



POSIM BERHAD

A Member of The Lion Group

(82056-X)

LAPORAN TAHUNAN

2002

ANNUAL REPORT

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Posim Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 20 December 2002 at 11.00 am for the following purposes:

AGENDA

- | | |
|---|--------------|
| 1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 June 2002. | Resolution 1 |
| 2. To approve the payment of a first and final dividend of 0.1 sen per ordinary share less 28% Malaysian Income Tax. | Resolution 2 |
| 3. To approve the payment of Directors' fees amounting to RM97,500 (2001: RM85,000) | Resolution 3 |
| 4. To re-elect Directors: | |
| (i) In accordance with Article 99 of the Company's Articles of Association, Cik Zainab binti Dato' Hj. Mohamed who was appointed during the year retires and, being eligible, offers herself for re-election. | Resolution 4 |
| (ii) In accordance with Article 98 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election: | |
| Y. Bhg. Tan Sri William H.J. Cheng | Resolution 5 |
| Y. Bhg. Dato' Mohamad bin Haji Ahmad | Resolution 6 |
| 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 7 |
| 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 8 |
| 7. Special Business | |
| To consider and if thought fit, pass the following resolution as an ordinary resolution: | |
| Ordinary Resolution - Authority to Directors to issue shares | |
| " That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company. " | Resolution 9 |
| 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 19 December 2002 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 12.30 pm on 23 December 2002 in respect of ordinary transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2002 to shareholders on the Register of Members and the Register of Depositors of the Company at the close of business on 23 December 2002.

By Order of the Board

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

Kuala Lumpur
26 November 2002

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, either under seal or the hand of an officer or attorney duly authorised.
- 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 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

2. Resolution 9 – 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 capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- Pursuant to Article 99 of the Company's Articles of Association (Appointed during the year)

Cik Zainab binti Dato'Hj. Mohamed

- Pursuant to Article 98 of the Company's Articles of Association (Retirement by rotation)

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

Y. Bhg. Dato'Mohamad bin Haji Ahmad

- Pursuant to Section 129(6) of the Companies Act, 1965 (Re-appointment after attainment of 70 years of age)

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

- Further details of Directors standing for re-election/re-appointment are set out in the Directors' Profile appearing on pages 5 to 7 of this Annual Report.

II. Details of attendance of Directors at Board Meetings

There were five (5) Board Meetings held during the financial year ended 30 June 2002. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 5 to 7 of this Annual Report.

III. Place, date and time of the Twentieth Annual General Meeting

The Twentieth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 20 December 2002 at 11.00 am.

CORPORATE INFORMATION

Board of Directors	: Y. Bhg. Tan Sri William H.J. Cheng (Chairman) Mr Lee Ching Kion (Managing Director) Mr Ngan Yow Chong (Executive Director) Y. Bhg. Jen (B) Tan Sri Dato'Zain Hashim Y. Bhg. Dato'Mohamad bin Haji Ahmad Y. Bhg. Dato'Dali Mahmud Hashim Cik Zainab binti Dato' Hj. Mohamed
Secretaries	: Ms Tan Seiw Ling Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li
Company No.	: 82056-X
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 03-21613166 Fax No: 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Level 47, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 03-21613166 Fax No: 03-21623448
Auditors	: Deloitte KassimChan Level 19, Uptown 1 1, Jalan SS21/58, Damansara Uptown 47400 Petaling Jaya
Principal Bankers	: AmMerchant Bank Berhad Bank of America Malaysia Berhad Affin Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad Standard Chartered Bank Malaysia Berhad United Overseas Bank (Malaysia) Berhad
Stock Exchange Listing	: Kuala Lumpur Stock Exchange Second Board
Stock Name	: Posim
KLSE Stock No.	: 8486
Reuters Code	: POSI.KL
ISIN Code	: MYL8486OO002

DIRECTORS' PROFILE

TAN SRI WILLIAM H.J. CHENG

Chairman, Non-Independent Non-Executive Director

Aged 59, Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, has 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

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

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

Tan Sri William Cheng has an indirect shareholding of 177,853,171 ordinary shares of RM1.00 each in the Company. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company.

Tan Sri William Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

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

LEE CHING KION

Managing Director, Non-Independent Executive Director

Aged 48, Mr Lee Ching Kion, a Malaysian, obtained a Bachelor of Science with Honours degree in Metallurgy and Materials Science in the Second Class, Division One, University of Nottingham, England. He is a professional member of the Institute of Materials, United Kingdom and a Chartered Engineer.

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

Mr Lee was appointed to the Board on 22 August 2001 and is the Chairman of the Company's Risk Management Committee. He is also a director of Hua Joo Seng Enterprise Berhad, a public listed company. Mr Lee attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

NGAN YOW CHONG

Executive Director, Non-Independent

Aged 45, Mr Ngan Yow Chong, a Malaysian, obtained his Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from the University of Malaya in 1981.

Mr Ngan has about 20 years of experience in manufacturing, trading, industries and commerce. He was appointed the Group Director - Brewery Division in the People's Republic of China under the Lion Group on 1 February 2001 to supervise the Brewery Division in the People's Republic of China. He has served the Hong Leong Group in various positions ranging from Project/Maintenance Manager, Operation Manager, Sales Manager (Import/Export) and General Manager of a number of subsidiaries within the Hong Leong Group during the period from March 1981 to March 1996. He was appointed the Group Executive Director of Mah Sing Group Berhad and the Chief Executive Officer of Berger International Ltd, a company listed on the Stock Exchange of Singapore before joining the Lion Group.

Mr Ngan was appointed to the Board on 22 August 2001. He is a member of the Company's Remuneration Committee and Risk Management Committee. He is also the Executive Director of Angkasa Marketing Berhad, a public listed company. Mr Ngan attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

JEN (B) TAN SRI DATO' ZAIN HASHIM
Non-Independent Non-Executive Director

Aged 72, Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim, a Malaysian, is a graduate of the Royal Military Academy, Sandhurst, United Kingdom and Harvard University's Advanced Management Programme. A retired Chief of Army in the Malaysian Armed Forces with 35 years of experience in the military. Tan Sri Dato' Zain has more than 15 years of experience in the private sector.

Tan Sri Dato' Zain was appointed to the Board on 15 January 1991 and is the Chairman of the Company's Nomination Committee.

His other directorships in public companies are as follows:

- Chairman of Amsteel Corporation Berhad and Amalgamated Containers Berhad, both public listed companies
- Director of Hy-Line Berhad and Silverstone Berhad, both public companies

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

Of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2002, Tan Sri Dato' Zain attended all except for one (1) when he was away performing Umrah.

DATO' MOHAMAD BIN HAJI AHMAD
Non-Independent Non-Executive Director

Aged 58, Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, obtained a Certificate in Business Feasibility Studies and Management Practice from Japan.

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

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

He was appointed to the Board on 28 March 1991. Dato' Mohamad resigned as Chairman of the Company's Audit Committee on 29 November 2001 and remained as a member of the Audit Committee. Dato' Mohamad attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

DATO' DALI MAHMUD HASHIM
Independent Non-Executive Director

Aged 61, Y. Bhg. Dato' Dali Mahmud Hashim, a Malaysian, obtained a Bachelor of Arts (Hons) degree in Economics from the University of Malaya.

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

Dato' Dali was appointed to the Board on 22 August 2001. He was appointed as Chairman of the Company's Audit Committee on 29 November 2001. He is also the Chairman of the Company's Remuneration Committee and a member of the Company's Nomination Committee. He is the half brother of Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim, a Director of the Company. Dato' Dali attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

ZAINAB BINTI DATO' HJ. MOHAMED
Independent Non-Executive Director

Aged 45, Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, obtained her Diploma of Accountancy from Universiti Teknologi MARA (UiTM) in 1978 and she studied at London School of Accountancy, England for The Association of Chartered Certified Accountants qualification in 1981. Cik Zainab is a Fellow Member of The Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Cik Zainab has more than 20 years experience in the audit and finance fields holding various positions in an auditing firm, commercial bank, investment and holding company, petroleum multinational company, general insurance company and solid waste management concessionaire.

Currently, she is a director of her own management and consultancy practice, ANZ Management and Consultancy Services Sdn Bhd.

Cik Zainab was appointed to the Board on 29 November 2001 and retired at the conclusion of the previous annual general meeting of the Company as she did not seek re-election. She was subsequently re-appointed on 10 December 2001. She is a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Cik Zainab attended all the remaining two (2) Board Meetings of the Company held during the financial year ended 30 June 2002 subsequent to her appointment.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Posim Berhad ("the Board") recognises the importance of practising good corporate governance and fully supports the recommendation of the Malaysian Code on Corporate Governance ("the Code"). The Board is committed in ensuring that the highest standard of corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities to direct the businesses of the Group towards enhancing business prosperity and corporate accountability.

These principles and best practices have been applied throughout the financial year ended 30 June 2002 except for the establishment of the Nomination Committee and Remuneration Committee on 21 February 2002.

The Board is pleased to disclose below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Code.

1. DIRECTORS

The Board

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders' values. The Board has the overall responsibility for reviewing and adopting strategic plans for the Group, overseeing the conduct of the Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the company's system of internal control.

The Board meets on a quarterly basis, with additional meetings convened as necessary. During the financial year ended 30 June 2002, five (5) Board meetings were held. Details of attendance by Directors are set out in the Directors' Profile.

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

Board Balance

The Board comprises seven (7) Directors, of whom five (5) are non-executive. The current Board composition complies with the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE"). The profile of the members of the Board are set out on pages 5 to 7 of this Annual Report. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

Represented on the Board are two (2) independent non-executive Directors who bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

To assist in discharging its duties, the Board may form committees delegated with specific authority and which operate under approved terms of reference or guidelines, whenever required.

Supply of Information

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

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

Appointments to the Board

In accordance with best practices in the Code, the Board has established the Nomination Committee. The Nomination Committee is responsible for recommending the right candidates with the necessary skills, experience and competencies to be appointed to the Board and also assessing the effectiveness of the Board and the contribution of each Director. The members and terms of reference of the Nomination Committee are presented on page 16.

All Directors have attended the Mandatory Accreditation Programme and will undergo relevant training on a continuous basis as prescribed by the KLSE.

Re-election

One third (1/3) of the Directors retire from office at every annual general meeting but shall be eligible for re-election. All Directors retire from office at least once every three (3) years but shall be eligible for re-election.

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Directors so as to ensure that it attracts and retains the Directors needed to run the Company successfully. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 16.

Directors' fees are endorsed by the Board for approval by shareholders of the Company at annual general meetings.

The details of the remuneration of each Director who served during the financial year ended 30 June 2002 are as follows:

	Fees RM	Salaries & Other Emoluments RM	Total RM
<u>Executive</u>			
Mr Lee Ching Kion	9,000	-	9,000
Mr Ngan Yow Chong	9,000	243,000	252,000
	<u>18,000</u>	<u>243,000</u>	<u>261,000</u>
<u>Non-Executive</u>			
Y. Bhg. Tan Sri William H.J. Cheng	21,000	24,000	45,000
Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim	10,000	-	10,000
Y. Bhg. Dato' Mohamad bin Haji Ahmad	19,000	-	19,000
Y. Bhg. Dato' Dali Mahmud Hashim	17,500	-	17,500
Cik Zainab binti Dato' Hj. Mohamed	11,000	-	11,000
Y. Bhg. Datuk Cheng Yong Kim*	3,500	-	3,500
Y. Bhg. Dato' Murad Mohamed Hashim*	3,500	-	3,500
	<u>85,500</u>	<u>24,000</u>	<u>109,500</u>
Total	<u>103,500</u>	<u>267,000</u>	<u>370,500</u>

* Resigned during the financial year

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

Range of remuneration (RM)	Executive	Non-Executive
25,000 & below	1	6
25,001 - 50,000	-	1
50,001 - 100,000	-	-
100,001 - 150,000	-	-
150,001 - 200,000	-	-
200,001 - 250,000	-	-
250,001 - 300,000	1	-

3. SHAREHOLDERS

The Group values dialogues with investors. The Group has been practising open discussions with investors/analysts upon request. In this regard, information is disseminated in strict adherence to the disclosure requirements of the KLSE.

The annual general meeting is the principal forum for dialogue with shareholders. There is an open question and answer session in which shareholders may raise questions regarding the proposed resolutions at the meeting as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to provide explanations to shareholders' queries.

4. ACCOUNTABILITY AND AUDIT

The Board has established an Audit Committee to oversee the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 and 15.

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

Directors' Responsibility in Financial Reporting

The Directors are satisfied that for the financial year ended 30 June 2002, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards in Malaysia and provisions of the Companies Act, 1965.

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements to shareholders. The Board is also responsible for ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group and of the Company.

Internal Control

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

A Risk Management Committee was established during the financial year to assist the Board in identifying and assessing risks and the control measures within the Group to comply with the Listing Requirements of the KLSE and the best practices as set out by the Code.

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the KLSE's Listing Requirements requires directors of listed companies to include a statement in their annual reports on the state of their internal controls. The KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. Set out below is the Board of Directors' Internal Control Statement, which has been prepared in accordance with the Guidance.

Board Responsibility

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, it should be noted that such systems are designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The systems can therefore only provide reasonable, and not absolute assurance against material misstatements or loss. The system of internal control covers risk management and financial, organisational, operational and compliance controls.

Following the issuance of the Guidance, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year and up to the date of approval of the Annual Report and financial statements. The process is regularly reviewed by the Board through its Audit Committee and assisted by the Internal Auditors.

Risk Management Framework

The Board is aware that a sound system of internal control should be embedded in the operations of the Group and forms part of its culture. In order to bring greater awareness of employees towards risk identification, evaluation, control and monitoring, an external professional firm of consultants was appointed to assist in the formalisation of a Corporate Risk Management Framework for the Group. The framework covers the following initiatives, which were undertaken during the financial year:

- Holding of Risk Awareness Seminars for all operational managers of the Group to inculcate understanding of potential and current risks as faced by the various operating companies within the Group
- Workshops and training were conducted with operational managers to familiarise themselves with the principal risks and controls and the maintenance of a database of such risk profiles based on likelihood of occurrence and magnitude of impact
- Formation of Risk Management Committee ("RMC") at the group level as well as Risk Management Teams at operation level charged with the responsibility of continuously reviewing and maintaining risk profiles identified

Subsequent to the financial year end, presentation was made to the Audit Committee by the chairman of the RMC on key findings of risk profile on a quarterly basis.

