

CONTENTS

	Page
Notice of Meeting	1-2
Corporate Information	3
Audit Committee	4
5 Years' Group Financial Highlights	5
The Group's Businesses	6
Chairman's Statement:	
Bahasa Malaysia	7-8
English	9-10
Mandarin	11
Financial Statements:	
Directors' Report	12-21
Auditors' Report	22
Income Statements	23
Balance Sheets	24
Statements of Changes in Equity	25
Consolidated Cash Flow Statement	26-27
Notes to the Financial Statements	28-49
Statement by Directors	50
Statutory Declaration	50
List of Group Properties	51-52
Analysis of Shareholdings	53-54
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Posim Berhad will be held at the Meeting Hall, Level 23, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 13 December 2000 at 3.30 pm for the following purposes:

AGENDA

- | | | |
|----|---|---------------------|
| 1. | To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 June 2000. | Resolution 1 |
| 2. | To approve the payment of a first and final dividend of 1% less 28% Malaysian Income Tax. | Resolution 2 |
| 3. | To approve the payment of Directors' fees amounting to RM39,700.00. | Resolution 3 |
| 4. | To re-elect Directors: | |
| | (i) In accordance with Article 101 of the Company's Articles of Association, Y. Bhg. Datuk Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election. | Resolution 4 |
| | (ii) In accordance with Article 83 of the Company's Articles of Association, Y. Bhg. Dato' Murad Mohamed Hashim who was appointed since the last annual general meeting retires and, being eligible, offers himself for re-election. | Resolution 5 |
| 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 6 |
| 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 7 |
| 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 in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." | Resolution 8 |
| 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 12 December 2000 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 12.30 pm on 14 December 2000 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 30 December 2000 to shareholders on the Register of Members of the Company at the close of business on 14 December 2000.

By Order of the Board

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

Secretaries

Kuala Lumpur
25 November 2000

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 him.
 - 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 8 - 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 on the conclusion of the next annual general meeting of the Company.

CORPORATE INFORMATION

Directors	: Y. Bhg. Tan Sri William H.J. Cheng (Chairman and Managing Director) Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Dato' Mohamad bin Haji Ahmad Encik Mohd. Nadzri bin A. Halim Y. Bhg. Dato' Murad Mohamed 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 Homepage: http://www.lion.com.my
Principal Place of Business	: 2nd Floor, Wisma Silverstone Lot 72, Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan Tel No: 03-5118599
Share Registrar	: Secretarial Communications Sdn Bhd Suite 11.01, Level 11, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21648411, 21648412
Auditors	: Deloitte KassimChan (formerly known as Kassim Chan & Co) 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 BSN Commercial Bank (Malaysia) 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

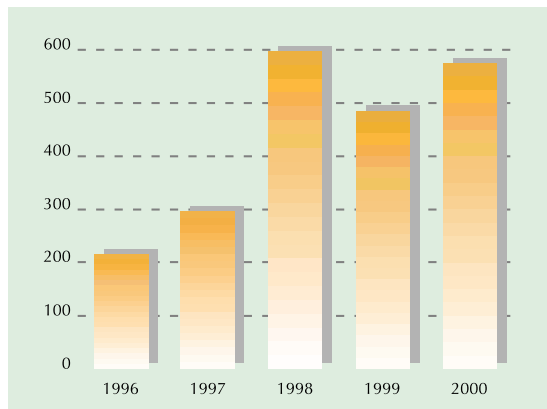
AUDIT COMMITTEE

- Chairman of Audit Committee** : Encik Mohd. Nadzri bin A. Halim
(Independent Non-Executive Director)
- Members** : Y. Bhg. Datuk Cheng Yong Kim
(Non-Independent Executive Director)
- Y. Bhg. Dato' Mohamad bin Haji Ahmad
(Independent Non-Executive Director)
- Secretaries** : Ms Tan Seiw Ling
Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li
- Terms of Reference** : a) To consider and recommend the appointment, resignation and/or dismissal of the External Auditors, the audit fee and any matters related thereto;
- b) To appoint the Head of Internal Audit;
- c) To review with the External and/or Internal Auditors:
- i) the audit plan, its scope and nature and ensure coordination where more than one Audit Firm is concerned;
 - ii) the system of internal accounting controls and its effectiveness;
 - iii) the audit report as well as the quarterly unaudited financial statements of the Company and Group;
 - iv) any changes in accounting policies and principles (if any), compliance with Statutory and Stock Exchange Requirements and generally accepted accounting principles;
 - v) any matter arising including any report or management letter and management response; and
 - vi) the Internal Auditors' program and consider the major findings of internal audit investigations and management response and ensure coordination between Internal and External Auditors;
- d) To review related party transactions that may arise within the Company or Group and any other major transactions outside of the normal course of business of the Company and Group; and
- e) Such other matters as the Board may from time to time determine.

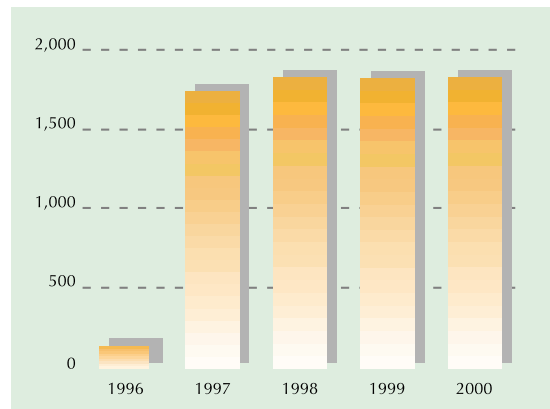
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Years ended 30 June	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Turnover	214,891	296,419	594,909	485,467	573,412
Profit before taxation	4,173	15,814	35,382	37,576	67,550
Profit after taxation	3,055	13,021	33,577	37,580	65,560
Dividends:					
Rate	20.0%	20.0%	1.0%	0.1%	1.0%
Amount (Net of tax)	2,746	2,746	1,462	146	1,462
Total assets employed	124,906	1,731,647	1,818,048	1,810,973	1,815,411
Shareholders' funds	34,856	1,326,675	1,355,615	1,433,152	1,495,530
Net tangible assets	34,003	1,073,681	1,112,794	1,200,505	1,273,327
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	173	529	548	591	627
Earnings per share	15.6	32.3	12.1	17.0	31.4

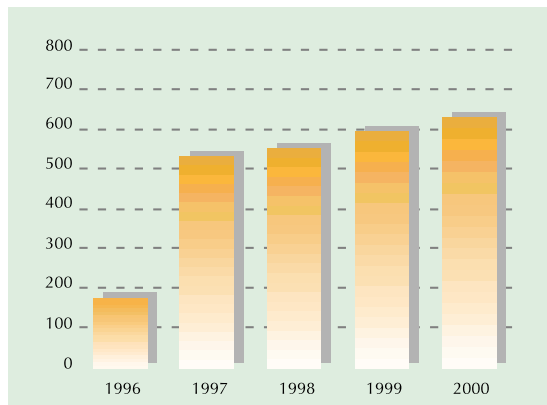
TURNOVER
RM Million



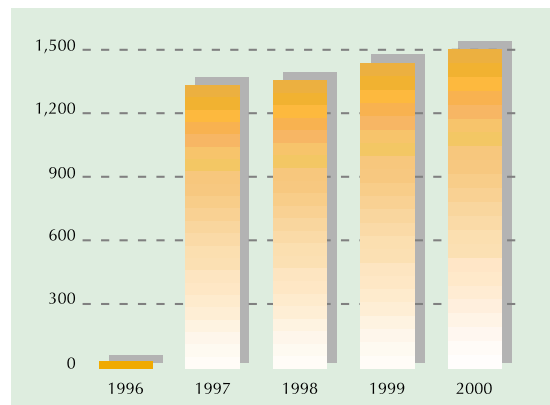
TOTAL ASSETS EMPLOYED
RM Million



NET TANGIBLE ASSETS PER SHARE
Sen



SHAREHOLDERS' FUNDS
RM Million



THE GROUP'S BUSINESSES



Aerial view of Sabah Forest Industries' (SFI) pulp and paper mill at Sipitang, Sabah.
Pemandangan udara loji pulpa dan kertas Sabah Forest Industries (SFI) di Sipitang, Sabah.



High quality printing and writing paper produced by SFI.
Kertas cetak dan tulis bermutu tinggi keluaran SFI.



SFI water treatment plant.
Loji rawatan air SFI.



"Hi-Rev" motor oil's stylish new packaging catering to the needs of motorsports enthusiasts.
Minyak motor "Hi-Rev" dengan pek baru memenuhi keperluan peminat-peminat sukan bermotor.

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Kumpulan dan Syarikat bagi tahun kewangan berakhir 30 Jun 2000.

