014: RM33,844,000) that are available for offset against future taxable profits of the subsidiary companies in which these tax losses, unabsorbed capital allowances and other deductible temporary differences arose, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The availability of unused tax losses, unabsorbed capital allowances and other deductible temporary differences are subject to the agreement by the tax authorities.

	The Group	
	2015	2014
	RM'000	RM'000
Unabsorbed capital allowances	9,620	16,237
Unused tax losses	65,583	2,132
Other temporary differences	50,832	15,475
	<u>126,035</u>	<u>33,844</u>

20. INVENTORIES

	The Group	
	2015	2014
	RM'000	RM'000
Raw materials	222,387	315,636
Semi-finished products	184,964	216,343
Finished goods	448,958	556,964
	<u>856,309</u>	<u>1,088,943</u>
Consumable stores and refractories	95,681	76,103
	<u>951,990</u>	<u>1,165,046</u>

Included in inventories of the Group are goods in transit amounting to RM10,310,000 (2014: RM23,389,000).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

20. INVENTORIES (CONTINUED)

	The Group	
	2015	2014
	RM'000	RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,665,572	1,898,916
Allowance for diminution in value of raw materials included in cost of sales (Note 8)	7,052	5,541
Inventories written down to net realisable value included in cost of sales (Note 8)	<u>60,561</u>	<u>16,082</u>

The net realisable value ("NRV") of inventories was estimated based on Directors' best estimate and are based on the following assumptions:

- (i) NRV for raw materials and semi-finished products are based on replacement cost of the raw materials and semi-finished products.
- (ii) NRV for finished products are based on selling price of the product as of 31 December 2015 and 31 December 2014 less the estimated cost necessary to make the sale.

21. RECEIVABLES AND PREPAYMENTS

	Note	The Group	
		2015	2014
		RM'000	RM'000
Trade			
Trade receivables	21.1	238,243	279,152
Less: Allowance for doubtful debts		(4,315)	(3,505)
		233,928	275,647
Non-trade			
Other receivables		15,993	17,422
Less: Allowance for doubtful debts		(5,200)	(3,739)
		10,793	13,683
Amount due from an associate	21.2	46	-
Deposits		1,276	825
Prepayments		41,037	34,099
		<u>287,080</u>	<u>324,254</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

21. RECEIVABLES AND PREPAYMENTS (CONTINUED)

	Note	The Company	
		2015 RM'000	2014 RM'000
Non-trade			
Amount due from subsidiaries	21.3	-	3,117
Deposits		10	10
		10	3,127

21.1 Trade receivables

The normal credit period on sales of goods ranges from 7 to 120 days (2014: 7 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Allowance for doubtful debts is recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

21.2 Amount due from an associate

Amount due from an associate, which arose mainly from payments made on behalf, is unsecured, interest free and is repayable on demand.

21.3 Amount due from subsidiaries

Amount due from subsidiaries is unsecured, repayable on demand and bears interest at 4% (2014: 3%) per annum.

21.4 Amount due from related parties

Included in trade receivables of the Group are:

	The Group	
	2015 RM'000	2014 RM'000
Amount due from companies in which the Directors' and/or close family members of certain Directors have financial interest	2,881	2,878

Amount due from related parties mainly arose from trade transactions which are subject to normal trade credit terms.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

21. RECEIVABLES AND PREPAYMENTS (CONTINUED)**21.4 Amount due from related parties (continued)**

Included in other receivables of the Group is an amount of RM587,000 (2014: RM589,000) due from a subsidiary of the ultimate holding company.

21.5 Ageing analysis of trade and other receivables

The ageing analysis of the Group's trade receivables is as follow:

	2015	2014
	RM'000	RM'000
Neither past due nor impaired	107,916	143,922
1 - 30 days past due not impaired	59,084	35,305
31 - 120 days past due not impaired	43,443	74,713
More than 120 days past due not impaired	23,485	21,707
	126,012	131,725
Impaired	4,315	3,505
	<u>238,243</u>	<u>279,152</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM126,012,000 (2014: RM131,725,000) that are past due but not impaired. Please refer to Note 31.4.1 for further information.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

21. RECEIVABLES AND PREPAYMENTS (CONTINUED)**21.5 Ageing analysis of trade and other receivables (continued)**Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	The Group	
	2015	2014
	RM'000	RM'000
<u>Individually impaired</u>		
Trade receivables - nominal amounts	4,315	3,505
Less: Allowance for impairment	(4,315)	(3,505)
	-	-
	-	-

Movements in trade receivables' allowance accounts:

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January	3,505	1,437
Recognised in profit or loss (Note 8)	810	2,851
Reversal of impairment losses (Note 8)	-	(44)
Written off	-	(739)
	-	(739)
At 31 December	4,315	3,505

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other information on credit risk of receivables is disclosed in Note 31.4.1.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

21. RECEIVABLES AND PREPAYMENTS (CONTINUED)**21.5 Ageing analysis of trade and other receivables (continued)**

Movements in other receivables' allowance accounts:

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January	3,739	131
Recognised in profit or loss (Note 8)	1,564	3,608
Written off	(103)	-
	<u>5,200</u>	<u>3,739</u>
At 31 December	<u>5,200</u>	<u>3,739</u>

22. CASH AND BANK BALANCES

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed deposits placed with licensed banks	33,733	21,787	-	135
Cash at banks and on hand	28,682	40,025	5	36
Cash and bank balances	62,415	61,812	5	171
Restricted fixed deposits	(3,707)	(4,794)	-	-
Cash and cash equivalents	<u>58,708</u>	<u>57,018</u>	<u>5</u>	<u>171</u>

Fixed deposits placed with licensed banks are made for varying periods of between one day to three months (2014: one day to three months) depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The interest rates as at reporting date ranged from 2.50% to 4.30% (2014: 2.40% to 4.30%) per annum.

Fixed deposits amounting to RM3,707,000 (2014: RM4,794,000) held under Debt Service Reserve Account for redeemable bonds facility is restricted in its use and is held in trust by the security trustee for the servicing of that facility granted to a subsidiary (see Note 26.1).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

23. SHARE CAPITAL

	The Group and The Company			
	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '000
Ordinary shares of RM1.00 each				
Authorised:				
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
At 1 January/31 December	<u>522,708</u>	<u>522,708</u>	<u>522,708</u>	<u>522,708</u>

24. TREASURY SHARES

	The Group and The Company	
	2015 RM'000	2014 RM'000
At 1 January	71,343	71,284
Repurchased during the year	<u>23</u>	<u>59</u>
At 31 December	<u>71,366</u>	<u>71,343</u>

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 29 May 2015, approved a plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 22,000 (2014: 50,000) of its issued share capital from the open market on Bursa Malaysia for RM23,000 (2014: RM59,000). The average price paid for the shares repurchased was approximately RM1.03 (2014: RM1.19) per ordinary share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. The Company has the right to cancel these treasury shares, distribute these treasury shares as share dividends to the shareholders and/or resell these treasury shares on Bursa Malaysia. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. During the year, the Company has not disposed of any of its treasury shares in the market.