The next step in risk management process is the issuance of a Corporate Risk Management manual which will outline the risk management framework for the Group and will offer guidance for all employees on risk management issues.

Control and Monitoring Process

The other key elements of the Group's internal control system are:

- An operational structure with defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability
- A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions
- Internal policies and procedures are in place and are regularly updated to reflect changing risks or resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported thereon by its internal audit function to the Board via the Audit Committee
- Detailed budgeting process established requiring all business units to prepare budget and business plan on an annual basis
- Effective reporting systems which expose significant variances against budget and plan are in place to monitor performance. Key variances are followed up by the management and reported to the Board on a quarterly basis
- The monitoring of control procedures is achieved through management review by the responsible director reporting to the Board. This is complemented by reviews undertaken by the internal audit function on the controls in operation in each individual business units. Regular reports are produced and presented to the Audit Committee which will assess the impact of control issues and review remedial actions implemented by the management

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

AUDIT COMMITTEE REPORT

COMPOSITION

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

Directors

- Y. Bhg. Dato' Dali Mahmud Hashim
(Chairman, Independent Non-Executive Director)
- Y. Bhg. Dato' Mohamad bin Haji Ahmad
(Non-Independent Non-Executive Director)
- Cik Zainab binti Dato'Hj. Mohamed
(Independent Non-Executive Director)
(Appointed on 10 December 2001)

Secretaries

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

AUTHORITY

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

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved
- To review the quarterly announcements to the Kuala Lumpur Stock Exchange and year end annual financial statements before submission to the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- To discuss problems and reservations arising from the interim and final external audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary)
- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems
- To appraise or assess the members of the internal audit function

MEETINGS

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

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

During the financial year under review, five (5) Audit Committee Meetings were held. Y. Bhg. Dato' Dali Mahmud Hashim and Y. Bhg. Dato' Mohamad bin Haji Ahmad attended all the meetings held during the financial year. Cik Zainab binti Dato'Hj. Mohamed attended all the remaining two (2) Audit Committee Meetings held in the financial year subsequent to her re-appointment as member of the Audit Committee of the Company on 10 December 2001.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and annual financial statements of Posim Berhad and its subsidiaries. The Audit Committee has met with the external auditors to discuss and consider the nature and scope of the audit, and significant changes and developments on accounting practices and standards issued by both the Malaysian Accounting Standards Board and International Accounting Standard Body. Also discussed was the management's response to the various issues and internal control weaknesses highlighted by the external auditors in the management report to the Board. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The Audit Committee also reviewed all recurrent related party transactions ("RRPTs") entered into between the Group and its related parties as mandated by a shareholders' mandate for RRPTs obtained from the shareholders on 25 February 2002 ("Shareholders' Mandate").

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

INTERNAL AUDIT

The Internal Audit team performed its duties in accordance with its annual audit plan covering review of the internal control systems and operational audit of various subsidiaries. They have also conducted RRPTs reviews to ensure compliance with the review procedures as prescribed in the Shareholders' Mandate.

This year, the Internal Auditors with the oversight of the Audit Committee and Risk Management Committee has facilitated the development and implementation of Strategic Corporate Risk Scorecard programme in order to ensure the Company's risk management strategies for critical business risks are adequately addressed.

NOMINATION COMMITTEE

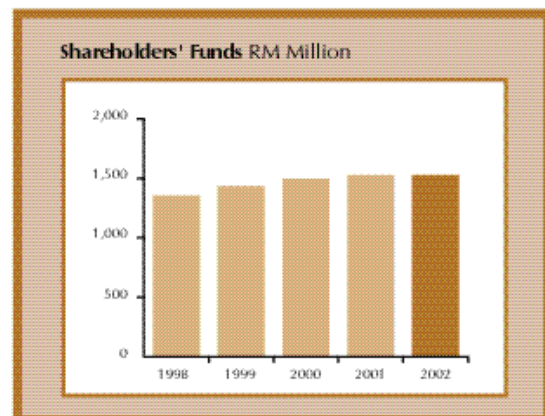
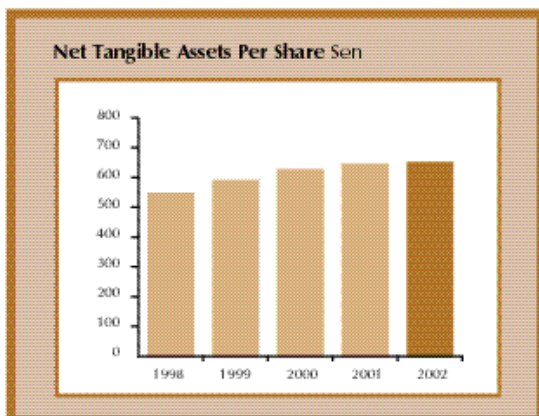
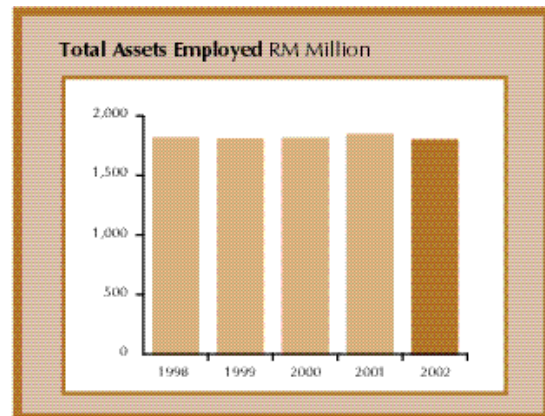
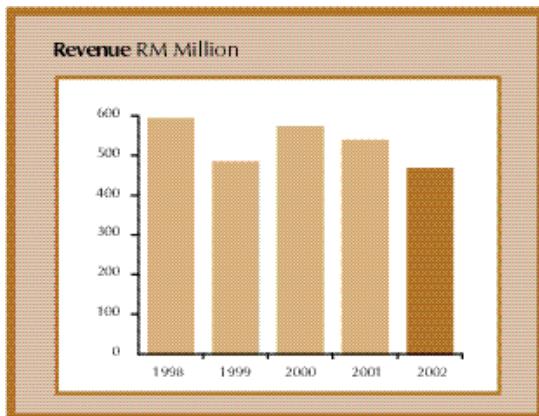
CHAIRMAN	:	Y. Bhg. Jen (B) Tan Sri Dato' Zain Hashim (Non-Independent Non-Executive Director)
MEMBERS	:	Y. Bhg. Dato' Dali Mahmud Hashim (Independent Non-Executive Director)
	:	Cik Zainab binti Dato' Hj. Mohamed (Independent Non-Executive Director)
TERMS OF REFERENCE	:	<ul style="list-style-type: none">• To recommend to the Board, candidates for directorship in Posim Berhad• To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder• To recommend to the Board, directors to fill the seats on Board Committees• To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board• To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

REMUNERATION COMMITTEE

CHAIRMAN	:	Y. Bhg. Dato' Dali Mahmud Hashim (Independent Non-Executive Director)
MEMBERS	:	Cik Zainab binti Dato' Hj. Mohamed (Independent Non-Executive Director)
	:	Mr Ngan Yow Chong (Executive Director)
TERMS OF REFERENCE	:	<ul style="list-style-type: none">• To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary• To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	594,909	485,467	573,412	539,505	468,074
Profit before taxation	35,382	37,576	67,550	34,440	1,556
Profit/(Loss) after taxation	33,577	37,580	65,560	31,990	(110)
Dividends:					
Gross rate (%)	1.0%	0.1%	1.0%	0.1%	0.1%
Amount (net of tax)	1,462	146	1,463	146	146
Total assets employed	1,818,048	1,810,973	1,815,411	1,846,711	1,804,253
Shareholders' funds	1,355,615	1,433,152	1,495,530	1,526,881	1,526,346
Net tangible assets	1,112,794	1,200,505	1,273,327	1,314,824	1,324,435
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	548	591	627	647	652
Earnings/(Loss) per share	12.1	17.0	31.4	15.2	(0.2)



THE GROUP'S BUSINESSES



Sabah Forest Industries Sdn Bhd ("SFI"), the only integrated pulp and paper mill in the country.
Sabah Forest Industries Sdn Bhd ("SFI"), satu-satunya kilang pulpa dan kertas bersepadu di negara ini.



Quality printing and writing paper from SFI.
Kertas cetak dan tulis yang bermutu dari SFI.

Downstream timber products by SFI:
Produk-produk hiliran keluaran SFI :



Plywood
Papan lapis



Sawn timber
Balak bergergaji

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



PENYATA Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Posim Berhad bagi tahun kewangan berakhir 30 Jun 2002.

PRESTASI KEWANGAN

Kelembapan ekonomi sejagat dan pertumbuhan ekonomi Malaysia yang lebih rendah dari jangkaan telah menjejaskan prestasi Kumpulan. Suasana operasi luaran yang kurang memuaskan serta pasaran komoditi kertas dan produk-produk berasaskan kayu yang lemah telah menyebabkan sumbangan yang lebih rendah oleh bahagian perhutanan Kumpulan.

Pasaran kertas terus lemah untuk tiga suku pertama tahun kewangan. Permintaan turut terjejas akibat persaingan yang tidak sihat susulan longgokan berlebihan oleh para pesaing utama di rantau ini. Bagaimanapun, menjelang suku terakhir tahun kewangan, harga-harga kertas dan produk-produk berasaskan kayu mulai stabil ekoran kawalan eksport yang dikenakan oleh Kerajaan Indonesia.

Untuk tahun kewangan yang ditinjau, Kumpulan mencatat perolehan berjumlah RM468 juta berbanding RM540 juta pada tahun kewangan sebelumnya. Keuntungan sebelum cukai juga rendah berjumlah RM1.6 juta berbanding RM34.4 juta sebelumnya.

PERKEMBANGAN KORPORAT

Pada 26 Mac 2002, syarikat pemegang utama Kumpulan, Amsteel Corporation Berhad ("Amsteel") bersama-sama Lion Land Berhad ("LLB"), Lion Corporation Berhad dan Angkasa Marketing Berhad (kesemuanya dikenali sebagai "Syarikat-Syarikat Skim") mengumumkan pindaan beberapa terma cadangan Skim Penyusunan Semula Seluruh Kumpulan ("Cadangan SPSSK") yang membabitkan pelbagai langkah penyusunan hutang, program-program pelupusan dan langkah-langkah penyusunan korporat yang akan membolehkan Syarikat-Syarikat Skim menangani tanggungjawab kewangan mereka dan meneruskan operasi pada dasar berterusan dan berada dalam kedudukan yang menguntungkan dalam jangkamasa panjang. Cadangan SPSSK juga membabitkan, antara lainnya, pelupusan seluruh kepentingan ekuiti Kumpulan Amsteel dalam Syarikat kepada LLB dan subsidiarinya, Amsteel Mills Sdn Bhd.

Cadangan SPSSK telah diluluskan oleh Kementerian Perdagangan Antarabangsa dan Industri, Jawatankuasa Pelaburan Asing, Bank Negara Malaysia, Suruhanjaya Sekuriti dan para Pemiutang Skim. Cadangan SPSSK kini menunggu kelulusan daripada Bursa Saham Kuala Lumpur, para pemegang saham Syarikat-Syarikat Skim dan pihak berkuasa berkenaan yang lain.

TINJAUAN OPERASI

Pengekstrakan Balak serta Pulpa dan Kertas

Operasi pengekstrakan balak serta pulpa dan kertas di bawah Sabah Forest Industries Sdn Bhd ("SFI") melaporkan prestasi yang lebih rendah pada tahun tinjauan.

Permintaan pasaran bagi pulpa dan kertas terus terjejas akibat kegawatan ekonomi sejagat. Keadaan bertambah buruk dengan aktiviti-aktiviti longgokan di pasaran oleh pesaing-pesaing utama dari Eropah dan Indonesia akibat dari kelemahan matawang Rupiah. Longgokan berlebihan telah juga menjejaskan harga-harga pasaran dengan harga kertas jatuh ke paras terendah RM1,900 se tan metrik pada separuh pertama tahun kewangan. Bagaimanapun, setelah langkah pengawalan dikenakan ke atas aktiviti-aktiviti longgokan berlebihan dan permintaan pasaran sejagat yang lebih baik, pasaran mulai pulih di penghujung tahun kewangan. Daripada faktor-faktor ini, SFI menyumbang perolehan dan keuntungan sebelum cukai yang lebih rendah masing-masingnya berjumlah RM336 juta dan RM1.4 juta.

SFI, satu-satunya pengeluar pulpa dan kertas dari Malaysia, mempunyai kapasiti pengeluaran tahunan untuk pulpa dan kertas masing-masing berjumlah 125,000 dan 150,000 metrik tan. Selain daripada menguasai lebih kurang 50% bahagian pasaran tempatan, SFI juga mengeksport produk-produknya kepada kira-kira 30 buah negara di seluruh dunia. Asas eksportnya yang luas membantu melindungi SFI daripada risiko sekiranya berlaku perubahan yang tidak menentu dalam ekonomi tempatan atau matawang. Disokong oleh sumber-sumber perhutanan yang melimpah-ruah serta konsesi perhutanan seluas 289,000 hektar selama 99 tahun, program penanaman semula yang sistematik dan kemudahan infrastruktur yang lengkap, SFI berupaya mencapai pertumbuhan pesat untuk muncul sebagai pengeluar balak dan kertas yang ternama dan menguntungkan di rantau Asia Pasifik.

Bahan Binaan dan Lain-lain

Untuk tahun kewangan yang ditinjau, Bahagian Bahan Binaan mencatat kenaikan perolehan sebanyak 16% selari dengan pemulihan sentimen dalam industri pembinaan. Bagaimanapun, pertumbuhan sektor pembinaan dijangka lembap berpunca dari kekurangan tenaga pekerja asing.