PRESTASI KEWANGAN

Untuk tahun kewangan yang ditinjau, perolehan Kumpulan meningkat sebanyak 18% kepada RM573 juta berbanding dengan RM485 juta yang dilaporkan pada tahun lepas. Keuntungan sebelum cukai juga meningkat ketara kepada RM67.6 juta, peningkatan sebanyak 80% berbanding RM37.6 juta yang dicatatkan pada tahun 1999. Pemulihan ketara dalam keputusan Kumpulan ini adalah hasil prestasi yang lebih baik oleh Bahagian Pengekstrakan Balak serta Pulpa dan Kertas.

PERKEMBANGAN KORPORAT

Pada 5 Julai 2000, syarikat pemegang utama Kumpulan, Amsteel Corporation Berhad ("Amsteel") telah mengumumkan cadangan Skim Penyusunan Semula Seluruh Kumpulan ("Cadangan SPSSK") yang melibatkan berbagai langkah penstrukturan semula hutang, program-program pelupusan dan langkah-langkah penstrukturan semula korporat. Skim ini akan membolehkan Amsteel memenuhi tanggungjawab-tanggungjawab kewangan serta meneruskan operasi pada dasar berterusan dan berada di kedudukan yang menguntungkan dalam jangka panjang. Cadangan SPSSK juga melibatkan pelupusan seluruh kepentingan ekuiti Kumpulan Amsteel dalam Syarikat kepada Lion Land Berhad.

TINJAUAN OPERASI

Pengekstrakan Balak serta Pulpa dan Kertas

Pada tahun yang ditinjau, Sabah Forest Industries Sdn Bhd ("SFI") mencatatkan perolehan yang lebih tinggi berjumlah RM462 juta dan keuntungan sebelum cukai berjumlah RM65.5 juta. Prestasi memberangsangkan ini, sebahagian besarnya berpunca daripada harga kertas yang melambung tinggi pada tahun ini dan juga permintaan kukuh yang berterusan untuk balak bergergaji dan papan lapis.

Dengan kilang pulpa dan kertas bersepadu sepenuhnya yang pertama dan terbesar di Malaysia, SFI telah meraih manfaat daripada kenaikan harga kertas, daripada serendah RM2,000 se tan metrik

sehingga setinggi RM2,600 se tan metrik. Kira-kira 60% daripada perolehan SFI disumbangkan oleh Bahagian Pulpa dan Kertas. Bahagian ini kini mengekspor 30% daripada hasil keluarannya ke negara-negara di Timur Tengah dan Asia Timur.

Untuk lebih mengukuhkan daya saingnya, SFI kini menjurus ke arah aktiviti-aktiviti hiliran pemerosesan balak. Dengan beroperasinya kilang balak bergergaji dan papan lapis pada tahun 1999, kedua-duanya telah meluaskan lagi asas pendapatan SFI dan membolehkannya menerokai pasaran utama venier dan papan lapis ke luar negara seperti di China, Korea dan Jepun.

Mengorak langkah ke hadapan, program penghutan semula yang diamalkan oleh SFI secara aktif akan membolehkannya memajukan 289,000 hektar konsesi balak kepada hutan kekal berterusan bagi menyokong masa hadapan kilang-kilang pulpa dan kertas dan aktiviti-aktiviti hiliran pemerosesan balak. Pelaksanaan sepenuhnya Kawasan Dagangan Bebas Asean ("AFTA") pada tahun 2003 dijangka tidak akan menjejaskan prestasi operasi SFI, malah mungkin akan membuka peluang-peluang untuk menerokai pasaran kayu bebas yang dahulunya dikawal dalam lingkungan negara-negara Asean.

Bahan binaan dan lain-lain

Pasaran bahan-bahan binaan di dalam negara terus bersaing sengit. Peningkatan dalam aktiviti-aktiviti pembinaan terutamanya sektor pembinaan rumah kos rendah dan sederhana membolehkan Bahagian mencatat perolehan yang tinggi sedikit berbanding dengan tahun lepas. Seajar dengan pemulihan ekonomi Malaysia, prestasi Bahagian dijangka menunjukkan pemulihan.

Bahagian Minyak Pelincir dan Aksesori Motor mencatatkan prestasi yang memuaskan dengan peningkatan dalam penggunaan domestik. Peningkatan jumlah jualan yang dicapai telah merangsang pendapatan Bahagian walaupun mengalami tekanan kenaikan kos import bahan-bahan mentah akibat kenaikan harga minyak mentah. Minyak pelincir berjenama 'Hi-Rev' kini merupakan salah satu minyak pelincir yang mencatat jualan tertinggi di dalam negara. Minyak pelincir motosikal 'T-Trax' juga semakin diterima dalam pasaran sejak diperkenalkan. Seiringan dengan strategi Bahagian untuk memasarkan produk berjenama sendiri, palam pencucuh baru 'Sparx' telah dilancarkan pada tahun ini. Sambutan yang diterima adalah memuaskan.

Pengedaran dan Pemasangan Kenderaan Bermotor

Kinabalu Motor Assembly Sendirian Berhad, syarikat bersekutu 20% milik Kumpulan, terbabit dalam pemasangan dan pengedaran rangkaian kenderaan perdagangan dan pacuan empat-roda 'Isuzu' di Malaysia Timur, mencatat keputusan yang lebih rendah pada tahun tinjauan. Syarikat ini mencatatkan kerugian sebelum cukai berjumlah RM14 juta berbanding dengan keuntungan sebelum cukai berjumlah RM1 juta pada tahun sebelumnya. Peningkatan Yen Jepun berbanding Ringgit Malaysia secara keseluruhannya telah menyebabkan kesan ketara pada prestasi Bahagian ini. Satu program bersepadu merangkumi langkah-langkah memulihkan pengeluaran dan mengawal kos telah dirangka bagi menghadapi suasana persaingan yang dialami oleh Bahagian ini.

DIVIDEN

Untuk tahun kewangan berakhir 30 Jun 2000, Lembaga Pengarah mengesyorkan dividen pertama dan akhir sebanyak 1.0 sen (1999 : 0.1 sen) sesaham ditolak 28% cukai pendapatan untuk kelulusan para pemegang saham di Mesyuarat Agung Tahunan yang akan datang. Jumlah keseluruhan dividen bersih berbayar akan berjumlah RM1.5 juta (1999 : RM0.15 juta).

PROSPEK

Keadaan ekonomi yang semakin pulih di kebanyakan negara-negara Asean dan negara-negara Asia telah membuka jalan bagi Kumpulan untuk meluaskan lagi pasaran luar negara. Sedang pemulihan ekonomi Malaysia mengumpul kekuatan dan momentumnya, Kumpulan berada pada kedudukan yang baik untuk mencatat satu lagi keputusan yang memberangsangkan di tahun kewangan yang akan datang.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya mengambil kesempatan ini untuk mengucapkan terima kasih dan penghargaan ikhlas kami kepada kesemua kakitangan atas dedikasi dan iltizam mereka sepanjang tahun. Kepada para pelanggan, prinsipal, pengedar, pihak-pihak bank dan sekutu perniagaan, kami ingin mengucapkan ribuan terima kasih atas sokongan dan keyakinan mereka yang berterusan kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG

Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2000.

FINANCIAL PERFORMANCE

For the year under review, the Group's turnover improved by 18% to RM573 million from RM485 million reported in the previous year. Profit before tax also increased significantly to RM67.6 million, an increase of 80% against RM37.6 million recorded in 1999. The substantial improvement in the Group's results was mainly attributed to the better performance recorded by our Timber Extraction and Pulp and Paper Division.

CORPORATE DEVELOPMENT

On 5 July 2000, the Group's ultimate holding company, Amsteel Corporation Berhad ("Amsteel") had 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 the sale of Amsteel Group's entire equity interest in the Company to Lion Land Berhad.

REVIEW OF OPERATIONS

Timber Extraction and Pulp and Paper

For the year under review, Sabah Forest Industries Sdn Bhd ("SFI") recorded a higher turnover of RM462 million and a profit before taxation of RM65.5 million. The impressive performance was to a large extent attributable to the significant upswing in paper prices during the year as well as the continued strong demand for sawn timber and plywood.

Being the first and the largest fully integrated pulp and paper mill in Malaysia, SFI has benefited from the escalation in paper prices which have moved from a low of RM2,000 per metric ton to a high of RM2,600 per metric ton. About 60% of SFI's revenue was generated by the Pulp and Paper Division with the Division currently exporting 30% of its products to countries in the Middle East and the Far East Asian countries.

To further enhance its competitive edge, SFI is currently moving towards downstream timber processing activities. The commissioning of both the sawn timber

and plywood mills in 1999 has further broadened SFI's earnings base and enabled it to tap into major overseas markets for veneer and plywood such as China, Korea and Japan.

Moving forward, the active reforestation programme adopted by SFI will enable it to develop its 289,000 hectares of timber concession into a sustainable forest going concern to support the future pulp and paper mills and its downstream timber processing activities. The full implementation of Asean Free Trade Area ("AFTA") in 2003 is not expected to affect SFI's operational performance and may well open up opportunities for it to penetrate previously protected wood-free markets within the Asean countries.

Building Material and Others

The market for building materials in the country continues to be highly competitive. The increase in construction activities for the low and medium cost housing sectors has enabled the Division to register a marginally higher turnover as compared to the previous year. In tandem with the recovery of the Malaysian economy, the Division is expected to show further improvements in its performance.

