ANN JOO RESOURCES BERHAD

ACQUISITION AND SUBSCRIPTION OF SHARES IN PERFECT CHANNEL SDN BHD BY KONSORTIA ETIQA SDN BHD, AN INDIRECT SUBSIDIARY OF ANN JOO RESOURCES BERHAD

1.0 INTRODUCTION

The Board of Directors of Ann Joo Resources Berhad ("**Ann Joo**" or "**the Company**" and together with its subsidiaries **"the Group"**) wishes to announce that Konsortia Etiqa Sdn Bhd ("**KESB**"), a 55% indirect subsidiary of the Company, has on 21 June 2023 acquired 102,000 ordinary shares in Perfect Channel Sdn Bhd ("**PCSB**") ("**Shares Acquisition**") and subscribed for 100,000,000 new ordinary shares in PCSB ("**Shares Subscription**").

PCSB becomes a 99.90% subsidiary of the Group after the Shares Acquisition and Shares Subscription.

2.0 DETAILS OF THE SHARES ACQUISITION AND SHARES SUBSCRIPTION

2.1 Information on Shares Acquisition and Shares Subscription

The Shares Acquisition entails the acquisition by KESB of 102,000 ordinary shares, representing 51% of the paid-up share capital in PCSB from Kinsteel Berhad (In Liquidation) for a cash consideration of Ringgit Malaysia Ten Million (RM10,000,000) only.

The Shares Subscription entails the subscription of 100,000,000 new ordinary shares, constituting 99.80% of the enlarged paid-up share capital in PCSB, for a total cash consideration of Ringgit Malaysia One Hundred Thousand (RM100,000) only.

Both the Shares Acquisition and Shares Subscription together hereinafter referred to as the "**Acquisition**".

The shareholders of PCSB before and after the Acquisition are as follows:

	Before the Acquisition		After the Acquisition	
Shareholders	No. of shares	%	No. of shares	%
KESB	-	-	100,102,000	99.90
Maju Holdings Sdn Bhd	98,000	49.00	98,000	0.10
Kinsteel Berhad (In liquidation)	102,000	51.00	-	-
Total	200,000	100.00	100,200,000	100.00

2.2 Background information on KESB

KESB is a private limited company incorporated in Malaysia on 26 July 2019. Its principal activity is investment holding and has an issued and paid-up share capital of RM150,000 represented by 150,000 ordinary shares. It is a 55% indirect subsidiary of the Company, comprising 51% and 4% held by Ann Joo Management Services Sdn Bhd and Ann Joo Steel Berhad, respectively, both are wholly owned subsidiaries of the Company.

2.3 Background information on PCSB

PCSB is a private limited company incorporated in Malaysia on 16 December 2005. It had an issued and paid-up capital of RM688,804,000 represented by 200,000 ordinary shares prior to the Share Subscription.

PCSB is principally engaged in the manufacturing of hard drawn wires, galvanised steel wires and other wire products. PCSB has temporarily ceased its manufacturing operations since May 2019 due to a fire incident involving its main intake substation. Currently, PCSB generates income from letting out its industrial buildings.

The directors of PCSB as at the date of this announcement are Pheng Chin Huat and Khoo Poh Looi.

2.4 Financial information of PCSB

As shown in the management accounts of PCSB for the year ended 31 December 2022, PCSB recorded a loss after taxation of RM28.57 million and as at that date, has a negative shareholders' fund of RM122.04 million.

PCSB is the registered beneficial owner of six parcels of contiguous freehold industrial land measuring approximately 436.8 acres together with buildings and facilities (including a 275kv main intake substation) thereon at the Gurun Industrial Park, Kedah (the **"Land"**). The Land is easily accessible via the North South Highway and is approximately 58 km from the Group's iron and steel plant at Prai, Penang.

2.5 Basis of and justification for the consideration

The cash consideration for the Acquisition was arrived at on a willing buyer willing seller basis after taking into consideration of the earnings and capital appreciation potential of PCSB's assets (including the Land and its plant and machinery) and the audited financial position of PCSB for the financial year ended 31 December 2021.

2.6 Source of funding

The Acquisition is funded by the Group's internally generated funds.

2.7 Liabilities to be assumed

Save for the liabilities in the financial statements of PCSB which will be consolidated into the consolidated financial statements of the Group, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by the Group arising from the Acquisition.

3.0 RATIONALE AND BENEFITS OF THE ACQUISITION

The Acquisition would enable the Group's Upstream Steel Division to expand into the production of engineering-grade steel wire rods by leveraging on PCSB's plant and machinery capability, promoting business efficacy and synergistic benefits, and hence further enhancing the Group's competitive advantage in the Upstream Steel Division business.

The Acquisition is also in line with the Group's ambition to diversify its business into property development and property investment in the industrial segment. The Land is strategically located in the Gurun Industrial Park which is one of the major industrial centres in the Northern region of Peninsular Malaysia.

In addition, given that Gurun is one of the areas with the highest daily average sunlight, it is an ideal location for solar power energy generation. The Acquisition potentially enables the Group to grow its newly set up business segment in green technology.