Bahagian Minyak Pelincir dan Aksesori Motor mencatat keputusan memuaskan pada tahun tinjauan. Pemulihan disebabkan oleh margin yang lebih baik akibat penurunan harga minyak asas yang diimport dan kecekapan di bahagian pengeluaran. Pada tahun ini, Bahagian memperkenalkan siri baru rangkaian pelincir sintetik

sepenuhnya 'Hi-Rev'9000. Rangkaian pelincir terbaru ini adalah salah satu contoh tindakbalas segera Bahagian dalam memenuhi permintaan pasaran semasa disamping menaikkan imej syarikat sebagai pengeluar minyak pelincir yang berkualiti. Bahagian Aksesori Motor memperkenalkan rantai motorsikal baru 'Sparx' pada tahun ini. Produk-produk tersebut telah diterima baik oleh para pengguna hasil daripada rangkaian pengedarannya yang meluas. Di samping meluaskan rangkaian produknya, Bahagian terus memberi tumpuan untuk mengukuhkan kedudukan pasarnya menerusi kempen-kempen promosi dan strategi-strategi pemasarannya. Pelbagai langkah telah diambil untuk meningkatkan proses kerja dan kecekapan operasi bagi membolehkan Bahagian menghadapi cabaran di masa akan datang.

Pemasangan dan Pengedaran Kenderaan Bermotor

Kinabalu Motor Assembly Sendirian Berhad, syarikat bersekutu 20% milik Kumpulan, terbabit dalam pemasangan dan pengedaran rangkaian kenderaan komersil dan pacuan 4 roda 'Isuzu' di Malaysia Timur telah mencatatkan prestasi yang menurun. Bilangan kenderaan yang dijual adalah lebih rendah manakala peruntukan yang lebih tinggi untuk penurunan nilai inventori telah menyebabkan Kumpulan menanggung kerugian.

DIVIDEN

Bagi tahun kewangan berakhir 30 Jun 2002, Lembaga Pengarah mengesyorkan dividen pertama dan akhir sebanyak 0.1 sen (2001 : 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 RM0.15 juta (2001 : RM0.15 juta).

PROSPEK

Pasaran kertas menampakkan tanda-tanda pemulihan menjelang penghujung tahun kewangan dan dijangka akan terus mengekalkan tren menaik di tahun kewangan akan datang. Pengharaman eksport balak yang dikenakan oleh Kerajaan Indonesia dan kawalan ke atas aktiviti longgokan yang dikenakan oleh ekonomi serantau memberi kesan positif kepada prestasi Kumpulan di masa hadapan.

Tertakluk kepada perkara-perkara yang tidak diduga, Lembaga Pengarah yakin prestasi Kumpulan akan lebih baik di tahun kewangan akan datang.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada para pelanggan yang dihargai, prinsipal, pengedar, pembiaya dan sekutu perniagaan atas sokongan dan keyakinan kepada Kumpulan. Saya juga ingin mengucapkan penghargaan ikhlas kepada kesemua kakitangan atas dedikasi dan iltizam anda semua.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Posim Berhad for the financial year ended 30 June 2002.

FINANCIAL PERFORMANCE

The global economic slowdown and lower than expected growth in the Malaysian economy has affected the Group's performance. The unfavourable external operating environment together with the weak commodity market for paper and wood-based products has led to lower contribution by the Group's forestry division.

The market for paper remained sluggish during the first three quarters of the financial year. Demand was also affected by unhealthy competition created by the excessive dumping by major regional competitors. However, towards the last quarter of the financial year, paper and wood-based prices began to stabilise as a result of export controls initiated by the Indonesian Government.

For the financial year under review, the Group recorded a revenue of RM468 million as against RM540 million recorded in the previous financial year. Profit before tax was correspondingly lower at RM1.6 million as compared to RM34.4 million previously.

CORPORATE DEVELOPMENT

On 26 March 2002, the Group's ultimate holding company, Amsteel Corporation Berhad ("Amsteel") together with Lion Land Berhad ("LLB"), Lion Corporation Berhad and Angkasa Marketing Berhad (collectively the "Scheme Companies") announced a revision to certain terms of the proposed Group-Wide Restructuring Scheme ("Proposed GWRS") encompassing various debt restructuring exercises, divestment programmes and corporate restructuring exercises that will enable the Scheme Companies to address their financial obligations and to continue operations on a going concern basis and, over the longer term, to regain their positions of profitability. The Proposed GWRS also involves, inter-alia the sale of Amsteel Group's entire equity interest in the Company to LLB and Amsteel Mills Sdn Bhd, a subsidiary company of LLB.

The Proposed GWRS has been approved by the Ministry of International Trade and Industry, Foreign Investment Committee, Bank Negara Malaysia, the Securities Commission and Scheme Creditors. The Proposed GWRS is pending approvals from the Kuala Lumpur Stock Exchange, shareholders of the Scheme Companies and any other relevant authority.

REVIEW OF OPERATIONS

Timber Extraction and Pulp and Paper

The Group's timber extraction and pulp and paper operation under Sabah Forest Industries Sdn Bhd ("SFI") reported a lower performance for the financial year under review.

Market demand for pulp and paper continued to be affected by the slowdown in the global economy. The situation was further worsened by the dumping activities in the market by major players from Europe and Indonesia resulting from the weak Rupiah. Excessive dumping has also led to a deterioration in market prices, with paper prices reaching a record low of RM1,900 per metric ton during the first half of the financial year. However, subsequent regulatory control measures imposed over excessive dumping activities and better global market demand have improved the market environment towards the end of the financial year. Arising from these factors, SFI contributed a lower revenue and profit before tax of RM336 million and RM1.4 million respectively.

Being the only pulp and paper producer in Malaysia, SFI has an annual production capacity of 125,000 and 150,000 metric ton for pulp and paper respectively. Apart from securing approximately 50% of the local market share, SFI currently exports its products to some 30 countries worldwide. The diversified export base helps to shield SFI from the risk of any local economic or currency fluctuations. Backed by abundant forest resources with 99-year forest concessions of 289,000 hectares, systematic replanting programmes and infrastructural installations, SFI has the capability to achieve a sound sustainable growth to become a prominent and profitable timber and paper supplier in the Asia-Pacific region.

Building Materials and Others

For the financial year under review, our Building Materials Division registered a 16% increase in revenue amidst improved sentiments in the construction industry. However, growth in the construction sector is expected to be dampened due to the shortage of foreign labour.

Our Lubricant and Motor Accessories Division registered a commendable set of results for the year under review. The improvement was contributed by the favourable margin arising from the softening in imported base oil prices and improved efficiencies in production lines. During the year, the Division introduced a new series of 'Hi-Rev' 9000 fully synthetic range of lubricants. The new range of lubricants is yet another example of

the Division's prompt response to the current market demand in bringing out a strategic product to enhance the company's image in producing high quality lubricants. The Motor Accessories Division also introduced the new 'Sparx' motorcycle chain during the year. These new products have been well received by our customers through our extensive distribution network established over the years. Besides expanding its product range, the Division remained focus on strengthening its market presence through aggressive promotion campaigns and marketing strategies. Measures have been undertaken to improve work process and operational efficiency to enable the Division to meet the challenges ahead.

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, recorded a decline in its performance. Lower number of vehicles sold coupled with higher provisions made for inventory write downs have resulted in the Group having to share its losses.

DIVIDEND

For the financial year ended 30 June 2002, the Board of Directors recommends a first and final dividend of 0.1 sen (2001: 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 RM0.15 million (2001: RM0.15 million).

PROSPECTS

The market for paper has shown signs of recovery towards the end of the financial year and is expected to continue its upward trend subsequent to the financial year. The ban on exportation of logs imposed by the Indonesian Government and anti-dumping measures taken by regional economies augurs well for the Group's future performance.

Barring unforeseen circumstances, the Board is confident that the Group's performance will be much better in the next financial year.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our valued customers, principals, dealers, bankers and business associates for their continued support and confidence in the Group. Most of all, I would also like to extend my deep appreciation to all our employees for their dedication and commitment.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈宝森有限公司截至2002年6月30日的会计年度之年度报告和经审核财务报告。

财务表现

全球经济衰退和马来西亚经济的成长率比预期中低，影响到本集团的表现。不利的外部营业环境和纸与木基产品的市场疲弱，导致本集团的林业部门所作的贡献减少。

在本会计年度的前三个季度，纸品的市场仍然疲弱。恶性的竞争导致需求也受到影响到，而这种局面是由于本地区的主要竞争者过度倾销所造成的。不过，由于印尼政府采取出口限制，在本会计年度最后一个季度，纸和木基产品的价格开始稳定下来。

在本会计年度，集团的营业额共达4亿6千800万零吉，上一个会计年度的营业额是5亿4千万零吉。税前利润减少到160万零吉；上一个会计年度则是3千440万零吉。

企业发展

在2002年3月26日，本集团的最终控股公司，合钢实业有限公司以及关联企业，包括：金狮置地有限公司，金狮机构有限公司及安卡沙经销有限公司(合称“计划公司”)宣布修改建议中的集团重组计划(以下简称“重组计划”)的某些条件，包括各项债务重组，资产脱售以及企业重组，这将使到合钢实业能够应付其财务义务，以及持续长远的操作，而在更长的时期内，使合钢实业重新恢复盈利地位。建议中的重组计划，除了其他事项之外，也包括把合钢实业在本公司的全部股权脱售给金狮置地以及金狮置地的子公司合管钢铁厂私人有限公司。

建议中的重组计划，已经获得国际贸易与工业部、外资委员会、马来西亚中央银行、证券委员会以及计划债权人批准。上述重组计划还有得吉隆坡股票交易所、各计划公司的股东以及任何其他有关当局批准。

业务检讨

伐木与纸浆及纸品业

负责集团伐木与纸浆及纸品业业务的沙巴森林工业私人有限公司(“沙巴林业”)，在本会计年度的业务表现较逊色。

市场对纸浆和纸张的需求，继续受到全球经济衰退的影响。由于印尼经济疲弱，再加上来自印尼和欧洲的大厂家展开倾销活动，这使情况进一步恶化。过度的倾销，导致市场价格下跌，在上半年度，纸张价格更一度下跌至每公斤1千900零吉的低记录。不过，随着针对过度的倾销活动而实行的管制措施，加上更佳的全球市场需求，使到在本会计年度接近结束时，市场环境有所改善。由于受到上述因素影响，沙巴林业的收入和税前利润相对的减少，分别只有3亿3千600万零吉和140万零吉。

沙巴林业是马来西亚唯一的纸浆和纸张制造商，它的纸浆和纸张的生产能力分别是12万5千公吨和15万公吨。沙巴林业目前除了占有本地市场大约50%份额之外，也出口其产品到全球约30个国家。多元化的出口基地，协助沙巴林业免招受到本地经济及

货币波动的风险打击。沙巴林业拥有丰富的森林资源，面积达28万9千公顷为期99年的森林特许权，有系统的重植计划以及基本设施，这将使到它能够取得持续及健全的成长，以成为亚太区重要且有利可图的木材和纸张供应商。

建筑材料及其他

在本会计年度，由于建筑业情况改善，我们的建筑材料部门的营业额增加16%。不过，随着外劳短缺，建筑业的成长预料将会受到负面的影响。

我们的滑机油和汽车配件部门在本会计年度取得可喜的业绩。这种改善是由于入口的基油价格下跌和生产效率提高，使到利润率上升。在本会计年度，这个部门推介新系列的“Hi-Rev” 9000滑机油，这一系列新滑机油是另外一个例子，显示本部门对目前的市场需求及时作出反应，推出一种策略性产品，以提高公司作为生产高品质滑机油的形象。在本会计年度，汽车配件部门也推出新的“Sparx”摩多车链。由于我们多年来建立了广泛的分销网，使到这些新产品都获得客户的良好接受。除了扩大产品范围之外，这个部门也通过积极的促销活动和市场策略加强其市场地位。本集团也采取多项措施作为改善工作程序和营运效率，以使这个部门能够应付未来的挑战。

车辆装配与分销

京那巴鲁汽车装配私人有限公司是本集团持有20%股权的联号。它在东马从事装配五十件(Isuzu)一系列商用车和四轮驱动车。在本会计年度，它的表现走下坡。汽车销售量减少，以及针对减低存货的帐面价值的准备金增加，导致本集团必须分担其亏损。

股息

在2002年6月30日结束的会计年度，董事部建议派发一次过末期股息每股0.1仙(2001年度：每股0.1仙)，扣除28%所得税，此项建议必须在行将召开的常年大会上获得股东们批准。本会计年度的净股息总额是15万零吉(2001年度：15万零吉)。

展望

在会计年度行将结束时，纸张的市场显示复苏的迹象，预料这种上升趋势将会持续。印尼政府禁止树木出口以及本区域的经济体系采取反倾销措施，对本集团未来的表现有利。

除非有预料不到的因素，董事部有信心本集团在下一个会计年度将会有更佳的表现。

鸣谢

我谨代表董事部，感谢尊贵的客户、总代理、代理商、银行及商业伙伴，继续支持本集团及对本集团有信心。同时，我也感谢全体员工的献身精神和尽责。

主席
丹斯里特廷森

FINANCIAL STATEMENTS

2002

FOR THE YEAR ENDED 30 JUNE 2002

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 2002.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 14 and 15 to the Financial Statements, respectively.

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

SIGNIFICANT CORPORATE EVENT

The Company had in the previous financial statements 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 a Group-Wide Restructuring Scheme proposed by Amsteel and LLB ("Proposed GWRS"), would involve, inter-alia, the acquisition of 100% equity interest in the Company by LLB (31%) and Amsteel Mills Sdn Bhd, a subsidiary of LLB (69%).

Subsequent to the aforesaid announcement, Amsteel and LLB had on 26 March 2002 announced a revision of certain terms of the Proposed GWRS ("Revised Proposed GWRS").

Under the Revised Proposed GWRS, LLB and Amsteel Mills Sdn Bhd would now acquire 23.44% and 60.26% equity interest in the Company, respectively.

The Revised Proposed GWRS is still in progress.