At the end of the reporting period, the total number of ordinary shares repurchased and held as treasury shares is 22,129,300 (2014: 22,107,300).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

25. OTHER RESERVES AND RETAINED EARNINGS

	Non-distributable reserves					Foreign currency translation reserve RM'000	Fair value reserve RM'000	Total RM'000
	Share premium RM'000	Capital reserve RM'000	Hedging reserve RM'000	Other equity reserve RM'000	Merger reserve RM'000			
The Group								
At 1 January 2014	22,342	2,500	-	119,757	(62,841)	262	(13)	82,007
Foreign exchange translation differences	-	-	-	-	-	983	-	983
Change in fair value of equity securities classified as available-for-sale investment	-	-	-	-	-	-	(2)	(2)
Transfer to retained earnings upon disposal of property, plant and equipment	-	-	-	(441)	-	-	-	(441)
At 31 December 2014	22,342	2,500	-	119,316	(62,841)	1,245	(15)	82,547

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

25. OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)

a) Other reserves (continued)

The Group	Non-distributable reserves					Total RM'000		
	Share premium RM'000	Capital reserve RM'000	Hedging reserve RM'000	Other equity reserve RM'000	Merger reserve RM'000		Foreign currency translation reserve RM'000	Fair value reserve RM'000
At 1 January 2015	22,342	2,500	-	119,316	(62,841)	1,245	(15)	82,547
Foreign exchange translation differences	-	-	-	-	-	3,533	-	3,533
Net movement on cash flow hedge	-	-	55	-	-	-	-	55
At 31 December 2015	22,342	2,500	55	119,316	(62,841)	4,778	(15)	86,135

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

25. OTHER RESERVES AND RETAINED EARNINGS (CONTINUED)**a) Other reserves (continued)**

	The Company	
	2015	2014
	RM'000	RM'000
Other reserves comprise:		
Share premium	22,342	22,342

Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Other equity reserve

The other equity reserve relates to the revaluation of property, plant and equipment prior to the transition to MFRS.

Merger reserve

The Group's merger reserve relates to the credit difference arising from the business combinations involving Ann Joo Metal Sdn. Bhd., Ann Joo Trading Sdn. Bhd., Anshin Steel Industries Sdn. Bhd. and Saga Makmur Industri Sdn. Bhd. (business combinations prior to 1 January 2006) which were accounted for using the pooling-of-interests method of accounting.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

This comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

b) Retained earnings

The retained earnings of the Company are available for distribution as single tier dividends to the shareholders of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

26. LOANS AND BORROWINGS

	The Group	
	2015	2014
	RM'000	RM'000
Non-current		
<u>Secured</u>		
Redeemable bonds	-	220,000
	<u> </u>	<u> </u>
Current		
<u>Unsecured</u>		
Bills payable	837,638	846,147
Foreign currency trade finance	115,938	175,917
Revolving credit	128,000	76,995
<u>Secured</u>		
Term loan	-	4,480
Redeemable bonds	218,707	80,000
	<u> </u>	<u> </u>
	<u>1,300,283</u>	<u>1,183,539</u>
	<u>1,300,283</u>	<u>1,403,539</u>

26.1 Security

The term loan in 2014 of a subsidiary was secured by the land and buildings of the subsidiary (see Note 12.1).

The redeemable bonds of a subsidiary is secured against specific debentures over the assets of the subsidiary (see Note 12.1), corporate guarantees executed by the Company and a subsidiary of the Company and fixed deposits in Debt Service Reserve Account (see Note 22).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

26. LOANS AND BORROWINGS (CONTINUED)

26.2 Terms and debt repayment schedule

	Carrying amount RM'000	The Group Under 1 year RM'000	2 to 5 years RM'000
2015			
<u>Secured:</u>			
Redeemable bonds	218,707	218,707	-
<u>Unsecured:</u>			
Bills payable	837,638	837,638	-
Foreign currency trade finance	115,938	115,938	-
Revolving credit	128,000	128,000	-
	<u>1,300,283</u>	<u>1,300,283</u>	<u>-</u>
2014			
<u>Secured:</u>			
Term loan	4,480	4,480	-
Redeemable bonds	300,000	80,000	220,000
<u>Unsecured:</u>			
Bills payable	846,147	846,147	-
Foreign currency trade finance	175,917	175,917	-
Revolving credit	76,995	76,995	-
	<u>1,403,539</u>	<u>1,183,539</u>	<u>220,000</u>

26.3 Effective interest rates

The average effective interest rates per annum of the borrowings are as follows:

	The Group	
	2015 %	2014 %
Term loan	5.10 - 5.12	4.83 - 5.13
Redeemable bonds	5.60 - 6.00	5.15 - 6.00
Bills payable	3.69 - 4.85	3.54 - 4.55
Foreign currency trade finance	1.09 - 2.29	0.84 - 2.34
Revolving credit	4.37 - 5.00	1.37 - 4.80

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

26. LOANS AND BORROWINGS (CONTINUED)**26.4 Significant covenants**

The secured redeemable bonds of a subsidiary are subject to the fulfilment of the following significant covenants:

- i) Maintain a minimum debt service cover ratio (measured by the aggregate of profit before tax, interest, unrealised exchange gains/losses, depreciation and amortisation ("EBITDA") and cash injections over the aggregate of interest expenses and principal payments of term debts for the testing period) of at least 1.30 times; and
- ii) Maintain a gearing ratio of the Group of not more than 2 times.

27. PROVISION FOR RETIREMENT BENEFITS

The movement during the year in the retirement benefits recognised in the statement of financial position are as follows:

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January	7,362	7,760
Recognised in profit or loss (Note 8.1)	641	700
Benefits paid	(1,130)	(1,098)
	<u>6,873</u>	<u>7,362</u>
At 31 December	<u>6,873</u>	<u>7,362</u>

The retirement benefits are payable as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Current (Note 28)	931	1,124
Non-current	5,942	6,238
	<u>6,873</u>	<u>7,362</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

27. PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

The retirement benefits recognised in the statement of financial position are analysed as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Present value of unfunded obligation	<u>6,873</u>	<u>7,362</u>

The retirement benefits charged to profit or loss is analysed as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Current service costs and interest on obligation	<u>641</u>	<u>700</u>
Included in line item in the statement of profit or loss and other comprehensive income:		
Administrative expenses	<u>641</u>	<u>700</u>

The principal actuarial assumption used for the retirement benefits is as follows:

	The Group	
	2015	2014
	%	%
Discount rate	<u>6.5</u>	<u>6.5</u>

The retirement benefits scheme was valued by Directors based on valuation carried out by external independent professional actuary in July 2010 using the projected unit credit method.

Movement in the present value of the defined benefit obligations:

	The Group	
	2015	2014
	RM'000	RM'000
At 1 January	7,362	7,760
Benefits paid by the plan	(1,130)	(1,098)
Current service costs and interest on obligation (Note 8.1)	<u>641</u>	<u>700</u>
At 31 December	<u>6,873</u>	<u>7,362</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

28. PAYABLES AND ACCRUALS

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade payables	28.1	123,351	158,038	-	-
Non-trade					
Other payables		6,737	5,839	3	4
Accrued expenses		61,508	66,079	792	774
Deposits		1,109	320	-	-
Amount due to a subsidiary	28.2	-	-	2,724	-
		69,354	72,238	3,519	778
Provision	28.3	4,148	-	-	-
Employee benefits	27	931	1,124	-	-
		74,433	73,362	3,519	778
		197,784	231,400	3,519	778

28.1 Trade payables

The normal trade credit terms granted to the Group range from 7 to 150 days (2014: 7 to 150 days).

28.2 Amount owing to a subsidiary

In financial year 2015, amount due to a subsidiary is unsecured, repayable on demand and bears interest at 4% per annum.

