

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	4
Profile of Directors	5
Corporate Governance	7
Audit Committee Report	9
5 Years' Group Financial Highlights	11
The Group's Businesses	12
Chairman's Statement:	
Bahasa Malaysia	13
English	15
Mandarin	17
Financial Statements:	
Directors' Report	18
Auditors' Report	28
Income Statements	29
Balance Sheets	30
Statements of Change in Equity	31
Cash Flow Statements	32
Notes to the Financial Statements	35
Statement by Directors	59
Statutory Declaration	59
List of Group Properties	60
Analysis of Shareholdings	62
Material Contracts	65
Other Information	65
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of Posim Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 10 December 2001 at 9.30 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 June 2001. **Resolution 1**
2. To approve the payment of a first and final dividend of 0.1 sen less 28% Malaysian Income Tax. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM85,000.00 (2000: RM39,700.00). **Resolution 3**
4. To re-elect Directors:
 - (i) In accordance with Article 83 of the Company's Articles of Association, the following Directors who were appointed subsequent to the year end retire, and being eligible, offer themselves for re-election:

Mr Lee Ching Kion	Resolution 4
Y. Bhg. Dato' Dali Mahmud Hashim	Resolution 5
Mr Ngan Yow Chong	Resolution 6
 - (ii) In accordance with Article 101 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng retires by rotation and being eligible, offers himself for re-election. **Resolution 7**
5. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution:

"That Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting."

Resolution 8
6. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 9**
7. Special Business

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

Resolution 10
8. To transact any other business for which due notice shall have been given.

DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:

- a) shares deposited into the depositor's securities account before 12.30 pm on 7 December 2001 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 12.30 pm on 11 December 2001 in respect of ordinary transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2001 to shareholders on the Register of Members of the Company at the close of business on 11 December 2001.

By Order of the Board

TAN SEIW LING
YASMIN WEILI TAN BT ABDULLAH @ TAN WEE LI
Secretaries

Kuala Lumpur
15 November 2001

NOTES:

1. *Proxy*
 - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the member.*
 - *A proxy need not be a member of the Company.*
 - *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal. An instrument appointing a proxy executed in Malaysia need not be witnessed. An instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.*
 - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the Meeting.*
2. *Resolution 3 - Increase in Directors' fees*

The Directors' fees were reduced by 10% in 1997 due to the economic downturn. There has not been any increase since. In addition, the duties and responsibilities of the Directors have increased as reflected in the Malaysian Code on Corporate Governance and the Listing Requirements of the Kuala Lumpur Stock Exchange. Accordingly, a proposal is being submitted to shareholders to approve the increase in the Directors' fees to reflect such increased duties and responsibilities.
3. *Resolution 10 - Authority to Directors to issue shares*

This authorisation will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting will expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

I. Directors standing for re-election/re-appointment at the Nineteenth Annual General Meeting of the Company

- Pursuant to Article 83 of the Company's Articles of Association
(Appointed since the last Annual General Meeting)

Mr Lee Ching Kion
 Y. Bhg. Dato' Dali Mahmud Hashim
 Mr Ngan Yow Chong

- Pursuant to Article 101 of the Company's Articles of Association
(Retirement by rotation)

Y. Bhg. Tan Sri William H.J. Cheng

- Pursuant to Section 129(2) of the Companies Act, 1965
(Re-appointment after attainment of 70 years of age)

Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim

- Details of attendance at Board Meeting :

Director	Date of Appointment	No. of Meetings Attended
Mr Lee Ching Kion	22 August 2001	N/A
Y. Bhg. Dato' Dali Mahmud Hashim	22 August 2001	N/A
Mr Ngan Yow Chong	22 August 2001	N/A
Y. Bhg. Tan Sri William H.J. Cheng	15 January 1991	5/5
Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim	15 January 1991	4/5

- Further details of Directors standing for re-election/re-appointment are set out on pages 5 and 6 of this Annual Report.

II. Place, date and time of Board Meetings

During the financial year ended 30 June 2001, five (5) Board Meetings were held. All Board Meetings were held at Level 47, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur. The date and time of the Board Meetings held were as follow :

No.	Date of Meetings	Time
1)	29 August 2000	4.30 pm
2)	27 October 2000	11.15 am
3)	27 November 2000	12.00 noon
4)	26 February 2001	10.30 am
5)	24 May 2001	10.30 am

CORPORATE INFORMATION

Directors	: Y. Bhg. Tan Sri William H.J. Cheng (<i>Chairman</i>) Mr Lee Ching Kion (Managing Director) Mr Ngan Yow Chong (Executive Director) Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim Y. Bhg. Dato' Mohamad bin Haji Ahmad Y. Bhg. Dato' Dali Mahmud Hashim
Secretaries	: Ms Tan Seiw Ling Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 21613166 Fax No: 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Suite 11.02, Level 11, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21648411, 21648412 Fax No: 03-21614535
Auditors	: Deloitte KassimChan Level 19, Uptown 1 1, Jalan SS21/58, Damansara Uptown 47400 Petaling Jaya
Principal Bankers	: Arab-Malaysian Merchant Bank Berhad Bank of America Malaysia Berhad Affin Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad Standard Chartered Bank Malaysia Berhad United Overseas Bank (Malaysia) Bhd
Stock Exchange Listing	: Kuala Lumpur Stock Exchange Second Board
Stock Name	: Posim
KLSE Stock No	: 8486
Reuters Code	: POSI.KL
ISIN Code	: MYL8486OO002

PROFILE OF DIRECTORS

Y. BHG. TAN SRI WILLIAM H.J. CHENG

Chairman/Non-Independent Executive Director

Aged 58, Tan Sri William H.J. Cheng, a Malaysian, has 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

Tan Sri William Cheng was appointed to the Board on 15 January 1991 and his other directorships in public companies are as follows:

- Chairman of Chocolate Products (Malaysia) Berhad, a public listed company
- Chairman and Managing Director of Lion Corporation Berhad, a public listed company
- Director of Amsteel Corporation Berhad, Amalgamated Containers Berhad and Angkasa Marketing Berhad, all public listed companies
- Chairman and Managing Director of Silverstone Berhad, a public company

Tan Sri William Cheng has an indirect shareholding of 178,234,171 ordinary shares of RM1.00 each in the Company. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company and has interest in companies which conduct similar business as the Company.

Tan Sri William Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2001.

Tan Sri William Cheng is the uncle of Datuk Cheng Yong Kim, major shareholder of the Company.

MR LEE CHING KION

Managing Director/Non-Independent Executive Director

Aged 47, Mr Lee Ching Kion, a Malaysian, obtained his Bachelor of Science with Honours degree in Metallurgy and Materials Science in the Second Class, Division One, University of Nottingham, England.

Mr Lee was with Yodoshi Malleble (M) Sdn Bhd from 1979 to 1981 and held the position of Melting-Production Engineer. He then joined Jebsen-Jessen Engineering Sdn Bhd as Degussa Sales Engineer (1981-1983), Amsteel Mills Sdn Bhd (1983-1985) as Sales Manager and as Manager-Head of Research & Development and Quality Control Department (1985-1990), Wuthelam Holding Group of Companies as General Manager (Property and Manufacturing Companies) (1990-1991) and as Director of Wuthelam Holding (M) Group of Companies (1992-1997) and DNP Holdings Bhd as Head of Property/Business Division (1997-2001). He re-joined the Lion Group on 1 April 2001 as Commercial Director of the Steel Division.

Mr Lee was appointed as a Director of the Company on 22 August 2001, after the financial year end.

MR NGAN YOW CHONG

Executive Director

Aged 44, Mr Ngan Yow Chong, a Malaysian, obtained his Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from University of Malaya.

Mr Ngan was with the Hong Leong Group from 1981 to 1996 and has held senior management positions in various companies within the Hong Leong Group. He was the General Manager of Hong Leong Marketing Co Bhd when he left Hong Leong Group in March 1996. From March 1996 to October 1998, he was the Group Executive Director of Mah Sing Group Bhd. Prior to his appointment as a Group Director of the Lion Group in February 2001, he was the Chief Executive Officer of Berger International Ltd, a company listed on the Stock Exchange of Singapore.

Mr Ngan was appointed as a Director of the Company on 22 August 2001, after the financial year end.

Y. BHG. JEN (B) TAN SRI DATO' ZAIN HASHIM

Non-Independent Non-Executive Director

Aged 71, Jen (B) Tan Sri Dato' Zain Hashim, a Malaysian, is a graduate of the Royal Military Academy, Sandhurst, United Kingdom and Harvard University's Advanced Management Programme. A retired Chief of Army in the Malaysian Armed Forces with 35 years of experience in the military. Tan Sri Dato' Zain has more than 15 years of experience in the private sector.

Tan Sri Dato' Zain was appointed to the Board on 15 January 1991.

His other directorships in public companies are as follows:

- Chairman of Amsteel Corporation Berhad, Angkasa Marketing Berhad and Amalgamated Containers Berhad, all public listed companies
- Chairman of Affin Bank Berhad, a public company
- Director of Hy-Line Berhad and Silverstone Berhad, both public companies

Tan Sri Dato' Zain has a direct shareholding of 2,000 ordinary shares of RM1.00 each in the Company.

Tan Sri Dato' Zain is the half brother of Y. Bhg. Dato' Dali Mahmud Hashim, a Director of the Company.

Tan Sri Dato' Zain attended four (4) out of the five (5) Board Meetings held during the financial year ended 30 June 2001.

Y. BHG. DATO' MOHAMAD BIN HAJI AHMAD

Non-Independent Non-Executive Director

Aged 57, Dato' Mohamad bin Haji Ahmad, a Malaysian, obtained his Certificate in Business and Management Practices from Japan.

Dato' Mohamad is a businessman and served as Chairman and Director of his private companies, Modom Industries (M) Sdn Bhd, Motan Sdn Bhd, Yapari Holdings (M) Sdn Bhd and Prima Suria Sdn Bhd which are involved in building and construction and property development over the past 20 years.

Dato' Mohamad has a direct shareholding of 12,000 ordinary shares of RM1.00 each in the Company.

Dato' Mohamad is the Chairman of the Company's Audit Committee. He was appointed to the Board on 28 March 1991. Dato' Mohamad attended three (3) out of the five (5) Board Meetings held during the financial year ended 30 June 2001.

Y. BHG. DATO' DALI MAHMUD HASHIM

Independent Non-Executive Director

Aged 60, Dato' Dali Mahmud Hashim, a Malaysian, obtained his Bachelor of Arts (Hons) degree in Economics from University of Malaya.

Dato' Dali joined External Affairs service in August 1963. He had been appointed as the Ambassador of Malaysia to Pakistan, the Soviet Union, Sweden, Belgium and the European Communities, Indonesia and the United States of America. In December 1998, he retired from the administrative and diplomatic service.

Dato' Dali is a member of the Company's Audit Committee.

Dato' Dali was appointed as a Director of the Company on 22 August 2001, after the financial year end. He is the half brother of Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim, a Director of the Company.

Save as disclosed, none of the Directors has: (i) any interest in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interest with the Company; and (iv) any conviction for offences within the past 10 years other than traffic offences.

CORPORATE GOVERNANCE

The Board of Directors of Posim Berhad is fully committed in ensuring that the Group practises good Corporate Governance in line with the Malaysian Code on Corporate Governance (“Code”). Corporate Governance is the process and structure used to direct and manage the business of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders’ values whilst taking into account the interests of other stakeholders.

Steps taken by the Group to apply the principles and best practices of Corporate Governance as contained in the Code are set out below:

1. DIRECTORS

The Board

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders’ values.

The Board of Directors comprises six (6) Directors of whom three (3) are non-executive. The profile of the members of the Board are set out on pages 5 and 6 of this Annual Report. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. Presently, there is only one (1) independent non-executive Director in the Company. The Nomination Committee will arrange for the appointment of suitable independent directors to meet the Requirements of the Kuala Lumpur Stock Exchange by 31 December 2001. These independent non-executive directors will bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

Supply of Information

The members of the Board in their individual capacity have access to complete information on a timely basis in form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board.

Re-election

All Directors are required to submit for re-election every three (3) years.

Board Meetings

The Board meets on a quarterly basis with additional meetings convened as necessary. The Board met for a total of five (5) times during the financial year ended 30 June 2001.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision.

The Directors have access to the advice and services of the Secretaries, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

The Board Committees

The Board may form committees delegated with specific authority and which operate under approved terms of reference or guidelines, whenever required, to assist it in discharging its duties. In accordance with best practices of Corporate Governance, the Board will establish a Nomination Committee and a Remuneration Committee.

2. DIRECTORS’ REMUNERATION

Directors do not participate in decisions regarding their own remuneration. Directors’ fees and emoluments are endorsed by the Board for approval by shareholders of the Company at Annual General Meetings.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2001 are as follows:

(RM)	Fees	Salaries & Other Emoluments	Total
Executive Directors	39,000	24,000	63,000
Non-Executive Directors	52,000	–	52,000

The number of Directors whose remuneration fall into the respective bands are as follows:

Range of Remuneration (RM)	Executive	Non-Executive
25,000 & below	1	4
25,001 – 50,000	1	–

3. ACCOUNTABILITY AND AUDIT

The Board has established an Audit Committee to oversee the financial reporting and internal control of the Group. Presently, the Audit Committee comprises only two (2) members one of whom is independent. Upon compliance by the Company with the composition of its Board, the Board will ensure that the requirements for the composition of the Audit Committee is met. The responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 9 and 10.

The Audit Committee met five (5) times during the financial year.

Financial Reporting

The Board is responsible for ensuring that the accounting records of the Group are properly kept. The Board also discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group and of the Company.

Internal Controls

The Board has overall responsibility for maintaining a sound system of internal controls, which encompasses financial, operational and compliance controls and risk management necessary for the Group to achieve its objectives within an acceptable risk profile. These controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is determined by the Board. The role of both the external and internal auditors are further described in the Audit Committee Report.

4. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Directors are satisfied that for the financial year ended 30 June 2001, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In the preparation of the financial statements, the Group has used and applied, on a consistent basis, the appropriate accounting policies and practices under the applicable approved accounting standards.

5. SHAREHOLDERS

The Annual General Meeting is the principal forum for dialogue with shareholders. There is an open question and answer session in which shareholders may ask questions regarding the resolutions being proposed at the meeting and also on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to provide explanations to all shareholders' queries.

The Board values dialogues with investors. The Group has been having open discussions with investors/analysts upon request. In this regard, information is disseminated in strict adherence to the disclosure requirements of the Kuala Lumpur Stock Exchange.