Our Lubricant and Motor Accessories Divisions recorded an encouraging performance in line with the increase in domestic consumption. The higher sales volume achieved has boosted the earnings of this Division despite experiencing increasing cost pressure in its imported raw materials following the increase in crude oil prices. The 'Hi-Rev' brand of lubricants are now one of the top selling lubricants in the country. The 'T-Trax' motorcycle lubricant has also gained good market acceptance since its introduction. In line with the Division's strategy of marketing its own brand of products, a new spark plug 'Sparx' was launched during the financial year. The response received has been encouraging.

Motor Vehicle Assembly and Distribution

Kinabalu Motor Assembly Sendirian Berhad, the Group's 20% owned associated company involved in the assembly and distribution of the 'Isuzu' range of commercial vehicles and four-wheel drives in East Malaysia, reported a lower set of results during the financial year under review. A loss before tax of RM14 million was recorded compared to a marginal profit before tax of RM1 million in the previous year. The unfavourable appreciation of the Japanese Yen against the Malaysian Ringgit has to a large extent, adversely affected the performance of this Division. A concerted programme of production improvements and cost control measures has been instituted to mitigate the competitive conditions faced by the Division.

DIVIDEND

For the financial year ended 30 June 2000, the Board of Directors recommend a first and final dividend of 1.0 sen (1999 : 0.1 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 RM1.5 million (1999 : RM0.15 million).

PROSPECTS

The economic recovery taking hold within most of the Asean countries and much of Asia has enabled the Group to see further progress in broadening its overseas market. As the recovery of the Malaysian economy gathers strength and momentum, the Group will be well placed to chalk up another set of impressive results in the next financial year.

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 throughout the year. To our valued customers, principals, dealers, bankers and business associates, we wish to thank them for their continued support and confidence in the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席報告

我谨代表董事部、欣然提呈本集团与本公司截至2000年6月30日为止的财政年度报告和经审核的帐目。

财务表现

在受检讨的财政年度内，本集团的营业额增加18%，从上一年度的4亿8千500万元增加至本年度的5亿7千300万元。税前利润也激增至6千760万元，较1999年度的3千760万元增加了80%。集团的业务大有改善，主要是由於伐木、纸浆及造纸组有特出的表现。

企业发展

在2000年7月5日，本公司的控股公司，合钢实业有限公司(“合钢”)宣布其集团重组计划。有关计划涉及了债务重组，资产脱售及企业重组。这将协助合钢的财务偿还，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把它在本公司的全部股权脱售于金狮置地有限公司。

业务检讨

伐木、纸浆及造纸

在受检讨的财政年度内，沙巴森林工业私人有限公司(“SFI”)的营业额达到4亿6千200万元，税前利润共6千550万元。其出色的表现，在很大程度上是在这一年内，由於纸张的价格大为提高，以及树桐和胶合板继续持有强大的需求。

SFI是马来西亚的第一间也是规模最大的全面性综合纸浆及造纸厂。它从纸张价格不断上涨中受惠，纸张价格从每公吨2,000元上涨至每公吨2,600元。SFI的收入之中，大约60%来自纸浆及造纸组，该组目前把其产品的30%出口到中东和远东的亚洲国家。

为了进一步加强竞争优势，SFI目前朝向下流的木材加工业活动。锯木厂和胶合板厂在1999年投入生产，进一步扩大SFI的盈利基础，使它能够打入夹板和胶合板的主要海外市场，包括中国、韩国及日本。

另一方面，SFI积极展开的重植森林计划，使它能够将拥有木材特许主权的289,000公顷森林地，变成持续性的森林企业，以支援未来的纸浆及造纸厂及其下游的木材加工业活动。将在2003年全面实施的东合自由贸易区，预料不会影响到SFI的业务表现，反而可能提供机会，让它打入以往受到保护的东合国家的木材自由市场。

建筑材料及其他

国内的建筑材料市场仍然竞争激烈。廉价屋及中价屋的建筑活动增加，使其营业额比上一年度增加一些。随着本国经济复苏，预料这个组的表现会有更进一步的改善。

由於国内消费增加，我们的滑机油及汽车零件组有令人鼓舞的表现。更高的销售量使其利润增加，虽则由於原油价格上涨，导致进口的原料蒙受成本提高的压力。“Hi-Rev”牌滑机油目前是国内最畅销的滑机油之一。“T-Trax”电单车滑机油自面市以来，也获得市场的良好接受。为了配合销售本身品牌产品的市场策略，其组已在本财政年度推出新的“Sparx”火花塞，市场的反应令人鼓舞。

车辆装配及分销

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，它在东马装配及分销ISUZU商用车及四轮驱动车，在受检讨的财政年度内业绩欠佳。它蒙受1千400万元的税前亏损，而上一年是盈利100万元。日圆对马币增值，在很大程度上对这个行业产生不利影响。公司已采取改善生产和控制成本双管齐下的措施，以缓和所面对的竞争情况。

股息

董事会建议，在2000年6月30日结束的财政年度内，派发每股1分(1999年为0.1分)扣除28%所得税的一次过终期股息。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150万元(1999年为15万元)。

展望

东合的大多数国家以及亚洲国家的经济持续复苏，使本集团能够进一步扩大其海外市场。随着马来西亚的经济复苏日益强劲，本集团有望在下一个财政年度创造佳绩。

鸣谢

對於我们的全体雇员在这一年内敬业乐业，努力工作，我谨代表董事部致以万二分的谢意。我也要感谢顾客、总代理、代理商、银行及商业伙伴们的继续支持和信任。

主席

丹斯里钟廷森

FINANCIAL STATEMENTS

2000

For The Year Ended 30 June 2000

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 2000.

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 companies are as listed in Notes 12 and 13 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 on 5 July 2000 announced 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 the 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.

The Proposed GWRS is subject to the approvals of the Kuala Lumpur Stock Exchange, Securities Commission, the shareholders and scheme creditors of the respective companies and all other relevant authorities.

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 before share in loss of associated company	70,516	3,733
Share in loss of associated company	(2,966)	-
	<hr/>	<hr/>
Profit before tax	67,550	3,733
Income tax expense	(1,990)	(1,113)
	<hr/>	<hr/>
Profit after tax	65,560	2,620
Minority interest in results of subsidiary companies	(1,720)	-
	<hr/>	<hr/>
Net profit for the year	<u>63,840</u>	<u>2,620</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.

DIVIDENDS

A first and final dividend of 0.1%, less 28% tax, amounting to RM146,191 proposed in the previous financial year and dealt with in the previous directors' report was paid by the Company during the current financial year.

The directors propose a first and final dividend of 1%, less 28% tax, amounting to RM1,461,910 in respect of the current financial year.

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

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

EXECUTIVE SHARE OPTION SCHEME

The new Executive Share Option Scheme ("ESOS") for the eligible executives and executive directors for the Group was approved by the shareholders of the Company on 28 March 2000. The ESOS became effective on 31 May 2000 and will expire on 30 May 2005. During the financial year, 3,508,000 options with a right to subscribe for 3,508,000 new ordinary shares of RM1.00 each were granted on 21 June 2000 at an option price of RM2.40 per share.

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 of 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 ESOS 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 ESOS Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.
- (f) The persons to whom the options have been granted have no right to participate in any share option scheme implemented by any other company within the Group.

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

Exercisable From	Subscription Price Per Share	Balance as of 1.7.1999	Granted	Exercised	Unissued Shares as of 30.6.2000
21 June 2000	RM2.40	-	3,508,000	-	3,508,000

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:

- (a) 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
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would render the amount written off 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
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than the subsequent events as disclosed in Note 29 to the Financial Statements.

DIRECTORS

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

Tan Sri William H.J. Cheng
Datuk Cheng Yong Kim
Dato' Mohamad bin Haji Ahmad
Mohd. Nadzri bin A. Halim
Jen (B) Tan Sri Dato' Zain Hashim
Dato' Murad Mohamed Hashim (appointed on 19.5.2000)

In accordance with Article 101 of the Company's Articles of Association, Datuk Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election.

Dato' Murad Mohamed Hashim who was appointed to the Board since the last Annual General Meeting, retires under Article 83 of the Company's Articles of Association and, being eligible, offers himself for re-election.