28.3 Provision

On 29 October 2015, a wholly owned subsidiary of the Company received notices of additional tax assessment for the years of assessment 2010 to 2013 amounting to the sum of RM4,148,000 arising from the disagreement on the tax treatments for certain expenses incurred by the said subsidiary. The said subsidiary has on 26 November 2015 filed notices to appeal to the Special Commission of Income Tax against the said assessments. Based on the opinion of the legal counsel, the subsidiary is of the opinion that the additional tax assessment by the Inland Revenue Board has no legal and factual basis. However, pending the successful appeal, and without admission of liability, the said subsidiary has made a provision for the sum of RM4,148,000 in its financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

28. PAYABLES AND ACCRUALS (CONTINUED)**28.4 Amount due to related parties**

Included in trade payables of the Group are amounts due to:

	The Group	
	2015	2014
	RM'000	RM'000
Companies in which the Directors' and/or close family members of certain Directors have financial interest	2	2

Amount due to related parties from trade transactions are subject to normal trade credit terms ranging from 30 to 90 days (2014: 30 to 90 days).

Included in other payables of the Group is a deposit payable of RM69,000 (2014: RM69,000) to a subsidiary of the ultimate holding company.

29. HEDGING ACTIVITIES**Cash flow hedges**Foreign currency risk

Foreign currency forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast purchases in the United States Dollars. These forecast transactions are highly probable.

The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

	Contract/ Notional Amount RM'000	2015		2014		
		Fair value		Fair value		
The Group		Assets RM'000	Liabilities RM'000	Amount RM'000	Assets RM'000	Liabilities RM'000
Foreign currency forward contracts	2,919	55	-	-	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

29. HEDGING ACTIVITIES (CONTINUED)

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The cash flow hedges of the expected future purchases in February 2016 were assessed to be highly effective, and as at 31 December 2015, a net unrealised gain of RM55,000 (2014: Nil) was included in other comprehensive income in respect of these contracts.

The amount removed from other comprehensive income during the year and included in the carrying amount of the hedging items as a basis adjustment amounted to RM1,758,000 (2014: Nil). The amount retained in other comprehensive income at 31 December 2015 is expected to mature and affect the carrying amount of the hedging items as a basis adjustment in 2016.

30. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business operations. The business operations are managed based on the Group's management and internal reporting structure.

The Group comprises the following reportable segments:

- (i) Manufacturing division - Manufacturing and trading of iron, steel and steel related products.
- (ii) Trading division - Trading of steel and steel related products, hardware, building and construction materials and operations of steel service centres.
- (iii) Investment holding, property management and others.

Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group Managing Director. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

30. OPERATING SEGMENTS (CONTINUED)

30.1 Business segments

2015	Manufacturing division RM'000	Trading division RM'000	Investment holding, property management and others RM'000	Elimination RM'000	Total RM'000
Segment (loss)/profit	(139,250)	(11,077)	10,608	(815)	(140,534)
Share of results of an associate					(10)
Consolidated loss before tax					(140,544)
Included in the measure of segment (loss)/profit are:					
Revenue from external customers	1,183,090	575,761	2,077	-	1,760,928
Inter-segment revenue	94,059	461	29,929	(124,449)	-
Depreciation and amortisation	(42,630)	(2,706)	(318)	(2,525)	(48,179)
Inventories written down to NRV	(52,110)	(8,451)	-	-	(60,561)
Finance costs	(52,755)	(13,885)	(856)	7,404	(60,092)
Interest income	7,036	2,777	50	(7,404)	2,459
Segment assets	2,032,151	505,294	120,148	(212,048)	2,445,545

Included in the measure of segment assets are:

Additions to property, plant and equipment

	8,434	1,621	705	-	10,760
Segment liabilities	1,372,062	346,718	31,590	(231,401)	1,518,969

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

30. OPERATING SEGMENTS (CONTINUED)

30.1 Business segments (continued)

	Manufacturing division RM'000	Trading division RM'000	Investment holding, property management and others RM'000	Elimination RM'000	Total RM'000
2014 (restated)	(7,052)	21,688	21,857	(11,503)	24,990
Segment (loss)/profit					(20)
Share of results of an associate					24,970
Consolidated profit before tax					
Included in the measure of segment (loss)/profit are:					
Revenue from external customers	1,604,468	686,146	1,360	-	2,291,974
Inter-segment revenue	58,887	568	43,726	(103,181)	-
Depreciation and amortisation	(42,693)	(2,605)	(322)	(2,520)	(48,140)
Reversal of inventories written down/ (Inventories written down to NRV)	17,667	(1,585)	-	-	16,082
Finance costs	(49,437)	(13,209)	(1,138)	7,461	(56,323)
Interest income	6,489	3,313	88	(7,461)	2,429
Segment assets	2,449,613	586,530	121,181	(435,692)	2,721,632
Included in the measure of segment assets are:					
Additions to property, plant and equipment	9,613	4,245	1,158	-	15,016
Segment liabilities	1,654,395	422,567	34,874	(453,697)	1,658,139

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

30. OPERATING SEGMENTS (CONTINUED)**30.2 Geographical segments**

The Group operates in two principal geographical areas - Malaysia (country of domicile) and Singapore.

In presenting information on the basis of geographical segments, segment revenue from external customers is based on revenue by location of operations. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue from external customers RM'000	Non-current assets RM'000
2015		
Malaysia	1,726,050	1,059,146
Singapore	34,878	2,438
	1,760,928	1,061,584
	Revenue from external customers RM'000	Non-current assets RM'000
2014		
Malaysia	2,256,754	1,098,053
Singapore	35,220	1,690
	2,291,974	1,099,743

31. FINANCIAL INSTRUMENTS**31.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL);
- (c) Available-for-sale financial assets (AFS); and
- (d) Other financial liabilities (OL).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.1 Categories of financial instruments (continued)****Financial assets:**

The Group 2015	Carrying amount RM'000	L&R/OL RM'000	AFS RM'000
Other investments, excluding investments in club membership	28	-	28
Receivables, excluding prepayments	246,043	246,043	-
Cash and bank balances	62,415	62,415	-
	<u>308,486</u>	<u>308,458</u>	<u>28</u>
2014			
Other investments, excluding investments in club membership	28	-	28
Receivables, excluding prepayments	290,155	290,155	-
Cash and bank balances	61,812	61,812	-
	<u>351,995</u>	<u>351,967</u>	<u>28</u>
The Company 2015			
Receivables, excluding prepayments	10	10	-
Cash and bank balances	5	5	-
	<u>15</u>	<u>15</u>	<u>-</u>
2014			
Receivables, excluding prepayments	3,127	3,127	-
Cash and bank balances	171	171	-
	<u>3,298</u>	<u>3,298</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.1 Categories of financial instruments (continued)****Financial liabilities:**

The Group	Carrying amount RM'000	L&R/OL RM'000	AFS RM'000
2015			
Loans and borrowings	1,300,283	1,300,283	-
Payables and accruals, excluding employee benefits and provision	<u>192,705</u>	<u>192,705</u>	<u>-</u>
	<u>1,492,988</u>	<u>1,492,988</u>	<u>-</u>
2014			
Loans and borrowings	1,403,539	1,403,539	-
Payables and accruals, excluding employee benefits	<u>230,276</u>	<u>230,276</u>	<u>-</u>
	<u>1,633,815</u>	<u>1,633,815</u>	<u>-</u>
The Company			
2015			
Payables and accruals	<u>3,519</u>	<u>3,519</u>	<u>-</u>
2014			
Payables and accruals	<u>778</u>	<u>778</u>	<u>-</u>

31.2 Net gains and losses arising from financial instruments

	The Group	
	2015 RM'000	2014 RM'000
Net loss arising on:		
Available-for-sale financial assets		
- recognised in other comprehensive income	-	(2)
Net movement on cash flow hedge:		
Foreign currency forward contracts		
- recognised in other comprehensive income	<u>55</u>	<u>-</u>

31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.4 Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks is minimised and monitored strictly limiting the Group's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

31.4.1 Receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Certain receivables are secured by financial guarantees given by banks, shareholders or directors of the receivables.