AUDIT COMMITTEE REPORT

COMPOSITION

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

Members

- Y. Bhg. Dato' Mohamad bin Haji Ahmad
(Chairman, Non-Independent Non-Executive Director) Appointed on 30 March 1994
- Y. Bhg. Dato' Dali Mahmud Hashim
(Independent Non-Executive Director) Appointed on 22 August 2001

The following Directors served on the Audit Committee during the financial year in the respective positions until their resignation on the dates set out below:

- Encik Mohd. Nadzri bin A. Halim
(Chairman, Independent Non-Executive Director) Resigned on 21 December 2000
- Y. Bhg. Datuk Cheng Yong Kim
(Non-Independent Executive Director) Resigned on 22 August 2001
- Y. Bhg. Dato' Murad Mohamed Hashim
(Non-Independent Non-Executive Director) Resigned on 27 August 2001

Y. Bhg. Datuk Cheng Yong Kim and Y. Bhg. Dato' Murad Mohamed Hashim resigned to comply with the Listing Requirements of the Kuala Lumpur Stock Exchange.

The Board is arranging for suitable directors to be appointed to the Audit Committee in order to comply with the Listing Requirements of the Kuala Lumpur Stock Exchange by 31 December 2001.

Secretaries

The Joint-Secretaries of Posim Berhad, Ms Tan Seiw Ling and Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li are also Joint-Secretaries of the Audit Committee.

AUTHORITY

The Audit Committee is authorised by the Board to review and investigate any matter within its Terms of Reference. The Committee is authorised to seek any information it requires from any Director or management staff in the discharge of their duties, including seeking external professional advice.

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved
- To review the quarterly announcements to the Kuala Lumpur Stock Exchange and year-end annual financial statements before submission to the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary)

- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems

MEETINGS

The Audit Committee meets at least four (4) times a year and additional meetings may be convened as and when deemed necessary. Meetings called to review the quarterly and annual financial statements are held prior to presentation to the Board for approval.

Quorum for the Audit Committee shall be at least two (2) members present.

During the financial year under review, five (5) Audit Committee Meetings were held. Encik Mohd. Nadzri bin A. Halim attended two (2) out of three (3) meetings prior to his resignation from the Audit Committee on 21 December 2000. Y. Bhg. Dato' Murad Mohamed Hashim attended all the meetings held since his appointment as a member of the Audit Committee on 19 February 2001. Y. Bhg. Datuk Cheng Yong Kim attended all the meetings until his resignation from the Audit Committee on 22 August 2001 whilst Y. Bhg. Dato' Mohamad bin Haji Ahmad attended three (3) out of five (5) meetings held during the financial year. Y. Bhg. Dato' Dali Mahmud Hashim was appointed as a member of the Audit Committee after the financial year.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and annual financial statements of Posim Berhad and its subsidiaries. The Audit Committee has met with external auditors to discuss and consider the nature and scope of the audit, significant changes and developments on accounting practices and standards issued by both the Malaysian Accounting Standards Board and International Accounting Standard Body. Also discuss was the management's response to the various issues and internal control weaknesses highlighted by the external auditors in the management report to the Board. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The corporate proposals including the intention of the management to secure a Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") were deliberated upon and endorsed for approval by the Board.

The Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

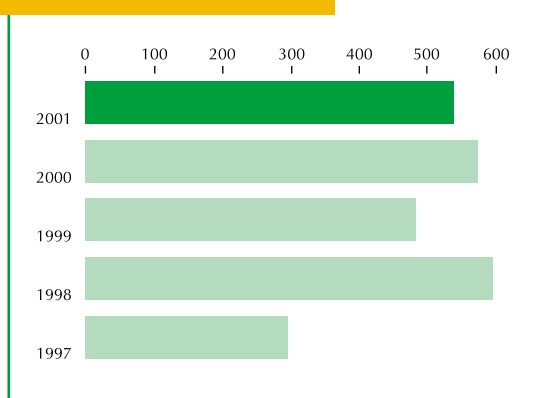
INTERNAL AUDIT

The internal audit team performed its duties in accordance with its annual audit plan covering management, operational and system audit of various subsidiaries. In addition, they have commenced the review of various RRPTs and the effectiveness of the existing internal control system. As planned, an overview of the level of internal controls in place in Posim Berhad and its subsidiaries was evaluated using the internal control Self Assessment Questionnaire (SAQ) in areas of Risk Assessment, Control Activities, Information and Communication, Monitoring and Control Environment. The audit team has concurrently played a proactive role in facilitating operating companies in assessing their principal business risks and plans of actions to address these risks.

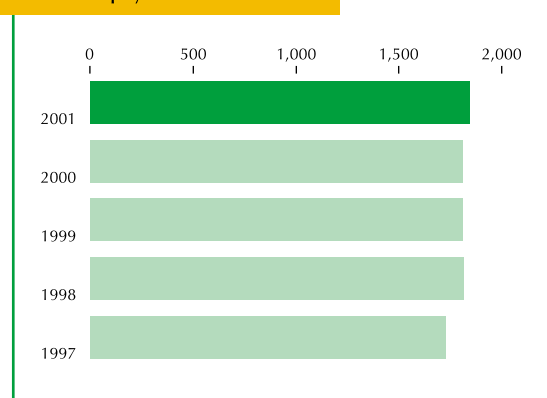
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Years ended 30 June	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	296,419	594,909	485,467	573,412	539,505
Profit before taxation	15,814	35,382	37,576	67,550	34,440
Profit after taxation	13,021	33,577	37,580	65,560	31,990
Dividends:					
Rate	20.0%	1.0%	0.1%	1.0%	0.1%
Amount (Net of tax)	2,746	1,462	146	1,463	146
Total assets employed	1,731,647	1,818,048	1,810,973	1,815,411	1,846,711
Shareholders' funds	1,326,675	1,355,615	1,433,152	1,495,530	1,526,735
Net tangible assets	1,073,681	1,112,794	1,200,505	1,273,327	1,314,678
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	529	548	591	627	647
Earnings per share	32.3	12.1	17.0	31.4	15.2

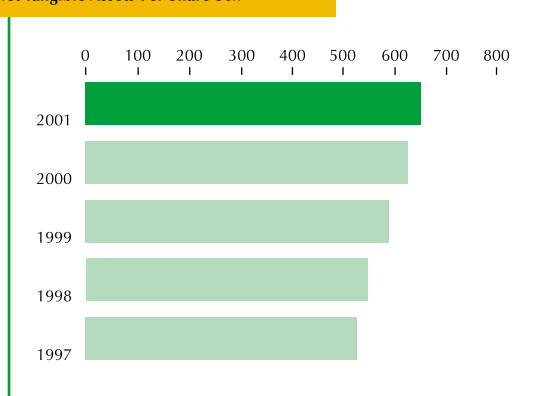
Revenue RM Million



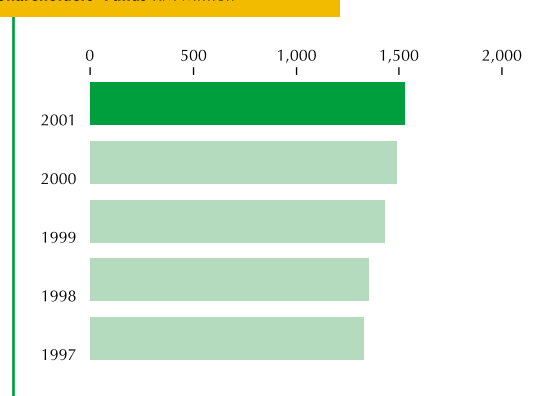
Total Assets Employed RM Million



Net Tangible Assets Per Share Sen



Shareholders' Funds RM Million



THE GROUP'S BUSINESSES

Night scene of Sabah Forest Industries' ("SFI") pulp and paper mill at Sipitang, Sabah
Pemandangan di waktu malam loji pulpa dan kertas Sabah Forest Industries ("SFI") di Sipitang, Sabah



Products by SFI (anti-clockwise):

- high quality printing and writing paper
- sawn timber
- plywood

Produk-produk keluaran SFI (lawan jam):

- *kertas cetak dan tulis bermutu tinggi*
- *balak bergergaji*
- *papan lapis*



A wide range of motor oil and motorcycle parts and components from Posim
Rangkaian minyak motor dan komponen motosikal keluaran Posim



PENYATA PENERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Kumpulan dan Syarikat bagi tahun kewangan berakhir 30 Jun 2001.

PRESTASI KEWANGAN

Kelembapan ekonomi Malaysia dalam separuh kedua tahun kewangan telah menjejaskan prestasi Kumpulan. Kumpulan mencatatkan perolehan yang lebih rendah berjumlah RM540 juta berbanding RM573 juta pada tahun sebelumnya. Keuntungan operasi juga menyusut kepada RM45.4 juta berbanding RM67.6 juta yang dicapai sebelumnya. Bahagian Pengekstrakan Balak serta Pulpa dan Kertas mencatat sumbangan yang lebih rendah seiringan dengan kelembapan ekonomi sejagat.

Selepas mengambilkira peruntukan hutang ragu tunggal ke atas jumlah yang dihutang oleh Amsteel Corporation Berhad ("Amsteel"), syarikat pemegang utama, berpunca dari pindaan cadangan Skim Penyusunan Semula Seluruh Kumpulan, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM34.4 juta berbanding RM67.6 juta yang dicatatkan dalam tahun kewangan yang lepas.

PERKEMBANGAN KORPORAT

Seperti yang dilaporkan dalam laporan terdahulu, pada 5 Julai 2000, syarikat pemegang utama Kumpulan, Amsteel Corporation Berhad ("Amsteel") telah mengumumkan cadangan Skim Penyusunan Semula Seluruh Kumpulan ("Cadangan SPSSK") yang melibatkan pelbagai langkah penyusunan semula hutang, program pelupusan dan langkah penyusunan semula korporat. Skim ini akan membolehkan Amsteel memenuhi tanggungjawab kewangannya dan meneruskan operasi pada dasar berterusan serta berada di kedudukan yang menguntungkan dalam jangkamasa panjang. Cadangan SPSSK juga melibatkan, antara lain pelupusan seluruh kepentingan ekuiti Kumpulan Amsteel dalam Syarikat kepada Lion Land Berhad ("LLB").

Walau bagaimanapun, selepas pengumuman tersebut, ekonomi Malaysia telah menghadapi kelembapan di penghujung tahun 2000 berpunca daripada kemerosotan ekonomi Amerika Syarikat, prestasi ekonomi Jepun yang lemah dan ketidaktentuan pasaran kewangan sejagat. Suasana operasi yang berubah-ubah menyebabkan cadangan-cadangan yang tertera dalam Cadangan SPSSK perlu dinilai semula. Dengan selesainya penilaian semula tersebut, satu pengumuman telah dibuat oleh Amsteel pada 8 Oktober 2001 mengenai pindaan terma-terma Cadangan SPSSK ("Pindaan Cadangan SPSSK").

Di bawah Pindaan Cadangan SPSSK, cadangan pengambilalihan 100% kepentingan ekuiti Syarikat akan dimiliki oleh LLB (31%) dan Amsteel Mills Sdn Bhd, subsidiari kepada LLB (69%).

TINJAUAN OPERASI

Pengekstrakan Balak serta Pulpa dan Kertas

Pada tahun tinjauan, Sabah Forest Industries Sdn Bhd ("SFI") mencatat perolehan berjumlah RM418 juta dan keuntungan sebelum cukai berjumlah RM39.4 juta, yang merupakan penurunan masing-masing sebanyak 10% dan 40% berbanding keputusan yang dicatatkan pada tahun lepas. Pencapaian rendah ini disebabkan oleh saingan sengit dalam pasaran kertas dan lain-lain produk berasaskan kayu. Saingan sengit daripada para pengeluar dari negara jiran dan kelemahan nilai Rupiah Indonesia telah menyebabkan tekanan ke atas harga jualan di pasaran antarabangsa. Di samping itu, secara keseluruhannya kegawatan ekonomi sejagat juga telah menyebabkan pengurangan dalam permintaan untuk produk-produk berasaskan balak di pasaran baru seperti Eropah, Jepun dan United Kingdom.

Dalam keadaan persekitaran operasi yang sukar, SFI perlu menyesuaikan strategi-strategi pasaran dan pembangunan untuk menghadapi suasana pasaran yang berubah-ubah dengan memberi tumpuan terutamanya dalam meningkatkan kelebihan daya saingan. Dengan konsesi perhutanan yang luas berjumlah 289,000 hektar dan operasi bersepadu dalam pengeluaran pulpa dan kertas, balak bergergaji dan pembuatan papan lapis serta venir, SFI berhasrat untuk menggunakan sumber-sumber balak bagi menghasilkan produk-produk yang berkualiti tinggi dengan meminimumkan pembaziran dan seterusnya menjadi antara pengeluar berkos rendah di rantau ini. SFI juga memiliki jeti sendiri yang mampu menampung dua buah kapal seberat 15,000 ton pada satu-satu masa. Kedudukan jeti yang berhampiran dengan kilang telah menjimatkan kos pengangkutannya. Lain-lain prasarana yang dimiliki oleh SFI termasuk generator wap berkuasa 329 tan sejam dan loji berkuasa 42.5 megawatt. Berlatarbelakangkan rekod perniagaan dan pengalamannya, SFI berhasrat untuk mengatasi masalah ketidakseimbangan harga jualan produk-produk balak dengan menerokai lebih lagi pasaran-pasaran eksport yang baru di rantau Asia Pasifik dan mengekalkan pembalakan spesis terpilih yang lebih menguntungkan untuk pasaran Jepun. Kesimpulannya, program penanaman semula yang agresif akan membolehkan SFI terus berkembang dalam jangka panjang dan mengekalkan kedudukannya sebagai pengeluar balak dan kertas yang utama serta menguntungkan.

Bahan Binaan dan Lain-lain

Bahagian Bahan Binaan kekal beroperasi dalam persekitaran yang sengit tetapi berupaya melaporkan peningkatan marginal dalam perolehan. Kelembapan ekonomi Malaysia dijangka akan menjejaskan permintaan untuk bahan-bahan binaan.

Bahagian Minyak Pelincir dan Aksesori Motor mencatatkan peningkatan dalam jumlah jualan dan perolehan untuk tahun kewangan yang ditinjau. Peningkatan ini adalah hasil dari usaha-usaha promosi produk yang agresif dan usaha pemasaran yang berterusan untuk meluaskan rangkaian pendedaran. Di samping itu, palam pencucuh baru 'Sparx', juga telah menempah nama dalam pasaran dan seterusnya meningkatkan perolehan Bahagian. Walaupun perolehan yang tinggi telah dicatatkan, margin telah terjejas akibat peningkatan harga pelincir asas yang diimport.

Bahagian Peralatan Industri Kumpulan telah memperbaiki keputusannya dengan mencatatkan perolehan yang tinggi susulan dari permintaan yang diterima daripada sector perladangan. Bahagian ini yang memegang hak pendedaran tunggal jenolak 'Bobcat', meneruskan tumpuannya untuk meneroka pasaran-pasaran baru serta mengambil langkah-langkah mengawal kos untuk meningkatkan keuntungannya.