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 tax	1,556	354
Income tax expense	<u>(1,666)</u>	<u>(621)</u>
Loss after tax	(110)	(267)
Minority interests	<u>(271)</u>	<u>-</u>
Net loss for the year	<u><u>(381)</u></u>	<u><u>(267)</u></u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the allowance for doubtful debts and prior years' adjustments as disclosed in Notes 6 and 30 to the Financial Statements, respectively.

DIVIDENDS

A first and final dividend of 0.1%, less 28% tax, amounting to RM146,317 proposed in respect of 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 0.1%, less 28% tax, amounting to RM146,317 in respect of the current financial year. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, has not been included as a liability in the Financial Statements.

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 ("ESOS")

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

The main features of the ESOS are as follows:

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

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

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

Exercisable From	Subscription Price Per Share	Balance as of 1.7.2001	Granted	Exercised	Lapsed	Unissued Shares as of 30.6.2002
21 June 2000	RM2.40	2,557,000	-	-	313,000	2,244,000

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

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen 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 as disclosed in Note 37 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
Lee Ching Kion
Ngan Yow Chong
Jen (B) Tan Sri Dato' Zain Hashim
Dato' Mohamad bin Haji Ahmad
Dato' Dali Mahmud Hashim
Zainab binti Dato' Hj. Mohamed (appointed on 29.11.2001; retired at the Annual General Meeting on 10.12.2001 and re-appointed on 10.12.2001)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng and Y. Bhg. Dato' Mohamad bin Haji Ahmad retire by rotation and, being eligible, offer themselves for re-election.

Cik Zainab binti Dato' Hj. Mohamed, who was appointed to the Board during the year, retires under Article 99 of the Company's Articles of Association, and being eligible, offers herself for re-election.

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

DIRECTORS' INTERESTS

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

Shares in the Company	Number of Ordinary Shares of RM1.00 each			Balance as of 30.6.2002
	Balance as of 1.7.2001	Bought	Sold	
Direct Interest				
Jen (B) Tan Sri Dato' Zain Hashim	2,000	-	-	2,000
Dato' Mohamad bin Haji Ahmad	12,000	-	-	12,000
Indirect Interest				
Tan Sri William H.J. Cheng	178,488,171	-	386,000	178,102,171

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

Direct Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2001	Number of Shares		Balance as of 30.6.2002
			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	RM1.00	220,625	-	-	220,625
Chocolate Products (Malaysia) Berhad	RM0.50	35,600	-	-	35,600
Lion Land Berhad	RM1.00	29,969	-	-	29,969
Silverstone Berhad	RM1.00	9,320	180,000	-	189,320
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 22.8.2001 (Date of appointment)	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Lee Ching Kion					
Lion Land Berhad	RM1.00	-	169,000	-	169,000
Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2001	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Tan Sri William H.J. Cheng					
Amsteel Corporation Berhad	RM0.50	471,511,886	-	4,794,000	466,717,886
Chocolate Products (Malaysia) Berhad	RM0.50	232,425,501	-	409,000	232,016,501
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
Angkasa Marketing Berhad	RM1.00	87,892,150	-	-	87,892,150
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
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 Land Berhad	RM1.00	343,083,285	-	904,000	342,179,285
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	-	-	1,000,000
Lion Mutiara Parade Sdn Bhd	RM1.00	6,000,000	-	-	6,000,000
Lion Plantations Sdn Bhd	RM1.00	8,000,000	-	-	8,000,000
Lion Seremban Parade Sdn Bhd	RM1.00	7,000	-	-	7,000
LLB Damai Holdings Sdn Bhd	RM1.00	4,315,385	507,692	-	4,823,077
LLB Enterprise Sdn Bhd	RM1.00	690,000	-	-	690,000
LLB Strategic Holdings Berhad	RM1.00	4,050,000	-	-	4,050,000
Marvenel Sdn Bhd	RM1.00	100	-	-	100
Ototek Sdn Bhd	RM1.00	1,050,000	-	-	1,050,000
Sabah Forest Industries Sdn Bhd					
- ordinary shares Class 'A'	RM1.00	752,532,412	-	-	752,532,412
- ordinary shares Class 'B'	RM0.10	7,525,324,120	-	-	7,525,324,120
Salient Care Sdn Bhd	RM1.00	1,400,000	-	-	1,400,000
Secom (Malaysia) Sdn Bhd	RM1.00	5,100,000	-	-	5,100,000
Silverstone Berhad	RM1.00	149,903,535	-	161,070	149,742,465
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

Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2001	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Brewood Investment Pte Ltd	SGD1.00	100	-	-	100
Chocolate Investment Pte Ltd	SGD1.00	4,500,000	-	-	4,500,000
Cornelian Star (S) Pte Ltd	SGD1.00	100	-	-	100
Croydon Investment Pte Ltd	SGD1.00	100	-	-	100
Dawson Investment Pte Ltd	SGD1.00	100	-	-	100
Farringdon Investment Pte Ltd	SGD1.00	100	-	-	100
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	-	-	4,500,000
Limerick Investment Pte Ltd	SGD1.00	100	-	-	100
Lion Asia Investment Pte Ltd	SGD1.00	27,225,000	-	-	27,225,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	-	-	1,000,000
Lion Jianmin Pte Ltd	SGD1.00	1,000	-	-	1,000
Lion Rubber Industries Pte Ltd	SGD1.00	10,000,000	-	-	10,000,000
Masoni Investment Pte Ltd	SGD1.00	9,500,000	-	-	9,500,000
Parkson Glomart Pte Ltd	SGD1.00	1,000,000	-	-	1,000,000
Parkson Investment Pte Ltd	SGD1.00	10,000,000	-	-	10,000,000
Parkson Management Pte Ltd	SGD1.00	4,500,000	-	-	4,500,000
Parkson Supplies Pte Ltd	SGD1.00	100	-	-	100
Parkson Venture Pte Ltd	SGD1.00	14,800,000	-	-	14,800,000
Silverstone Tyre (S) Pte Ltd	SGD1.00	31,750,100	-	-	31,750,100
Willet Investment Pte Ltd	SGD1.00	45,954,450	-	-	45,954,450
P T Amsteel Securities Indonesia	Rp1,000	9,350,000	-	-	9,350,000
P T Kebunaria	Rp1,000,000	14,000	-	-	14,000
Hamba Research & Development Co Ltd	NT\$10.00	980,000	-	-	980,000
Indirect Interest	Nominal Value Per Preference Share	Balance as of 1.7.2001	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	-	-	400,000
Lion Mutiara Parade Sdn Bhd	RM0.01	8,400,000	-	-	8,400,000
Hy-Line Berhad	RM1,000	2,505	11	21	2,495
Indirect Interest	Nominal Value Per Deferred Share	Balance as of 1.7.2001	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	-	-	146,000,000

Investments in the People' s Republic of China	Currency	Balance as of 1.7.2001	Bought	Sold	Balance as of 30.6.2002
Beijing Future Century E-business Co Ltd	Rmb	600,000	-	-	600,000
Beijing Parkson Light Industry Development Co Ltd	USD	12,700,000	-	-	12,700,000
Beijing Trostel Property Development Co Ltd	USD	6,650,000	-	-	6,650,000
Beijing Vochelle Foodstuff Co Ltd	USD	3,080,000	-	-	3,080,000
Chongqing Wang Yu Parkson Plaza Co Ltd	Rmb	14,000,000	-	-	14,000,000
Dalian Tianhe Parkson Shopping Center Co Ltd	Rmb	60,000,000	-	-	60,000,000
Dong Feng Lion Tyre Co Ltd	Rmb	247,638,417	-	-	247,638,417
Hebei Weiyuan Heilen Bio-Chemical Co Ltd	USD	2,313,982	-	-	2,313,982
Huangshi Heilen Pharmaceutical Co Ltd (Under liquidation)	Rmb	45,416,040	-	-	45,416,040
Hubei Jinlongquan Brewery Co Ltd	USD	17,988,000	-	-	17,988,000
Hubei 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	6,625,001	-	-	6,625,001
Jilin Motor City Park Hotel Co Ltd	Rmb	60,000,000	-	-	60,000,000
Jinlongquan Brewery (Xiaogan) Co Ltd	Rmb	10,000,000	-	-	10,000,000
Lion Brewing Group Co Ltd	USD	12,677,000	-	-	12,677,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	15,000,000	-	-	15,000,000
Nanjing Jingyi Casting Co Ltd	USD	6,750,000	-	-	6,750,000
Pingyang Lion Beer Co Ltd	USD	2,585,000	-	-	2,585,000
Shandong DEbier Brewery Co Ltd	Rmb	36,000,000	-	-	36,000,000
Shanghai 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
Wuhan Fortune Motor Co Ltd	USD	6,000,000	-	-	6,000,000
Wuxi Puhua Electroplating Co Ltd	USD	1,225,000	-	-	1,225,000
Wuxi Sanyang Parkson Plaza Co Ltd	USD	10,839,396	-	-	10,839,396
Wuxi Top Absorber Co Ltd	USD	6,600,000	-	-	6,600,000
Xian Lucky King Parkson Plaza Co Ltd	Rmb	16,579,917	-	-	16,579,917
Yangzhou Parkson Plaza Co Ltd	USD	4,281,843	-	-	4,281,843
Zhu Zhou DEbier Brewery Co Ltd	Rmb	81,158,427	-	-	81,158,427

Indirect Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2001	Number of shares		Balance as of 30.6.2002
			Bought	Sold	
Jen (B) Tan Sri Dato' Zain Hashim					
Silverstone Berhad	RM1.00	180,000	-	180,000	-

In addition to the above, the director is deemed to have an interest in shares of a related company to the extent of the options granted pursuant to the Executive Share Option Scheme of the ultimate holding company, Amsteel Corporation Berhad.

	Options over Ordinary Shares of RM0.50 each			
	Balance as of 1.7.2001	Granted	Exercised	Balance as of 30.6.2002
Jen (B) Tan Sri Dato' Zain Hashim	175,000	-	-	175,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit, other than those disclosed as directors' remuneration in the financial statements, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain directors of the Company and/or its subsidiary companies or persons connected to such directors and/or substantial shareholders have interest as disclosed in Note 22 to the Financial Statements.

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

HOLDING COMPANIES

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

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG

NGAN YOW CHONG

Kuala Lumpur,
29 October 2002

REPORT OF THE AUDITORS TO THE MEMBERS OF POSIM BERHAD

We have audited the accompanying balance sheets as of 30 June 2002, the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - (i) the state of affairs of the Group and of the Company as of 30 June 2002 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the subsidiary company, of which we have not acted as auditors, as mentioned in Note 14 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

LAI CAN YIEW
2179/09/03 (J)
Partner

Petaling Jaya,
29 October 2002

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

	Note	The Group		The Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	4	468,074	539,505	97,659	83,584
Changes in inventories of finished goods, trading merchandise and work-in-progress		(19,182)	24,860	(52)	(62)
Raw materials and consumables used		(155,683)	(189,231)	-	-
Purchase of trading merchandise		(101,729)	(94,073)	(89,444)	(77,126)
Staff costs		(41,526)	(48,583)	(3,568)	(3,556)
Extraction fees		(15,482)	(31,344)	-	-
Timber royalties		(8,682)	(20,002)	-	-
Other production expenses		(48,647)	(61,770)	-	-
Depreciation of property, plant and equipment	11	(40,399)	(41,239)	(203)	(247)
Amortisation of:					
Forest concessions	12	(10,796)	(10,796)	-	-
Goodwill on consolidation	17	(10,146)	(10,146)	-	-
Other operating expenses		(13,414)	(17,894)	(2,554)	(2,035)
Other operating income		7,833	10,787	3,286	5,945
Profit from operations	5	10,221	50,074	5,124	6,503
Allowance for doubtful debts	6	(3,000)	(11,000)	(3,000)	(11,000)
Finance costs	7	(3,411)	(4,805)	(1,770)	(1,998)
Share in results of associated company		(2,254)	171	-	-
Profit/(Loss) before tax		1,556	34,440	354	(6,495)
Income tax expense	8	(1,666)	(2,450)	(621)	(1,636)
Profit/(Loss) after tax		(110)	31,990	(267)	(8,131)
Minority interests		(271)	(1,058)	-	-
Net profit/(loss) for the year		<u>(381)</u>	<u>30,932</u>	<u>(267)</u>	<u>(8,131)</u>
Earnings/(Loss) per ordinary share	9	<u>(0.2) sen</u>	<u>15.2 sen</u>		

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

BALANCE SHEETS

AS OF 30 JUNE 2002

	Note	The Group		The Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
ASSETS (Note 25)					
Property, plant and equipment	11	760,348	795,491	7,473	8,326
Forest concessions	12	333,320	344,116	-	-
Plantation development expenditure	13	127,583	117,458	-	-
Investment in subsidiary companies	14	-	-	8,675	8,675
Investment in associated company	15	7,097	9,351	4,684	4,684
Other investments	16	232	227	224	224
Goodwill on consolidation	17	201,911	212,057	-	-
Expenditure carried forward	18	-	-	-	-
Current Assets					
Inventories	19	97,616	130,049	146	167
Trade receivables	20	79,562	101,099	36,868	31,197
Other receivables and prepaid expenses	21	18,665	11,158	1,404	1,465
Amount owing by subsidiary companies	14	-	-	1,231,658	1,236,843
Amount owing by ultimate holding company	22	75,679	75,818	75,679	75,818
Amount owing by immediate holding company	22	16,734	16,713	653	632
Amount owing by other related companies	22	2,700	2,882	1,497	1,371
Fixed deposits with licensed banks		60,060	7,000	-	-
Cash on hand and at banks	23	22,746	23,292	1,581	1,925
		<u>373,762</u>	<u>368,011</u>	<u>1,349,486</u>	<u>1,349,418</u>
Current Liabilities					
Trade payables		26,612	43,939	13,586	8,988
Other payables and accrued expenses	24	35,979	39,634	1,329	1,140
Amount owing to subsidiary companies	14	-	-	1,900	933
Amount owing to other related companies	22	2,922	4,056	2,861	3,047
Bank borrowings	25	34,451	53,303	30,625	35,534
Tax liabilities		<u>3,712</u>	<u>4,822</u>	<u>1,705</u>	<u>2,736</u>
		<u>103,676</u>	<u>145,754</u>	<u>52,006</u>	<u>52,378</u>
Net Current Assets		270,086	222,257	1,297,480	1,297,040
Non-Current and Deferred Liabilities					
Hire-purchase payables	26	(146)	(214)	-	-
Deferred tax liabilities	27	(238)	(251)	-	-
		<u>(384)</u>	<u>(465)</u>	<u>-</u>	<u>-</u>
		<u>1,700,193</u>	<u>1,700,492</u>	<u>1,318,536</u>	<u>1,318,949</u>
Represented by:					
Issued capital	28	203,219	203,219	203,219	203,219
Reserves	29	<u>1,323,127</u>	<u>1,323,662</u>	<u>1,115,317</u>	<u>1,115,730</u>
Shareholders' Equity		1,526,346	1,526,881	1,318,536	1,318,949
Minority interests	22	<u>173,847</u>	<u>173,611</u>	-	-
		<u>1,700,193</u>	<u>1,700,492</u>	<u>1,318,536</u>	<u>1,318,949</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2002