Although certain receivables are secured by third party financial guarantees, it is impracticable to estimate the fair values of the guarantees obtained.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.4 Credit risk (continued)****31.4.2 Bank balances and deposits with licensed banks and other financial assets**

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's cash and cash equivalents are deposited with licensed banks with good creditworthiness.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statement of financial position.

Management does not expect any counterparty to fail to meet its obligations in respect of these deposits.

31.4.3 Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary.

The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM218,707,000 (2014: RM300,000,000) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material and the value of the other underlying collateral provided by the subsidiary is sufficient to cover the outstanding loan amounts.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.4 Credit risk (continued)****31.4.4 Inter-company balances**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of its subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

At the end of the reporting period, there was no indication that the loans and advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries. Nevertheless, these advances have been overdue for less than a year.

31.5 Liquidity risk

Prudent liquidity risk management required the Group to maintain sufficient cash via internally generated cash flows and the availability of funding resources through an adequate amount of committed credit facilities. The Group also structures its short term borrowings and long term loans to fund working capital requirements and capital expenditure respectively.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

The Group	Carrying amount RM'000	Contractual cash flow RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
2015					
<i>Non-derivative financial liabilities</i>					
Secured term loan	-	-	-	-	-
Secured redeemable bonds	218,707	221,961	221,961	-	-
Bills payable	837,638	840,013	840,013	-	-
Foreign currency trade finance	115,938	116,331	116,331	-	-
Revolving credit	128,000	128,534	128,534	-	-
Trade and other payables	192,705	192,705	192,705	-	-
	1,492,988	1,499,544	1,499,544	-	-
2014					
<i>Non-derivative financial liabilities</i>					
Secured term loan	4,480	4,512	4,512	-	-
Secured redeemable bonds	300,000	319,785	94,193	225,592	-
Bills payable	846,147	847,510	847,510	-	-
Foreign currency trade finance	175,917	176,758	176,758	-	-
Revolving credit	76,995	77,269	77,269	-	-
Trade and other payables	230,276	230,276	230,276	-	-
	1,633,815	1,656,110	1,430,518	225,592	-

104

191

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

The Company 2015	Carrying amount RM'000	Contractual cash flow RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
<i>Non-derivative financial liabilities</i>					
Trade and other payables	3,519	3,519	3,519	-	-
2014					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	778	778	778	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.5 Liquidity risk**

In preparing the financial statements, the management has given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RM135,475,000 during the financial year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by RM193,002,000. The current liabilities of the Group as of the end of the reporting period arose mainly from loans and borrowings totalling RM1,300,283,000, of which RM218,707,000 is pertaining to redeemable bonds which are due for redemption at the end of June 2016 and the balance of RM1,081,576,000 is pertaining to trade facilities that will be due progressively based on tenure of financing throughout the year 2016.

In order to improve the Group's financial position and to provide liquidity and cash flows, the directors of the Group have taken the following measures:

- (i) On 25 March 2016, the Group voluntarily prepaid RM34,042,000 of its outstanding redeemable bonds which shall be due at the end of June 2016; and
- (ii) Made arrangements for availability of existing and new banking facilities to meet the repayment obligations which are due progressively based on tenure of financing.

Notwithstanding the above measures, the Group expects sufficient funds to be generated from its business operations arising from recent improved steel prices in both local and international markets, as well as increased in sales tonnages of the Group, to meet the repayment obligations for the outstanding redeemable bonds amounting to RM184,665,000 which shall be due at the end of June 2016.

The directors are of the opinion that, taking into account the above measures and barring unforeseen circumstances, the Group is expected to have sufficient funds to meet its short term financial obligations as and when they fall due.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

31.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Singapore Dollar (SGD) and Euro (EUR).

Risk management objectives, policies and processes for managing the risk

The Group monitored the foreign exchange exposure closely and may be partially or fully hedged depending on the size of the exposure and the expected strength of the currency in future.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

The Group	USD RM'000	Denominated in		
		SGD RM'000	EUR RM'000	RM RM'000
2015				
For entities with functional currency of RM:				
Receivables	16,316	224	-	-
Cash and cash equivalents	3,128	716	-	-
Payables and accruals	(24,680)	(4)	(96)	-
Loans and borrowings	(74,935)	-	-	-
	<u>(80,171)</u>	<u>936</u>	<u>(96)</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6 Market risk (continued)

31.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

The Group	USD RM'000	Denominated in		
		SGD RM'000	EUR RM'000	RM RM'000
2015				
For entities with functional currency of USD:				
Receivables	-	9,963	-	-
Cash and cash equivalents	-	689	-	28
Payables and accruals	-	(871)	-	(20)
	-	9,781	-	8
Net exposure in the statements of financial position	(80,171)	10,717	(96)	8
2014				
For entities with functional currency of RM:				
Receivables	62,526	500	-	-
Cash and cash equivalents	3,134	188	-	-
Payables and accruals	(73,596)	-	79	-
Loans and borrowings	(176,583)	-	-	-
	(184,519)	688	79	-
2014				
For entities with functional currency of USD:				
Receivables	-	4,648	-	-
Cash and cash equivalents	-	1,903	-	68
Payables and accruals	-	(359)	-	(89)
	-	6,192	-	(21)
Net exposure in the statements of financial position	(184,519)	6,880	79	(21)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.6 Market risk (continued)****31.6.1 Currency risk (continued)***Currency risk sensitivity analysis*

A three percent strengthening of the functional currencies of Group entities against the following currencies at the end of the reporting period would have (decreased)/increased post-tax loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group	Profit or (Loss)	
	2015	2014
	RM'000	RM'000
USD	1,804	4,152
SGD	(265)	(171)
EUR	2	(2)

Conversely, a weakening of the functional currencies of Group entities against the above currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

31.6.2 Interest rate risk

The Group is exposed to interest rate risk from changes in interest rates primarily for debt obligations and short term deposit placements in the money market.

Risk management objectives, policies and processes for managing the risk

The Group manages this risk through the use of fixed and floating rate debt instruments to generate a desired interest rate profile.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.6 Market risk (continued)****31.6.2 Interest rate risk (continued)***Exposure to interest rate risk*

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	The Group	
	2015	2014
	RM'000	RM'000
Fixed rate instruments		
Financial assets	33,733	21,787
Financial liabilities	<u>(1,081,576)</u>	<u>(1,099,059)</u>
	<u>(1,047,843)</u>	<u>(1,077,272)</u>
Floating rate instruments		
Financial liabilities	<u>(218,707)</u>	<u>(304,480)</u>
	The Company	
	2015	2014
	RM'000	RM'000
Fixed rate instruments		
Financial assets	<u>-</u>	<u>135</u>

*Interest rate risk sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.6 Market risk (continued)****31.6.2 Interest rate risk (continued)***Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)			
	2015		2014	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
The Group				
Floating rate instruments	<u>(1,094)</u>	<u>1,094</u>	<u>(1,522)</u>	<u>1,522</u>

31.6.3 Equity price risk

Equity price risk arises from the Group's available-for-sale investments in quoted securities. However, quoted securities are not material and hence, sensitivity analysis is not presented.

31.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and borrowings approximate fair values due to the relatively short term nature of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.7 Fair value of financial instruments (continued)**

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

The Group 2015	Carrying amount RM'000	Fair value RM'000
Quoted shares	<u>28</u>	<u>28</u>
2014		
Quoted shares	<u>28</u>	<u>28</u>

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in equity securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing price at the end of the reporting period.

31.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. FINANCIAL INSTRUMENTS (CONTINUED)**31.7 Fair value of financial instruments (continued)****31.7.1 Fair value hierarchy (continued)**

The Group 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<i>Financial assets</i>				
Quoted shares	28	-	-	28
2014				
<i>Financial assets</i>				
Quoted shares	28	-	-	28

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants requirements.