Pemasangan dan Pendedaran Kenderaan Bermotor

Kinabalu Motor Assembly Sendirian Berhad ("KMA"), syarikat bersekutu 20% milik Kumpulan merekodkan pemulihan dalam prestasinya untuk tahun kewangan yang ditinjau. KMA yang terbabit dalam pemasangan dan pendedaran rangkaian kenderaan komersial dan pacuan empat roda berjenama 'Isuzu' di Malaysia Timur. Walaupun bilangan kenderaan yang dijual oleh KMA lebih rendah, penguncupan matawang Yen Jepun berbanding Ringgit Malaysia dalam tahun kewangan telah mengurangkan kos pengeluaran dan memulihkan marginnya.

DIVIDEN

Untuk tahun kewangan berakhir 30 Jun 2001, Lembaga Pengarah mengesyorkan dividen pertama dan akhir sebanyak 0.1 sen (2000 : 1 sen) sesaham ditolak 28% cukai pendapatan untuk kelulusan para pemegang saham di Mesyaurat Agung Tahunan yang akan datang. Jumlah keseluruhan dividen bersih berbayar akan berjumlah RM0.15 juta (2000 : RM1.46 juta).

PROSPEK

Operasi pulpa dan kertas oleh SFI dijangka kekal sebagai penyumbang utama perolehan Kumpulan. Namun demikian, dengan kelembapan pasaran sejagat, dan tekanan ke atas harga jualan bagi produk berasaskan balak, Lembaga Pengarah menjangkakan prestasi Kumpulan adalah lebih rendah pada tahun kewangan akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya mengalu-alukan pelantikan Y. Bhg. Dato' Dali Mahmud Hashim, Encik Lee Ching Kion dan Encik Ngan Yow Chong ke Lembaga Pengarah.

Encik Mohd. Nadzri bin A. Halim, Y. Bhg. Datuk Cheng Yong Kim dan Y. Bhg. Dato' Murad Mohamed Hashim telah meletakkan jawatan daripada Lembaga Pengarah pada tahun ini. Saya juga ingin merakamkan penghargaan ikhlas atas sumbangan-sumbangan mereka yang tidak ternilai di sepanjang perkhidmatan mereka sebagai Pengarah Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya mengambil kesempatan ini untuk mengucapkan terima kasih dan penghargaan ikhlas kami kepada kesemua kakitangan atas dedekesai dan iltizam mereka. Lembaga Pengarah juga ingin mengucapkan ribuan terima kasih kepada para pelanggan, prinsipal, pendedar, pihak bank dan sekutu perniagaan atas sokongan dan keyakinan berterusan mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 30 June 2001.

FINANCIAL PERFORMANCE

The slowdown in the Malaysian economy during the second half of the financial year has affected the performance of the Group. A lower revenue of RM540 million was recorded as compared to RM573 million in the previous year. Operating profit also decreased to RM45.4 million against RM67.6 million achieved previously. Our Timber Extraction and Pulp and Paper Division reported a lower contribution in tandem with the deceleration of growth in the global economy.

After accounting for a one-off provision for doubtful debts in respect of amount owing by Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company, arising from the proposals of the revised Group-Wide Restructuring Scheme, the Group posted a profit before tax of RM34.4 million as compared with RM67.6 million reported in the last financial year.

CORPORATE DEVELOPMENT

As mentioned in the previous year, on 5 July 2000, Amsteel announced the proposed Group-Wide Restructuring Scheme ("Proposed GWRS") encompassing various debt restructuring exercises, divestment programmes and corporate restructuring exercises that will enable Amsteel to address its financial obligations and to continue its operations on a going concern basis and, over the longer term, to regain its position of profitability. The Proposed GWRS also involves, inter-alia, the sale of Amsteel Group's entire equity interest in the Company to Lion Land Berhad ("LLB").

However, subsequent to the aforesaid announcement, the Malaysian economy slowed down towards the end of 2000, due to the stronger than expected deceleration of growth in the United States economy, a weak performance of the Japanese economy and uncertainty in the global financial markets. The change in operating conditions had necessitated a re-examination of the proposals envisaged under the Proposed GWRS. Following the completion of the aforesaid review, an announcement was made by Amsteel on 8 October 2001 on the revised terms of the Proposed GWRS ("Revised Proposed GWRS").

Under the Revised Proposed GWRS, the proposed acquisition of 100% equity interest in the Company shall now be undertaken by LLB (31%) and Amsteel Mills Sdn Bhd, a subsidiary of LLB (69%).

REVIEW OF OPERATIONS

Timber Extraction and Pulp and Paper

For the year under review, Sabah Forest Industries Sdn Bhd ("SFI") recorded a RM418 million revenue and a profit before tax of RM39.4 million, representing a 10% and 40% decrease from last year's results respectively. The lower performance was due to intense competition in the paper and other wood-based products market. Stiff competition from neighbouring producers coupled with the weakening of the Indonesian Rupiah have created a downward pressure on selling prices in the international market. In addition, the slowdown in the global economy has to a large extent dampened demand for timber products from new markets such as Europe, Japan and the United Kingdom.

With the prevailing adverse operating environment, SFI will have to re-align its marketing and growth strategies to meet the changing market environment by focusing on enhancing its key competitive advantage. With its vast forest concession of 289,000 hectares and integrated operations in pulp and paper production, sawn timber, plywood and veneer manufacturing, SFI will endeavour to utilise its timber resources to produce high quality products with minimum wastage thereby enabling it to be amongst the lower-cost producers in the region. SFI also owns a jetty which can accommodate two 15,000 dead weight tonnes ships at a time and its close proximity to the mill has resulted in cost savings for the transportation of its products. Other infrastructure facilities owned by SFI include a 329 tonnes per hour steam generation plant and a 42.5 megawatt power co-generation facility. Backed by its established business track record and experience, SFI plans to mitigate volatility in selling prices of its timber products by diversifying further into new export markets within the Asia Pacific region and maintaining selective logging of the more profitable species for the Japanese market. Towards this end, the on-going aggressive reforestation management programme will enable SFI to have a sustainable growth in the long term and maintain its position as a prominent and profitable timber and paper supplier in the region.

Building Materials and Others

Our Building Materials Division continued to operate under a competitive environment but was able to record a marginal increase in revenue. The slowdown in the Malaysian economy is expected to further affect demand for building materials.

Our Lubricant and Motor Accessories Division registered an increase in overall volume and revenue during the financial year under review. The improvement was

mainly attributed to aggressive product promotions and continuous marketing efforts to broaden our distribution network. In addition, the new 'Sparx' spark plug has gained increasing market acceptance and this has helped to boost our revenue. However, the higher revenue was negated by lower margins resulting from the escalation in imported base oil price.

The Group's Industrial Equipment Division recorded a turnaround in its results with a higher revenue brought about by increased orders received from the plantation sector. The Division, which holds the distributorship of 'Bobcat' skid loaders, continues to concentrate on new market penetration initiatives and cost control measures to improve its bottom line.

Motor Vehicle Assembly and Distribution

Kinabalu Motor Assembly Sendirian Berhad ("KMA"), the Group's 20% owned associated company recorded an improvement in its performance for the financial year under review. KMA is involved in the assembly and distribution of the 'Isuzu' range of commercial vehicles and four-wheel drive in East Malaysia. Although the number of vehicles sold by KMA was lower, the depreciation of the Japanese Yen against the Malaysian Ringgit during the financial year has reduced its production costs and improved its margin.

DIVIDEND

For the financial year ended 30 June 2001, the Board of Directors recommends a first and final dividend of 0.1 sen (2000 : 1 sen) per share, less 28% income tax for the approval of the shareholders at the forthcoming Annual General meeting. The total net dividend for the year will amount to RM0.15 million (2000 : RM1.46 million).

PROSPECTS

The pulp and paper operation under SFI is expected to remain as the main contributor to the Group's revenue. However, with the slowdown in the global economy and downward pressure on selling prices of its timber products, the Board expects the performance of the Group to be lower in the next financial year.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to the newly appointed Directors, Y. Bhg. Dato' Dali Mahmud Hashim, Mr Lee Ching Kion and Mr Ngan Yow Chong.

Encik Mohd. Nadzri bin A. Halim, Y. Bhg. Datuk Cheng Yong Kim and Y. Bhg. Dato' Murad Mohamed Hashim resigned from the Board during the year. I would like to record my sincere appreciation for their invaluable contributions during their tenure of service as Directors of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude and appreciation to all our employees for their dedication and commitment. We also wish to thank our valued customers, principals, dealers, bankers and business associates for their continued support and confidence in the Group.

TAN SRI WILLIAM H.J. CHENG

Chairman

主席报告

我谨代表董事部，欣然提呈集团和公司在截至2001年6月30日为止的财政年度的常年报告和经审核账。

财务表现

在本财政年度下半年，马来西亚经济走下坡，影响到本集团的表现。全年的收入只有5亿4千万零吉，比上一年度的5亿7千300万零吉低。营业利润也从上一年度的6千760万零吉减少到本年度的4千540万零吉。由于全球经济衰退，我们的伐木与纸浆及纸业部门，对集团的贡献减少。

在修订集团重组计划下，为最终控股公司，合钢实业有限公司（“合钢实业”）拖欠本集团的帐目作出拨备之后，本集团的税前利润共3千440万零吉，比较上一个财政年度的税前利润是6千760万零吉。

企业发展

在2000年7月5日，合钢实业公布建议中的整个集团重组计划。重组计划包括各种债务重组、资产脱售以及企业重组，这将协助合钢实业履行其财务义务，以及持续长远的操作，使其重回有盈利状况。重组计划也涉及合钢实业把它在公司的全部股权脱售于金狮置地有限公司（“金狮置地”）。

不过，在上述宣布过后，马来西亚经济在2000年底走下坡，那是由于美国经济衰退较预期严重、日本经济表现差劲，以及全球金融市场不稳定。营业情况的变化，使到有必要重新检讨重组计划之下的各种建议。合钢实业在完成检讨后，在2001年10月8日宣布经过修订之后的重组计划。

在这项修订后的重组计划下，本公司的100%股权分别脱售于金狮置地（31%）及金狮置地的子公司，Amsteel Mills Sdn Bhd（69%）。

业务检讨

伐木与纸浆及纸品业

在本财政年度，沙巴森林工业私人有限公司（“沙巴森林工业”）的销售收入为4亿1千800万零吉，税前利润3千940万零吉，分别比上一个财政年度跌10%以及40%。业务表现不理想，是由于纸业及其他木基产品市场竞争激烈。邻近生产国的强烈竞争以及印尼盾币值疲弱，造成国际市场上的售价出现下跌压力。此外，全球经济衰退在很大程度上打击到木材产品在新市场的需求诸如欧洲、日本及英国。

由于当前不利的营业环境，沙巴森林工业必须重组其行销及成长策略，集中加强其重要竞争优势，以应付改变中的市场环境。以其面积达28万9千公顷的大片森林拥有特许权，及纸浆和纸品、锯木、胶合板及三夹板在内的综合生产，沙巴森林工业将致力于利用其木材资源，在减少浪费下生产出高品质产品，使它成为本地区生产成本低的生产者之一。沙巴森林工业也拥有一个码头，可以同时让两艘载重各1万5千公吨的船上货；该码头靠近板厂，使到运输费降低。沙巴森林工业拥有的其他基本设施，包括一座每小时329公吨的蒸气厂、以及一座发电量42.5兆瓦的发电厂。凭着良好的业绩与经验，沙巴森林工业计划在亚太区的出口市场进一步多元化，以及把盈利较高的选择性品种树桐保留给日本市场，使它减少受木材产品价格波动的影响。为了达到这个目标，沙巴森林工业目前正在推

行的重植树木管理计划将会持续，以取得永续增长，以及保持其作为本地区一家著名及有盈利的木材及纸业供应商的地位。

建筑材料及其他

尽管我们的建筑材料部继续在竞争环境下营业，但其营业额仍然稍微增加。随着马来西亚经济减缓，预料会进一步影响建筑材料的需求。

在本财政年度，我们的润滑油和汽车零部件部的总营业额和营业额有所增加。业绩的改善，主要是由于积极促销，以及扩大分销网。此外，新的Sparx火花塞越来越获得市场接受，也协助提高收入。不过，由于入口的油价提高，使到盈利率降低，抵销了收入提高带来的好处。

本集团的工业配备部的业绩好转，是由于来自园丘业的定单增加，使到收入提高。这个部门拥有Bobcat装卸设备的代理权，将继续集中于采取主动扩大市场以及控制成本策略，以提高利润。

汽车装配及分销

京那巴鲁车辆装配私人有限公司是本集团拥有20%股权的联号。在本财政年度，其业绩有所改善。该公司在东马装配及分销ISUZU牌商用车辆及四轮驱动车。尽管在本财政年度内销售量减少，由于日元对马币贬值，使到生产成本降低，利润率提高。

股息

董事部建议，在截至2001年6月30日的财政年度内，分发一次过逾期股息，每股0.1仙（2000年为1仙），扣除28%所得税。这项建议必须获得行将召开的股东常年大会批准。本年度的净股息总额是15万零吉（2000年为146万零吉）。

展望

沙巴森林工业的纸浆及纸品业务，预料将会继续成为本集团收入的主要来源。不过，由于全球经济衰退，以及木材产品的价格受到压低的压力，董事部预测，本集团在下一个财政年度的业绩表现会较低。

董事部

我谨代表董事部，热烈欢迎我们新委任的董事，Y.Bhg. Dato' Dali Mahmud Hashim, 李政强及颜友将先生。

Encik Mohd. Nadzri bin A. Halim, 拿督钟荣锦及Y.Bhg. Dato' Murad Mohamed Hashim已于本年度辞去董事一职，我借此机会感谢他们任职期间对公司的贡献。

鸣谢

我谨代表董事部，真诚感谢全体雇员的奉献精神。我们也要感谢顾客、总代理、代理商、银行及商业伙伴们对本集团的继续支持及信心。

主席 丹斯里钟廷森

FINANCIAL STATEMENTS

2001

For The Year Ended 30 June 2001

DIRECTORS' REPORT

The directors of **POSIM BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, trading and distribution of building materials and consumer goods.

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 13 and 14 to the Financial Statements, respectively.

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

SIGNIFICANT CORPORATE EVENT

The Company had in the previous financial statements reported that the transactions to be undertaken by Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company and Lion Land Berhad ("LLB"), a related company, pursuant to a Group-Wide Restructuring Scheme ("Proposed GWRS") proposed by Amsteel and LLB, would involve, inter-alia, a change in the shareholding structure of the Company following the acquisition by LLB of 100% equity interest in the Company upon the implementation of the Proposed GWRS.

Subsequent to the aforesaid announcement, Amsteel and LLB had on 8 October 2001 announced a revision of certain terms of the Proposed GWRS ("Revised Proposed GWRS").

Under the Revised Proposed GWRS, the proposed acquisition of 100% equity interest in the Company shall now be undertaken by LLB (31%) and Amsteel Mills Sdn Bhd, a subsidiary of LLB (69%).

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
Profit/(Loss) before tax	34,440	(4,995)
Income tax expense	(2,450)	(1,636)
Profit/(Loss) after tax	31,990	(6,631)
Minority interests	(1,058)	-
Net profit/(loss) for the year	<u>30,932</u>	<u>(6,631)</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 provision for doubtful debts as disclosed in Note 5 to the Financial Statements.