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-election 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 1.7.1999	Bought	Sold	Balance as of 30.6.2000
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	182,664,471	-	3,000,000	179,664,471
Datuk Cheng Yong Kim	182,664,471	-	3,000,000	179,664,471
Mohd. Nadzri bin A. Halim	26,000	-	-	26,000

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 1.7.1999	Number of Shares		Balance as of 30.6.2000
			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
Jen (B) Tan Sri Dato' Zain Hashim					
Amsteel Corporation Berhad	RM0.50	265,808	-	-	265,808
Angkasa Marketing Berhad Chocolate Products (Malaysia) Berhad	RM1.00	220,625	-	-	220,625
Lion Land Berhad	RM0.50	35,600	-	-	35,600
Silverstone Berhad	RM1.00	29,969	-	-	29,969
	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

Direct Interest	Nominal Value Per Ordinary Share	Balance as of 19.5.2000 (date of appointment)	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
Dato' Murad Mohamed Hashim					
LLB Strategic Holdings Berhad	RM1.00	450,000	-	-	450,000
Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
Tan Sri William H.J. Cheng					
Amsteel Corporation Berhad	RM0.50	508,483,745	-	16,780,859	491,702,886
Angkasa Marketing Berhad	RM1.00	94,703,150	-	6,811,000	87,892,150
Lion Land Berhad	RM1.00	359,559,401	-	13,112,116	346,447,285
Silverstone Berhad	RM1.00	149,903,535	-	-	149,903,535
Brewood Investment Pte Ltd	S\$1.00	100	-	-	100
Croydon Investment Pte Ltd	S\$1.00	100	-	-	100
Dawson Investment Pte Ltd	S\$1.00	100	-	-	100
Farringdon Investment Pte Ltd	S\$1.00	100	-	-	100
Limerick Investment Pte Ltd	S\$1.00	100	-	-	100
Lion Jianmin Pte Ltd	S\$1.00	1,000	-	-	1,000
Silverstone Tyre (S) Pte Ltd	S\$1.00	31,750,100	-	-	31,750,100
Hy-Line Berhad	Nominal Value Per Preference Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
	RM1,000	2,468	2	-	2,470
Datuk Cheng Yong Kim	Nominal Value Per Ordinary Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
Amsteel Corporation Berhad	RM0.50	485,489,685	-	13,602,859	471,886,826
Angkasa Marketing Berhad	RM1.00	94,610,350	-	6,811,000	87,799,350
Lion Land Berhad	RM1.00	346,635,523	-	13,112,116	333,523,407
Silverstone Berhad	RM1.00	149,228,512	-	-	149,228,512
Brewood Investment Pte Ltd	S\$1.00	70	-	-	70
Croydon Investment Pte Ltd	S\$1.00	70	-	-	70
Dawson Investment Pte Ltd	S\$1.00	70	-	-	70
Farringdon Investment Pte Ltd	S\$1.00	70	-	-	70
Limerick Investment Pte Ltd	S\$1.00	70	-	-	70
Lion Jianmin Pte Ltd	S\$1.00	600	-	-	600
Silverstone Tyre (S) Pte Ltd	S\$1.00	25,400,080	-	-	25,400,080

Indirect Interest	Nominal Value Per Preference Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
Hy-Line Berhad	RM1,000	2,453	2	-	2,455

Tan Sri William H.J. Cheng Datuk Cheng Yong Kim	Nominal Value Per Ordinary Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	

Chocolate Products (Malaysia) Berhad	RM0.50	244,508,501	-	10,963,000	233,545,501
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
Bungawang Sdn Berhad	RM1.00	25,000	-	-	25,000
Crystavel Sdn Bhd	RM1.00	998	-	-	998
Davids 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	24,000,000	-	6,000,000	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 Enterprise Sdn Bhd	RM1.00	690,000	-	-	690,000
LLB Hazama Incorporated Sdn Bhd	RM1.00	3,300,000	-	-	3,300,000
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

Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
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
Cornelian Star (S) Pte Ltd	S\$1.00	100	-	-	100
Holdsworth Investment Pte Ltd	S\$1.00	4,500,000	-	-	4,500,000
Lion Asia Investment Pte Ltd	S\$1.00	27,225,000	-	-	27,225,000
Lion Biotech Pte Ltd	S\$1.00	1,000,000	-	-	1,000,000
Lion Rubber Industries Pte Ltd	S\$1.00	10,000,000	-	-	10,000,000
Masoni Investment Pte Ltd	S\$1.00	9,500,000	-	-	9,500,000
Parkson Glomart Pte Ltd	S\$1.00	1,000,000	-	-	1,000,000
Parkson Investment Pte Ltd	S\$1.00	10,000,000	-	-	10,000,000
Parkson Management Pte Ltd	S\$1.00	4,500,000	-	-	4,500,000
Parkson Supplies Pte Ltd	S\$1.00	100	-	-	100
Parkson Venture Pte Ltd	S\$1.00	14,800,000	-	-	14,800,000
Vochelle Investment Pte Ltd	S\$1.00	4,500,000	-	-	4,500,000
Willet Investment Pte Ltd	S\$1.00	45,954,450	-	-	45,954,450
PT Amsteel Securities Indonesia	Rp1,000	9,350,000	-	-	9,350,000
Hamba Research & Development Co Ltd	NT\$10.00	980,000	-	-	980,000

	Nominal Value Per Ordinary Share	Balance as of 8.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
PT Kebunaria *	Rp1,000,000	14,000	-	-	14,000

* became a related company on 8.7.1999

	Nominal Value Per Preference Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			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 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	-	-	146,000,000

Indirect Interest

Investments in the People's Republic of China	Currency	Balance as of 1.7.1999	Bought	Sold	Balance as of 30.6.2000
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	43,154,525	16,845,475	-	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	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	-	-	6,587,927
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
Ningbo Lion Brewery Co Ltd	Rmb	55,179,657	41,494,566	-	96,674,223
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	USD	2,410,118	-	-	2,410,118
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
Tianjin Zhaoxia Motorcycle Technical Development Co Ltd	USD	860,000	-	-	860,000
Wenzhou Double Deer Brewing Group Co Ltd	USD	12,677,000	-	-	12,677,000
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
Zhuhai Lion International Bio-Tech Co Ltd (Under liquidation)	USD	1,201,506	-	-	1,201,506

Indirect Interest

Investments in the People's Republic of China	Currency	Balance as of 1.7.1999	Bought	Sold	Balance as of 30.6.2000
Zhuzhou DEbier Brewery Co Ltd	Rmb	65,158,427	-	-	65,158,427
Wuhan Fortune Motor Co Ltd	USD	6,000,000	-	-	6,000,000
Wuxi Puhua Electroplating Co Ltd	USD	1,015,000	210,000	-	1,225,000
	Currency	Balance as of 30.9.1999	Bought	Sold	Balance as of 30.6.2000
Jilin Motor City Park Hotel Co Ltd **	Rmb	60,000,000	-	-	60,000,000

** became a related company on 30.9.1999

	Nominal Value Per Ordinary Share	Balance as of 1.7.1999	Number of Shares		Balance as of 30.6.2000
			Bought	Sold	

Jen (B) Tan Sri Dato' Zain Hashim

Silverstone Berhad	RM1.00	180,000	-	-	180,000
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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 to them pursuant to the Executive Share Option Scheme of the ultimate holding company, Amsteel Corporation Berhad (ACB ESOS).

	ACB ESOS expired on 28.11.1999			
	Options over Ordinary Shares of RM0.50 each			
	Balance as of 1.7.1999	Granted	Lapsed	Balance as of 30.6.2000
Tan Sri William H.J. Cheng	1,000,000	-	1,000,000	-
Jen (B) Tan Sri Dato' Zain Hashim	400,000	-	400,000	-
Datuk Cheng Yong Kim	400,000	-	400,000	-

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

	LLB ESOS implemented on 15.5.2000			
	Options over Ordinary Shares of RM1.00 each			
	Balance as of 15.5.2000	Granted	Exercised	Balance as of 30.6.2000
Datuk Cheng Yong Kim	-	175,000	-	175,000

- (c) Warrants with a right to subscribe for ordinary shares in the ultimate holding company, Amsteel Corporation Berhad on the basis of one new ordinary share for every warrant held.

	Warrants matured on 19.5.2000			
	Number of Warrants issued at RM0.30 each			
Indirect Interest in Warrants	Balance as of 1.7.1999	Bought	Lapsed	Balance as of 30.6.2000
Tan Sri William H.J. Cheng	86,660,314	-	86,660,314	-
Datuk Cheng Yong Kim	84,818,981	-	84,818,981	-

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.

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 as the ultimate holding company. Both the holding companies are incorporated in Malaysia.