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 shareholders' equity RM'000
Balance as of 1 July 2000		203,043	1,099,954	(25)	49,189	144,831	1,496,992
Net profit for the year		-	-	-	-	30,932	30,932
Dividend - underprovision in prior year							
As previously reported		-	-	-	-	(1)	(1)
Prior years' adjustments	30	-	-	-	-	1	1
As restated		-	-	-	-	-	-
Dividend - 1%, less 28% tax							
As previously reported		-	-	-	-	-	-
Prior years' adjustments	30	-	-	-	-	(1,463)	(1,463)
As restated		-	-	-	-	(1,463)	(1,463)
Dividend - 0.1%, less 28% tax							
As previously reported		-	-	-	-	(146)	(146)
Prior years' adjustments	30	-	-	-	-	146	146
As restated		-	-	-	-	-	-
Issue of shares		176	-	-	-	-	176
Share premium arising from issue of shares		-	246	-	-	-	246
Translation adjustment for the year		-	-	(2)	-	-	(2)
Balance as of 30 June 2001		203,219	1,100,200	(27)	49,189	174,300	1,526,881
Net loss for the year		-	-	-	-	(381)	(381)
Dividends - 0.1%, less 28% tax	30	-	-	-	-	(146)	(146)
Translation adjustment for the year		-	-	(8)	-	-	(8)
Balance as of 30 June 2002		203,219	1,100,200	(35)	49,189	173,773	1,526,346

(Forward)

The Company	Note	Issued capital RM'000	Share premium RM'000	Unappropriated profit RM'000	Total shareholders' equity RM'000
Balance as of 1 July 2000		203,043	1,099,954	25,124	1,328,121
Net loss for the year					
As previously reported		-	-	(6,631)	(6,631)
Prior years' adjustments	30	-	-	(1,500)	(1,500)
As restated		-	-	(8,131)	(8,131)
Dividend - underprovision in prior year					
As previously reported		-	-	(1)	(1)
Prior years' adjustments	30	-	-	1	1
As restated		-	-	-	-
Dividend - 1%, less 28% tax					
As previously reported		-	-	-	-
Prior years' adjustments	30	-	-	(1,463)	(1,463)
As restated		-	-	(1,463)	(1,463)
Dividend - 0.1%, less 28% tax					
As previously reported		-	-	(146)	(146)
Prior years' adjustments	30	-	-	146	146
As restated		-	-	-	-
Issue of shares		176	-	-	176
Share premium arising from issue of shares		-	246	-	246
Balance as of 30 June 2001		203,219	1,100,200	15,530	1,318,949
Net loss for the year		-	-	(267)	(267)
Dividends - 0.1%, less 28% tax	30	-	-	(146)	(146)
Balance as of 30 June 2002		203,219	1,100,200	15,117	1,318,536

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

The Group	2002 RM'000	2001 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	1,556	34,440
Adjustments for:		
Depreciation of property, plant and equipment	40,399	41,239
(Gain)/Loss on disposal of property, plant and equipment	(88)	164
Share in results of associated company	2,254	(171)
Amortisation of:		
Forest concessions	10,796	10,796
Goodwill on consolidation	10,146	10,146
Interest income	(3,854)	(6,215)
Finance costs	3,411	4,805
Dividend income	(3)	(4)
Bad debts written off	2	260
Allowance for doubtful debts	3,975	11,677
Allowance for doubtful debts no longer required	(110)	(774)
Allowance for slow-moving and obsolete inventories	176	242
Inventories written back	-	(70)
Inventories written down	13	220
Inventories written off	109	-
Property, plant and equipment written off	5	-
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	68,787	106,755
(Increase)/Decrease in:		
Inventories; adjusted for depreciation of property, plant and equipment of RM2,404,000 (RM1,881,000 in 2001) and amortisation of plantation development expenditure of RM69,000 (RM1,237,000 in 2001)	34,608	(22,749)
Trade receivables	20,817	(27,622)
Other receivables and prepaid expenses	(7,572)	4,027
Increase/(Decrease) in:		
Trade payables	(17,327)	(9,650)
Other payables and accrued expenses; excluding hire-purchase payables	(3,625)	10,469
	<hr/>	<hr/>
Cash Generated From Operations	95,688	61,230
Interest received	948	578
Income tax paid	(2,788)	(2,494)
	<hr/>	<hr/>
Net Cash From Operating Activities	93,848	59,314
	<hr/>	<hr/>

(Forward)

The Group	Note	2002 RM'000	2001 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		(8,850)	(15,606)
Proceeds from disposal of property, plant and equipment		807	706
(Increase)/Decrease in:			
Amount owing by other related companies		100	297
Plantation development expenditure; adjusted for depreciation of property, plant and equipment of RM466,000 (RM405,000 in 2001)		(9,728)	(19,901)
Cash at banks held under Escrow Account		(657)	(251)
Interest received from other related companies		24	47
Purchase of other investments		(5)	-
Dividend received from quoted investments		2	3
Net Cash Used In Investing Activities		<u>(18,307)</u>	<u>(34,705)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Bank borrowings; excluding bank overdrafts		(18,606)	(2,738)
Amount owing to other related companies		(1,134)	1,894
Payment of hire-purchase payables		(106)	(524)
Proceeds from issue of shares		-	422
Dividends paid		(146)	(1,463)
Dividend paid to minority shareholder of a subsidiary company		(35)	-
Finance costs paid		(3,411)	(4,805)
Net Cash Used In Financing Activities		<u>(23,438)</u>	<u>(7,214)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		52,103	17,395
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>24,443</u>	<u>7,048</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	<u><u>76,546</u></u>	<u><u>24,443</u></u>

Note: During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM8,850,000 (RM16,003,000 in 2001) of which RM Nil (RM397,000 in 2001) was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM8,850,000 (RM15,606,000 in 2001).

(Forward)

The Company	Note	2002 RM'000	2001 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) before tax		354	(6,495)
Adjustments for:			
Depreciation of property, plant and equipment		203	247
Gain on disposal of property, plant and equipment		(35)	-
Interest income		(3,111)	(5,903)
Finance costs		1,770	1,998
Dividend income		(2,036)	(1,044)
Allowance for doubtful debts		3,686	11,599
Allowance for doubtful debts no longer required		(71)	(179)
Inventories written off		3	-
Allowance for slow-moving and obsolete inventories		9	10
Property, plant and equipment written off		1	-
Operating Profit Before Working Capital Changes		773	233
(Increase)/Decrease in:			
Inventories		9	62
Trade receivables		(6,221)	(1,515)
Other receivables and prepaid expenses		(4)	(12)
Increase/(Decrease) in:			
Trade payables		4,598	844
Other payables and accrued expenses		189	(154)
Cash Used In Operations		(656)	(542)
Interest received		146	201
Income tax paid		(1,502)	(1,767)
Net Cash Used In Operating Activities		(2,012)	(2,108)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27)	(89)
Proceeds from disposal of property, plant and equipment		711	-
(Increase)/Decrease in:			
Amount owing by subsidiary companies		6,768	5,752
Amount owing by other related companies		(126)	23
Cash at banks held under Escrow Account		(657)	(251)
Interest received from other related companies		24	47
Dividend received from quoted investments		2	3
Net Cash From Investing Activities		6,695	5,485
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Bank borrowings; excluding bank overdrafts		(4,165)	(2,633)
Amount owing to subsidiary companies		1,327	426
Amount owing to other related companies		(186)	934
Payment of hire-purchase payables		-	(18)
Proceeds from issue of shares		-	422
Dividends paid		(146)	(1,463)
Finance costs paid		(1,770)	(1,998)
Net Cash Used In Financing Activities		(4,940)	(4,330)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(257)	(953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,910)	(957)
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	(2,167)	(1,910)

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Kuala Lumpur Stock Exchange.

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

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 14 and 15, 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.

The total number of employees of the Group and of the Company at the end of the financial year was 2,252 (2,657 in 2001) and 83 (79 in 2001), respectively.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 29 October 2002.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

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 14. Subsidiary companies are consolidated using the acquisition method of accounting.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>30.6.2002</u>	<u>30.6.2001</u>
	RM	RM
1 Singapore Dollar	2.14	2.08

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

Revenue and Revenue Recognition

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

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

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Revenue from servicing of industrial machine and equipment is recognised upon rendering of services.

Revenue from hiring of industrial machine and equipment is recognised on a time basis, by reference to the agreement entered into.

Income Tax

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

Foreign Currency Conversion

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

Associated Company

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment and Depreciation

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

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements.

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%

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Forest Concessions

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

Plantation Development Expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investment in unquoted shares in subsidiary companies, which is eliminated on consolidation, and investment in unquoted shares in associated company are stated at cost in the Company's financial statements.

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

Allowance 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.

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials, engineering spares, fuel and lubricants and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents 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.

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 the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

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

Receivables

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

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.

Cash Flow Statements

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

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

4. REVENUE

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Sales of goods	466,956	538,432	95,623	82,540
Servicing income	848	738	-	-
Hiring income	267	331	-	-
Gross dividend income from investments quoted in Malaysia	3	4	3	4
Gross dividend income from subsidiary companies	-	-	2,033	1,040
	<u>468,074</u>	<u>539,505</u>	<u>97,659</u>	<u>83,584</u>

5. PROFIT FROM OPERATIONS

This is arrived at after the following credits/(charges):

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest income on:				
Advances to holding companies	2,882	5,590	2,882	5,590
Advances to other related company	24	47	24	47
Advances to subsidiary companies	-	-	59	65
Others	948	578	146	201
Rental income	724	873	37	21
Allowance for doubtful debts no longer required	110	774	71	179
Bad debts recovered	106	10	101	3
Gain on disposal of property, plant and equipment	88	-	35	-
Realised gain on foreign exchange	-	1,120	-	-
Inventories written back	-	70	-	-
Bad debts written off	(2)	(260)	-	-
Property, plant and equipment written off	(5)	-	(1)	-
Realised loss on foreign exchange	(5)	-	-	-
Inventories written down	(13)	(220)	-	-
Inventories written off	(109)	-	(3)	-
Auditors' remuneration:				
Current	(151)	(147)	(23)	(23)
Underprovision in prior year	-	(8)	-	(3)
Allowance for slow-moving and obsolete inventories	(176)	(242)	(9)	(10)
Directors' remuneration (Note 22)	(371)	(115)	(341)	(85)
Rental of premises payable to:				
Subsidiary company	-	-	(12)	(21)
Other related companies	(485)	(403)	(110)	(24)
Others	(473)	(517)	(76)	(80)
Allowance for doubtful debts	(975)	(677)	(686)	(599)
Hire of plant and machinery	(1,861)	(3,378)	-	-
Loss on disposal of property, plant and equipment	-	(164)	-	-

6. ALLOWANCE FOR DOUBTFUL DEBTS

	The Group and The Company	
	2002 RM'000	2001 RM'000
Allowance for doubtful debts in respect of amount owing by ultimate holding company	3,000	11,000

7. FINANCE COSTS

	The Group		The Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Bank overdrafts and other borrowings	3,291	4,548	1,673	1,874
Advances from other related companies	99	119	97	119
Hire-purchase	21	138	-	5
	<u>3,411</u>	<u>4,805</u>	<u>1,770</u>	<u>1,998</u>

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Estimated tax payable	1,698	2,400	645	1,588
(Over)/Underprovision in prior years	(19)	49	(24)	48
Deferred tax (Note 27)	(13)	1	-	-
	<u>1,666</u>	<u>2,450</u>	<u>621</u>	<u>1,636</u>

The effective tax rate of the Group in 2002 is higher than the statutory tax rate due mainly to certain expenses which are non-deductible for tax purposes.

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

No provision for estimated current tax payable, other than the tax in respect of interest income earned, has been made by the Company in 2002 due mainly to the utilisation of unabsorbed tax losses and capital allowances brought forward amounting to RM184,000 to offset the chargeable income which would otherwise be taxable.

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

As of 30 June 2002, the balance in the tax-exempt account of the Company relating to the income tax waived in accordance with the Income Tax (Amendment) Act, 1999 amounted to RM7,681,000 (RM7,681,000 in 2001). The said amount, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividend up to the same amount.

9. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic

The basic earnings/loss per ordinary share of the Group has been calculated based on the Group's net loss of RM381,000 (net profit of RM30,932,000 in 2001) and on the number of ordinary shares in issue and ranking for dividend of 203,218,571 during the year (weighted average number of ordinary shares in issue and ranking for dividend of 203,198,000 in 2001).

Fully diluted

Under the Malaysian Accounting Standards Board Standard No. 13 on Earnings Per Share, the options over 2,244,000 unissued ordinary shares granted to confirmed executive employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2002. The terms of the unexercised options are set out in Note 28.

10. DIVIDENDS

A first and final dividend of 1%, less 28% tax (gross dividend per share is 1 sen), amounting to RM1,463,174 proposed in the financial year ended 30 June 2000 was paid by the Company in the previous financial year.