The debt-to-equity ratios at the end of the reporting period were as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Total borrowings	1,300,283	1,403,539
Less: Cash and bank balances	(62,415)	(61,812)
Net debt	<u>1,237,868</u>	<u>1,341,727</u>
Total equity	<u>926,576</u>	<u>1,063,493</u>
Debt-to-equity ratios	<u>1.34</u>	<u>1.26</u>

There were no changes in the Group's approach to capital management during the year.

The Group is also required to maintain a maximum debt-to-equity ratio of 2.0 to comply with certain debt covenants, failing which, the banks may call an event of default (see Note 26.4).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

33. OPERATING LEASES**Leases as lessee**

Operating lease rentals are payable as follows:

	The Group	
	2015	2014
	RM'000	RM'000
		(restated)
Less than one year	988	1,764
Between one and five years	2,660	2,546
More than five years	8,429	8,540
	<u>12,077</u>	<u>12,850</u>

The Group leases land under operating leases. The leases run for remaining periods of 12 years and 24 years (2014: 13 years and 25 years) from the end of the reporting period, with an option to renew the leases after those dates. None of the leases includes contingent rentals.

34. CAPITAL AND OTHER COMMITMENTS

	The Group	
	2015	2014
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	10,215	12,638
Approved expenditure but not contracted for	6,291	10,925
	<u>16,506</u>	<u>23,563</u>

35. RELATED PARTIES**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

35. RELATED PARTIES (CONTINUED)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. The key management personnel are Directors of the Company and Directors of its subsidiaries.

The Group has a related party relationship with its fellow subsidiaries, Directors, key management personnel and companies in which the Directors/Directors' family have substantial financial interests.

The significant related party transactions, which were determined based on negotiations agreed between the parties, are as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Subsidiaries of the ultimate holding company		
Rental received	59	83
Usage of consumable and refractories	-	26
	<u> </u>	<u> </u>
Associate of the ultimate holding company		
Purchase of goods	-	4
	<u> </u>	<u> </u>
Companies in which certain Directors and/or close family members of certain Directors have financial interest		
Sale of goods	19,723	28,410
Purchase of goods	535	2,066
Interest charges	390	117
	<u> </u>	<u> </u>

	The Company	
	2015	2014
	RM'000	RM'000
Subsidiaries		
Dividend income	-	10,824
Interest income	-	66
	<u> </u>	<u> </u>

The outstanding balances arising from the above transactions have been disclosed in Notes 21.4 and 28.4.

36. COMPARATIVES

Certain comparative amounts have been restated to conform with current year's presentation.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as of 31 December 2015 and 31 December 2014 into realised and unrealised profits or losses is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	The Group		The Company	
	2015 RM'000	2014 RM'000 (restated)	2015 RM'000	2014 RM'000
Total retained earnings of the Group and the Company				
- Realised	504,298	659,542	452,309	458,305
- Unrealised	73,473	60,059	-	-
	<u>577,771</u>	<u>719,601</u>	<u>452,309</u>	<u>458,305</u>
Total retained earnings from associate company				
- Realised	(32)	(22)	-	-
	<u>577,739</u>	<u>719,579</u>	<u>452,309</u>	<u>458,305</u>
Less: Consolidation adjustments	<u>(188,640)</u>	<u>(189,998)</u>	<u>-</u>	<u>-</u>
Total retained earnings as per statements of financial position	<u>389,099</u>	<u>529,581</u>	<u>452,309</u>	<u>458,305</u>

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

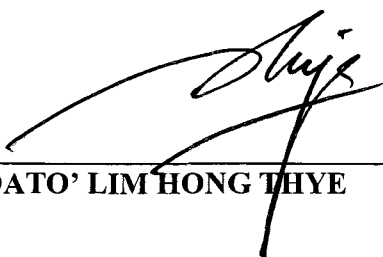
The Directors of **ANN JOO RESOURCES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

In the opinion of the Directors, the information set out on page 116 of the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Board of Directors,



DATO' LIM KIAM LAM



DATO' LIM HONG THYE

Petaling Jaya

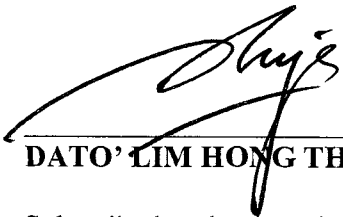
13 April 2016

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ANN JOO GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

ANN JOO RESOURCES BERHAD
(Incorporated in Malaysia)

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, **DATO' LIM HONG THYE**, the Director primarily responsible for the financial management of **ANN JOO RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



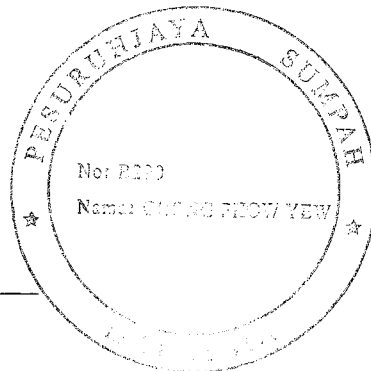
DATO' LIM HONG THYE

Subscribed and solemnly declared by the abovenamed **DATO' LIM HONG THYE** at ~~PETALING JAYA~~, this 13th day of April, 2016. Shah Alam Negeri Selangor

Before me:



COMMISSIONER FOR OATHS



Lot 004 S.1, Blok Dua
Kompleks PINTS
40000 Shah Alam
Selangor Darul Ehsan.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH
FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON

 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 2016**

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH
FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

CERTIFIED TRUE COPY

ANN JOO RESOURCES BERHAD (371152-U)

The Board of Directors of Ann Joo Resources Berhad ("AJR" or the "Company") is pleased to announce the unaudited results for the second financial quarter ended 30 June 2016

MABEL TIO MEI PENG
Chartered Secretary
MAICSA 7009237

Date:

13 OCT 2016

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016

	3 months ended		6 months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	584,659	501,271	1,074,184	1,021,916
Operating expenses	(479,999)	(503,103)	(955,576)	(1,003,755)
Other income	1,549	973	8,860	3,656
Finance costs	(10,757)	(15,410)	(24,617)	(30,591)
Share of results of associates	(12)	(3)	(15)	(8)
Profit/(loss) before tax	95,440	(16,272)	102,836	(8,782)
Income tax (expense)/credit	(3,045)	5,424	(4,920)	3,260
Profit/(loss) for the period	92,395	(10,848)	97,916	(5,522)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences				
for foreign operations	559	322	(1,206)	1,238
Change in fair value of				
available-for-sale financial assets	1	1	8	-
Net movement on cash flow hedge:				
- Foreign currency forward contracts	400	10	(55)	10
Other comprehensive income/(loss) for				
the period, net of tax	960	333	(1,253)	1,248
Total comprehensive income/(loss) for the period	93,355	(10,515)	96,663	(4,274)
Profit/(loss) attributable to:				
Owners of the parent	92,395	(10,848)	97,916	(5,522)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	93,355	(10,515)	96,663	(4,274)
Earnings per share ("EPS") (sen):				
Basic and diluted EPS	18.46	(2.17)	19.56	(1.10)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)

