



ANN JOO RESOURCES BERHAD

21ST ANNUAL GENERAL MEETING

25 MAY 2017

DATO' LIM HONG THYE, GROUP MANAGING DIRECTOR



A glowing orange metal coil is being processed in a dark industrial setting. The coil is the central focus, with its bright light illuminating the surrounding machinery and structures. The background is dark, with some industrial equipment and scaffolding visible. The overall atmosphere is industrial and high-contrast.

REPLY TO QUESTIONS RAISED BY MSWG



1) The Ann Joo Group had achieved a commendable performance in FY2016 with a remarkable turnaround from loss before tax of RM 140.5 million in FY2015 to profit before tax of RM 202.13 million in FY2016.

a) How confident is the Board that this performance can be sustained? Please elaborate.

Answer:

The Board remains optimistic on the Group's performance in 2017, barring any unforeseen market conditions. The Group's performance is expected to be supported by the expected upturn in demand from infra & mega property development projects in 2H2017, as well as normalization (decline) in key raw materials such as iron ore and coke / coking coal.

b) What is the Group's targeted growth rate for its business in the next 24 months?

Answer:

The Board does not provide any forecast for growth rates.



- 2) What is the Board's strategy and plan with regard to the export market in Southeast Asia? How is the Group going to compete with the other players?

Answer:

The Group intends to leverage on its cost competitiveness, especially via the hybrid Blast Furnace-Electric Arc Furnace technology, to compete with peers in the region.

China's ongoing closure of induction furnace significantly affects the supply of billets and steel bars from China into the region. The Group's strategy is to capitalise on its ability to offer prompt shipments to regional markets amidst an expected robust regional demand from railways, roads and other infrastructure projects.



3) How would the Group further maximize the procurement of local source materials? What steps have been taken for the Group to develop the new source of the supply of key raw materials?

Answer:

The Group's strategy is to continue to source 100% local raw materials (i.e. iron ore and scrap) unless international prices are cheaper.

A dedicated Strategic Procurement team is entrusted with obtaining reliable supply of key raw materials. The team continuously reviews the performance of its supply network, and develops new sources of local supply.



- 4) What is the Group's current capacity utilization rate and targeted utilization rate for its steel making plant?

Answer:

The Group's steel making plant continues to run on 24-hour production mode. Steel production experts, including from China, are selectively engaged to further enhance output and productivity of the steel making plant.



- 5) How frequent that the Group reviews the level of inventory and what is the timeframe set by the Group to meet the target of “prompt shipment” to meet customers’ orders?

Answer:

The Group constantly reviews and monitors its inventory levels. Optimization of inventory takes into account material price volatility and lead time for procurement.

Depending on geographic location of overseas customers, the Group is able to deliver “prompt shipment” in as short as of 2 weeks versus normal shipment which can take one to two months or longer.



- 6) As disclosed on pages 104 – 105 of the Annual Report 2016, the Group has few dormant companies. What are the Group's plans for these companies?

Answer:

The Group regularly reviews its group structure and will take appropriate actions to streamline its corporate structure, if necessary.



7) Trading Division

As stated, the Group would focus on core products with growth potentials in terms of business volume, profitability, as well as synergistic values of the products especially construction steel for mega infrastructure projects.

What will be the minimum volume order targeted from customer as well as the profit margin? Was there any new customer of major projects secured recently?

Answer:

Minimum orders and profit margins are commercially sensitive information which are not disclosed.

Some of the major projects the Ann Joo Group is currently supplying steel to, to name a few:

- *Bukit Bintang City Centre (BBCC)*
- *DUKE Highway extension (DUKE 3)*
- *Sungai Besi-Ulu Kelang Expressway (SUKE)*
- *MRT Line 2*



CORPORATE GOVERNANCE

- 1) We noted that two of the Independent Directors have served the Board for more than 9 years, exceeding the 9 years tenure recommended by the Malaysian Code on Corporate Governance 2017. They also serve as Chairman or member of the Board Committees.

We hope that the Board would address the issue in the Board's succession planning process.

Answer:

The Board has duly deliberated and agreed to adopt the tenure of 12 years for independent directors as they strongly believe that the selected individuals are of high caliber and integrity and can be tasked to discharge their duties and responsibilities objectively and independently. The Board does not believe that a term of more than 9 years or 12 years would impair independence, as the selected individuals are of high calibre and integrity and can be tasked to discharge their duties and responsibilities objectively and independently.



CORPORATE GOVERNANCE

- 2) What was the reason for Non-Executive Directors to be paid salaries, bonus & allowances and benefit-in-kind/others under Group as disclosed on page 39 of the Annual Report 2016?

Answer:

The salaries, bonus & allowances and benefit-in-kind/others were paid to Mr Lim Hong Hock, Non-Executive Director of the Company, in his capacity as operations director of major subsidiaries in the manufacturing division.



THANK YOU