A first and final dividend of 0.1%, less 28% tax (gross dividend per share is 0.1 sen), amounting to RM146,317 proposed in respect of 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 0.1%, less 28% tax (gross dividend per share is 0.1 sen), amounting to RM146,317 in respect of the current financial year. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, has not been included as a liability in the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

2002 The Group	At beginning of year RM'000	Additions RM'000	Disposals RM'000	COST			At end of year RM'000
				Write-offs RM'000	Reclassifications RM'000		
Freehold land and buildings	11,620	-	(259)	-	-	-	11,361
Long leasehold land and buildings	4,668	-	(461)	-	-	-	4,207
Short leasehold land and buildings	74,474	301	-	-	-	-	74,775
Pulp and paper mill	789,002	-	-	-	-	-	789,002
Plant and machinery	219,413	3,567	(327)	(179)	5,623	-	228,097
Office equipment	1,044	23	(10)	(249)	-	-	808
Furniture and fittings	18,164	213	(2)	(101)	-	-	18,274
Motor vehicles	8,973	153	(140)	-	5	-	8,991
Motor vehicles under hire-purchase	473	-	-	-	(5)	-	468
Office renovation	884	-	-	(171)	-	-	713
Computer equipment	1,068	98	(1)	(64)	-	-	1,101
Housing colony and infrastructures	115,084	7	-	-	-	-	115,091
Jetty and access roads	95,351	1,455	-	-	-	-	96,806
Capital work-in-progress	7,330	3,033	-	-	(5,623)	-	4,740
	<u>1,347,548</u>	<u>8,850</u>	<u>(1,200)</u>	<u>(764)</u>	<u>-</u>	<u>-</u>	<u>1,354,434</u>

	At beginning of year RM'000	Charge for the year RM'000	ACCUMULATED DEPRECIATION			NETBOOK VALUE		
			Disposals RM'000	Write-off RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000	At beginning of year RM'000
Freehold land and buildings	801	133	(18)	-	-	916	10,445	10,819
Long leasehold land and buildings	613	70	(26)	-	-	657	3,550	4,055
Short leasehold land and buildings	20,837	3,258	-	-	(627)	23,468	51,307	53,637
Pulp and paper mill	355,714	16,814	-	-	627	373,155	415,847	433,288
Plant and machinery	64,376	12,477	(286)	(179)	-	76,388	151,709	155,037
Office equipment	989	28	(10)	(246)	-	761	47	55
Furniture and fittings	14,401	1,080	(2)	(101)	-	15,378	2,896	3,763
Motor vehicles	7,965	613	(138)	-	9	8,449	542	1,008
Motor vehicles under hire-purchase	67	100	-	-	(9)	158	310	406
Office renovation	743	58	-	(169)	-	632	81	141
Computer equipment	878	78	(1)	(64)	-	891	210	190
Housing colony and infrastructures	42,111	4,618	-	-	-	46,729	68,362	72,973
Jetty and access roads	42,562	3,942	-	-	-	46,504	50,302	52,789
Capital work-in-progress	-	-	-	-	-	-	4,740	7,330
	<u>552,057</u>	<u>43,269</u>	<u>(481)</u>	<u>(759)</u>	<u>-</u>	<u>594,086</u>	<u>760,348</u>	<u>795,491</u>

11. PROPERTY, PLANT AND EQUIPMENT (continued)

2002 The Company	At beginning of year RM'000	Additions RM'000	COST		At end of year RM'000
			Disposals RM'000	Write-offs RM'000	
Freehold land and buildings	7,384	-	(259)	-	7,125
Long leasehold land and building	844	-	(461)	-	383
Office equipment	585	3	-	(77)	511
Furniture and fittings	559	-	-	(19)	540
Motor vehicles	448	-	(79)	-	369
Office renovation	276	-	-	(6)	270
Computer equipment	641	24	-	(15)	650
	<u>10,737</u>	<u>27</u>	<u>(799)</u>	<u>(117)</u>	<u>9,848</u>

	At beginning of year RM'000	ACCUMULATED DEPRECIATION			NETBOOK VALUE		
		Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	At end of year RM'000	At end of year RM'000	At beginning of year RM'000
Freehold land and buildings	192	40	(18)	-	214	6,911	7,192
Long leasehold land and building	44	12	(26)	-	30	353	800
Office equipment	566	11	-	(76)	501	10	19
Furniture and fittings	514	18	-	(19)	513	27	45
Motor vehicles	400	35	(79)	-	356	13	48
Office renovation	144	53	-	(6)	191	79	132
Computer equipment	551	34	-	(15)	570	80	90
	<u>2,411</u>	<u>203</u>	<u>(123)</u>	<u>(116)</u>	<u>2,375</u>	<u>7,473</u>	<u>8,326</u>

Current depreciation has been charged to the following accounts:

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Income statements	40,399	41,239	203	247
Inventories	2,404	1,881	-	-
Plantation development expenditure (Note 13)	466	405	-	-
	<u>43,269</u>	<u>43,525</u>	<u>203</u>	<u>247</u>

As of 30 June 2002, certain freehold land and buildings and long leasehold land and buildings of the Group and the Company with net book values totalling RM7,264,000 (RM7,992,000 in 2001) have been pledged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 25.

As of 30 June 2002, the titles to certain parcels of leasehold land of a subsidiary company with net book values totalling RM1,629,000 (RM5,334,000 in 2001) have not been registered in the name of the said subsidiary company.

12. FOREST CONCESSIONS

	The Group	
	2002 RM'000	2001 RM'000
Forest concessions - at cost	388,200	388,200
Cumulative amortisation:		
At beginning of year	44,084	33,288
Amortisation for the year	10,796	10,796
At end of year	54,880	44,084
Net	333,320	344,116

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.

13. PLANTATION DEVELOPMENT EXPENDITURE

	The Group	
	2002 RM'000	2001 RM'000
At cost:		
At beginning of year	121,705	101,399
Additions for the year	10,194	20,306
At end of year	131,899	121,705
Cumulative amortisation:		
At beginning of year	4,247	3,010
Amortisation for the year	69	1,237
At end of year	4,316	4,247
Net	127,583	117,458

Charges to plantation development expenditure during the year include depreciation of property, plant and equipment amounting to RM466,000 (RM405,000 in 2001).

Current amortisation of RM69,000 (RM1,237,000 in 2001) has been charged to inventories.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2002 RM'000	2001 RM'000
Unquoted shares - at cost	8,675	8,675

Amount owing by subsidiary companies arose mainly from purchase consideration in respect of investments in a subsidiary company, Sabah Forest Industries Sdn Bhd by SC Nominees Sdn Bhd paid on behalf by the Company, expenses paid on behalf and other unsecured advances with no fixed repayment terms. The advances bear interest at rates ranging from a nominal rate to 6.50% (nominal rate to 6.80% in 2001) per annum except for an amount of RM18,000 (RM16,000 in 2001) which is interest-free.

14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

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

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2002 %	2001 %	
Direct				
Posim Petroleum Marketing Sdn Bhd	Malaysia	100.00	100.00	Trading and distribution of petroleum products
Posim Industrial Equipment Sdn Bhd	Malaysia	100.00	100.00	Trading, servicing, hiring and distribution of industrial machines and equipment
Ototek Sdn Bhd	Malaysia	70.00	70.00	Trading and distribution of lubricants, spark plugs and automotive components
Posim Petroleum Products Sdn Bhd	Malaysia	100.00	100.00	Manufacturing of petroleum products
Stoller Chemical Company (M) Sdn Bhd	Malaysia	100.00	100.00	Dormant
Fabulous Contour Sdn Bhd	Malaysia	100.00	100.00	Dormant
Posim Agricultural Products Sdn Bhd	Malaysia	100.00	100.00	Dormant
SC Nominees Sdn Bhd	Malaysia	100.00	100.00	Investment holding
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.

The Company's investment in Ototek Sdn Bhd with carrying value amounting to RM1,175,000 (RM1,175,000 in 2001) has been pledged as collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 25.

15. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unquoted shares - at cost	4,684	4,684	4,684	4,684
Share in post - acquisition profits	2,413	4,667	-	-
	<u>7,097</u>	<u>9,351</u>	<u>4,684</u>	<u>4,684</u>

The associated company is as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2002 %	2001 %	
Direct				
# Kinabalu Motor Assembly Sendirian Berhad	Malaysia	20.00	20.00	Assembly of Isuzu range of motor vehicles

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

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

	The Group	
	2002 RM'000	2001 RM'000
Share of net tangible assets	6,573	8,827
Premium on acquisition	524	524
	<u>7,097</u>	<u>9,351</u>

16. OTHER INVESTMENTS

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At cost:				
Quoted shares	47	42	39	39
Unquoted shares	140	140	140	140
Club membership	45	45	45	45
	<u>232</u>	<u>227</u>	<u>224</u>	<u>224</u>
Market value of quoted shares	<u>62</u>	<u>36</u>	<u>50</u>	<u>32</u>

17. GOODWILL ON CONSOLIDATION

	The Group	
	2002 RM'000	2001 RM'000
Goodwill on consolidation	253,646	253,646
Cumulative amortisation:		
At beginning of year	41,589	31,443
Amortisation for the year	10,146	10,146
At end of year	51,735	41,589
Net	201,911	212,057

18. EXPENDITURE CARRIED FORWARD

	The Group	
	2002 RM'000	2001 RM'000
At cost:		
Preliminary expenses	-	7
Pre-operating expenses	-	412
Amount written off	-	419
	-	(419)
Cumulative amortisation:		
At beginning of year	-	419
Amount written off	-	(419)
At end of year	-	-
Net	-	-

19. INVENTORIES

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At cost:				
Finished goods				
- Paper	20,560	33,411	-	-
- Veneer	377	2,915	-	-
- Sawn timber	2,122	2,484	-	-
- Plywood	563	1,861	-	-
- Others	1,153	1,555	-	-
Commercial timber logs	655	625	-	-
Work-in-progress				
- Paper	2,587	2,896	-	-
- Veneer	1,533	1,975	-	-
- Sawn timber	3,065	3,293	-	-
- Plywood	169	551	-	-
Raw materials	12,206	17,022	-	-
Pulp and fuel logs	15,816	19,866	-	-
Engineering spares	28,706	29,617	-	-
Fuel and lubricants	1,913	2,442	-	-
Trading merchandise	3,224	3,577	155	211
Goods-in-transit	-	2,387	-	-
Others	3,643	4,272	-	-
	<u>98,292</u>	<u>130,749</u>	<u>155</u>	<u>211</u>
Less: Allowance for obsolete and slow moving inventories	<u>(767)</u>	<u>(810)</u>	<u>(13)</u>	<u>(44)</u>
	97,525	129,939	142	167
At net realisable value:				
Trading merchandise	75	92	4	-
Others	16	18	-	-
	<u>97,616</u>	<u>130,049</u>	<u>146</u>	<u>167</u>

20. TRADE RECEIVABLES

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	84,291	105,401	39,244	33,266
Allowance for doubtful debts	<u>(4,729)</u>	<u>(4,302)</u>	<u>(2,376)</u>	<u>(2,069)</u>
	<u>79,562</u>	<u>101,099</u>	<u>36,868</u>	<u>31,197</u>

21. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Other receivables and prepaid expenses	20,083	12,511	1,469	1,465
Allowance for doubtful debts	<u>(1,418)</u>	<u>(1,353)</u>	<u>(65)</u>	<u>-</u>
	<u>18,665</u>	<u>11,158</u>	<u>1,404</u>	<u>1,465</u>

22. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

Amount owing by ultimate holding company consists of:

	The Group and The Company	
	2002 RM'000	2001 RM'000
Amount owing by ultimate holding company	92,502	86,818
Allowance for doubtful debts	(14,000)	(11,000)
Interest-in-suspense	<u>(2,823)</u>	<u>-</u>
	<u>75,679</u>	<u>75,818</u>

Amount owing by other related companies consists of:

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount owing by other related companies	2,806	2,882	1,521	1,371
Allowance for doubtful debts	(82)	-	-	-
Interest-in-suspense	<u>(24)</u>	<u>-</u>	<u>(24)</u>	<u>-</u>
	<u>2,700</u>	<u>2,882</u>	<u>1,497</u>	<u>1,371</u>

Amounts owing by/to holding companies and other related companies, which bear interest at rates ranging from 6.20% to 6.50% (6.50% to 6.80% in 2001) per annum and have no fixed repayment terms, arose mainly from prior years' intercompany advances, trade transactions and expenses paid on behalf.

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

Name of Company	Nature	The Group		The Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
With ultimate holding company:					
Amsteel Corporation Berhad	Interest income on advances	<u>5,684</u>	<u>5,549</u>	<u>5,684</u>	<u>5,549</u>

22. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Company	Nature	The Group		The Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
With immediate holding company:					
Avenel Sdn Bhd	Interest income on advances	41	41	41	41
With other related companies:					
Amsteel Mills Sdn Bhd	Trade sales	1,180	1,118	7	78
	Transport service charges payable	108	192	-	-
Lion Suzuki Marketing Sdn Bhd	Purchase of property, plant and equipment	-	146	-	-
Parkson Corporation Sdn Bhd	Trade sales	167	149	55	-
Silverstone Berhad	Trade sales	2,186	2,582	-	-
Angkasa Marketing Berhad	Trade purchases	5,013	15,932	5,013	15,932
	Interest expense on advances	77	119	77	119
Lion Suzuki Motor Sdn Bhd	Rental payable	445	332	110	24
	Trade sales	249	239	-	-
	Interest expense on advances	13	-	13	-
JOPP Builders Sdn Bhd	Interest income on advances	48	47	48	47
Singa Logistics Sdn Bhd	Trade sales	127	3	-	-
Amsteel Mills Marketing Sdn Bhd	Trade purchases	9,851	-	9,851	-
With other related parties:					
<u>Group A companies</u>					
Megasteel Sdn Bhd	Trade sales	446	424	-	-
	Purchase of spares	759	-	-	-
Bright Steel Sdn Bhd	Trade sales	310	338	-	-
	Purchase of spares	284	535	-	-
Inverfin Sdn Bhd	Rental payable	371	390	76	80
KMA Marketing Sdn Bhd	Purchase of spares	18	20	-	-
	Purchase of property, plant and equipment	-	119	-	-

22. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Company	Nature	The Group		The Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
With other related parties:					
<u>Group B companies</u>					
Boustead Johan Edaran Sdn Bhd	Trade purchases	954	1,435	954	1,435
Affin Insurance Brokers Sdn Bhd	Insurance payable	8,559	4,769	30	25
Johan Ceramics Berhad	Trade purchases	<u>1,010</u>	<u>-</u>	<u>1,010</u>	<u>-</u>

Related companies refer to subsidiary companies of Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company.