**Condensed Consolidated Statements of Financial Position
As at 30 June 2016**

	30.06.2016 RM'000	31.12.2015 RM'000 (audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	1,028,869	1,038,971
Prepaid lease payments	10,748	10,846
Investment properties	4,034	4,058
Intangible assets	7,182	7,182
Investment in associates	483	498
Other investments	37	29
Deferred tax assets	75,214	78,166
	<u>1,126,567</u>	<u>1,139,750</u>
Current Assets		
Inventories	657,222	951,990
Receivables and prepayments	311,223	287,080
Derivative assets	-	171
Current tax assets	5,248	4,139
Cash and bank balances	53,921	62,415
	<u>1,027,614</u>	<u>1,305,795</u>
TOTAL ASSETS	<u>2,154,181</u>	<u>2,445,545</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share Capital	522,708	522,708
Treasury shares	(71,372)	(71,366)
Other reserves	84,882	86,135
Retained earnings	487,015	389,099
Total Equity	<u>1,023,233</u>	<u>926,576</u>
Non-current Liabilities		
Provision for retirement benefits	5,785	5,942
Deferred tax liabilities	14,630	14,230
	<u>20,415</u>	<u>20,172</u>
Current Liabilities		
Loans and borrowings	862,960	1,300,283
Payables and accruals	246,915	197,784
Current tax liabilities	658	730
	<u>1,110,533</u>	<u>1,498,797</u>
Total Liabilities	<u>1,130,948</u>	<u>1,518,969</u>
TOTAL EQUITY AND LIABILITIES	<u>2,154,181</u>	<u>2,445,545</u>
Net assets per share attributable to owners of the parent (RM)	<u>2.04</u>	<u>1.85</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)

**Condensed Consolidated Statements of Cash Flows
For the six months ended 30 June 2016**

	6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	102,836	(8,782)
Adjustments for non-cash items	26,807	72,188
Operating profit before working capital changes	129,643	63,406
Changes in working capital		
Net change in current assets	287,787	42,383
Net change in current liabilities	49,127	(39,117)
Interest received	638	759
Interest paid	(20,944)	(23,367)
Tax paid	(2,973)	(3,825)
Tax refunded	188	1,320
Retirement benefits paid	(490)	(460)
Net cash flows generated from operating activities	442,976	41,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	1
Proceeds from disposal of property, plant and equipment	703	231
Acquisition of associate	-	(300)
Purchase of property, plant and equipment	(12,478)	(5,792)
Net cash flows used in investing activities	(11,775)	(5,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bank borrowings	(434,828)	(18,121)
Share buybacks	(6)	(21)
Interest paid	(3,673)	(7,224)
Dividends paid to shareholders	-	(5,007)
Additional of fixed deposit pledged with licensed banks	(66)	(51)
Net cash flows used in financing activities	(438,573)	(30,424)
Net change in cash and cash equivalents	(7,372)	4,815
Effects of foreign exchanges rate changes	(1,188)	1,371
Cash and cash equivalents at beginning of year	58,709	57,018
Cash and cash equivalents at end of period	50,149	63,204

Cash and cash equivalents

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

	6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000
Cash and bank balances	53,921	68,049
Less: Restricted bank balances	(3,772)	(4,845)
	50,149	63,204

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)

**Condensed Consolidated Statements of Changes in Equity
For the six months ended 30 June 2016**

	Non-distributable		Distributable		
	Share capital RM'000	Other reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016	522,708	86,135	(71,366)	389,099	926,576
Profit for the period	-	-	-	97,916	97,916
Other comprehensive loss for the period	-	(1,253)	-	-	(1,253)
Total comprehensive (loss)/income 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
At 1 January 2015	522,708	82,547	(71,343)	529,581	1,063,493
Loss for the period	-	-	-	(5,522)	(5,522)
Other comprehensive income for the period	-	1,248	-	-	1,248
Total comprehensive income/(loss) for the period	-	1,248	-	(5,522)	(4,274)
Share buybacks	-	-	(21)	-	(21)
Dividends to owners of the Company	-	-	-	(5,007)	(5,007)
At 30 June 2015	522,708	83,795	(71,364)	519,052	1,054,191

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

**ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)**
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2016**
1. BASIS OF PREPARATION

The condensed consolidated interim financial statements (“interim financial statements”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), MFRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2015, except for the following new and revised Amendments to MFRSs and Issue Committee Interpretations (“IC Interpretation”) which are applicable to its financial statements:

1.1 Adoption of Amendments to MFRSs and IC Interpretation

On 1 January 2016, the Group adopted the following new and amended MFRSs mandatory for annual financial period beginning on or after 1 January 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Annual Improvements to MFRSs 2012 – 2014 Cycle	

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

1.2 MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group.

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)
1. BASIS OF PREPARATION (CONTINUED)
1.2 MFRSs and Amendments to MFRSs issued but not yet effective (continued)
Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15	Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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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
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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 2016.

4. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

There were no major changes in estimates that have had any material effect on the quarter and six months results ended 30 June 2016.

5. DEBT AND EQUITY SECURITIES

During the quarter under review, there were no issuances, cancellations, resale or repayment of debt and equity securities. As at 30 June 2016, out of the total 522,708,178 issued and fully paid ordinary shares, 22,139,300 shares were held as treasury shares at an average purchase price of RM3.22 per share. The share buyback transactions were financed by internally generated funds.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

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

6 DIVIDENDS PAID

No dividend was paid during the financial period ended 30 June 2016 (6 months ended 30 June 2015: RM5,006,510).

7 SEGMENTAL INFORMATION

7.1 Business Segments

The segment revenue, segment results and segment assets for the six months ended 30 June 2016 were as follows:-

	Manufacturing RM'000	Trading RM'000	Investment holding, property management and others RM'000	Adjustments and elimination RM'000	Total RM'000
REVENUE					
External customers	750,405	322,741	1,038	-	1,074,184
Inter-segment	132,365	88	12,024	(144,477)	-
	<u>882,770</u>	<u>322,829</u>	<u>13,062</u>	<u>(144,477)</u>	<u>1,074,184</u>
RESULTS					
Segment results	99,649	22,850	4,525	(194)	126,830
Finance costs					(24,617)
Interest income					638
Share of associates results					(15)
Income tax expense					(4,920)
Profit for the period					<u>97,916</u>
Segment assets	<u>1,768,213</u>	<u>574,501</u>	<u>127,909</u>	<u>(316,442)</u>	<u>2,154,181</u>
Segment liabilities	<u>1,042,848</u>	<u>386,502</u>	<u>36,658</u>	<u>(335,057)</u>	<u>1,130,948</u>

7.2 Geographical Segments

	6 months ended 30.06.2016 RM'000
Revenue from external customers	
Malaysia	1,063,829
Singapore	<u>10,355</u>
Non-current assets	
Malaysia	1,049,155
Singapore	<u>2,161</u>

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)
8 PROFIT BEFORE TAX

	3 months ended	6 months ended
	30.06.2016	30.06.2016
	RM'000	RM'000
Profit before tax is arrived at after charging:		
Allowance for diminution in value of raw materials	3,157	4,134
Allowance for doubtful debts	568	568
Amortisation of prepaid lease payments	49	98
Depreciation of investment properties	12	24
Depreciation of property, plant and equipment	10,070	21,846
Interest expenses	10,757	24,617
and after crediting:		
Bad debts recovered	-	1
Interest income	439	638
Net foreign exchange gain	826	7,832
Recovery of specific doubtful debts	357	357
Reversal of inventories written down to net realisable value	864	19,330

9 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

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

10 CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial period under review.

11 CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

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

The capital commitments as at 30 June 2016 were as follows:-

	<u>RM'000</u>
(a) contracted but not provided for	14,996
(b) approved but not contracted for	<u>5,881</u>

13 REVIEW OF PERFORMANCE

The Group recorded revenue of RM584.66 million in the quarter ended 30 June 2016 ("2Q16"), an increase of RM83.39 million or 16% as compared to the revenue of RM501.27 million in the quarter ended 30 June 2015 ("2Q15"). Riding on the improved market sentiments and recovery in steel prices, which led to higher selling price and tonnage sold, both Manufacturing and Trading segments' revenue increased by RM60.90 million and RM22.49 million from its reported revenue in 2Q15 of RM343.91 million and RM 156.84 million to RM404.81 million and RM179.33 million respectively in 2Q16.