4.0 PROSPECTS OF PCSB

PCSB is expected to gain synergistic benefits on its steel manufacturing business with the Group coming on board as the controlling shareholder. The Group will endeavour to revive and turn around PCSB's steel manufacturing business.

On industrial property development and investment, PCSB, with its strategically located 436.8 acres of freehold industrial land, is well-positioned to tap on the significant growth in the industrialisation of the Northern region. The Northern region is expected to continue attracting large scale investments from major industry players in the semiconductors, electrical and electronics, and automotive sectors to set-up their manufacturing plants.

The Board of Directors of the Company is of the opinion that the Acquisition is expected to contribute positively to the future earnings of the Group.

5.0 RISK FACTORS

The risk factors associated with the Acquisition, which are by no means exhaustive, are set out below:

5.1 Investment risk

There can be no assurance that the anticipated benefits of the Acquisition will be realised or the Group is able to generate sufficient returns from this investment. To mitigate such risk, the Group adopts prudent investment criteria in evaluating the Acquisition including engaging external advisers to conduct financial and legal due diligence on PCSB.

5.2 Financial performance, business and operational risks

As PCSB will become a subsidiary of the Group, its financial results, assets and liabilities will be consolidated into the Group's consolidated accounts. The Group's financial performance and financial position would therefore be affected by the financial performance, business and operational risk of PCSB. The Group has assessed these exposures and has sought to mitigate these risks with prudent implementation of business strategies and financial management.

5.3 General economic, political and regulatory uncertainties

The future performance of PCSB may be impacted by the changes in economic, political and regulatory conditions, such as changes in political leadership, war, economic downturn, introduction of new laws and regulations, imposition of new taxes, changes in electricity tariffs, interest rate and foreign currency exchange. The Group seeks to mitigate such risks by closely monitoring the development in such areas and where appropriate, review or revise PCSB's business strategies and direction in response to such changes.

6.0 EFFECTS OF THE ACQUISITION

6.1 Share capital and substantial shareholders' shareholding

The Acquisition does not have any effect on the share capital and shareholding of the substantial shareholders of the Company as the Acquisition does not involve any issuance of new ordinary shares of the Company.

6.2 Net assets and gearing

For illustrations purposes, based on the latest audited consolidated statement of financial position of the Company as at 31 December 2022 and on the assumption that the Acquisition had been effected on 31 December 2022, the effects of the Acquisition on the net assets and gearing of the Group are as follows:

	Audited as at 31 December 2022 RM'000	[1] [2] Proforma after Acquisition RM'000
Share capital	645,626	645,626
Treasury shares	(55,747)	(55,747)
Redeemable convertible cumulative preference shares	2,175	2,175
Retained earnings	524,901	533,117
Other reserves	75,823	75,823
Total shareholders' fund	1,192,778	1,200,994
Non-controlling interests	521	7,142
Total equity	1,193,299	1,208,136
Number of Ann Joo's ordinary shares in issue ('000) (excluding treasury shares)	561,349	561,349
Net assets per share (RM) [3]	2.12	2.14
Loans and borrowings	1,229,420	1,348,198
Cash and bank balances	133,381	134,585
Gearing (times)[4]	0.92	1.00

Notes:

(1) Financial information of PCSB have been consolidated by extracting the management accounts of PCSB for the financial year ended 31 December 2022.

(2) Subject to changes to goodwill or gain on bargain purchase which may arise from the purchase price allocation exercise based on the established fair value of the assets and liabilities acquired. The excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill, or vice versa be reflected as gain on bargain purchase. In accordance with the Malaysian Financial Reporting Standards (MFRS) 3 - Business Combinations, the acquirer has a measurement period of not exceeding one year from the date of acquisition. The acquirer may adjust the provisional amounts recognised for a business combination to reflect new information obtained about facts and circumstances that existed as at the date of acquisition and, if known, would have affected the measurement of the amounts recognised as at that date.

(3) Computed based on the net assets attributable to owners of the Company divided by the total number of Ann Joo shares in issue (excluding treasury shares).

(4) Computed based on total loans and borrowings, net of cash and bank balances, divided by total equity.

6.3 Earnings and earnings per share

As PCSB has temporary ceased its steel manufacturing business, the Acquisition is not expected to have a material impact on the earnings of the Group for the financial year ending 31 December 2023. However, the Acquisition is expected to enhance the earnings of the Group in the future on potential future profits contribution from the development of PCSB's Land.

7.0 HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Acquisition pursuant to paragraph 10.02 (g) of the Main Market Listing requirements of Bursa Malaysia Securities Berhad is 11.41%.

8.0 APPROVALS REQUIRED

The Acquisition is not subject to the approval of the shareholders of Ann Joo or any relevant regulatory authorities.

9.0 INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of the Directors and/or major shareholders of Ann Joo and/or persons connected to them, have any interest, direct or indirect, in the Acquisition.

10.0 DIRECTORS' STATEMENT

The Board of Ann Joo, having considered all aspects of the Acquisition, is of the opinion that the Acquisition is in the best interest of the Group.

This announcement is dated 21 June 2023.