Related parties refer to entities in which certain directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected to such directors and/or substantial shareholders have interest.

Group A companies are associated companies or subsidiary companies of associated companies of Amsteel and Group B companies are companies in which a substantial shareholder of Amsteel has direct/indirect interest in the companies.

Forms of directors' remuneration charged to the income statements for the financial year are as follows:

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<u>Fees</u>				
Executive directors				
Lee Ching Kion	9	-	9	-
Ngan Yow Chong	9	-	9	-
	<u>18</u>	<u>-</u>	<u>18</u>	<u>-</u>
Non-executive directors				
Tan Sri William H.J. Cheng	21	21	15	15
Jen (B) Tan Sri Dato' Zain Hashim	10	10	10	10
Dato' Mohamad bin Haji Ahmad	19	19	19	19
Dato' Dali Mahmud Hashim	18	-	18	-
Zainab binti Dato' Hj Mohamed	11	-	11	-
Datuk Cheng Yong Kim*	4	18	4	18
Dato' Murad Mohamed Hashim**	3	13	3	13
Mohd Nadzri bin A. Halim	-	10	-	10
	<u>86</u>	<u>91</u>	<u>80</u>	<u>85</u>

22. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<u>Salary and other emoluments</u>				
Executive director				
Ngan Yow Chong	243	-	243	-
Non-executive director				
Tan Sri William H.J. Cheng	24	24	-	-
	<u>267</u>	<u>24</u>	<u>243</u>	<u>-</u>
Total	<u>371</u>	<u>115</u>	<u>341</u>	<u>85</u>

* resigned on 22 August 2001

** resigned on 27 August 2001

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

As of 30 June 2002, the immediate holding company has an investment in the subsidiary company, Sabah Forest Industries Sdn Bhd, of RM146,000,000 (RM146,000,000 in 2001), 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 2001) have been included as part of the minority interests of the Group.

23. CASH ON HAND AND AT BANKS

Included in cash on hand and at banks of the Group and the Company is an amount of RM908,478 (RM250,924 in 2001) representing cash held under Escrow Account as mentioned in Note 25. The said Escrow Account was created pursuant to the Master Restructuring Agreement entered into between the Company and certain local banks. In accordance with the said agreement, utilisation of cash held under the Escrow Account is restricted to repayment of bank borrowings and payment of interest, commission, fees and other charges to the banks.

24. OTHER PAYABLES AND ACCRUED EXPENSES

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Hire-purchase payables (Note 26)	68	106	-	-
Other payables and accrued expenses	35,911	39,528	1,329	1,140
	<u>35,979</u>	<u>39,634</u>	<u>1,329</u>	<u>1,140</u>

25. BANK BORROWINGS

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Bank overdrafts (Note 35)	5,352	5,598	2,840	3,584
Bankers acceptances, trust receipts and bills payable	21,399	23,349	20,085	20,594
Revolving credits	7,700	24,356	7,700	11,356
Total	34,451	53,303	30,625	35,534

As of 30 June 2002, the Company has bank overdraft and other credit facilities totalling RM32,088,000 (RM37,085,000 in 2001) obtained from certain local banks, which bear interest at average rates ranging from 5.20% to 5.50% (5.50% to 5.80% in 2001) per annum.

The bank overdraft and other credit facilities of the Company are secured by:

- (a) A first fixed charge under the National Land Code 1965 and an absolute legal assignment over:
 - (i) freehold land and buildings of the Company with carrying value of RM6,911,000 (RM7,192,000 in 2001)
 - (ii) long leasehold land and building of the Company with carrying value of RM353,000 (RM800,000 in 2001)
- (b) An assignment of the sale and purchase agreements over other buildings of the Company
- (c) A debenture containing a floating charge over the current assets, both present and future, of the following subsidiary companies of the Company:
 - (i) Posim Petroleum Products Sdn Bhd
 - (ii) Posim Agricultural Products Sdn Bhd
- (d) An assignment over all insurance policies over certain assets of the Company and the abovementioned subsidiary companies
- (e) A debenture containing a first fixed charge over the property, plant and equipment of the Company and a floating charge over:
 - (i) the Escrow Account
 - (ii) all other assets of the Company (not subject to the first fixed charge), both present and future, including inter-company receivables but excluding inter-company receivables from SC Nominees Sdn Bhd and the Company's shareholdings in SC Nominees Sdn Bhd, Sabah Forest Industries Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Industrial Equipment Sdn Bhd
- (f) A first party memorandum of deposit of shares on the pledge of the Company's entire shareholding in Ototek Sdn Bhd

25. BANK BORROWINGS (continued)

As of 30 June 2002, certain subsidiary companies have bank overdraft and other credit facilities totalling RM101,875,000 (RM111,375,000 in 2001) obtained from certain local banks. These facilities, which bear interest at rates ranging from 4.00% to 8.55% (3.20% to 8.80% in 2001) per annum, are secured by:

- (a) Corporate guarantee by the Company to the extent of RM26,875,000 (RM28,375,000 in 2001)
- (b) Corporate guarantee by the subsidiary company, SC Nominees Sdn Bhd to the extent of RM10,000,000 (RM10,000,000 in 2001)
- (c) Negative pledge on one of the subsidiary companies' assets to the extent of RM73,000,000 (RM83,000,000 in 2001)
- (d) Letter of awareness from the immediate holding company, general security agreement relating to goods and a general letter of pledge
- (e) Letter of awareness from the ultimate holding company
- (f) Letters of undertaking from the Company to maintain an effective shareholding of not less than 51% of the issued share capital of the indirect subsidiary company, Sabah Forest Industries Sdn Bhd

26. HIRE-PURCHASE PAYABLES

	The Group	
	2002 RM'000	2001 RM'000
Total outstanding	268	395
Less: Interest-in-suspense	(54)	(75)
Principal portion	<u>214</u>	<u>320</u>
Payable as follows:		
Within the next 12 months (Note 24)	68	106
After the next 12 months	146	214
	<u>214</u>	<u>320</u>

The interest rates implicit in these hire-purchase obligations range from 5.00% to 11.00% (5.00% to 17.00% in 2001) per annum.

27. DEFERRED TAX LIABILITIES

	The Group	
	2002 RM'000	2001 RM'000
At beginning of year	251	250
Net transfer from/(to) income statements (Note 8)	(13)	1
At end of year	<u>238</u>	<u>251</u>

27. DEFERRED TAX LIABILITIES (continued)

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

	The Group	
	2002 RM'000	2001 RM'000
Timing differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	325	278
Others	(87)	(27)
	<u>238</u>	<u>251</u>

As mentioned in Note 3, the tax effects of timing differences which would give rise to net deferred tax asset are recognised generally on actual realisation. As of 30 June 2002, the amount of net deferred tax asset, calculated at current tax rate which is not recognised in the financial statements, is as follows:

	Deferred Tax Asset/(Liability)			
	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Tax effects of:				
Unabsorbed tax losses	139,865	141,805	-	293
Unabsorbed capital allowances	341,987	332,489	44	255
Unutilised reinvestment allowances	17,447	17,447	-	-
Investment tax credits	76,080	92,152	-	-
Timing differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	(150,904)	(155,067)	(38)	(240)
Other timing differences	264	231	65	-
Net Deferred Tax Asset	<u>424,739</u>	<u>429,057</u>	<u>71</u>	<u>308</u>

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

28. SHARE CAPITAL

	The Group and The Company	
	2002 RM'000	2001 RM'000
Authorised:		
500,000,000 ordinary shares of RM1.00 each	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year:		
203,218,571 as of 1 July 2001; 203,042,571 as of 1 July 2000	203,219	203,043
Issued during the year:		
Nil in 2002; 176,000 in 2001	-	176
At end of year:		
203,218,571 as of 30 June 2002 and 2001	<u>203,219</u>	<u>203,219</u>

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

The main features of the ESOS are as follows:

- 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.
- The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- 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.
- The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the option committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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

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

Exercisable From	Subscription Price Per Share	Balance as of 1.7.2001	Granted	Exercised	Lapsed	Unissued Shares as of 30.6.2002
21 June 2000	RM2.40	<u>2,557,000</u>	<u>-</u>	<u>-</u>	<u>313,000</u>	<u>2,244,000</u>

29. RESERVES

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-distributable reserves:				
Share premium	1,100,200	1,100,200	1,100,200	1,100,200
Translation adjustment account	(35)	(27)	-	-
Capital reserve	<u>49,189</u>	<u>49,189</u>	<u>-</u>	<u>-</u>
	1,149,354	1,149,362	1,100,200	1,100,200
Distributable reserve:				
Unappropriated profit	<u>173,773</u>	<u>174,300</u>	<u>15,117</u>	<u>15,530</u>
	<u><u>1,323,127</u></u>	<u><u>1,323,662</u></u>	<u><u>1,115,317</u></u>	<u><u>1,115,730</u></u>

Translation adjustment account

Exchange difference arising on translation of foreign controlled entity is taken to the translation adjustment account as described in the accounting policies.

Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from the following:

	The Group	
	2002 RM'000	2001 RM'000
Shares issued by subsidiary company and paid by minority shareholder	5,998	5,998
Increase in reserve sharing resulting from additional shares issued by subsidiary company	<u>43,191</u>	<u>43,191</u>
	<u><u>49,189</u></u>	<u><u>49,189</u></u>

Unappropriated profit

Distributable reserve are those available for distribution as dividend. Taking into consideration the tax-exempt account as mentioned in Note 8 and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the unappropriated profit of the Company as of 30 June 2002 is available for distribution by way of dividends without additional tax liability being incurred.

30. PRIOR YEARS' ADJUSTMENTS

During the financial year, the Group and the Company changed the accounting policy for the recognition of liabilities in respect of proposed dividends in compliance with Malaysian Accounting Standards Board ("MASB") Standard No. 19, Events After the Balance Sheet Date. In prior years, the amount of dividends that were proposed after the balance sheet date and formally approved for payment were included as a liability in the financial statements. Upon adoption of MASB 19, the Group and the Company changed this accounting policy to recognise dividends in the financial period when the obligation to make future payments is established. Accordingly, final dividend payable is included as a liability in the financial statements after the approval has been given by the shareholders at the Annual General Meeting.

30. PRIOR YEARS' ADJUSTMENTS (continued)

In addition, the Group and the Company also changed their basis of income recognition in respect of proposed dividends receivable. In prior years, dividends proposed after the balance sheet date and formally approved for payment were recognised as income in the financial statements of the Group and of the Company. With the adoption of MASB 19, the Group and the Company will only recognise as income, proposed dividend receivable when their rights to receive payment are established. Accordingly, final dividend receivable is only recognised as income after the approval has been given by the shareholders of the investee companies at their Annual General Meeting.

The net effect of these changes is an increase in revenue and a corresponding increase in profit before tax of the Company by RM1,500,000 in the current financial year. These accounting changes have been accounted for retrospectively and the effects on prior years have been taken up as prior years' adjustments in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting changes:

	As previously reported 2001 RM'000	Adjustments RM'000	As restated 2001 RM'000
The Group			
Financial year ended 30 June 2001			
Dividend - 0.1%, less 28% tax	146	(146)	-
Dividend - 1%, less 28% tax	-	1,463	1,463
Dividend - underprovision in prior year	1	(1)	-
As of 30 June 2001			
Dividend - 0.1%, less 28% tax	146	(146)	-
Unappropriated profit	174,154	146	174,300
As of 1 July 2000			
Unappropriated profit	<u>143,369</u>	<u>1,462</u>	<u>144,831</u>
The Company			
Financial year ended 30 June 2001			
Revenue	85,084	(1,500)	83,584
Net loss for the year	(6,631)	(1,500)	(8,131)
Dividend - 0.1%, less 28% tax	146	(146)	-
Dividend - 1%, less 28% tax	-	1,463	1,463
Dividend - underprovision in prior year	1	(1)	-
As of 30 June 2001			
Dividend - 0.1%, less 28% tax	146	(146)	-
Unappropriated profit	16,884	(1,354)	15,530
Amount owing by subsidiary companies	1,238,343	(1,500)	1,236,843
As of 1 July 2000			
Unappropriated profit	<u>23,662</u>	<u>1,462</u>	<u>25,124</u>

31. CONTINGENT LIABILITIES - UNSECURED

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	-	-	1,034	17,769
Legal claims in respect of the termination of contracts for the extraction and sale of timber	<u>313,300</u>	<u>313,300</u>	<u>-</u>	<u>-</u>

Indemnity contracts have been signed between the Company and the immediate holding company, whereby the immediate holding company agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000 (RM313,300,000 in 2001) and any other claims brought by third parties against Sabah Forest Industries Sdn Bhd wherein the cause of action arises prior to the completion of the corporate exercise.

32. CAPITAL COMMITMENTS

As of 30 June 2002, the Group has the following capital commitments:

	The Group	
	2002 RM'000	2001 RM'000
Approved and contracted for:		
Purchase of property, plant and equipment	485	954
Approved but not contracted for:		
Purchase of property, plant and equipment	12,168	13,907
Plantation development expenditure	13,716	18,470
	<u>25,884</u>	<u>32,377</u>
	<u>26,369</u>	<u>33,331</u>

33. SIGNIFICANT CORPORATE EVENT

The Company had in the previous financial statements 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 a Group-Wide Restructuring Scheme proposed by Amsteel and LLB ("Proposed GWRS"), would involve, inter-alia, the acquisition of 100% equity interest in the Company by LLB (31%) and Amsteel Mills Sdn Bhd, a subsidiary of LLB (69%).