The Group registered a profit before tax ("PBT") of RM95.44 million in 2Q16 as compared to loss before tax ("LBT") of RM16.27 million in 2Q15 as a result of recovery in selling price of various steel products despite persistent influx of Chinese steel products. Higher profitability was also attributable to significant earnings contribution from our investment in hybrid Blast Furnace-Electric Arc Furnace ("BF-EAF") technology which has enabled the Group to vastly improve its cost structure. Both Manufacturing and Trading Divisions contributed positively to the Group, recorded a segmental operating profit of RM93.56 million and RM11.45 million respectively in 2Q16 as compared to segmental operating loss of RM7.57 million and segmental operating profit RM2.40 million respectively in 2Q15.

14 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

The Group posted revenue of RM584.66 million in 2Q16, RM95.13 million higher than the revenue of RM489.53 million for 1Q16. The Group posted a PBT of RM95.44 million in the current quarter, RM88.04 million higher than the PBT of RM7.40 million recorded in the preceding quarter. Higher revenue for the current quarter were mainly attributable to recovery in selling prices of various steel products. Higher profitability for the current quarter was mainly attributable to volatility in selling prices and an improved cost structure derived from our investment in the hybrid BF-EAF technology.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

**ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)****15 PROSPECT**

The global steel market witnessed a spike in prices in March-April. The surge in prices was mainly prompted by the Chinese government's initiatives to deal with closure of loss-making, excess steel-making capacity and zombie companies. Nevertheless, steel prices softened on slowing construction activity in many markets mainly disrupted by seasonal lulls such as heavy rainfall in part of China, summer holidays, Ramadan months and festive season in various regions including home country. Steel prices started to rise again in second half of the year with the recovery in demand in tandem with expectation of acceleration of the capacity cutting in China. Steel market is expected to remain highly volatile and is set to rise on the real impact from China's capacity cut and demand boosts.

On the domestic front, steel demand is expected to be fundamentally driven by the rollout of numerous mega infrastructure projects including MRT II, LRT Line III and TRX, as well as the construction of major high-rise buildings such as Menara Warisan Merdeka. The imposition of trade measures on China by certain neighbouring countries, also creates large regional opportunities. This provides the Group with flexibility of selling to domestic and/or export markets, depending on price and market conditions.

Our investments in blast furnace coupled with seamless integration with the existing Electric Arc Furnace has finally realised its true potential. This hybrid technology not just enables the Group to be among the lowest cost producer in this region but also provides the much needed operational flexibility in dealing with highly volatile market conditions. The Group's operational flexibility in terms of feed material selection, production mode, product mix as well as pricing strategies will continue to be the main focus for competitiveness enhancement and growth sustainability.

Riding on improved market sentiments and price normalization in both domestic and international markets, the Group's performance is expected to remain satisfactory for the remaining period of 2016. However, the Group's profitability is still largely dependent on the effectiveness of the Chinese government to eliminate steel overcapacity as well as Malaysian government to curb the imports of steel products into Malaysia.

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 2016.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

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

The income tax expenses comprise of:-

	3 months ended 30.06.2016 RM'000	6 months ended 30.06.2016 RM'000
Income tax		
Current period	928	1,559
Deferred tax		
Current period	2,117	3,361
	<u>3,045</u>	<u>4,920</u>

The Group's effective tax rate for the financial period were lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets of RM 21.18 million and RM 24.61 million for the quarter and six months ended 30 June 2016 respectively.

18 STATUS OF CORPORATE PROPOSALS

On 24 May 2016, the Company had made an announcement that the Company is proposing to undertake the following:

- a) proposed renounceable rights issue of up to 125,142,220 new redeemable convertible cumulative preference shares of RM0.01 each in Ann Joo ("RCPS") convertible into ordinary shares of RM1.00 each in Ann Joo ("Ann Joo Shares" or "Shares") on the basis of 1 RCPS for every 4 existing Ann Joo Shares held on an entitlement date to be determined later ("Proposed Rights Issue of RCPS");
- b) proposed establishment of a long term incentive plan of up to 15% of the issued and paid-up ordinary share capital of Ann Joo (excluding treasury shares) at any time during the period of the long term incentive plan, for the selected key personnel and/or senior management of Ann Joo and its subsidiaries ("Ann Joo Group" or the "Group") who fulfil the eligibility criteria ("Proposed LTIP");
- c) proposed dividend reinvestment plan that provides the shareholders of Ann Joo with the option to elect to reinvest their cash dividends declared by Ann Joo (whether interim, final, special or any other cash dividends) in new Ann Joo Shares ("Proposed DRP");
- d) proposed increase in the authorised share capital of Ann Joo from RM1,000,000,000 comprising 1,000,000,000 Ann Joo Shares to RM1,005,000,000 comprising 1,000,000,000 Ann Joo Shares and 500,000,000 preference shares ("Proposed IASC"); and
- e) proposed amendments to the Memorandum and Articles of Association of Ann Joo to facilitate the Proposed IASC and the issuance of the RCPS pursuant to the Proposed Rights Issue of RCPS ("Proposed Amendments").

(Collectively referred to as the "Proposals")

On 13 July 2016, the listing application in relation to the Proposals has been submitted to Bursa Malaysia Securities Berhad.

Save as disclosed above, there were no other corporate proposals announced but not completed as at the date of this report.

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)
19 GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 June 2016 were as follows:-

Unsecured short term borrowings	RM'000
	862,960

The Group's borrowings are denominated in MYR, except for approximately RM69.52 million (USD17.25 million) of the above borrowings which are denominated in USD.

20 MATERIAL LITIGATION

There was no material litigation against the Group as at the date of this report.

21 DIVIDEND

On 15 August 2016, the Board of Directors approved and declared a special single-tier dividend of 6 sen per ordinary share in respect of the financial year ending 31 December 2016. The declaration of this special dividend is in conjunction with the Group's 70th Anniversary and will be paid on 28 October 2016 to the Depositors registered in the Record of Depositors at the close of the business on 10 October 2016 (2Q2015: Nil).

22 EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit attributable to owners of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the quarter and six months ended 30 June 2016 as set out below:

		3 months ended	6 months ended
		30.06.2016	30.06.2016
Total profit attributable to owners of the Parent	(RM'000)	92,395	97,916
Weighted average number of ordinary shares in issue or issuable	('000)	500,569	500,572
Basic and diluted EPS	(sen)	<u>18.46</u>	<u>19.56</u>

THE LATEST UNAUDITED QUARTERLY RESULTS OF ANN JOO GROUP FOR THE 6-MONTH FPE 30 JUNE 2016 INCLUDING THE EXPLANATORY NOTES THEREON (CONT'D)

ANN JOO RESOURCES BERHAD (371152-U)
(Incorporated in Malaysia)
23 REALISED AND UNREALISED EARNINGS OR LOSSES DISCLOSURE

The retained earnings as at 30 June 2016 were analysed as follows:

	30.06.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
Realised	605,180	504,298
Unrealised	71,243	73,473
	<u>676,423</u>	<u>577,771</u>
Total share of retained earnings from associate:		
Realised	(47)	(32)
	<u>676,376</u>	<u>577,739</u>
Less: Consolidated adjustments	(189,361)	(188,640)
Total group retained earnings	<u>487,015</u>	<u>389,099</u>

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 15 August 2016.