DIVIDENDS

Since the end of the previous financial year, the dividends paid, declared or proposed by the Company are as follows:

	RM
In respect of the year ended 30 June 2000, as proposed in the Directors' Report for that year, a first and final dividend of 1%, less 28% tax, was paid during the current financial year:	
- as provided in the financial statements for the year ended 30 June 2000	1,461,910
- underprovision arising from the exercise of options subsequent to the previous financial year-end	1,264
	<hr/>
	1,463,174
	<hr/> <hr/>
In respect of the year ended 30 June 2001, a proposed first and final dividend of 0.1%, less 28% tax	146,317
	<hr/> <hr/>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

During the current financial year, the issued and paid-up share capital of the Company was increased from RM203,042,571 to RM203,218,571 by the issue of 176,000 new ordinary shares of RM1.00 each at an issue price of RM2.40 per share for cash pursuant to the Executive Share Option Scheme of the Company.

The resulting share premium of RM246,400 arising from the issue of shares has been credited to the share premium account.

The new shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS became effective on 31 May 2000 and will expire on 30 May 2005.

The main features of the ESOS are as follows:

- (a) Executive directors and confirmed executive employees of the Group who have been employed for a period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.
- (d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the option committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.

- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

The movements of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

Exercisable From	Subscription Price Per Share	Balance as of 1.7.2000	Granted	Exercised	Lapsed	Unissued Shares as of 30.6.2001
21 June 2000	RM2.40	3,508,000	–	(176,000)	(775,000)	2,557,000

OTHER FINANCIAL INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- 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:

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

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

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Sri William H.J. Cheng
 Jen (B) Tan Sri Dato' Zain Hashim
 Dato' Mohamad bin Haji Ahmad
 Dato' Dali Mahmud Hashim (appointed on 22.8.2001)
 Lee Ching Kion (appointed on 22.8.2001)
 Ngan Yow Chong (appointed on 22.8.2001)
 Datuk Cheng Yong Kim (resigned on 22.8.2001)
 Dato' Murad Mohamed Hashim (resigned on 27.8.2001)
 Mohd. Nadzri bin A. Halim (resigned on 21.12.2000)

In accordance with Article 101 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng retires by rotation and, being eligible, offers himself for re-election.

Y. Bhg. Dato' Dali Mahmud Hashim, Mr. Lee Ching Kion and Mr. Ngan Yow Chong, who were appointed to the Board subsequent to the end of the financial year, retire under Article 83 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim, being over the age of seventy years, retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year are as follows:

Shares in the Company	Number of Ordinary Shares of RM1.00 each			Balance as of 30.6.2001
	Balance as of 1.7.2000	Bought	Sold	
Direct Interest				
Jen (B) Tan Sri Dato' Zain Hashim	2,000	–	–	2,000
Dato' Mohamad bin Haji Ahmad	12,000	–	–	12,000
Indirect Interest				
Tan Sri William H.J. Cheng	179,664,471	232,000	1,408,300	178,488,171
Datuk Cheng Yong Kim	179,664,471	232,000	1,408,300	178,488,171

The shareholdings in related companies of those who were directors at the end of the financial year are as follows:

Direct Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Tan Sri William H.J. Cheng					
Angkasa Marketing Berhad	RM1.00	20,000	–	–	20,000
Lion Land Berhad	RM1.00	1,680	–	–	1,680

Direct Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Jen (B) Tan Sri Dato' Zain Hashim					
Amsteel Corporation Berhad	RM0.50	265,808	–	–	265,808
Angkasa Marketing Berhad	RM1.00	220,625	–	–	220,625
Chocolate Products (Malaysia) Berhad	RM0.50	35,600	–	–	35,600
Lion Land Berhad	RM1.00	29,969	–	–	29,969
Silverstone Berhad	RM1.00	9,320	–	–	9,320
Datuk Cheng Yong Kim					
Amsteel Corporation Berhad	RM0.50	435,000	–	–	435,000
Angkasa Marketing Berhad	RM1.00	205,650	–	–	205,650
Lion Land Berhad	RM1.00	591,586	–	–	591,586
Silverstone Berhad	RM1.00	1,579,260	–	–	1,579,260
Dato' Mohamad bin Haji Ahmad					
Amsteel Corporation Berhad	RM0.50	924	–	–	924
Angkasa Marketing Berhad	RM1.00	52,000	–	–	52,000
Lion Land Berhad	RM1.00	4,368	–	–	4,368
Dato' Murad Mohamed Hashim					
LLB Strategic Holdings Berhad	RM1.00	450,000	–	–	450,000
Indirect Interest					
Tan Sri William H.J. Cheng					
Amsteel Corporation Berhad	RM0.50	491,702,886	498,000	20,689,000	471,511,886
Angkasa Marketing Berhad	RM1.00	87,892,150	–	–	87,892,150
Lion Land Berhad	RM1.00	346,447,285	–	3,364,000	343,083,285
Silverstone Berhad	RM1.00	149,903,535	161,070	161,070	149,903,535
Brewood Investment Pte Ltd	SGD1.00	100	–	–	100
Croydon Investment Pte Ltd	SGD1.00	100	–	–	100
Dawson Investment Pte Ltd	SGD1.00	100	–	–	100
Farringdon Investment Pte Ltd	SGD1.00	100	–	–	100
Limerick Investment Pte Ltd	SGD1.00	100	–	–	100
Lion Jianmin Pte Ltd	SGD1.00	1,000	–	–	1,000
Silverstone Tyre (S) Pte Ltd	SGD1.00	31,750,100	–	–	31,750,100

Indirect Interest	Nominal Value Per Preference Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Hy-Line Berhad	RM1,000	2,526	–	21	2,505

Datuk Cheng Yong Kim	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Amsteel Corporation Berhad	RM0.50	471,886,826	–	18,193,000	453,693,826
Angkasa Marketing Berhad	RM1.00	87,799,350	–	–	87,799,350
Lion Land Berhad	RM1.00	333,523,407	–	3,364,000	330,159,407
Silverstone Berhad	RM1.00	149,228,512	161,070	161,070	149,228,512
Brewood Investment Pte Ltd	SGD1.00	70	–	–	70
Croydon Investment Pte Ltd	SGD1.00	70	–	–	70
Dawson Investment Pte Ltd	SGD1.00	70	–	–	70
Farringdon Investment Pte Ltd	SGD1.00	70	–	–	70
Limerick Investment Pte Ltd	SGD1.00	70	–	–	70
Lion Jianmin Pte Ltd	SGD1.00	600	–	–	600
Silverstone Tyre (S) Pte Ltd	SGD1.00	25,400,080	–	–	25,400,080

Hy-Line Berhad	Nominal Value Per Preference Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Hy-Line Berhad	RM1,000	2,511	–	21	2,490

Tan Sri William H.J. Cheng Datuk Cheng Yong Kim	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Chocolate Products (Malaysia) Berhad	RM0.50	233,545,501	–	1,120,000	232,425,501
Akurjaya Sdn Bhd	RM1.00	63,500,000	–	–	63,500,000
Ambang Maju Sdn Bhd	RM1.00	70,000	–	–	70,000
Amsteel Securities (M) Sdn Bhd	RM1.00	155,000,000	–	–	155,000,000
Avenel Sdn Bhd	RM1.00	100,000,000	–	–	100,000,000
Ayer Keroh Resort Sdn Bhd	RM1.00	20,000,000	–	–	20,000,000

Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Bungawang Sdn Berhad	RM1.00	25,000	–	–	25,000
Crystavel Sdn Bhd	RM1.00	998	–	–	998
David's Warehousing Sdn Bhd (Under voluntary liquidation)	RM1.00	4,080,000	–	–	4,080,000
Dwiwater Sdn Bhd	RM1.00	5,252	–	–	5,252
Excellent Strategy Sdn Bhd	RM1.00	18,000,000	–	18,000,000	–
Hiap Joo Chong Realty Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
Kobayashi Optical Sdn Bhd	RM1.00	700,000	–	–	700,000
Lion Gateway Parade Sdn Bhd	RM1.00	255,000	–	255,000	–
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
Lion Mutiara Parade Sdn Bhd	RM1.00	6,000,000	–	–	6,000,000
Lion Plantations Sdn Bhd	RM1.00	8,000,000	–	–	8,000,000
Lion Seremban Parade Sdn Bhd	RM1.00	7,000	–	–	7,000
LLB Damai Holdings Sdn Bhd	RM1.00	3,300,000	1,015,385	–	4,315,385
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
LLB Strategic Holdings Berhad	RM1.00	4,050,000	–	–	4,050,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
Sabah Forest Industries Sdn Bhd					
- ordinary shares Class 'A'	RM1.00	752,532,412	–	–	752,532,412
- ordinary shares Class 'B'	RM0.10	7,525,324,120	–	–	7,525,324,120
Salient Care Sdn Bhd	RM1.00	1,400,000	–	–	1,400,000
Secom (Malaysia) Sdn Bhd	RM1.00	5,100,000	–	–	5,100,000
Secomex Manufacturing (M) Sdn Bhd	RM1.00	255,000	–	–	255,000
Soga Sdn Bhd	RM1.00	4,332,078	–	–	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Visionwell Sdn Bhd	RM1.00	16,000,000	–	–	16,000,000
Chocolate Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Cornelian Star (S) Pte Ltd	SGD1.00	100	–	–	100
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Lion Asia Investment Pte Ltd	SGD1.00	27,225,000	–	–	27,225,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	–	–	1,000,000
Lion Rubber Industries Pte Ltd	SGD1.00	10,000,000	–	–	10,000,000
Masoni Investment Pte Ltd	SGD1.00	9,500,000	–	–	9,500,000
Parkson Glomart Pte Ltd	SGD1.00	1,000,000	–	–	1,000,000
Parkson Investment Pte Ltd	SGD1.00	10,000,000	–	–	10,000,000
Parkson Management Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Parkson Supplies Pte Ltd	SGD1.00	100	–	–	100
Parkson Venture Pte Ltd	SGD1.00	14,800,000	–	–	14,800,000
Willet Investment Pte Ltd	SGD1.00	45,954,450	–	–	45,954,450
P T Amsteel Securities Indonesia	Rp1,000	9,350,000	–	–	9,350,000
P T Kebunaria	Rp1,000,000	14,000	–	–	14,000
Hamba Research & Development Co Ltd	NT\$10.00	980,000	–	–	980,000

Indirect Interest	Nominal Value Per Preference Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Lion Mutiara Parade Sdn Bhd	RM0.01	8,400,000	–	–	8,400,000
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	–	–	400,000

	Nominal Value Per Deferred Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	–	–	146,000,000

Investment in the People's Republic of China	Currency	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Beijing Future Century E-business Co Ltd	Rmb	–	600,000	–	600,000
Beijing Parkson Light Industry Development Co Ltd	USD	12,700,000	–	–	12,700,000
Beijing Trostel Property Development Co Ltd	USD	6,650,000	–	–	6,650,000
Beijing Vochelle Foodstuff Co Ltd	USD	3,080,000	–	–	3,080,000
Chongqing Wang Yu Parkson Plaza Co Ltd	Rmb	14,000,000	–	–	14,000,000
Dalian Tianhe Parkson Shopping Center Co Ltd	Rmb	60,000,000	–	–	60,000,000
Dong Feng Lion Tyre Co Ltd	Rmb	247,638,417	–	–	247,638,417
Hebei Weiyuan Heilen Bio-Chemical Co Ltd	USD	2,313,982	–	–	2,313,982
Huangshi Heilen Pharmaceutical Co Ltd (Under liquidation)	Rmb	45,416,040	–	–	45,416,040
Hubei Jinlongquan Brewery Co Ltd	USD	17,988,000	–	–	17,988,000
Hubei Jinlong Shenshui Brewery Co Ltd	Rmb	10,000,000	–	–	10,000,000
Hubei Lion Brewery Co Ltd	USD	17,993,990	–	–	17,993,990
Hunan DEbier Brewery Co Ltd	Rmb	132,000,000	–	–	132,000,000
Jiangsu DEbier Brewery Co Ltd	USD	6,587,927	37,074	–	6,625,001
Jilin Motor City Park Hotel Co Ltd	Rmb	60,000,000	–	–	60,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	15,000,000	–	–	15,000,000
Nanjing Jingyi Casting Co Ltd	USD	6,750,000	–	–	6,750,000
Pingyang Lion Beer Co Ltd	USD	2,585,000	–	–	2,585,000
Shandong DEbier Brewery Co Ltd	Rmb	36,000,000	–	–	36,000,000
Shanghai Hengda Parkson Department Store Co Ltd (Under liquidation)	USD	2,410,118	–	–	2,410,118

Investment in the People's Republic of China	Currency	Balance as of 1.7.2000	Bought	Sold	Balance as of 30.6.2001
Shanghai Lion Food Industry Co Ltd	USD	14,068,200	–	–	14,068,200
Shanghai Lion Plastic Industrial Co Ltd	USD	3,690,000	–	–	3,690,000
Sichuan Hezheng Parkson Plaza Co Ltd	USD	4,168,645	–	–	4,168,645
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd	USD	10,878,944	–	–	10,878,944
Lion Brewing Group Co Ltd	USD	12,677,000	–	–	12,677,000
Wuhan Fortune Motor Co Ltd	USD	6,000,000	–	–	6,000,000
Wuxi Puhua Electroplating Co Ltd	USD	1,225,000	–	–	1,225,000
Wuxi Sanyang Parkson Plaza Co Ltd	USD	10,839,396	–	–	10,839,396
Wuxi Top Absorber Co Ltd	USD	6,600,000	–	–	6,600,000
Xian Lucky King Parkson Plaza Co Ltd	Rmb	16,579,917	–	–	16,579,917
Yangzhou Parkson Plaza Co Ltd	USD	4,281,843	–	–	4,281,843
Zhu Zhou DEbier Brewery Co Ltd	Rmb	65,158,427	–	–	65,158,427

Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2000	Number of Shares		Balance as of 30.6.2001
			Bought	Sold	
Jen (B) Tan Sri Dato' Zain Hashim					
Silverstone Berhad	RM1.00	180,000	–	–	180,000

In addition to the above, the directors are deemed to have an interest in shares of related companies to the extent as follows:

- (a) Options granted pursuant to the Executive Share Option Scheme of the ultimate holding company, Amsteel Corporation Berhad ("Amsteel ESOS"). The Amsteel ESOS was implemented on 8.2.2001.

	Options over Ordinary Shares of RM0.50 each		
	Balance as of 8.2.2001	Granted	Exercised
Jen (B) Tan Sri Dato' Zain Hashim	–	175,000	–
			Balance as of 30.6.2001
			175,000

(b) Options granted pursuant to the Executive Share Option Scheme of a related company, Lion Land Berhad.

	Options over Ordinary Shares of RM1.00 each			
	Balance as of 1.7.2000	Granted	Exercised	Balance as of 30.6.2001
Datuk Cheng Yong Kim	175,000	–	–	175,000

Other than those as stated above, the directors do not have any other interest in the shares of the Company or of its related companies either at the beginning or end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit, other than those disclosed as directors' remuneration in the financial statements, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 20 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except as disclosed above.