Subsequent to the aforesaid announcement, Amsteel and LLB had on 26 March 2002 announced a revision of certain terms of the Proposed GWRS ("Revised Proposed GWRS").

Under the Revised Proposed GWRS, LLB and Amsteel Mills Sdn Bhd would now acquire 23.44% and 60.26% equity interest in the Company, respectively.

The Revised Proposed GWRS is still in progress.

34. SEGMENT INFORMATION

Financial information by industry segment is as follows:

	The Group	
	2002 RM'000	2001 RM'000
Revenue from customers outside the Group:		
Timber extraction and pulp and paper	335,859	417,825
Building materials and consumables	95,625	82,544
Others	36,590	39,136
Total revenue	468,074	539,505
Profit/(Loss) before tax:		
Timber extraction and pulp and paper	1,414	39,418
Building materials and consumables	1,321	3,463
Others	4,075	2,388
Associated company	(2,254)	171
	4,556	45,440
Allowance for doubtful debts	(3,000)	(11,000)
Profit before tax	1,556	34,440
Assets employed:		
Timber extraction and pulp and paper	1,647,497	1,692,422
Building materials and consumables	125,525	121,125
Others	24,134	23,813
Associated company	7,097	9,351
Total assets employed	1,804,253	1,846,711

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

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Fixed deposits with licensed banks	60,060	7,000	-	-
Cash on hand and at banks	22,746	23,292	1,581	1,925
Bank overdrafts (Note 25)	(5,352)	(5,598)	(2,840)	(3,584)
	77,454	24,694	(1,259)	(1,659)
Less: Non cash equivalents:				
Cash at banks held under				
Escrow Account (Note 23)	(908)	(251)	(908)	(251)
	76,546	24,443	(2,167)	(1,910)

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with their current year's presentation. These relate mainly to the following:

	The Group	
	As previously reported RM'000	As reclassified RM'000
Income statements:		
Raw materials and consumables used	171,656	189,231
Staff costs	48,599	48,583
Extraction fees	-	31,344
Timber royalties	-	20,002
Other production expenses	114,420	61,770
Depreciation of property, plant and equipment	36,640	41,239
Other operating expenses	<u>38,748</u>	<u>17,894</u>

37. SUBSEQUENT EVENT

On 30 August 2002, the Company entered into a sale and purchase agreement with SC Nominees Sdn Bhd, a wholly-owned subsidiary of the Company, to acquire 752,532,412 Class "A" ordinary shares of RM1.00 each and 7,525,324,120 Class "B" ordinary shares of RM0.10 each in Sabah Forest Industries Sdn Bhd ("SFI"), representing 97.78% equity interest in SFI for a total consideration of RM1,223.4 million ("Proposed Acquisition of SFI").

Upon completion of the Proposed Acquisition of SFI, the Company will hold directly a 97.78% equity interest in SFI. The Proposed Acquisition of SFI is subject to the approval of the relevant authorities.

STATEMENT BY DIRECTORS

The directors of POSIM BERHAD state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2002 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

TAN SRI WILLIAM H.J. CHENG

NGAN YOW CHONG

Kuala Lumpur,
29 October 2002

DECLARATION BY THE DIRECTOR PRIMARIL Y RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, NGAN YOW CHONG, the director primarily responsible for the financial management of POSIM BERHAD, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
NGAN YOW CHONG at KUALA LUMPUR in the
FEDERAL TERRITORY this 29th day of October 2002.

Before me,

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P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2002

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land and building	Factory (13)	1.0	6.8.1992
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land and building	Factory (8)	8.3	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land and building	2-storey shop office (17)	0.1	13.4.1998
Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam	Freehold	2,716 sq feet	Building	Office (4)	0.4	18.3.1999
50, Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land and building	2-storey shop office (4)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land and building	3-storey shop office (3)	0.7	9.2.1999
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	Log pond and waste disposal area	1.6	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land and building	Residential (14 - 17)	56.8	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	Vacant	1.5	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	Jetty	23.6	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	Nursery site	0.1	1.1.1984

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land and building	Pulp and) paper mills) (14 - 17))		1.1.1988
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land and building	Pulp and) paper mills) (14 -17))	446.6	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land and building	Mills and) housing) (14 - 17)		1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land and building	Pump house (14 - 17)	0.1	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	Plantation	15.3	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	Plantation	14.7	1.1.1989

ANALYSIS OF SHAREHOLDINGS

Share capital as at 15 October 2002

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

Distribution of shareholdings as at 15 October 2002

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 1,000	18	0.44	2,060	0.00
1,001 to 10,000	3,848	92.90	9,538,040	4.69
10,001 to 100,000	234	5.65	5,838,000	2.87
100,001 to less than 5% of issued shares	41	0.99	26,840,471	13.21
5% and above of issued shares	1	0.02	161,000,000	79.23
	<u>4,142</u>	<u>100.00</u>	<u>203,218,571</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 15 October 2002

Registered 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. Avenel Sdn Bhd	9,097,271	4.48
3. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Panoron Sdn Bhd	2,193,468	1.08
4. AMMB Nominees (Tempatan) Sdn Bhd AmMerchant Bank Berhad (2 1/136-8)	1,860,000	0.92
5. Amsteel Securities (M) Sdn Bhd	1,680,800	0.83
6. HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Kim Swee	1,199,000	0.59
7. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd	918,730	0.45
8. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd	834,950	0.41
9. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (514039505107)	824,837	0.41
10. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Happyvest (M) Sdn Bhd	674,511	0.33
11. Thiang Thin Poh Joseph	601,500	0.30
12. Malaysia National Insurance Berhad	561,000	0.28
13. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd (51403950510B)	503,367	0.25
14. Happyvest (M) Sdn Bhd	478,700	0.24
15. AMMB 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

Registered Shareholders	No. of Shares	% of Shares
17. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (BK 7/587-8)	400,000	0.20
18. Employees Provident Fund Board	327,000	0.16
19. Mohamed Tamrin bin Munir	309,000	0.15
20. Quah Say Beng	258,000	0.13
21. Pui Cheng Wui	246,000	0.12
22. Amsteel Equity Nominees (Tempatan) Sdn Bhd Lion Group Medical Assistance Fund	237,000	0.12
23. Kok Kai Yan	189,000	0.09
24. Dr Ong Eng Huat	181,000	0.09
25. Wong Lok Jee @ Ong Lok Jee	175,000	0.09
26. RHB Nominees (Asing) Sdn Bhd Kripalson International Ltd	171,000	0.08
27. Na Chiang Seng	166,000	0.08
28. HLG Nominee (Asing) Sdn Bhd Pledged Securities Account for Lin Chung-Dien	157,000	0.08
29. Mayfin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Growthfolio Sdn Bhd (MDTS)	156,000	0.08
30. Ong Sai Hoon	135,000	0.07

Substantial Shareholders as at 31 October 2002

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Datuk Cheng Yong Kim	-	-	177,853,171	87.52
2. Happyvest (M) Sdn Bhd	3,721,615	1.83	174,086,556	85.67
3. Lancaster Trading Company Limited	-	-	177,853,171	87.52
4. Lion Holdings Sdn Bhd	45,000	0.02	177,808,171	87.50
5. Lion Realty Pte Ltd	-	-	177,853,171	87.52
6. Tan Sri William H.J. Cheng	-	-	177,853,171	87.52
7. Utara Enterprise Sdn Bhd	-	-	177,853,171	87.52
8. William Cheng Sdn Bhd	-	-	177,853,171	87.52
9. Amanvest (M) Sdn Bhd	457,500	0.23	170,097,271	83.70
10. Amsteel Corporation Berhad	-	-	170,097,271	83.70
11. Angkasa Marketing Berhad	-	-	170,097,271	83.70
12. Avenel Sdn Bhd	170,097,271	83.70	-	-
13. Lembaga Tabung Angkatan Tentera	-	-	170,097,271	83.70
14. Lion Corporation Berhad	-	-	170,097,271	83.70
15. Lion Land Berhad	-	-	170,097,271	83.70
16. Mirzan bin Mahathir	-	-	170,097,271	83.70
17. Peringkat Prestasi (M) Sdn Bhd	-	-	170,097,271	83.70
18. Timuriang Sdn Bhd	-	-	170,097,271	83.70
19. Umatrac Enterprises Sdn Bhd	-	-	170,097,271	83.70

Directors' interest in shares in the Company and its related companies as at 31 October 2002

The Directors' interest in shares in the Company and its related companies as at 31 October 2002 are the same as that shown in the Directors' Report for the financial year ended 30 June 2002 except for the following changes:

Tan Sri William H.J. Cheng

	Nominal Value Per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM1.00	-	-	177,853,171	87.52
Related Companies					
Amsteel Corporation Berhad	RM0.50	-	-	465,726,886	36.97
Lion Land Berhad	RM1.00	-	-	342,079,285	57.65
Hy-Line Berhad	RM1,000	-	-	*2,492	N/A
	Currency		Direct Interest		Indirect Interest
Investments in the People's Republic of China					
Wuhan Fortune Motor Co Ltd	USD		-		-

Jen (B) Tan Sri Dato' Zain Hashim

	Nominal Value Per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM1.00	-	-	-	-
Related Companies					
Amsteel Corporation Berhad	RM0.50	-	-	-	-
Chocolate Products (Malaysia) Berhad	RM0.50	-	-	-	-
Angkasa Marketing Berhad	RM1.00	-	-	-	-
Lion Land Berhad	RM1.00	-	-	-	-

* Preference shares

N/A Not Applicable

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002 and Fourth Supplemental Agreement dated 3 September 2002 between Amsteel Corporation Berhad, Umatrac Enterprises Sdn Bhd, the Company, Lion Corporation Berhad ("LCB") and Limpahjaya Sdn Bhd of the one part (collectively, "Silverstone Vendors") and Angkasa Marketing Berhad ("AMB"), a company in which a director and certain major shareholders of the Company have an interest, of the other part for the disposal by the Silverstone Vendors of 119,653,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad to AMB for a consideration of RM150,055,564 to be satisfied by an issue of RM143,231,483 in value of new AMB shares at a proposed issue price of RM1.00 per AMB share and the balance of RM6,824,081 to be set-off against inter-company balances owing from the LCB Group to the AMB Group.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM3,300 (2001: RM5,500).

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2002 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Paper and integrated wood-based products		
(i) The sale of paper and integrated wood-based products	Amsteel Group (a)	<u>179</u>
(ii) The purchase of machinery, spare parts, tool, dies and other related products and services for use in the operations and maintenance	ACB Group (b) LCB Group (b)	<u>284</u> <u>759</u> <u>1,043</u>
(iii) The provision of storage, leasing and rental of properties to SFI	Amsteel Group (a) LCB Group (b)	<u>22</u> <u>12</u> <u>34</u>
(iv) The provision of marketing, distribution and transportation services to SFI	LLB Group (d)	<u>108</u>
(b) Trading and distribution		
(i) The purchase of steels bars, wire rod and other building materials	LLB Group (d) AMB Group (b) LTAT Group (c)	<u>9,851</u> <u>5,013</u> <u>1,964</u> <u>16,828</u>
(ii) The sale of lubricants, spark plugs, tools and other automotive and petroleum products	Amsteel Group (a) LLB Group (d) LCB Group (b) AMB Group (b) ACB Group (b) Ributasi Holdings Sdn Bhd Group (b)	<u>2,370</u> <u>1,514</u> <u>459</u> <u>255</u> <u>311</u> <u>4</u> <u>4,913</u>

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(iii) The sale of machinery, spare parts, tool, dies and other related industrial equipment products and services	LCB Group ^(b) LLB Group ^(d) AMB Group ^(b)	8 29 <u>3</u> <u>40</u>
(iv) The provision of storage, leasing and rental of properties to the Posim Group	AMB Group ^(b) Amsteel Group ^(a)	485 23 <u>508</u>
(c) Others		
(i) The provision of corporate office support, staff training and development, education and other related services to the Posim Group	AMB Group ^(b) Amsteel Group ^(a) LLB Group ^(d) LCB Group ^(b) CPMB Group ^(d)	179 492 15 1 22 <u>709</u>
(ii) The obtaining of insurance and underwriting of risks	LTAT Group ^(c)	<u>8,559</u>
(iii) The provision of security services and security communication equipment to the Posim Group	Amsteel Group ^(a)	<u>16</u>
(iv) The purchase of motor vehicles, component parts and other related products and services for use in the operations and maintenance of motor vehicles by the Posim Group	Amsteel Group ^(a) AMB Group ^(b) LCB Group ^(b)	19 135 19 <u>173</u>
(v) The purchase of office equipment, furniture and other industrial and consumer products	LCB Group ^(b)	<u>2</u>

Note:

Amalgamated Containers Berhad Group ("ACB Group")
 Angkasa Marketing Berhad Group ("AMB Group")
 Amsteel Corporation Berhad Group ("Amsteel Group")
 Chocolate Products (Malaysia) Berhad Group ("CPMB Group")
 Lion Corporation Berhad Group ("LCB Group")
 Lion Land Berhad Group ("LLB Group")
 Lembaga Tabung Angkatan Tentera Group ("LTAT Group")
 Posim Berhad Group ("Posim Group")
 Sabah Forest Industries Sdn Bhd ("SFI")

"Group" includes subsidiary and associated companies

- (a) Ultimate holding company in which a Director and certain major shareholders of the Company have interest
- (b) Company in which a Director and certain major shareholders have interest
- (c) Major shareholder of the Company
- (d) Company in which certain Directors and major shareholders of the Company have interest

FORM OF PROXY

I/We

I.C. No./Company No.

of

being a member/members of POSIM BERHAD, hereby appoint

.....

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 20 December 2002 at 11.00 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Cik Zainab binti Dato'Hj. Mohamed		
5. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
6. To re-elect as Director, Y. Bhg. Dato'Mohamad bin Haji Ahmad		
7. To re-appoint as Director, Y. Bhg. Jen (B) Tan Sri Dato'Zain Hashim		
8. To re-appoint Auditors		
9. Authority to Directors to issue shares		

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

As witness my/our hand thisday of.....2002

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 seal or the hand of an office or attorney duly authorised.
- 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 not less than forty-eight (48) hours before the time appointed for holding the Meeting.