By Order of the Board
 Leong Oi Wah (MAICSA 7023802)
 Mabel Tio Mei Peng (MAICSA 7009237)
 Company Secretaries
 15 August 2016
 Selangor Darul Ehsan

DIRECTORS' REPORT



安裕資源有限公司

ANN JOO RESOURCES BERHAD (371152-U)

Date: 24 OCT 2016

Registered Office:

Wisma Ann Joo, Lot 19391
Batu 8½, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan

To: 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 "**the Company**") ("**Board**"), and after making due enquiries, I wish to report that save as disclosed in this Abridged Prospectus, during the period from 31 December 2015 (being the date to which the last audited financial statements of Ann Joo and its subsidiaries ("**Ann Joo Group**") have been made up) to the date of hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:

- (a) the business of the Ann Joo Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstance has arisen since the last audited consolidated financial statements of the Ann Joo Group which has adversely affected the trading or the value of the assets of the Ann Joo Group;
- (c) the current assets of the Ann Joo Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Abridged Prospectus, there is no other contingent liability by reason of any guarantee or indemnity given by the Ann Joo Group;
- (e) there has been no default or any known event since the last audited consolidated financial statements of the Ann Joo Group, that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings of the Ann Joo Group; and
- (f) save as disclosed in this Abridged Prospectus, there has been no material change in the published reserves or any unusual factors affecting the profits of the Ann Joo Group since the last audited consolidated financial statements of the Ann Joo Group.

Yours faithfully,

For and on behalf of the Board of
ANN JOO RESOURCES BERHAD

DATO' LIM HONG THYE
Group Managing Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for RCPS and the new Shares to be issued pursuant to the conversion of the RCPS, no other securities will be issued or allotted on the basis of this AP later than 12 months after the date of the issuance of this AP.
- (ii) All the new Ann Joo Shares to be issued pursuant to the conversion of the RCPS shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Ann Joo Shares, except that such Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to allotment date of the such Shares.
- (iii) Save for the following,
 - (a) our Entitled Shareholders who will provisionally be allotted with the RCPS are entitled to subscribe for the RCPS at an issue price of RM0.50 per RCPS pursuant to the Rights Issue of RCPS; and
 - (b) up to 15% of the issued and paid-up ordinary share capital of Ann Joo to be granted and issued at any time during the duration of the LTIP,

no other person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Company is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this AP.

2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:-

Article 109

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;*

ADDITIONAL INFORMATION (CONT'D)

- (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 110

- (1) *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.*
- (2) *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 or turnover;*
 - (b) *an executive director shall not include a commission on or percentage of turnover.*

3. MATERIAL CONTRACTS

As at the LPD, our Group has not entered into any material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business within the 2 years immediately preceding the date of this AP.

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ADDITIONAL INFORMATION (CONT'D)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and there are no proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group:

- (i) Ann Joo Integrated Steel Sdn Bhd ("**AJIS**"), a wholly-owned subsidiary of Ann Joo, has filed a statement of claim against Tangshan Iron & Steel International Engineering Technology Co. Ltd (formerly known as Tangshan Iron & Steel Design & Research Institute Co. Ltd) (the "**Respondent**") in the matter of arbitration under the KLRCA Arbitration Rules of the Kuala Lumpur Regional Centre for Arbitration. The claim by AJIS was in relation to the contract dated 15 January 2008 ("**Contract**") entered into with the Respondent for the project known as "Design, Supply, Install, Construct, Supervise, Train, Test and Commission a Blast Furnace Complex comprising of Blast Furnace and Auxiliaries, a Sinter Plant and a Raw Material Yard" situated at Lots 1227 & 78 and Parts of Lot 1225 and 1236, Perai Industrial Estate, Daerah Tengah, Seberang Perai, Penang, Malaysia. The reliefs claimed are (i) USD10,200,000 as liquidated ascertained damages on account of the Respondent's delay in completing the works as per the Contract; (ii) USD5,470,533.28 for various breaches and/or non-performance of the Contract by the Respondent; and (iii) USD1,250,000 for the refund of excess or mistaken payment. The Respondent has on 20 October 2016 filed their statement of defense and counterclaim for the sum of USD43,341,733.07 and RMB8,757,617.38 based on various claims under the Contract and disputes that have arisen from the execution of the project. AJIS will file a reply and defense to the counterclaim within 45 days from the statement of defense and counterclaim. 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 pleadings have yet to close and the Respondent has not submitted documents/evidence in support of their defense and counterclaim.
- (ii) 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 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.

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

ADDITIONAL INFORMATION (CONT'D)

The High Court has on 22 August 2016 delivered an oral decision in favour of AJSB and held 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.

The Defendants had on 25 August 2016 and 15 September 2016 filed their Notices of Appeal against the High Court's decision and Notices of Application to stay the execution of the High Court Order pending disposal of the appeal. On 7 October 2016, AJSB and the Defendants had recorded a Consent Order pertaining to the stay application whereby execution of the High Court Order has been stayed on the following conditions, i.e. (a) the hearing on assessment of damages is to proceed notwithstanding the appeal; (b) AJSB will not execute any order given pursuant to the hearing on assessment of damages until the appellate process is exhausted; and (c) there will be no stay on the order pertaining to payment of costs of RM80,000 by the Defendants to AJSB. A case management has been fixed for the appeals on 7 November 2016. The solicitors in charge are of the opinion that AJSB has more than an even chance of successfully resisting the appeals.

5. GENERAL

- (i) None of our Directors has any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within 1 year from the date of this AP.
- (ii) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by the following:-
 - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - (b) material information including trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits;
 - (c) material commitments for capital expenditure, save as disclosed in section 9.4 of this AP;
 - (d) substantial increase in revenue;
 - (e) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of our Group; and
 - (f) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

ADDITIONAL INFORMATION (CONT'D)

6. CONSENTS

The written consents of the Principal Adviser, Company Secretaries, Solicitors, Share Registrar, Principal Bankers, Bloomberg Finance L.P., Malaysian Iron & Steel Industry Federation and South East Asia Iron and Steel Institute to the inclusion in this AP of their names in the form, manner and context in which they appear have been given and have not subsequently been withdrawn before the issuance of this AP.

The written consents of the Auditors/Reporting Accountants to the inclusion in this AP of its name, Reporting Accountants' letter accompanying the proforma financial information of Ann Joo Group as at 31 December 2015 and the auditors' report accompanying the audited consolidated financial statements of Ann Joo Group for the FYE 31 December 2015 in the form, manner and context in which they appear have been given and have not subsequently been withdrawn before the issuance of this AP.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at the Registered Office of the Company at Wisma Ann Joo, Lot 19391, Batu 8½, Jalan Klang Lama, 46000 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of 12 months from the date of this AP:-

- (i) the Memorandum and Articles of Association of Ann Joo;
- (ii) the audited and consolidated financial statements of Ann Joo Group for the past 3 FYE 31 December 2013, 31 December 2014 and 31 December 2015;
- (iii) the latest unaudited quarterly results of Ann Joo Group for the 6-month FPEs 30 June 2015 and 30 June 2016;
- (iv) Proforma financial information of Ann Joo Group as at 31 December 2015 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (v) the Directors' Report as set out in Appendix VI of this AP;
- (vi) the relevant cause papers in respect of the material claims referred to in Section 4 above;
- (vii) the letters of consent referred to in Section 6 above; and
- (viii) the irrevocable undertaking letters by the Identified Shareholders as referred to in Section 4 of this AP.

ADDITIONAL INFORMATION (CONT'D)

8. RESPONSIBILITY STATEMENTS

This AP together with the accompanying documents have been seen and approved by our Board and they collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts if omitted would make any statement in these documents false or misleading.

Affin Hwang IB being the Principal Adviser for the Rights Issue of RCPS, acknowledges that, based on all available information and to the best of their knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of RCPS.

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