AUDITORS

The auditors, Messrs Deloitte KassimChan (formerly known as Kassim Chan & Co), 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

DATUK CHENG YONG KIM

Kuala Lumpur,
27 October 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF POSIM BERHAD

We have audited the accompanying balance sheets as of 30 June 2000, the related statements of income, consolidated 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 2000 and of the results of the Group and of the Company and the cash flows of the Group 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 12 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
Public Accountants

YEE YOON CHONG
1829/7/01 (J)
Partner

Petaling Jaya,
27 October 2000

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2000

	Note	The Group		The Company	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Revenue		573,412	485,467	77,966	76,481
Changes in inventories of finished goods, trading merchandise and work-in-progress		998	(12,981)	86	116
Raw materials and consumables used		(155,136)	(145,742)	-	-
Purchase of trading merchandise		(83,078)	(75,807)	(72,341)	(70,311)
Staff costs		(44,891)	(37,132)	(3,476)	(3,485)
Other production expenses		(130,173)	(101,616)	-	-
Depreciation of property, plant and equipment	9	(38,693)	(31,802)	(352)	(378)
Amortisation of:					
Forest concessions	10	(10,796)	(10,796)	-	-
Goodwill on consolidation	15	(10,146)	(10,146)	-	-
Plantation development expenditure	11	(2,091)	-	-	-
Expenditure carried forward	16	(298)	(31)	-	-
Other operating expenses		(33,234)	(27,201)	(2,002)	(1,568)
Other operating income		9,501	14,900	6,067	9,201
Profit from operations	4	75,375	47,113	5,948	10,056
Finance costs	5	(4,859)	(9,774)	(2,215)	(4,428)
Profit before share in profit/(loss) of associated company		70,516	37,339	3,733	5,628
Share in profit/(loss) of associated company		(2,966)	237	-	-
Profit before tax		67,550	37,576	3,733	5,628
Income tax expense	6	(1,990)	4	(1,113)	(52)
Profit after tax		65,560	37,580	2,620	5,576
Minority interest in results of subsidiary companies		(1,720)	(3,103)	-	-
Net profit for the year		63,840	34,477	2,620	5,576
Earnings per ordinary share	7	31.4 sen	17.0 sen		

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

BALANCE SHEETS

AS OF 30 JUNE 2000

	Note	The Group		The Company	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Property, plant and equipment	9	823,883	830,314	8,484	9,089
Forest concessions	10	354,912	365,708	-	-
Plantation development expenditure	11	98,389	85,587	-	-
Investment in subsidiary companies	12	-	-	1,249,921	1,250,413
Investment in associated companies	13	9,180	12,200	4,684	4,684
Other investments	14	227	227	224	224
Goodwill on consolidation	15	222,203	232,349	-	-
Expenditure carried forward	16	-	298	-	-
Current Assets					
Inventories	17	104,574	105,875	239	153
Trade receivables	18	73,640	67,028	30,102	29,796
Other receivables, deposits and prepayments		15,185	12,891	1,453	1,328
Amount owing by ultimate holding company	19	81,269	76,345	81,269	76,345
Amount owing by immediate holding company	19	16,672	15,334	591	553
Amount owing by other related companies	19	3,179	2,799	1,394	1,728
Fixed deposit with a licensed bank		7,000	-	-	-
Cash on hand and at banks		5,098	4,018	3,367	1,975
Total Current Assets		306,617	284,290	118,415	111,878
Current Liabilities					
Trade payables		53,589	76,100	8,144	9,943
Other payables and accrued expenses	20	29,477	25,030	1,312	1,128
Amount owing to related companies	19	2,162	2,008	2,113	1,968
Bank borrowings	21	55,493	99,632	38,907	35,152
Proposed dividend	8	1,462	146	1,462	146
Tax liabilities		4,868	3,398	3,131	2,374
Total Current Liabilities		147,051	206,314	55,069	50,711
Net Current Assets		159,566	77,976	63,346	61,167
Non-current and Deferred Liabilities					
Lease and hire-purchase payables	22	(27)	(510)	-	(24)
Deferred tax liabilities	23	(250)	(164)	-	(52)
Total Non-current and Deferred Liabilities		(277)	(674)	-	(76)
		1,668,083	1,603,985	1,326,659	1,325,501
Represented by:					
Issued capital	24	203,043	203,043	203,043	203,043
Reserves	25	1,292,487	1,230,109	1,123,616	1,122,458
Shareholders' Equity		1,495,530	1,433,152	1,326,659	1,325,501
Minority interest	19	172,553	170,833	-	-
		1,668,083	1,603,985	1,326,659	1,325,501

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2000

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 1998		203,043	1,099,954	(40)	5,998	46,660	1,355,615
Movement for the year		-	-	15	-	-	15
Arising from rights issue by subsidiary company		-	-	-	43,191	-	43,191
Net profit for the year		-	-	-	-	34,477	34,477
Proposed final dividend - 0.1%, less 28% tax	8	-	-	-	-	(146)	(146)
Balance as of 30 June 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	8	-	-	-	-	(1,462)	(1,462)
Balance as of 30 June 2000		203,043	1,099,954	(25)	49,189	143,369	1,495,530

The closing rate used in the translation is as follows:

RM1 = S\$0.45 (RM1 = S\$0.45 in 1999)

The Company	Note	Issued capital RM'000	Share premium RM'000	Unappropriated profit RM'000	Total RM'000
Balance as of 1 July 1998		203,043	1,099,954	17,074	1,320,071
Net profit for the year		-	-	5,576	5,576
Proposed final dividend - 0.1%, less 28% tax	8	-	-	(146)	(146)
Balance as of 30 June 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	8	-	-	(1,462)	(1,462)
Balance as of 30 June 2000		203,043	1,099,954	23,662	1,326,659

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

	2000	1999
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	67,550	37,576
Adjustments for:		
Depreciation of property, plant and equipment	38,693	31,802
Gain on disposal of property, plant and equipment	(111)	(52)
Share in (profit)/loss of associated company	2,966	(237)
Amortisation of:		
Forest concessions	10,796	10,796
Goodwill on consolidation	10,146	10,146
Plantation development expenditure	2,091	-
Expenditure carried forward	298	31
Interest income	(6,026)	(8,806)
Interest expense	4,859	9,774
Dividend income	(1)	(1)
Bad debts written off	20	-
Provision for doubtful debts	1,235	859
Provision for doubtful debts no longer required	(610)	(357)
Provision for slow-moving and obsolete inventories	272	113
Inventories written down	879	1,232
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	133,057	92,876
Decrease in inventories; adjusted for depreciation of property, plant and equipment of RM2,343,000 (RM5,172,000 in 1999) and amortisation of plantation development expenditure of RM919,000 (Nil in 1999)	3,412	18,872
(Increase)/Decrease in trade receivables	(7,257)	18,280
(Increase)/Decrease in other receivables, deposits and prepayments	(2,294)	2,364
Increase/(Decrease) in trade payables	(22,511)	20,718
Increase/(Decrease) in other payables and accrued expenses; excluding lease and hire-purchase payables	4,548	(22,563)
	<hr/>	<hr/>
Cash Generated From Operations	108,955	130,547
Interest received	615	1,279
Tax paid	(434)	-
	<hr/>	<hr/>
Net Cash From Operating Activities	109,136	131,826
	<hr/>	<hr/>
(Forward)		

	Note	2000 RM'000	1999 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(37,337)	(57,350)
Proceeds from disposal of property, plant and equipment		2,645	4,838
(Increase)/Decrease in amount owing by ultimate holding company		385	(6,596)
Increase in amount owing by immediate holding company		(1,299)	(1,573)
(Increase)/Decrease in amount owing by other related companies		(380)	895
Increase in plantation development expenditure; adjusted for depreciation of property, plant and equipment of RM274,000 (RM268,000 in 1999) and interest capitalised of Nil (RM1,047,000 in 1999)		(15,538)	(17,094)
Interest received from other related companies		63	77
Dividend received from associated company		54	-
Dividend received from quoted investments		1	1
Increase in expenditure carried forward		-	(3)
		<hr/>	<hr/>
Net Cash Used In Investing Activities		(51,406)	(76,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in bank borrowings; excluding bank overdrafts and long-term loan		(24,801)	(30,866)
Increase/(Decrease) in amount owing to related companies		154	(945)
Payment of lease and hire-purchase payables		(660)	(606)
Dividends paid		(146)	(1,462)
Repayment of long-term loans		(667)	(1,333)
Interest paid		(4,859)	(10,821)
		<hr/>	<hr/>
Net Cash Used In Financing Activities		(30,979)	(46,033)
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		26,751	8,988
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(19,703)	(28,691)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	7,048	(19,703)
		<hr/> <hr/>	<hr/> <hr/>

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 companies are as listed in Notes 12 and 13, 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.

During the current financial year, the Group and the Company adopted MASB 1, Presentation of Financial Statements which is effective for financial periods beginning on or after 1 July 1999. Accordingly, the presentation and disclosure of the financial information have been modified in order to conform with the requirements of MASB 1. Comparative figures have been reclassified to achieve a consistent presentation.

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 12.

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 companies 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.

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 future tax benefit, the tax effects are recognised generally on actual realisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Companies

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 companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated companies 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 companies 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%

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 are stated at cost less accumulated amortisation.

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 companies 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Expenditure Carried Forward

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

In prior financial years, expenditure carried forward is amortised on a straight-line basis over a period of ten years upon commencement of business operations. However, during the current financial year, the Group changed its accounting policy to write-off expenditure carried forward if its future economic benefits cannot be determined with reasonable certainty. The effect of the change is, however, not material.

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.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group and the Company 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.

Cash Flow Statement

The Group adopts the indirect method in the preparation of the consolidated cash flow statement.