HOLDING COMPANIES

The immediate holding company is Avenel Sdn Bhd. The directors regard Amsteel Corporation Berhad, a quoted company, as the ultimate holding company. Both the holding companies are incorporated in Malaysia.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

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

TAN SRI WILLIAM H.J. CHENG

NGAN YOW CHONG

Kuala Lumpur,
29 October 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF POSIM BERHAD

We have audited the accompanying balance sheets as of 30 June 2001, the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - (i) the state of affairs of the Group and of the Company as of 30 June 2001 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the subsidiary company, of which we have not acted as auditors, as mentioned in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEE YOON CHONG
1829/07/03 (J)
Partner

Petaling Jaya,
29 October 2001

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	Note	The Group		The Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue		539,505	573,412	85,084	77,966
Changes in inventories of finished goods, trading merchandise and work-in-progress		24,860	998	(62)	86
Raw materials and consumables used		(171,656)	(155,136)	–	–
Purchase of trading merchandise		(94,073)	(83,078)	(77,126)	(72,341)
Staff costs		(48,599)	(44,891)	(3,556)	(3,476)
Other production expenses		(114,420)	(130,173)	–	–
Depreciation of property, plant and equipment	10	(36,640)	(38,693)	(247)	(352)
Amortisation of:					
Forest concessions	11	(10,796)	(10,796)	–	–
Goodwill on consolidation	16	(10,146)	(10,146)	–	–
Plantation development expenditure	12	–	(2,091)	–	–
Expenditure carried forward	17	–	(298)	–	–
Other operating expenses		(38,748)	(33,234)	(2,035)	(2,002)
Other operating income		10,787	9,501	5,945	6,067
Profit from operations	4	50,074	75,375	8,003	5,948
Provision for doubtful debts	5	(11,000)	–	(11,000)	–
Finance costs	6	(4,805)	(4,859)	(1,998)	(2,215)
Share in results of associated company		171	(2,966)	–	–
Profit/(Loss) before tax		34,440	67,550	(4,995)	3,733
Income tax expense	7	(2,450)	(1,990)	(1,636)	(1,113)
Profit/(Loss) after tax		31,990	65,560	(6,631)	2,620
Minority interests		(1,058)	(1,720)	–	–
Net profit/(loss) for the year		30,932	63,840	(6,631)	2,620
Earnings per ordinary share	8	15.2 sen	31.4 sen		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

AS OF 30 JUNE 2001

	Note	The Group		The Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
ASSETS (Note 23)					
Property, plant and equipment	10	795,491	823,883	8,326	8,484
Forest concessions	11	344,116	354,912	–	–
Plantation development expenditure	12	117,458	98,389	–	–
Investment in subsidiary companies	13	–	–	8,675	8,675
Investment in associated company	14	9,351	9,180	4,684	4,684
Other investments	15	227	227	224	224
Goodwill on consolidation	16	212,057	222,203	–	–
Expenditure carried forward	17	–	–	–	–
Current Assets					
Inventories	18	130,049	104,574	167	239
Trade receivables	19	101,099	73,640	31,197	30,102
Other receivables, deposits and prepayments		11,158	15,185	1,465	1,453
Amount owing by subsidiary companies	13	–	–	1,238,343	1,241,753
Amount owing by ultimate holding company	20	75,818	81,269	75,818	81,269
Amount owing by immediate holding company	20	16,713	16,672	632	591
Amount owing by other related companies	20	2,882	3,179	1,371	1,394
Fixed deposit with a licensed bank		7,000	7,000	–	–
Cash on hand and at banks	21	23,292	5,098	1,925	3,367
		368,011	306,617	1,350,918	1,360,168
Current Liabilities					
Trade payables		43,939	53,589	8,988	8,144
Other payables and accrued expenses	22	39,634	29,477	1,140	1,312
Amount owing to subsidiary companies	13	–	–	933	507
Amount owing to other related companies	20	4,056	2,162	3,047	2,113
Bank borrowings	23	53,303	55,493	35,534	38,907
Proposed dividend	9	146	1,462	146	1,462
Tax liabilities		4,822	4,868	2,736	3,131
		145,900	147,051	52,524	55,576
Net Current Assets		222,111	159,566	1,298,394	1,304,592
Non-Current and Deferred Liabilities					
Lease and hire-purchase payables	24	(214)	(27)	–	–
Deferred tax liabilities	25	(251)	(250)	–	–
		(465)	(277)	–	–
		1,700,346	1,668,083	1,320,303	1,326,659
Represented by:					
Issued capital	26	203,219	203,043	203,219	203,043
Reserves	27	1,323,516	1,292,487	1,117,084	1,123,616
Shareholders' Equity		1,526,735	1,495,530	1,320,303	1,326,659
Minority interests	20	173,611	172,553	–	–
		1,700,346	1,668,083	1,320,303	1,326,659

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2001

The Group	Note	Issued capital RM'000	Share premium RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Unappropriated profit RM'000	Total RM'000
Balance as of 1 July 1999		203,043	1,099,954	(25)	49,189	80,991	1,433,152
Net profit for the year		–	–	–	–	63,840	63,840
Proposed final dividend - 1%, less 28% tax	9	–	–	–	–	(1,462)	(1,462)
Balance as of 30 June 2000		203,043	1,099,954	(25)	49,189	143,369	1,495,530
Net profit for the year		–	–	–	–	30,932	30,932
Dividend - underprovision in prior year		–	–	–	–	(1)	(1)
Proposed final dividend - 0.1%, less 28% tax	9	–	–	–	–	(146)	(146)
Issue of shares		176	–	–	–	–	176
Share premium arising from issue of shares		–	246	–	–	–	246
Translation adjustment for the year		–	–	(2)	–	–	(2)
Balance as of 30 June 2001		<u>203,219</u>	<u>1,100,200</u>	<u>(27)</u>	<u>49,189</u>	<u>174,154</u>	<u>1,526,735</u>

The closing rate used in the translation is as follows:

RM1 = SGD0.47 (RM1 = SGD0.45 in 2000)

The Company	Note	Issued capital RM'000	Share premium RM'000	Unappropriated profit RM'000	Total RM'000
Balance as of 1 July 1999		203,043	1,099,954	22,504	1,325,501
Net profit for the year		–	–	2,620	2,620
Proposed final dividend - 1%, less 28% tax	9	–	–	(1,462)	(1,462)
Balance as of 30 June 2000		203,043	1,099,954	23,662	1,326,659
Net loss for the year		–	–	(6,631)	(6,631)
Dividend - underprovision in prior year		–	–	(1)	(1)
Proposed final dividend - 0.1%, less 28% tax	9	–	–	(146)	(146)
Issue of shares		176	–	–	176
Share premium arising from issue of shares		–	246	–	246
Balance as of 30 June 2001		<u>203,219</u>	<u>1,100,200</u>	<u>16,884</u>	<u>1,320,303</u>

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

The Group	2001 RM'000	2000 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	34,440	67,550
Adjustments for:		
Depreciation of property, plant and equipment	36,640	38,693
(Gain)/Loss on disposal of property, plant and equipment	164	(111)
Share in results of associated company	(171)	2,966
Amortisation of:		
Forest concessions	10,796	10,796
Goodwill on consolidation	10,146	10,146
Plantation development expenditure	-	2,091
Expenditure carried forward	-	298
Interest income	(6,215)	(6,026)
Finance costs	4,805	4,859
Dividend income	(4)	(1)
Bad debts written off	260	20
Provision for doubtful debts	11,677	1,235
Provision for doubtful debts no longer required	(774)	(610)
Provision for slow-moving and obsolete inventories	242	272
Inventories written back	(70)	-
Inventories written down	220	879
Operating Profit Before Working Capital Changes	102,156	133,057
(Increase)/Decrease in inventories; adjusted for depreciation of property, plant and equipment of RM6,480,000 (RM2,343,000 in 2000) and amortisation of plantation development expenditure of RM1,237,000 (RM919,000 in 2000)	(18,150)	3,412
Increase in trade receivables	(27,622)	(7,257)
(Increase)/Decrease in other receivables, deposits and prepayments	4,027	(2,294)
Decrease in trade payables	(9,650)	(22,511)
Increase in other payables and accrued expenses; excluding lease and hire-purchase payables	10,469	4,548
Cash Generated From Operations	61,230	108,955
Interest received	578	615
Income tax paid	(2,494)	(434)
Net Cash From Operating Activities	59,314	109,136

(Forward)

	Note	2001 RM'000	2000 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		(15,606)	(37,337)
Proceeds from disposal of property, plant and equipment		706	2,645
Decrease in amount owing by ultimate holding company		–	385
Increase in amount owing by immediate holding company		–	(1,299)
(Increase)/Decrease in amount owing by other related companies		297	(380)
Increase in plantation development expenditure; adjusted for depreciation of property, plant and equipment of RM405,000 (RM274,000 in 2000)		(19,901)	(15,538)
Increase in cash at banks held under Escrow Account		(251)	–
Interest received from other related companies		47	63
Dividend received from associated company		–	54
Dividend received from quoted investments		3	1
Net Cash Used In Investing Activities		<u>(34,705)</u>	<u>(51,406)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in bank borrowings; excluding bank overdrafts		(2,738)	(24,801)
Increase in amount owing to other related companies		1,894	154
Payment of lease and hire-purchase payables		(524)	(660)
Proceeds from issue of shares		422	–
Dividends paid		(1,463)	(146)
Finance costs paid		(4,805)	(4,859)
Repayment of long-term loans		–	(667)
Net Cash Used In Financing Activities		<u>(7,214)</u>	<u>(30,979)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,395	26,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,048	(19,703)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	<u>24,443</u>	<u>7,048</u>

Note: During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM16,003,000 (RM37,413,000 in 2000) of which RM397,000 (RM76,000 in 2000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM15,606,000 (RM37,337,000 in 2000).

(Forward)

The Company	Note	2001 RM'000	2000 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) before tax		(4,995)	3,733
Adjustments for:			
Depreciation of property, plant and equipment		247	352
Gain on disposal of property, plant and equipment		–	(93)
Interest income		(5,903)	(5,796)
Finance costs		1,998	2,215
Dividend income		(2,544)	(78)
Provision for doubtful debts		11,599	936
Provision for doubtful debts no longer required		(179)	(542)
Provision for slow-moving and obsolete inventories		10	–
Operating Profit Before Working Capital Changes		<u>233</u>	<u>727</u>
(Increase)/Decrease in inventories		62	(86)
Increase in trade receivables		(1,515)	(700)
Increase in other receivables, deposits and prepayments		(12)	(125)
Increase/(Decrease) in trade payables		844	(1,799)
Increase/(Decrease) in other payables and accrued expenses; excluding lease and hire-purchase payables		(154)	227
Cash Used In Operations		<u>(542)</u>	<u>(1,756)</u>
Interest received		201	294
Income tax paid		(1,767)	(386)
Net Cash Used In Operating Activities		<u>(2,108)</u>	<u>(1,848)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(89)	(15)
Proceeds from disposal of property, plant and equipment		–	361
Decrease in amount owing by subsidiary companies		5,752	633
Decrease in amount owing by ultimate holding company		–	385
Decrease in amount owing by other related companies		23	335
Increase in cash at banks held under Escrow Account		(251)	–
Interest received from other related companies		47	63
Dividend received from associated company		–	54
Dividend received from quoted investments		3	1
Net Cash From Investing Activities		<u>5,485</u>	<u>1,817</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in bank borrowings; excluding bank overdrafts		(2,633)	3,719
Increase/(Decrease) in amount owing to subsidiary companies		426	(49)
Increase in amount owing to other related companies		934	145
Payment of lease and hire-purchase payables		(18)	(67)
Proceeds from issue of shares		422	–
Dividends paid		(1,463)	(146)
Finance costs paid		(1,998)	(2,215)
Net Cash From/(Used In) Financing Activities		<u>(4,330)</u>	<u>1,387</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(953)	1,356
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(957)	(2,313)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	<u>(1,910)</u>	<u>(957)</u>

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, trading and distribution of building materials and consumer goods.

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 13 and 14, respectively.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

Basis of Consolidation

The Group financial statements incorporate the financial statements of the Company and of all the subsidiary companies made up to the end of the financial year as listed in Note 13. Subsidiary companies are consolidated using the acquisition method of accounting.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill on consolidation, which represents the excess of the cost of investment over the fair values attributable to the related net assets of the subsidiary companies at the effective date of acquisition, is amortised evenly over 25 years.

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary company have been translated into Ringgit Malaysia as follows:

Assets and liabilities	-	at year-end rate
Share capital	-	at historical rate
Revenue and expenses	-	at average rate for the year

All translation gains or losses are taken up and reflected in translation adjustment account under shareholders' equity.

Revenue

Revenue of the Company consists of gross invoice value of sales, net of discounts and returns, gross dividend income from subsidiary companies, associated company and quoted investments.

Revenue of the Group consists of dividend income from quoted investments and gross invoice value of goods and services supplied to third parties, net of discounts and returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The tax effects of transactions are recognised, using the 'liability' method, in the year such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, where timing differences would give rise to net deferred tax asset, the tax effects are recognised generally on actual realisation.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlement has not been made at the end of the financial year, at the approximate exchange rates prevailing at that date. Gains and losses arising from conversion of foreign currency amounts are reflected in the income statements.

Associated Company

An associated company is a non-subsiary company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

The Group's investment in associated company is accounted for under the equity method of accounting based on audited or management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit/loss of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

Freehold land and capital work-in-progress are not depreciated.

Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings		2%
Leasehold land	1.65%	– 2%
Pulp and paper mill	2%	– 4%
Plant and machinery	3.70%	– 20%
Office equipment		20%
Furniture and fittings	10%	– 20%
Motor vehicles	20%	– 25%
Office renovation		20%
Computer equipment		20%
Housing colony and infrastructures	2%	– 10%
Jetty and access roads	2%	– 4.17%

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write down not occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair values of the leased assets at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Assets Acquired Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Capitalisation of Interest Cost

Interest cost incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use is capitalised and included as part of the cost of the related property, plant and equipment.

Forest Concessions

Forest concessions, which consist of two forest areas of 158,623 hectares and 118,000 hectares, are stated at cost less accumulated amortisation. The said concessions are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

Plantation Development Expenditure

Development and planting expenditure incurred in the establishment and development of tree plantations, including a proportion of the Group's forestry division general charges incurred in relation to the planting of trees, are deferred and capitalised to plantation development expenditure. This expenditure is charged to the income statements when the trees are harvested upon maturity.

Investments

Investment in unquoted shares in subsidiary companies, which is eliminated on consolidation, and investment in unquoted shares in associated company are stated at cost.

Other investments in quoted and unquoted corporations are stated at cost.

Provision for diminution in value of investment is made when the directors are of the opinion that there is a permanent impairment in the value of the investments.

Expenditure Carried Forward

Expenditure carried forward consists of preliminary and pre-operating expenses.

In prior financial years, expenditure carried forward was amortised on a straight-line basis over a period of ten years upon commencement of business operations. However, in 2000, the Group changed its accounting policy to charge the unamortised balance of the expenditure carried forward to income statement as the said expenditure had no future economic benefits. The effect of the change was, however, not material.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Trading merchandise, finished goods, work-in-progress and raw materials are stated at the lower of cost (determined principally on the weighted average basis) and net realisable value. The cost of trading merchandise and raw materials includes the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress includes cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Engineering spares, raw materials for paper production, fuel and lubricants and other inventories are valued at weighted average cost. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition.

Log inventories are valued at the lower of cost (determined principally on the 'first-in, first-out' method) and net realisable value. The cost of commercial timber logs represents extraction fees and timber royalties accrued. The cost of pulp and fuel logs represents extraction fees and cost incurred in bringing the inventories to their present location and condition.

Goods-in-transit are valued at cost.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

Receivables

Bad debts are written off while provision is made for debts considered to be doubtful of collection.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. PROFIT FROM OPERATIONS

This is arrived at:

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
After charging:				
Hire of plant and machinery	3,378	2,975	–	–
Provision for doubtful debts	677	1,235	599	936
Rental of premises payable to:				
Subsidiary company	–	–	21	30
Other related companies	403	357	24	24
Others	517	523	80	80
Bad debts written off	260	20	–	–
Provision for slow-moving and obsolete inventories	242	272	10	–
Inventories written down	220	879	–	–
Loss on disposal of property, plant and equipment	164	–	–	–
Auditors' remuneration:				
Current	147	142	23	20
Underprovision in prior year	8	2	3	–
Directors' remuneration:				
Fees	91	46	85	40
Other emoluments	24	24	–	–

4. PROFIT FROM OPERATIONS (Continued)

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
And crediting:				
Interest income on:				
Advances to holding companies	5,590	5,348	5,590	5,348
Advances to other related company	47	63	47	63
Advances to subsidiary companies	–	–	65	91
Others	578	615	201	294
Realised gain on foreign exchange	1,120	96	–	–
Rental income from:				
Subsidiary companies	–	–	–	36
Others	873	1,031	21	19
Provision for doubtful debts no longer required	774	610	179	542
Bad debts recovered	10	118	3	78
Dividend (gross) from:				
Quoted investments	4	1	4	1
Subsidiary companies	–	–	2,540	1
Associated company	–	–	–	76
Inventories written back	70	–	–	–
Gain on disposal of property, plant and equipment	–	111	–	93
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. PROVISION FOR DOUBTFUL DEBTS

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Provision for doubtful debts in respect of amount owing by ultimate holding company	11,000	–	11,000	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. FINANCE COSTS

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest expense on:				
Bank overdrafts and other borrowings	4,548	4,555	1,874	2,066
Long-term loan	–	25	–	–
Lease and hire-purchase	138	145	5	15
Advances from other related company	119	134	119	134
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>4,805</u>	<u>4,859</u>	<u>1,998</u>	<u>2,215</u>

7. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Current taxation:				
Estimated tax payable (Over)/Underprovision in prior years	2,400	1,949	1,588	1,211
Deferred tax (Note 25)	49	(45)	48	(46)
	1	86	–	(52)
	<u>2,450</u>	<u>1,990</u>	<u>1,636</u>	<u>1,113</u>

The effective tax rates of the Group in 2001 and 2000 are lower than the statutory tax rate due mainly to the utilisation of investment tax credits amounting to RM80,154,000 (RM111,340,000 in 2000) by a subsidiary company to partially set-off the income that would otherwise be taxable.

Although the Company incurred a loss before tax in 2001, provision for estimated tax payable has been made due mainly to the non-business interest income earned and certain expenses which are non-deductible for tax purposes.

The effective tax rate of the Company in 2000 is higher than the statutory tax rate due mainly to certain expenses which are non-deductible for tax purposes.

8. EARNINGS PER ORDINARY SHARE

Basic

The basic earnings per ordinary share of the Group has been calculated based on the Group's net profit of RM30,932,000 (RM63,840,000 in 2000) and on the weighted average number of ordinary shares in issue and ranking for dividend of 203,198,000 (number of ordinary shares in issue and ranking for dividend of 203,042,571 in 2000) during the year.

Fully diluted

The options over 2,557,000 unissued ordinary shares granted to confirmed executive employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2001. The terms of the unexercised options are set out in Note 26.

9. DIVIDENDS

The directors propose a first and final dividend of 0.1% (1% in 2000), less 28% tax, amounting to RM146,317 (RM1,461,910 in 2000) in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has been included as a liability in the financial statements. Gross dividend per share during the year is 0.1 sen (1 sen in 2000).

The proposed dividend for the financial year ended 30 June 2001 is payable in respect of all shares in issue as at the date of the financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group 2001	At beginning of year RM'000	COST			At end of year RM'000
		Additions RM'000	Disposals RM'000	Reclassifications RM'000	
Freehold land and buildings	11,574	46	-	-	11,620
Long leasehold land and buildings	4,668	-	-	-	4,668
Short leasehold land and buildings	72,847	97	-	1,530	74,474
Pulp and paper mill	789,002	-	-	-	789,002
Plant and machinery	215,301	2,519	(1,319)	2,912	219,413
Office equipment	1,038	18	(12)	-	1,044
Furniture and fittings	14,871	315	(429)	3,407	18,164
Motor vehicles	8,212	519	(277)	519	8,973
Motor vehicles under hire-purchase	595	397	-	(519)	473
Office renovation	884	-	-	-	884
Computer equipment	929	139	-	-	1,068
Housing colony and infrastructures	114,985	30	-	69	115,084
Jetty and access roads	93,912	1,439	-	-	95,351
Capital work-in-progress	4,764	10,484	-	(7,918)	7,330
	1,333,582	16,003	(2,037)	-	1,347,548

	At beginning of year RM'000	ACCUMULATED DEPRECIATION			NET BOOK VALUE	
		Charge for the year RM'000	Disposals RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000
Freehold land and buildings	668	133	-	-	801	10,819
Long leasehold land and buildings	539	74	-	-	613	4,055
Short leasehold land and buildings	17,388	3,449	-	-	20,837	53,637
Pulp and paper mill	339,373	16,341	-	-	355,714	433,288
Plant and machinery	52,574	12,273	(471)	-	64,376	155,037
Office equipment	961	40	(12)	-	989	55
Furniture and fittings	13,665	1,165	(429)	-	14,401	3,763
Motor vehicles	7,134	823	(255)	263	7,965	1,008
Motor vehicles under hire-purchase	232	98	-	(263)	67	406
Office renovation	670	73	-	-	743	141
Computer equipment	784	94	-	-	878	190
Housing colony and infrastructures	37,030	5,081	-	-	42,111	72,973
Jetty and access roads	38,681	3,881	-	-	42,562	52,789
Capital work-in-progress	-	-	-	-	-	7,330
	509,699	43,525	(1,167)	-	552,057	795,491

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group 2000	COST				At end of year RM'000
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Reclassifications RM'000	
Freehold land and buildings	11,780	15	(221)	–	11,574
Long leasehold land and buildings	4,662	6	–	–	4,668
Short leasehold land and buildings	69,689	524	–	2,634	72,847
Pulp and paper mill	790,213	–	–	(1,211)	789,002
Plant and machinery	186,379	3,452	(2,139)	27,609	215,301
Office equipment	1,025	23	(10)	–	1,038
Furniture and fittings	14,663	210	(2)	–	14,871
Motor vehicles	8,281	75	(233)	89	8,212
Motor vehicles under hire-purchase	701	76	(93)	(89)	595
Office renovation	882	2	–	–	884
Computer equipment	922	16	(9)	–	929
Housing colony and infrastructures	112,526	69	–	2,390	114,985
Jetty and access roads	92,946	966	–	–	93,912
Capital work-in-progress	4,395	31,979	(188)	(31,422)	4,764
	<u>1,299,064</u>	<u>37,413</u>	<u>(2,895)</u>	<u>–</u>	<u>1,333,582</u>

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000
Freehold land and buildings	545	130	(7)	–	668	10,906
Long leasehold land and buildings	712	75	–	(248)	539	4,129
Short leasehold land and buildings	12,917	4,471	–	–	17,388	55,459
Pulp and paper mill	322,415	17,006	–	(48)	339,373	449,629
Plant and machinery	43,107	9,480	(63)	50	52,574	162,727
Office equipment	906	64	(9)	–	961	77
Furniture and fittings	13,042	625	(2)	–	13,665	1,206
Motor vehicles	6,557	731	(233)	79	7,134	1,078
Motor vehicles under hire-purchase	209	145	(43)	(79)	232	363
Office renovation	561	109	–	–	670	214
Computer equipment	662	126	(4)	–	784	145
Housing colony and infrastructures	32,248	4,536	–	246	37,030	77,955
Jetty and access roads	34,869	3,812	–	–	38,681	55,231
Capital work-in-progress	–	–	–	–	–	4,764
	<u>468,750</u>	<u>41,310</u>	<u>(361)</u>	<u>–</u>	<u>509,699</u>	<u>823,883</u>

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company 2001	At beginning of year RM'000	COST			At end of year RM'000
		Additions RM'000	Disposals RM'000	Reclassifications RM'000	
Freehold land and buildings	7,374	10	-	-	7,384
Long leasehold land and building	844	-	-	-	844
Office equipment	585	8	(8)	-	585
Furniture and fittings	558	1	-	-	559
Motor vehicles	271	-	-	177	448
Motor vehicles under hire-purchase	177	-	-	(177)	-
Office renovation	276	-	-	-	276
Computer equipment	571	70	-	-	641
	<u>10,656</u>	<u>89</u>	<u>(8)</u>	<u>-</u>	<u>10,737</u>

	At beginning of year RM'000	ACCUMULATED DEPRECIATION			NET BOOK VALUE	
		Charge for the year RM'000	Disposals RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000
Freehold land and buildings	149	43	-	-	192	7,192
Long leasehold land and building	27	17	-	-	44	800
Office equipment	560	14	(8)	-	566	19
Furniture and fittings	490	24	-	-	514	45
Motor vehicles	258	49	-	93	400	48
Motor vehicles under hire-purchase	93	-	-	(93)	-	-
Office renovation	90	54	-	-	144	132
Computer equipment	505	46	-	-	551	90
	<u>2,172</u>	<u>247</u>	<u>(8)</u>	<u>-</u>	<u>2,411</u>	<u>8,326</u>

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company 2000	COST				At end of year RM'000
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Reclassifications RM'000	
Freehold land and buildings	7,592	3	(221)	–	7,374
Long leasehold land and building	838	6	–	–	844
Office equipment	585	2	(2)	–	585
Furniture and fittings	556	2	–	–	558
Motor vehicles	252	–	(74)	93	271
Motor vehicles under hire-purchase	363	–	(93)	(93)	177
Office renovation	276	–	–	–	276
Computer equipment	576	2	(7)	–	571
	<u>11,038</u>	<u>15</u>	<u>(397)</u>	<u>–</u>	<u>10,656</u>

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000
Freehold land and buildings	110	46	(7)	–	149	7,225
Long leasehold land and building	10	17	–	–	27	817
Office equipment	530	31	(1)	–	560	25
Furniture and fittings	433	57	–	–	490	68
Motor vehicles	251	2	(74)	79	258	13
Motor vehicles under hire-purchase	150	65	(43)	(79)	93	84
Office renovation	35	55	–	–	90	186
Computer equipment	430	79	(4)	–	505	66
	<u>1,949</u>	<u>352</u>	<u>(129)</u>	<u>–</u>	<u>2,172</u>	<u>8,484</u>

Current depreciation has been charged to the following accounts:

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Income statements	36,640	38,693	247	352
Inventories	6,480	2,343	–	–
Plantation development expenditure (Note 12)	405	274	–	–
	<u>43,525</u>	<u>41,310</u>	<u>247</u>	<u>352</u>

As of 30 June 2001, certain freehold land and buildings and long leasehold land and buildings of the Group and the Company with net book values totalling RM7,992,000 (RM Nil in 2000) have been pledged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 23.

As of 30 June 2001, the titles to certain parcels of leasehold land of a subsidiary company with net book values totalling RM5,334,000 (RM5,440,000 in 2000) have not been registered in the name of the said subsidiary company.

Included in capital work-in-progress of the Group as of 30 June 2000 was an amount of RM1,265,000 representing the cost of equipment for a Management Information System acquired under finance lease.

11. FOREST CONCESSIONS

	The Group	
	2001 RM'000	2000 RM'000
Forest concessions - at cost	388,200	388,200
Cumulative amortisation:		
At beginning of year	33,288	22,492
Amortisation for the year	10,796	10,796
At end of year	44,084	33,288
Net	<u>344,116</u>	<u>354,912</u>

The forest concessions consist of two forest areas with a total area of 276,623 hectares. The values attributable to the concessions of 158,623 hectares and 118,000 hectares are RM131,200,000 and RM257,000,000, respectively. The 158,623 hectares and 118,000 hectares of concession are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

12. PLANTATION DEVELOPMENT EXPENDITURE

	The Group	
	2001 RM'000	2000 RM'000
At cost:		
At beginning of year	101,399	85,587
Additions for the year	20,306	15,812
At end of year	121,705	101,399
Cumulative amortisation:		
At beginning of year	3,010	-
Amortisation for the year	1,237	3,010
At end of year	4,247	3,010
Net	<u>117,458</u>	<u>98,389</u>

Charges to plantation development expenditure during the year include depreciation of property, plant and equipment amounting to RM405,000 (RM274,000 in 2000).

Current amortisation has been charged to the following accounts:

	The Group	
	2001 RM'000	2000 RM'000
Income statement	-	2,091
Inventories	1,237	919
	<u>1,237</u>	<u>3,010</u>

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2001 RM'000	2000 RM'000
Unquoted shares - at cost	<u>8,675</u>	<u>8,675</u>

Amount owing by subsidiary companies arose mainly from purchase consideration in respect of investments in a subsidiary company, Sabah Forest Industries Sdn Bhd by SC Nominees Sdn Bhd paid on behalf by the Company, expenses paid on behalf and other unsecured advances with no fixed repayment terms. The advances bear interest at rates ranging from a nominal rate to 6.80% (nominal rate to 7.20% in 2000) per annum except for an amount of RM16,000 (RM14,000 in 2000) which is interest-free.

Amount owing to subsidiary companies arose mainly from unsecured advances which are interest-free and have no fixed repayment terms.