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 has been determined after inclusion of the following charges and credits:

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Charges:				
Hire of plant and machinery	2,975	2,537	-	-
Provision for doubtful debts	1,235	859	936	707
Inventories written down	879	1,232	-	-
Rental of premises	571	486	134	180
Provision for slow-moving and obsolete inventories	272	113	-	-
Audit fee:				
Current	142	142	20	20
Under provision in prior year	2	5	-	-
Directors' remuneration:				
Fees	46	45	40	39
Other emoluments	24	4	-	-
Bad debts written off	20	-	-	-
	2,813	2,896	79	85
Credits:				
Interest income on:				
Advances to holding companies	5,348	7,450	5,348	7,450
Advances to other related companies	63	77	63	77
Advances to subsidiary companies	-	-	91	291
Others	615	1,279	294	940
Rental income from:				
Subsidiary companies	-	-	36	36
Others	1,031	1,051	19	5
Provision for doubtful debts no longer required	610	357	542	317
Bad debts recovered	118	200	78	200
Gain on disposal of property, plant and equipment	111	52	93	28
Realised gain on foreign exchange	96	1,389	-	-
Dividend (gross) from:				
Quoted investments	1	1	1	1
Subsidiary companies	-	-	1	23
Associated company	-	-	76	-
	2,813	2,896	79	85

5. FINANCE COSTS

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Interest on:				
Bank overdrafts and other borrowings	4,555	9,330	2,066	4,313
Long-term loan	25	207	-	-
Lease and hire-purchase	145	140	15	18
Advances from other related companies	134	97	134	97
	4,859	9,774	2,215	4,428

6. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Estimated tax payable	1,949	-	1,211	-
Overprovision in prior years	(45)	(42)	(46)	-
Deferred taxation (Note 23)	86	164	(52)	52
Share in taxation of associated companies	-	(126)	-	-
	<u>1,990</u>	<u>(4)</u>	<u>1,113</u>	<u>52</u>

The effective tax rate of the Group in 2000 is lower than the statutory tax rate due mainly to the utilisation of unutilised investment tax credits by a subsidiary company to set-off the income that would otherwise be taxable.

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.

No provision for estimated current tax payable of certain subsidiary companies and of the Company has been made in 1999 as the tax payable on chargeable income for financial year 1999 is waived in accordance with the Income Tax (Amendment) Act, 1999 to facilitate the transition of the income tax assessment from a preceding year basis to a current year basis. Subject to agreement with the tax authorities, the estimated chargeable income of the Company, the tax in respect of which is waived, amounted to approximately RM7,557,000. This amount is credited into a tax-exempt account and is available for distribution as tax-exempt dividends. In addition, no provision for taxation has been made in 1999 for certain other subsidiary companies due to tax losses incurred, and the utilisation of unabsorbed tax losses and capital allowances brought forward to offset the income that would otherwise be credited into a tax-exempt account.

7. EARNINGS PER ORDINARY SHARE

The earnings per ordinary share is calculated by dividing the Group's net profit of RM63,840,000 (RM34,477,000 in 1999) by the number of ordinary shares in issue and ranking for dividend of 203,042,571 (203,042,571 in 1999).

8. DIVIDENDS

The directors propose a final dividend of 1% (0.1% in 1999), less 28% tax, amounting to RM1,461,910 (RM146,191 in 1999) 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. Dividend per share during the year is 1 sen (0.1 sen in 1999).

The proposed dividend for the financial year ended 30 June 2000 is payable in respect of all shares in issue as at the date of the financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group 2000	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	11,780	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
	1,299,064	37,413	(2,895)	-	1,333,582

	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
	468,750	41,310	(361)	-	509,699	823,883

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group 1999	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	10,596	1,184	-	-	11,780	
Long leasehold land and buildings	3,669	695	-	298	4,662	
Short leasehold land and buildings	43,892	1,087	-	24,710	69,689	
Pulp and paper mill	789,002	1,211	-	-	790,213	
Plant and machinery	129,279	1,783	(3,821)	59,138	186,379	
Office equipment	1,024	9	(8)	-	1,025	
Furniture and fittings	16,277	1,019	(29)	(2,604)	14,663	
Motor vehicles	8,316	217	(252)	-	8,281	
Motor vehicles under hire-purchase	542	159	-	-	701	
Office renovation	726	257	(101)	-	882	
Computer equipment	899	32	(9)	-	922	
Housing colony and infrastructures	105,445	217	(2)	6,866	112,526	
Jetty and access roads	88,760	4,186	-	-	92,946	
Capital work-in-progress	47,096	46,718	(1,011)	(88,408)	4,395	
	<u>1,245,523</u>	<u>58,774</u>	<u>(5,233)</u>	<u>-</u>	<u>1,299,064</u>	
					NET BOOK VALUE	
					At end of year RM'000	
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Reclassifications RM'000	At end of year RM'000	
Freehold land and buildings	424	121	-	-	545	11,235
Long leasehold land and buildings	446	266	-	-	712	3,950
Short leasehold land and buildings	10,215	2,702	-	-	12,917	56,772
Pulp and paper mill	305,182	17,233	-	-	322,415	467,798
Plant and machinery	34,100	6,840	(79)	2,246	43,107	143,272
Office equipment	826	84	(4)	-	906	119
Furniture and fittings	14,619	696	(27)	(2,246)	13,042	1,621
Motor vehicles	5,987	800	(230)	-	6,557	1,724
Motor vehicles under hire-purchase	96	113	-	-	209	492
Office renovation	547	114	(100)	-	561	321
Computer equipment	517	152	(7)	-	662	260
Housing colony and infrastructures	27,906	4,342	-	-	32,248	80,278
Jetty and access roads	31,090	3,779	-	-	34,869	58,077
Capital work-in-progress	-	-	-	-	-	4,395
	<u>431,955</u>	<u>37,242</u>	<u>(447)</u>	<u>-</u>	<u>468,750</u>	<u>830,314</u>

9. 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
	11,038	15	(397)	-	10,656

	ACCUMULATED DEPRECIATION				At end of year RM'000	NET BOOK VALUE At end of year RM'000
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Reclassifications 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
	1,949	352	(129)	-	2,172	8,484

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company 1999	COST			At end of year RM'000	
	At beginning of year RM'000	Additions RM'000	Disposals RM'000		
Freehold land and buildings	6,408	1,184	-	7,592	
Long leasehold land and building	143	695	-	838	
Office equipment	585	4	(4)	585	
Furniture and fittings	475	81	-	556	
Motor vehicles	331	-	(79)	252	
Motor vehicles under hire-purchase	363	-	-	363	
Office renovation	19	257	-	276	
Computer equipment	564	15	(3)	576	
	<u>8,888</u>	<u>2,236</u>	<u>(86)</u>	<u>11,038</u>	
				NET BOOK VALUE	
				ACCUMULATED DEPRECIATION	
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	At end of year RM'000	At end of year RM'000
Freehold land and buildings	73	37	-	110	7,482
Long leasehold land and building	1	9	-	10	828
Office equipment	486	45	(1)	530	55
Furniture and fittings	368	65	-	433	123
Motor vehicles	315	15	(79)	251	1
Motor vehicles under hire-purchase	77	73	-	150	213
Office renovation	6	29	-	35	241
Computer equipment	328	105	(3)	430	146
	<u>1,654</u>	<u>378</u>	<u>(83)</u>	<u>1,949</u>	<u>9,089</u>

9. **PROPERTY, PLANT AND EQUIPMENT** (Continued)

Current depreciation has been charged to the following accounts:

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Income statements	38,693	31,802	352	378
Inventories	2,343	5,172	-	-
Plantation development expenditure (Note 11)	274	268	-	-
	41,310	37,242	352	378

As of 30 June 2000, the titles to certain parcels of leasehold land of a subsidiary company with net book value totalling RM5,440,000 (RM5,579,000 in 1999) 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 is an amount of RM1,265,000 (RM1,265,000 in 1999) representing the cost of equipment for a Management Information System acquired under finance lease.

10. **FOREST CONCESSIONS**

	The Group	
	2000	1999
	RM'000	RM'000
Forest concessions - At cost	388,200	388,200
Cumulative amortisation:		
At beginning of year	22,492	11,696
Amortisation for the year	10,796	10,796
At end of year	33,288	22,492
Net	354,912	365,708

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.

11. PLANTATION DEVELOPMENT EXPENDITURE

	The Group	
	2000	1999
	RM'000	RM'000
At cost:		
At beginning of year	85,587	67,178
Additions for the year	15,812	18,409
At end of year	101,399	85,587
Cumulative amortisation:		
At beginning of year	-	-
Amortisation for the year	3,010	-
At end of year	3,010	-
Net	98,389	85,587

Charges to plantation development expenditure during the year include the following:

Interest on bank overdrafts	-	1,047
Depreciation of property, plant and equipment (Note 9)	274	268

Current amortisation has been charged to the following accounts:

Income statement	2,091	-
Inventories	919	-
	3,010	-

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2000	1999
	RM'000	RM'000
Unquoted shares - At cost	8,675	8,675
Amount owing by subsidiary companies	1,241,753	1,242,294
Amount owing to subsidiary companies	(507)	(556)
	1,249,921	1,250,413

Amount owing by subsidiary companies arose mainly from expenses paid on behalf and advances with no fixed repayment terms. The advances bear interest at rates ranging from 0.00001% to 7.20% (8.00% to 12.00% in 1999) per annum except for an amount of RM14,000 (RM1,240,780,000 in 1999) which is interest-free.

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

12. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Significant transactions, other than as disclosed in Note 4, undertaken with the subsidiary companies during the financial year are as follows:

	The Company	
	2000	1999
	RM'000	RM'000
Purchases from subsidiary company	-	129

The subsidiary companies are as follows:

Direct	Country of Incorporation	Effective Equity Interest		Principal Activities
		2000	1999	
		%	%	
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
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.

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Unquoted shares - At cost	4,684	5,884	4,684	4,684
Share in post - acquisition profits	4,496	7,516	-	-
	9,180	13,400	4,684	4,684
Provision for diminution in value	-	(1,200)	-	-
	9,180	12,200	4,684	4,684

The associated companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2000	1999	
		%	%	
Direct				
# Kinabalu Motor Assembly Sendirian Berhad	Malaysia	20.00	20.00	Assembly of Isuzu range of motor vehicles
Indirect				
#* Jake Lumber Sdn Bhd (Liquidated)	Malaysia	-	39.11	Ceased operations

The financial statements of these companies are audited by auditors other than the auditors of the Company.

* This associated company has been wound up by the court during the financial year.

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

	The Group	
	2000	1999
	RM'000	RM'000
Share of net assets	8,656	12,876
Premium on acquisition	524	524
	9,180	13,400
Provision for diminution in value	-	(1,200)
	9,180	12,200

14. OTHER INVESTMENTS

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	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>
	<u>42</u>	<u>38</u>	<u>38</u>	<u>34</u>
Market value of quoted shares				

15. GOODWILL ON CONSOLIDATION

	The Group	
	2000	1999
	RM'000	RM'000
Goodwill on consolidation	253,646	253,646
Cumulative amortisation:		
At beginning of year	21,297	11,151
Amortisation for the year	10,146	10,146
At end of year	<u>31,443</u>	<u>21,297</u>
Net	<u>222,203</u>	<u>232,349</u>

16. EXPENDITURE CARRIED FORWARD

	The Group	
	2000	1999
	RM'000	RM'000
At cost:		
Preliminary expenses	7	7
Pre-operating expenses	412	412
	<u>419</u>	<u>419</u>
Cumulative amortisation:		
At beginning of year	121	90
Amortisation for the year	298	31
At end of year	<u>419</u>	<u>121</u>
Net	<u>-</u>	<u>298</u>

17. INVENTORIES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
At cost:				
Finished goods				
- Paper	5,755	5,123	-	-
- Sawn timber	3,060	5,059	-	-
- Plywood	8,700	2,760	-	-
- Others	1,672	1,710	-	-
Commercial timber logs	4,588	10,322	-	-
Work-in-progress				
- Paper	3,840	5,611	-	-
- Sawn timber	1,629	2,721	-	-
- Plywood	2,668	2,625	-	-
Raw materials	14,317	17,379	-	-
Pulp and fuel logs	13,536	15,892	-	-
Engineering spares	31,468	28,002	-	-
Fuel and lubricants	5,232	976	-	-
Trading merchandise	2,105	1,818	273	187
Goods-in-transit	2,626	1,073	-	-
Others	3,654	3,878	-	-
At net realisable value:				
Raw materials	22	-	-	-
Trading merchandise	321	1,325	-	-
Others	21	100	-	-
	105,214	106,374	273	187
Provision for slow-moving and obsolete inventories	(640)	(499)	(34)	(34)
	104,574	105,875	239	153

18. TRADE RECEIVABLES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Trade receivables	80,249	74,671	32,000	32,662
Provision for doubtful debts	(6,609)	(7,643)	(1,898)	(2,866)
	73,640	67,028	30,102	29,796

19. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

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

Amount owing by/to holding companies and other related companies, which bear interest at rates ranging from 6.50% to 7.20% (7.70% to 14.75% in 1999) per annum and have no fixed repayment terms, arose mainly from prior years' intercompany advances, trade transactions and expenses paid on behalf.

19. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (Continued)

Significant transactions, other than as disclosed in Notes 4 and 5, undertaken with related companies during the financial year are as follows:

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Sales to other related companies	4,549	4,741	38	1,087
Purchases from other related companies	15,200	11,270	15,058	10,984

The directors of the Company are of the opinion that the above transactions have been entered in the normal course of business and have been established under terms negotiated on a basis determined between the Group and other related companies.

As of 30 June 2000, the immediate holding company has an investment in a subsidiary company, Sabah Forest Industries Sdn Bhd, of RM146,000,000 (RM146,000,000 in 1999), 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 1999) have been included as part of the minority interest of the Group.

20. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Lease and hire-purchase payables (Note 22)	468	569	18	61
Other payables and accrued expenses	29,009	24,461	1,294	1,067
	29,477	25,030	1,312	1,128

21. BANK BORROWINGS

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts (Note 31)	5,050	23,721	4,324	4,288
Bankers acceptances, trust receipts and bills payable	25,143	33,944	22,283	18,564
Revolving credits	25,300	41,300	12,300	12,300
Long-term loan				
- portion due within one year (Note 26)	-	667	-	-
Total	55,493	99,632	38,907	35,152

21. BANK BORROWINGS (Continued)

As of 30 June 2000, the Company has bank overdraft and other credit facilities totalling RM47,472,000 (RM47,472,000 in 1999) obtained from certain local banks. These facilities, which bear interest at rates ranging from 3.50% to 9.30% (4.20% to 15.60% in 1999) per annum, are covered by negative pledge on the assets of the Company and are also guaranteed by one of the directors of the Company.

As of 30 June 2000, certain subsidiary companies have bank overdraft and other credit facilities totalling RM155,375,000 (RM155,375,000 in 1999) obtained from certain local banks. These facilities, which bear interest at rates ranging from 4.30% to 9.30% (4.80% to 15.20% in 1999) per annum, are secured by:

- (i) Corporate guarantee by the Company to the extent of RM34,875,000 (RM34,875,000 in 1999)
- (ii) Negative pledge on one of the subsidiary companies' assets with carrying value of RM120,500,000 (RM120,500,000 in 1999)
- (iii) Letter of awareness from the immediate holding company, general security agreement relating to goods and a general letter of pledge
- (iv) Letter of awareness from the ultimate holding company

22. LEASE AND HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Balance outstanding:				
Lease creditors	532	1,064	-	-
Hire-purchase payables	98	288	24	106
	630	1,352	24	106
Interest-in-suspense:				
Lease creditors	(111)	(222)	-	-
Hire-purchase payables	(24)	(51)	(6)	(21)
	(135)	(273)	(6)	(21)
Principal portion	495	1,079	18	85
Payable as follows:				
Within the next 12 months (Note 20)	468	569	18	61
After the next 12 months	27	510	-	24
	495	1,079	18	85

The interest rates implicit in these lease and hire-purchase obligations range from 6.95% to 10.00% (5.65% to 10.00% in 1999) per annum.

23. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Balance at beginning of year	164	-	52	-
Net transfer from/(to) income statements (Note 6)	86	164	(52)	52
Balance at end of year	250	164	-	52

As mentioned in Note 3, the tax effects of timing differences which would give rise to net future tax benefit are recognised generally on actual realisation. As of 30 June 2000, the amount of deferred tax benefit, calculated at current tax rate which is not recognised in the financial statements, is as follows:

	Deferred Tax Asset/(Liability)			
	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Tax effects of:				
Unabsorbed tax losses, capital allowances and unutilised reinvestment allowances and investment tax credits	589,875	605,381	241	-
Timing differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	(155,036)	(160,764)	(161)	-
Other timing differences	313	31	-	-
Net Deferred Tax Asset	435,152	444,648	80	-

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

24. SHARE CAPITAL

	The Company	
	2000	1999
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000	500,000
Issued and fully paid:		
203,042,571 ordinary shares of RM1.00 each	203,043	203,043

The new Executive Share Option Scheme ("ESOS") for the eligible executives and executive directors for the Group was approved by the shareholders of the Company on 28 March 2000. The ESOS became effective on 31 May 2000 and will expire on 30 May 2005. During the financial year, 3,508,000 options with a right to subscribe for 3,508,000 new ordinary shares of RM1.00 each were granted on 21 June 2000 at an option price of RM2.40 per share.

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.

24. SHARE CAPITAL (Continued)

- (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 of 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 ESOS 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 ESOS Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.
- (f) The persons to whom the options have been granted have no right to participate in any share option scheme implemented by any other company within the Group.

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

Exercisable From	Subscription Price Per Share	Balance as of 1.7.1999	Granted	Exercised	Unissued Shares as of 30.6.2000
21 June 2000	RM2.40	-	3,508,000	-	3,508,000

25. RESERVES

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:				
Share premium	1,099,954	1,099,954	1,099,954	1,099,954
Translation adjustment account	(25)	(25)	-	-
Capital reserve	49,189	49,189	-	-
	1,149,118	1,149,118	1,099,954	1,099,954
Distributable reserve:				
Unappropriated profit	143,369	80,991	23,662	22,504
	1,292,487	1,230,109	1,123,616	1,122,458

Taking into consideration the tax-exempt account as mentioned in Note 6, and based on the tax credits available and the prevailing tax rate applicable to dividends, the unappropriated profit of the Company as of 30 June 2000 is available for distribution by way of dividends without additional tax liability being incurred.