The directors of the Company are of the opinion that the transactions undertaken with subsidiary companies have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2001 %	2000 %	
Direct				
Posim Petroleum Marketing Sdn Bhd	Malaysia	100.00	100.00	Trading and distribution of petroleum products
Posim Industrial Equipment Sdn Bhd	Malaysia	100.00	100.00	Trading, servicing, hiring and distribution of industrial machines and equipment
Ototek Sdn Bhd	Malaysia	70.00	70.00	Trading and distribution of lubricants, spark plugs and automotive components
Posim Petroleum Products Sdn Bhd	Malaysia	100.00	100.00	Manufacturing of petroleum products
Stoller Chemical Company (M) Sdn Bhd	Malaysia	100.00	100.00	Dormant
Fabulous Contour Sdn Bhd	Malaysia	100.00	100.00	Dormant
Posim Agricultural Products Sdn Bhd	Malaysia	100.00	100.00	Dormant
SC Nominees Sdn Bhd	Malaysia	100.00	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2001 %	2000 %	
Indirect				
Sabah Forest Industries Sdn Bhd	Malaysia	97.78	97.78	Integrated wood-based activities and pulp and paper mill operations
Sabah Pulp and Paper Mill Sdn Bhd	Malaysia	97.78	97.78	Dormant
* SFI Paper Pte Ltd	Republic of Singapore	97.78	97.78	Dormant

* The financial statements of this company are audited by Deloitte & Touche, a member firm of the auditors of the Company.

During the current financial year, the Company's investment in Ototek Sdn Bhd with carrying value amounting to RM1,175,000 (RM Nil in 2000) have been pledged as collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 23.

14. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted shares - at cost	4,684	4,684	4,684	4,684
Share in post - acquisition profits	4,667	4,496	-	-
	9,351	9,180	4,684	4,684

The associated company is as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2001 %	2000 %	
Direct				
# Kinabalu Motor Assembly Sendirian Berhad	Malaysia	20.00	20.00	Assembly of Isuzu range of motor vehicles

The financial statements of this company are audited by auditors other than the auditors of the Company.

The Group's interest in the associated company is analysed as follows:

	The Group	
	2001 RM'000	2000 RM'000
Share of net assets	8,827	8,656
Premium on acquisition	524	524
	9,351	9,180

15. OTHER INVESTMENTS

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost:				
Quoted shares	42	42	39	39
Unquoted shares	140	140	140	140
Club membership	45	45	45	45
	<u>227</u>	<u>227</u>	<u>224</u>	<u>224</u>
Market value of quoted shares	<u>36</u>	<u>42</u>	<u>32</u>	<u>38</u>

16. GOODWILL ON CONSOLIDATION

	The Group	
	2001 RM'000	2000 RM'000
Goodwill on consolidation	253,646	253,646
Cumulative amortisation:		
At beginning of year	31,443	21,297
Amortisation for the year	10,146	10,146
At end of year	41,589	31,443
Net	<u>212,057</u>	<u>222,203</u>

17. EXPENDITURE CARRIED FORWARD

	The Group	
	2001 RM'000	2000 RM'000
At cost:		
Preliminary expenses	7	7
Pre-operating expenses	412	412
	<u>419</u>	<u>419</u>
Amount written off	(419)	-
	<u>-</u>	<u>419</u>
Cumulative amortisation:		
At beginning of year	419	121
Amortisation for the year	-	298
Amount written off	(419)	-
At end of year	<u>-</u>	<u>419</u>
Net	<u>-</u>	<u>-</u>

18. INVENTORIES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost:				
Finished goods				
- Paper	33,411	5,755	-	-
- Veneer	2,915	4,274	-	-
- Sawn timber	2,484	3,060	-	-
- Plywood	1,861	4,426	-	-
- Others	1,555	1,672	-	-
Commercial timber logs	625	4,588	-	-
Work-in-progress				
- Paper	2,896	3,840	-	-
- Veneer	1,975	2,372	-	-
- Sawn timber	3,293	1,629	-	-
- Plywood	551	296	-	-
Raw materials	17,022	14,317	-	-
Pulp and fuel logs	19,866	13,536	-	-
Engineering spares	29,617	31,468	-	-
Fuel and lubricants	2,442	5,232	-	-
Trading merchandise	3,577	2,105	211	273
Goods-in-transit	2,387	2,626	-	-
Others	4,272	3,654	-	-
At net realisable value:				
Raw materials	-	22	-	-
Trading merchandise	92	321	-	-
Others	18	21	-	-
	130,859	105,214	211	273
Provision for slow-moving and obsolete inventories	(810)	(640)	(44)	(34)
	130,049	104,574	167	239

19. TRADE RECEIVABLES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade receivables	105,401	80,249	33,266	32,000
Provision for doubtful debts	(4,302)	(6,609)	(2,069)	(1,898)
	101,099	73,640	31,197	30,102

20. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS

The immediate holding company is Avenel Sdn Bhd. The directors regard Amsteel Corporation Berhad, a quoted company, as the ultimate holding company. Both the holding companies are incorporated in Malaysia.

Amount owing by ultimate holding company consists of:

	The Group and The Company	
	2001 RM'000	2000 RM'000
Amount owing by ultimate holding company	86,818	81,269
Provision for doubtful debts	(11,000)	–
	75,818	81,269

Amounts owing by/to holding companies and other related companies, which bear interest at rates ranging from 6.50% to 6.80% (6.50% to 7.20% in 2000) per annum and have no fixed repayment terms, arose mainly from prior years' intercompany advances, trade transactions and expenses paid on behalf.

Significant transactions undertaken with related parties during the financial year are as follows:

Name of Company	Nature	The Group 2001 RM'000	The Company 2001 RM'000
With ultimate holding company:			
Amsteel Corporation Berhad	Interest income on advances	5,549	5,549
With immediate holding company:			
Avenel Sdn Bhd	Interest income on advances	41	41
With other related parties:			
Amsteel Mills Sdn Bhd	Trade sales	1,118	78
	Transport service charges payable	192	–
Lion Suzuki Marketing Sdn Bhd	Purchase of property, plant and equipment	146	–
Megasteel Sdn Bhd	Trade sales	424	–
Parkson Corporation Sdn Bhd	Trade sales	149	–
Silverstone Berhad	Trade sales	2,582	–
Angkasa Marketing Berhad	Trade purchases	15,932	15,932
	Interest expense on advances	119	119
Lion Suzuki Motor Sdn Bhd	Rental payable	332	24

20. HOLDING COMPANIES AND RELATED PARTIES TRANSACTIONS (Continued)

Name of Company	Nature	The Group 2001 RM'000	The Company 2001 RM'000
With other related parties:			
JOPP Builders Sdn Bhd	Interest income on advances	47	47
Bright Steel Sdn Bhd	Trade sales	338	-
	Purchase of spares	535	-
Boustead Johan Edaran Sdn Bhd	Trade purchases	1,435	1,435
Inverfin Sdn Bhd	Rental payable	390	80
Affin Insurance Brokers Sdn Bhd	Insurance payable	4,769	25
KMA Marketing Sdn Bhd	Purchase of property, plant and equipment	119	-
		<u>119</u>	<u>-</u>

Other related parties include the following:

- (i) Subsidiary and associated companies of Amsteel Corporation Berhad, the ultimate holding company; and
- (ii) Entities in which certain directors or substantial shareholders of the Company or of its subsidiary companies or persons connected to such directors or substantial shareholders have interest.

The directors of the Company are of the opinion that the transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

As of 30 June 2001, the immediate holding company has an investment in a subsidiary company, Sabah Forest Industries Sdn Bhd, of RM146,000,000 (RM146,000,000 in 2000), comprising 146,000,000 deferred shares of RM1.00 each. The said deferred shares, which do not carry any entitlement to dividend, voting rights and rights to receive notice of general meetings, are only entitled to a repayment of capital after the ordinary shares in the event of a winding up. In addition, the said deferred shares are redeemable at any time at the option of the subsidiary company. As at the end of the financial year, the said deferred shares of RM146,000,000 (RM146,000,000 in 2000) have been included as part of the minority interests of the Group.

21. CASH ON HAND AND AT BANKS

Included in cash on hand and at banks of the Group and the Company is an amount of RM250,924 (RM Nil in 2000) representing cash held under Escrow Account pursuant to the Master Restructuring Agreement entered into between the Company and certain local banks as mentioned in Note 23. In accordance with the said agreement, utilisation of cash held under the Escrow Account is restricted to repayment of bank borrowings and payment of interest, commission, fees and other charges to the banks.

22. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Lease and hire- purchase payables (Note 24)	106	468	-	18
Other payables and accrued expenses	39,528	29,009	1,140	1,294
	<u>39,634</u>	<u>29,477</u>	<u>1,140</u>	<u>1,312</u>

23. BANK BORROWINGS

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Bank overdrafts (Note 32)	5,598	5,050	3,584	4,324
Bankers acceptances, trust receipts and bills payable	23,349	25,143	20,594	22,283
Revolving credits	24,356	25,300	11,356	12,300
Total	<u>53,303</u>	<u>55,493</u>	<u>35,534</u>	<u>38,907</u>

As of 30 June 2001, the Company has bank overdraft and other credit facilities totalling RM37,085,000 (RM47,472,000 in 2000) obtained from certain local banks, which bear interest at average rates ranging from 5.50% to 5.80% (5.50% to 6.20% in 2000) per annum. Bank overdraft and other credit facilities in 2000 were covered by negative pledge on the assets of the Company and were also guaranteed by one of the directors of the Company.

Pursuant to the Master Restructuring Agreement entered into between the Company and the said local banks on 22 December 2000, the bank overdraft and other credit facilities of the Company are secured by:

- (a) A first fixed charge under the National Land Code 1965 and an absolute legal assignment over:
 - (i) freehold land and buildings of the Company with carrying value of RM7,192,000
 - (ii) long leasehold land and building of the Company with carrying value of RM800,000
- (b) An assignment of the sale and purchase agreements over other buildings of the Company
- (c) A debenture containing a floating charge over the current assets, both present and future, of the following subsidiary companies of the Company:
 - (i) Posim Petroleum Products Sdn Bhd
 - (ii) Posim Agricultural Products Sdn Bhd
- (d) An assignment over all insurance policies over certain assets of the Company and the abovementioned subsidiary companies
- (e) A debenture containing a first fixed charge over the property, plant and equipment of the Company and a floating charge over:
 - (i) the Escrow Account
 - (ii) all other assets of the Company (not subject to the first fixed charge), both present and future, including inter-company receivables but excluding inter-company receivables from SC Nominees Sdn Bhd and the Company's shareholdings in SC Nominees Sdn Bhd, Sabah Forest Industries Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Industrial Equipment Sdn Bhd
- (f) A first party memorandum of deposit of shares on the pledge of the Company's entire shareholding in Ototek Sdn Bhd

23. BANK BORROWINGS (Continued)

As of 30 June 2001, certain subsidiary companies have bank overdraft and other credit facilities totalling RM111,375,000 (RM155,375,000 in 2000) obtained from certain local banks. These facilities, which bear interest at rates ranging from 3.20% to 8.80% (4.30% to 9.30% in 2000) per annum, are secured by:

- (a) Corporate guarantee by the Company to the extent of RM28,375,000 (RM34,875,000 in 2000)
- (b) Corporate guarantee by the subsidiary company, SC Nominees Sdn Bhd to the extent of RM10,000,000 (RM10,000,000 in 2000)
- (c) Negative pledge on one of the subsidiary companies' assets with carrying value of RM83,000,000 (RM120,500,000 in 2000)
- (d) Letter of awareness from the immediate holding company, general security agreement relating to goods and a general letter of pledge
- (e) Letter of awareness from the ultimate holding company
- (f) Letters of undertaking from the Company to maintain an effective shareholding of not less than 51% of the issued share capital of the indirect subsidiary company, Sabah Forest Industries Sdn Bhd

24. LEASE AND HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Balance outstanding:				
Lease creditors	–	532	–	–
Hire-purchase payables	395	98	–	24
	<u>395</u>	<u>630</u>	<u>–</u>	<u>24</u>
Interest-in-suspense:				
Lease creditors	–	(111)	–	–
Hire-purchase payables	(75)	(24)	–	(6)
	<u>(75)</u>	<u>(135)</u>	<u>–</u>	<u>(6)</u>
Principal portion	<u>320</u>	<u>495</u>	<u>–</u>	<u>18</u>
Payable as follows:				
Within the next 12 months (Note 22)	106	468	–	18
After the next 12 months	214	27	–	–
	<u>320</u>	<u>495</u>	<u>–</u>	<u>18</u>

The interest rates implicit in these lease and hire-purchase obligations range from 5.00% to 17.00% (6.95% to 17.00% in 2000) per annum.

25. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At beginning of year	250	164	–	52
Net transfer from/(to) income statements (Note 7)	1	86	–	(52)
At end of year	<u>251</u>	<u>250</u>	<u>–</u>	<u>–</u>

25. DEFERRED TAX LIABILITIES (Continued)

The deferred tax liabilities of the Group represent the tax effects of the following:

	The Group	
	2001	2000
	RM'000	RM'000
Timing differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	278	277
Others	(27)	(27)
	251	250
	251	250

As mentioned in Note 3, the tax effects of timing differences which would give rise to net deferred tax asset are recognised generally on actual realisation. As of 30 June 2001, the amount of net deferred tax asset, calculated at current tax rate which is not recognised in the financial statements, is as follows:

	Deferred Tax Asset/(Liability)			
	The Group		The Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Tax effects of:				
Unabsorbed tax losses, capital allowances and unutilised reinvestment allowances and investment tax credits	583,893	589,875	548	241
Timing differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	(155,067)	(155,036)	(240)	(161)
Other timing differences	231	313	-	-
	429,057	435,152	308	80
Net Deferred Tax Asset	429,057	435,152	308	80

The unabsorbed tax losses, capital allowances and unutilised reinvestment allowances and investment tax credits are subject to agreement with the tax authorities.

26. SHARE CAPITAL

	The Company	
	2001	2000
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year:		
203,042,571 as of 1 July 2000 and 1999	203,043	203,043
Issued during the year:		
176,000 in 2001; Nil in 2000	176	-
At end of year:		
203,218,571 as of 30 June 2001; 203,042,571 as of 30 June 2000	203,219	203,043
	203,219	203,043

26. SHARE CAPITAL (Continued)

During the current financial year, the issued and paid-up share capital of the Company was increased from RM203,042,571 to RM203,218,571 by the issue of 176,000 new ordinary shares of RM1.00 each at an issue price of RM2.40 per share for cash pursuant to the Executive Share Option Scheme (“ESOS”) of the Company.

The resulting share premium of RM246,400 arising from the issue of shares has been credited to the share premium account.

The new shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

The ESOS became effective on 31 May 2000 and will expire on 30 May 2005.

The main features of the ESOS are as follows:

- (a) Executive directors and confirmed executive employees of the Group who have been employed for a period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.
- (d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the option committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

The movements of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

Exercisable From	Subscription Price Per Share	Balance as of 1.7.2000	Granted	Exercised	Lapsed	Unissued Shares as of 30.6.2001
21 June 2000	RM2.40	3,508,000	–	(176,000)	(775,000)	2,557,000

27. RESERVES

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Non-distributable reserves:				
Share premium	1,100,200	1,099,954	1,100,200	1,099,954
Translation adjustment account	(27)	(25)	–	–
Capital reserve	49,189	49,189	–	–
	<u>1,149,362</u>	<u>1,149,118</u>	<u>1,100,200</u>	<u>1,099,954</u>
Distributable reserve:				
Unappropriated profit	174,154	143,369	16,884	23,662
	<u>1,323,516</u>	<u>1,292,487</u>	<u>1,117,084</u>	<u>1,123,616</u>

Taking into consideration the tax-exempt account arising from income tax waived, and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the unappropriated profit of the Company as of 30 June 2001 is available for distribution by way of dividends without additional tax liability being incurred.