26. LONG-TERM LOAN

	The Group	
	2000	1999
	RM'000	RM'000
Principal outstanding	-	667
Portion due within one year included in bank borrowings (Note 21)	-	(667)
	<u> </u>	<u> </u>
Non-current portion	<u> </u>	<u> </u>

The long-term loan, which bore interest at an average rate of 8.15% (12.15% in 1999) per annum, was guaranteed by the Company and was fully repaid during the current financial year.

27. CONTINGENT LIABILITIES - UNSECURED

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	-	-	16,338	16,592
Legal claims in respect of the termination of contracts for the extraction and sale of timber	564,000	571,000	<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 RM428,000,000 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.

Subsequent to the end of the 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 RM313,000,000 and, consequently, the amount of which the immediate holding company has agreed to indemnify the Company has been reduced to RM313,000,000.

28. CAPITAL COMMITMENTS

As of 30 June 2000, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for	6,694	24,001	-	-
Approved but not contracted for	72,365	59,175	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	79,059	83,176	<u> </u>	<u> </u>

29. SUBSEQUENT EVENTS

- (a) The Company had on 5 July 2000 announced 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 the 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.

The Proposed GWRS is subject to the approvals of the Kuala Lumpur Stock Exchange, Securities Commission, the shareholders and scheme creditors of the respective companies and all other relevant authorities.

- (b) Subsequent to the end of the financial year, the issued and paid-up 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 RM2.40 per share for cash pursuant to the Executive Share Option Scheme of the Company. The new shares issued rank pari passu with the then existing ordinary shares of the Company.

30. SEGMENT INFORMATION

Financial information by industry segment is as follows:

	The Group	
	2000	1999
	RM'000	RM'000
Revenue from customers outside the Group:		
Timber extraction and pulp and paper	462,180	381,955
Building materials and consumables	77,888	76,457
Others	33,344	27,055
	<hr/>	<hr/>
Total revenue	573,412	485,467
	<hr/> <hr/>	<hr/> <hr/>
Profit/(Loss) before tax:		
Timber extraction and pulp and paper	65,530	31,328
Building materials and consumables	3,654	5,604
Others	1,332	407
Associated companies	(2,966)	237
	<hr/>	<hr/>
Profit before tax	67,550	37,576
	<hr/> <hr/>	<hr/> <hr/>
Assets employed:		
Timber extraction and pulp and paper	1,655,956	1,654,624
Building materials and consumables	127,123	121,191
Others	23,152	22,958
Associated companies	9,180	12,200
	<hr/>	<hr/>
Total assets employed	1,815,411	1,810,973
	<hr/> <hr/>	<hr/> <hr/>

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

31. CASH AND CASH EQUIVALENTS

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

	2000	1999
	RM'000	RM'000
Fixed deposit with a licensed bank	7,000	-
Cash on hand and at banks	5,098	4,018
Bank overdrafts (Note 21)	(5,050)	(23,721)
	<u>7,048</u>	<u>(19,703)</u>

STATEMENT BY DIRECTORS

The directors of **POSIM BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, consolidated 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 2000 and of the results of their businesses and the cash flows of the Group for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

TAN SRI WILLIAM H.J. CHENG

DATUK CHENG YONG KIM

Kuala Lumpur,
27 October 2000

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

I, **DATUK CHENG YONG KIM**, 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, consolidated 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 **DATUK CHENG
YONG KIM** at **KUALA LUMPUR** in
the **FEDERAL TERRITORY** this 27th
day of October 2000.

Before me,

P. SETHURAMAN
W-217
COMMISSIONER FOR OATHS
Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2000

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing use/ Age of Building (Year)	Present Capital Value (RM million)
3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land and building	Factory (11)	1.0
Lot 72, Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land and building	Factory (6)	8.5
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 (15)	0.1
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 (3)	0.2
Centre Point Business Park Shah Alam 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 (2)	0.4
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 (2)	0.7
Lot : C13 Pusat Komersil Bukit Mertajam Bukit Mertajam	Freehold	2,240 sq feet	Land and building	3-storey shop office (1)	0.7
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	Log pond and waste disposal area	1.6
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land and building	Residential (12-15)	66.3
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	Vacant	1.5
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	Jetty	27.0

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing use/ Age of Building (Year)	Present Capital Value (RM million)
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land and building	Pulp and paper mills (12-15))))	
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land and building	Pulp and paper mills (12-15))))	452.8
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land and building	Mills and housing (12-15))))	
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land and building	Pump house (12-15)	0.1
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	Nursery site	0.1
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	Plantation	15.3
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	Plantation	14.6

ANALYSIS OF SHAREHOLDINGS

AS AT 31 OCTOBER 2000

Share Capital

Authorised Share Capital	–	RM500,000,000
Issued and Paid-up Capital	–	RM203,218,571
Type of Shares	–	Ordinary shares of RM1.00 each

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 – 1,000	1,642	39.31	1,626,760	0.80
1,001 – 5,000	1,940	46.44	5,476,040	2.69
5,001 – 10,000	330	7.90	2,630,000	1.29
10,001 – 100,000	229	5.48	5,989,000	2.95
100,001 – 1,000,000	30	0.72	10,685,573	5.26
Above 1,000,000	6	0.15	176,811,198	87.01
	<u>4,177</u>	<u>100.00</u>	<u>203,218,571</u>	<u>100.00</u>

Twenty 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 Bhd (7/45-1)	1,860,000	0.92
5. HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Kim Swee	1,483,000	0.73
6. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd	1,374,730	0.68
7. Amsteel Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saujana Heights Sdn Bhd (MXA120)	930,000	0.46
8. Happyvest (M) Sdn Bhd	925,000	0.46
9. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd	913,950	0.45
10. Pacific Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (KLM)	824,837	0.41
11. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Happyvest (M) Sdn Bhd	674,511	0.33
12. Thiang Thin Poh Joseph	601,500	0.30
13. Malaysia National Insurance Berhad	544,000	0.27
14. Pacific Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd (KLM)	503,367	0.25
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. Bumiputra-Commerce Finance Berhad Pledged Securities Account for Amsteel Securities (M) Sdn Bhd	330,000	0.17
19. Employees Provident Fund Board	327,000	0.16
20. Mayfin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Securities (M) Sdn Bhd (KLG)	315,800	0.16

Substantial Shareholders	No. of Shares	% of Shares
1. Datuk Cheng Yong Kim	178,790,471	87.98
2. Happyvest (M) Sdn Bhd	178,790,471	87.98
3. Lancaster Trading Company Limited	178,790,471	87.98
4. Lion Holdings Sdn Bhd	178,790,471	87.98
5. Lion Realty Pte Ltd	178,790,471	87.98
6. Tan Sri William H.J. Cheng	178,790,471	87.98
7. Utara Enterprise Sdn Bhd	178,790,471	87.98
8. William Cheng Sdn Bhd	178,790,471	87.98
9. Amanvest (M) Sdn Bhd	170,554,771	83.93
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

Bare Trustees pursuant to Section 69P of the Companies Act, 1965	No. of Shares	% of Shares
HDM Nominees (Tempatan) Sdn Bhd	161,066,000	79.26
PB Trustee Services Berhad	8,900,000	4.38

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AS AT 21 JULY 2000

Directors	Interest in Shares (No. of Shares)
Tan Sri William H.J. Cheng	179,198,471
Datuk Cheng Yong Kim	179,198,471
Mohd. Nadzri bin A. Halim	26,000
Dato' Mohamad bin Haji Ahmad	12,000
Jen (B) Tan Sri Dato' Zain Hashim	2,000

DIRECTORS' INTERESTS IN RELATED COMPANIES AS AT 21 JULY 2000

The directors' interests in related companies as at 21 July 2000 are the same as that shown in the directors' report for the financial year ended 30 June 2000 except for the following:

	Investments in the People's Republic of China
Tan Sri William H.J. Cheng	
Beijing Future Century E-business Co Ltd	Rmb306,000
Ningbo Lion Brewery Co Ltd	Rmb107,303,654
Datuk Cheng Yong Kim	
Beijing Future Century E-business Co Ltd	Rmb306,000
Ningbo Lion Brewery Co Ltd	Rmb107,303,654

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 Eighteenth Annual General Meeting of the Company to be held at the Meeting Hall, Level 23, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 13 December 2000 at 3.30 pm 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, Y. Bhg. Datuk Cheng Yong Kim		
5. To re-elect as Director, Y. Bhg. Dato' Murad Mohamed Hashim		
6. To re-appoint as Director, Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim		
7. To re-appoint Auditors		
8. Special Business - Ordinary Resolution		

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 2000

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 him.
- 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.