28. CONTINGENT LIABILITIES - UNSECURED

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	–	–	17,769	16,338
Legal claims in respect of the termination of contracts for the extraction and sale of timber	313,300	564,000	–	–
	<u>313,300</u>	<u>564,000</u>	<u>–</u>	<u>–</u>

Indemnity contracts have been signed between the Company and the immediate holding company, whereby the immediate holding company agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000 (RM428,000,000 in 2000) and any other claims brought by third parties against Sabah Forest Industries Sdn Bhd ("SFI") wherein the cause of action arises prior to the completion of the corporate exercise.

During the current financial year, certain plaintiffs in the abovementioned litigation suits have agreed to discontinue their respective actions against SFI. This has resulted in lower contingent liabilities of RM313,300,000 and, consequently, the amount of which the immediate holding company has agreed to indemnify the Company has been reduced from RM428,000,000 in 2000 to RM313,300,000 in 2001.

29. CAPITAL COMMITMENTS

As of 30 June 2001, the Group has the following capital commitments:

	The Group	
	2001 RM'000	2000 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	954	6,694
Approved but not contracted for:		
Purchase of property, plant and equipment	13,907	33,993
Plantation development expenditure	18,470	38,372
	32,377	72,365
	33,331	79,059

30. SIGNIFICANT CORPORATE EVENT

The Company had in the previous financial statements reported that the transactions to be undertaken by Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company and Lion Land Berhad ("LLB"), a related company, pursuant to a Group-Wide Restructuring Scheme ("Proposed GWRS") proposed by Amsteel and LLB, would involve, inter-alia, a change in the shareholding structure of the Company following the acquisition by LLB of 100% equity interest in the Company upon the implementation of the Proposed GWRS.

Subsequent to the aforesaid announcement, Amsteel and LLB had on 8 October 2001 announced a revision of certain terms of the Proposed GWRS ("Revised Proposed GWRS").

Under the Revised Proposed GWRS, the proposed acquisition of 100% equity interest in the Company shall now be undertaken by LLB (31%) and Amsteel Mills Sdn Bhd, a subsidiary of LLB (69%).

31. SEGMENT INFORMATION

Financial information by industry segment is as follows:

	The Group	
	2001 RM'000	2000 RM'000
Revenue from customers outside the Group:		
Timber extraction and pulp and paper	417,825	462,180
Building materials and consumables	82,544	77,888
Others	39,136	33,344
Total revenue	539,505	573,412
Profit/(Loss) before tax:		
Timber extraction and pulp and paper	39,418	65,530
Building materials and consumables	3,463	3,654
Others	(8,612)	1,332
Associated company	171	(2,966)
Profit before tax	34,440	67,550
Assets employed:		
Timber extraction and pulp and paper	1,692,422	1,655,956
Building materials and consumables	121,125	127,123
Others	23,813	23,152
Associated company	9,351	9,180
Total assets employed	1,846,711	1,815,411

Information on the Group's operations by geographical segments has not been provided as the Group operated principally in Malaysia.

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Fixed deposit with a licensed bank	7,000	7,000	–	–
Cash on hand and at banks	23,292	5,098	1,925	3,367
Bank overdrafts (Note 23)	(5,598)	(5,050)	(3,584)	(4,324)
	<u>24,694</u>	<u>7,048</u>	<u>(1,659)</u>	<u>(957)</u>
Less: Non cash equivalents:				
Cash at banks held under Escrow Account (Note 21)	(251)	–	(251)	–
	<u>24,443</u>	<u>7,048</u>	<u>(1,910)</u>	<u>(957)</u>

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. These relate mainly to reclassifications of amount owing by/to subsidiary companies previously included in investment in subsidiary companies to their respective classifications under current assets/liabilities to reflect the underlying nature of the amount.

34. GENERAL INFORMATION

The total number of employees (including directors) of the Group and of the Company at the end of the financial year was 2,657 (2,813 in 2000) and 79 (79 in 2000), respectively.

The Company's registered office is located at Level 46, Menara Citibank, 165, Jalan Ampang, 50450 Kuala Lumpur.

The Company's principal place of business is located at 2nd Floor, Wisma Silverstone, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

STATEMENT BY DIRECTORS

The directors of **POSIM BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2001 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

TAN SRI WILLIAM H.J. CHENG

NGAN YOW CHONG

Kuala Lumpur,
29 October 2001

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN SRI WILLIAM H.J. CHENG**, the Director primarily responsible for the financial management of **POSIM BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, 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.

Subscribed and solemnly declared by the abovenamed
TAN SRI WILLIAM H.J. CHENG at **KUALA LUMPUR** in
the **FEDERAL TERRITORY** this 29th day of October 2001.

Before me,

W-217
P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2001

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition
3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land and building	Factory (12)	1.0	6.8.1992
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land and building	Factory (7)	8.4	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land and building	2-storey shop office (16)	0.1	13.4.1998
Menara Duta 2 Unit No: B-13A-C7 Block B, Jalan 1/38B Off Jalan Segambut 51200 Kuala Lumpur	Freehold	1,473 sq feet	Building	Condominium (4)	0.2	17.7.1998
Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Keramat 26/35, Seksyen 26 40400 Shah Alam	Freehold	2,716 sq feet	Building	Office (3)	0.4	18.3.1999
50, Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land and building	4 1/2-storey shop office (3)	0.7	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land and building	3-storey shop office (2)	0.7	9.2.1999
Kampung Seboboh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	Log pond and waste disposal area	1.6	1.1.1989
Kampung Seboboh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land and building	Residential (13-16)	61.9	1.1.1983
Kampung Seboboh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	Vacant	1.5	1.1.1983
Kampung Seboboh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	Jetty	25.3	1.1.1983

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land and building	Pulp and paper mills (13-16)	) ) ) )	1.1.1988
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land and building	Pulp and paper mills (13-16)	) ) ) ) 463.6	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land and building	Mills and housing (13-16)	) ) )	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land and building	Pump house (13-16)	) ) ) ) 0.1	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	Nursery site	) ) ) ) 0.1	1.1.1984
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	Plantation	) ) ) ) 15.3	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	Plantation	) ) ) ) 14.7	1.1.1989

ANALYSIS OF SHAREHOLDINGS

AS AT 19 OCTOBER 2001

Share Capital

Authorised Share Capital	–	RM500,000,000
Issued and Paid-up Capital	–	RM203,218,571
Class of Shares	–	Ordinary shares of RM1.00 each
Voting Rights	–	One (1) vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 1,000	17	0.42	1,760	0.00
1,000 – 10,000	3,737	92.68	9,398,340	4.62
10,001 – 100,000	237	5.88	5,954,000	2.93
100,001 to less than 5% of issued shares	40	1.00	26,864,471	13.22
5% and above of issued shares	1	0.02	161,000,000	79.23
	<u>4,032</u>	<u>100.00</u>	<u>203,218,571</u>	<u>100.00</u>

Substantial Shareholders

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Datuk Cheng Yong Kim	–	–	178,234,171	87.71
2. Happyvest (M) Sdn Bhd	4,023,615	1.98	174,165,556	85.70
3. Lancaster Trading Company Limited	–	–	178,234,171	87.71
4. Lion Holdings Sdn Bhd	45,000	0.02	178,189,171	87.68
5. Lion Realty Pte Ltd	–	–	178,234,171	87.71
6. Tan Sri William H.J. Cheng	–	–	178,234,171	87.71
7. Utara Enterprise Sdn Bhd	–	–	178,234,171	87.71
8. William Cheng Sdn Bhd	–	–	178,234,171	87.71
9. Amanvest (M) Sdn Bhd	457,500	0.23	170,097,271	83.70
10. Amsteel Corporation Berhad	–	–	170,097,271	83.70
11. Angkasa Marketing Berhad	–	–	170,097,271	83.70
12. Avenel Sdn Bhd	170,097,271	83.70	–	–
13. Lembaga Tabung Angkatan Tentera	–	–	170,097,271	83.70
14. Lion Corporation Berhad	–	–	170,097,271	83.70
15. Lion Land Berhad	–	–	170,097,271	83.70
16. Mirzan bin Mahathir	–	–	170,097,271	83.70
17. Peringkat Prestasi (M) Sdn Bhd	–	–	170,097,271	83.70
18. Timuriang Sdn Bhd	–	–	170,097,271	83.70
19. Umatrac Enterprises Sdn Bhd	–	–	170,097,271	83.70

Directors' interest in shares in the Company and its related companies

The Directors' interest in shares in the Company and its related companies are the same as that shown in the Directors' Report for the financial year ended 30 June 2001 except for the following:

	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
The Company				
Tan Sri William H.J. Cheng	–	–	178,234,171	87.71
Related Companies				
Tan Sri William H.J. Cheng				
Amsteel Corporation Berhad	–	–	470,561,886	37.36
Chocolate Products (Malaysia) Berhad	–	–	232,254,501	66.66
Lion Land Berhad	1,680	**	342,318,285	57.69
Silverstone Berhad	–	–	149,742,465	73.45
Hy-Line Berhad	–	–	*2,484	N/A
Jen (B) Tan Sri Dato' Zain Hashim				
Silverstone Berhad	189,320	0.09	–	–

* Preference shares

** Negligible

Thirty Largest Registered Shareholders

Shareholders	No. of Shares	% of Shares
1. HDM Nominees (Tempatan) Sdn Bhd DBS Bank Labuan Branch for Avenel Sdn Bhd	161,000,000	79.23
2. PB Trustee Services Berhad Avenel Sdn Bhd	8,900,000	4.38
3. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Panoron Sdn Bhd	2,193,468	1.08
4. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Arab-Malaysian Merchant Bank Berhad (2 1/136-8)	1,860,000	0.92
5. HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Kim Swee	1,483,000	0.73
6. Amsteel Securities (M) Sdn Bhd	1,317,000	0.65
7. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd	1,220,730	0.60
8. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd	913,950	0.45
9. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (514039505107)	824,837	0.41
10. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Happyvest (M) Sdn Bhd	674,511	0.33
11. Thiang Thin Poh Joseph	601,500	0.30
12. Malaysia National Insurance Berhad	561,000	0.28
13. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd (51403950510B)	503,367	0.25

Shareholders	No. of Shares	% of Shares
14. Happyvest (M) Sdn Bhd	478,700	0.24
15. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (7/284-4)	457,500	0.23
16. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (301-292918-089)	424,837	0.21
17. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (BK 7/587-8)	400,000	0.20
18. Employees Provident Fund Board	327,000	0.1
19. Mayfin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Securities (M) Sdn Bhd (KLG)	315,800	0.16
20. Mohamed Tamrin bin Munir	309,000	0.15
21. Amsteel Equity Nominees (Tempatan) Sdn Bhd Lion Group Medical Assistance Fund	237,000	0.12
22. Avenel Sdn Bhd	197,271	0.10
23. Quarry Lane Sdn Bhd	190,000	0.09
24. Kok Kai Yan	189,000	0.09
25. Risha Augustine Rajadurai	184,000	0.09
26. RHB Nominees (Asing) Sdn Bhd Kripalson International Ltd	171,000	0.08
27. Straits Nominees (Asing) Sdn Bhd GK Goh SPL for Tok Boon Choo (10/220488)	171,000	0.08
28. Pui Cheng Wui	169,000	0.08
29. HLG Nominee (Asing) Sdn Bhd Pledged Securities Account for Lin Chung-Dien	157,000	0.08
30. Mayfin Nominees (Tempatan) Sdn Bdn Pledged Securities Account for Growthfolio Sdn Bhd (MDTS)	156,000	0.08

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Conditional Share Sale Agreement dated 5 July 2000, First Supplementary Agreement dated 19 October 2000 and Second Supplementary Agreement dated 8 October 2001 between Amsteel Corporation Berhad, Umatrac Enterprises Sdn Bhd, the Company, Lion Corporation Berhad ("LCB") and Limpahjaya Sdn Bhd of the one part ("Vendors A") and Angkasa Marketing Berhad ("AMB"), a company in which a director and certain major shareholders have an interest, of the other part for the disposal by the Vendors A of 119,563,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad to AMB for a consideration of RM150,055,564 to be satisfied by an issue of RM143,147,530 in value of new AMB shares at a proposed issue price of RM1.00 per AMB share and the balance of RM6,908,034 to be set-off against inter-company balances owing from LCB Group to AMB Group.

OTHER INFORMATION

Options Exercised

During the financial year ended 30 June 2001, a total of 176,000 options were exercised at an option price of RM2.40 per share pursuant to the Executive Share Option Scheme of the Company.

Non-audit Fees

The amount of non-audit fees paid or payable to external auditors for the financial year was RM5,500.

Variation in Results

The audited consolidated results of the Group for the financial year ended 30 June 2001 differed from the fourth quarter unaudited consolidated results announced on 27 August 2001 ("Announcement").

As disclosed in the Announcement, the unaudited consolidated results of the Group did not include any adjustments relating to the recoverability of certain assets or receivables which may be necessary upon the completion of discussions with lenders on the revised terms of the Proposed GWRS to be undertaken by Amsteel. Amsteel had since on 8 October 2001 announced the revision of certain terms of the Proposed GWRS. Accordingly, the necessary provision has been incorporated in the audited consolidated results for the financial year ended 30 June 2001.

Apart from the provision arising from the Revised Proposed GWRS, the audited consolidated results of the Group does not differ materially from the fourth quarter unaudited consolidated results as per the reconciliation below:

Earnings (Year-to-date)	RM'000
As per the Announcement	42,452
Taking into account the provision now ascertained pursuant to the Revised Proposed GWRS:	
- Provision for doubtful debts in respect of amount owing by ultimate holding company, Amsteel	(11,000)
Earnings after adjustment	(a) <u>31,452</u>
Earnings as per Audited Financial Statements	(b) <u>30,932</u>
Variance – RM'000	(c) = (b) – (a) (520)
– %	(c)/(a) -1.7%

FORM OF PROXY

I/We
of
being a member/members of POSIM BERHAD, hereby appoint
.....
of
or failing him
of

as my/our proxy to vote for me/us and on my/our behalf, at the Nineteenth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 10 December 2001 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Lee Ching Kion		
5. To re-elect as Director, Y. Bhg. Dato' Dali Mahmud Hashim		
6. To re-elect as Director, Mr Ngan Yow Chong		
7. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
8. To re-appoint as Director, Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim		
9. To re-appoint Auditors		
10. Authority to issue shares		

Please indicate with an 'X' how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my hand this day of 2001

No of Shares Signed

In the presence of

Representation at Meeting

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the member.
- A proxy need not be a member of the Company.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal. An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the Meeting.

