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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-First Annual General Meeting of LION LAND BERHAD will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 24 December 2001 at 11.00 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2001. Resolution 1
2. To approve the payment of a first and final dividend of 0.1% less 28% Malaysian Income Tax. Resolution 2
3. To approve the payment of Directors' fees amounting to RM98,000 (2000: RM69,300). Resolution 3
4. To re-elect Directors:
 - (i) In accordance with Article 104 of the Company's Articles of Association, the following Directors who were appointed during the financial year retire and, being eligible, offer themselves for re-election:

| | |
|---|--------------|
| Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin | Resolution 4 |
| Mr Heah Sieu Lay | Resolution 5 |
 - (ii) In accordance with Article 99 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 Dato' Musa bin Hitam | Resolution 6 |
| Y. Bhg. Datuk Cheng Yong Kim | Resolution 7 |
5. 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
6. 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
7. 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 21 December 2001 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 12.30 pm on 26 December 2001 in respect of ordinary transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2001 to shareholders on the Register of Members of the Company at the close of business on 26 December 2001.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BT ABDULLAH @ TAN WEE LI
Secretaries

Kuala Lumpur
30 November 2001

Notes:

1. Proxy
 - A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of 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 its common seal or signed by its attorney or by an officer on behalf of the corporation.
 - The instrument of proxy must be deposited at the Company's Registered Office, 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 3 – Increase in Directors' fees

The Directors' fees were reduced by 10% in 1997 due to the economic downturn. There has not been any increase since. In addition, the duties and responsibilities of the Directors have increased as reflected in the Malaysian Code on Corporate Governance and the Listing Requirements of the Kuala Lumpur Stock Exchange. Accordingly, a proposal is being submitted to shareholders to approve the increased Directors' fees to commensurate with such added duties and responsibilities.
3. 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 at the Seventy-First Annual General Meeting of the Company

- Pursuant to Article 104 of the Company's Articles of Association
(Appointed during the financial year)

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin
Mr Heah Sieu Lay

- Pursuant to Article 99 of the Company's Articles of Association
(Retirement by rotation)

Y. Bhg. Tan Sri Dato' Musa bin Hitam
Y. Bhg. Datuk Cheng Yong Kim

- Details of attendance at Board Meetings:

| Director | Date of Appointment | No. of Meetings Attended |
|---|---------------------|--------------------------|
| Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin | 26 February 2001 | 2/2 |
| Mr Heah Sieu Lay | 6 June 2001 | 1/1 |
| Y. Bhg. Tan Sri Dato' Musa bin Hitam | 10 August 1995 | 7/8 |
| Y. Bhg. Datuk Cheng Yong Kim | 16 January 1995 | 8/8 |

- Further details of Directors standing for re-election are set out on pages 5 to 8 of this Annual Report.

II. Place, date and time of Board Meetings

During the financial year ended 30 June 2001, eight (8) Board Meetings were held. All Board Meetings were held at Level 47, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur. The date and time of the Board Meetings held were as follows:

| No. | Date of Meetings | Time |
|-----|-------------------|----------|
| 1) | 29 August 2000 | 11.30 am |
| 2) | 27 September 2000 | 2.30 pm |
| 3) | 30 October 2000 | 11.00 am |
| 4) | 29 November 2000 | 10.30 am |
| 5) | 12 February 2001 | 3.00 pm |
| 6) | 23 February 2001 | 10.00 am |
| 7) | 22 May 2001 | 3.30 pm |
| 8) | 7 June 2001 | 10.45 am |

CORPORATE INFORMATION

| | |
|------------------------|--|
| Board of Directors | : Y. Bhg. Tan Sri Dato' Musa bin Hitam (Chairman) Y. Bhg. Datuk Cheng Yong Kim (Managing Director) Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay |
| Secretaries | : Ms Wong Phooi Lin Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li |
| Registered Office | : Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-2162 2155, 03-2161 3166 Fax No. : 03-2162 3448 Homepage : http://www.lion.com.my |
| Share Registrar | : Secretarial Communications Sdn Bhd Suite 11.01, Level 11, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-2164 8411, 03-2164 8412 Fax No. : 03-2161 4535 |
| Auditors | : Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya |
| Principal Bankers | : OCBC Bank (Malaysia) Berhad EON Bank Berhad Affin Merchant Bank Berhad RHB Sakura Merchant Bankers Berhad |
| Stock Exchange Listing | : Kuala Lumpur Stock Exchange |
| Stock Name | : LIONLND |
| KLSE Stock No. | : 4235 |
| Reuters Code | : LLBM. KL |
| ISIN Code | : MYL4235OO007 |

DIRECTORS' PROFILE

Y. Bhg. Tan Sri Dato' Musa bin Hitam
Chairman, Independent Non-Executive Director

Aged 67, Tan Sri Dato' Musa bin Hitam, a Malaysian, received his Bachelors degree from the University of Malaya and his Masters degree from the University of Sussex. He has since been conferred with various honours, including an Honorary Doctorate from the University of Sussex and fellowships from the Malaysian Institute of Management and the Centre for International Affairs, Harvard University.

Tan Sri Musa has held various posts at international level at various times. These included Chairman of the Commonwealth Parliamentary Association, Member of the Board of United Nations Education Scientific Cultural Organisation, Leader of the Commonwealth Observer Delegation to the Malawi General Elections and Member of the Commonwealth Ministers Delegations to Nigeria, Pakistan and Fiji. Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs in 1981 to 1986 respectively, Tan Sri Musa held a number of key posts, including Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority, Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and since 1995, he has been the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group. Tan Sri Musa also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the Commission in 1995. At the national level, Tan Sri Musa is currently the Chairman of the Malaysian National Commission on Human Rights. Tan Sri Musa is a member of the United Malays National Organisation and has held various positions within the party up to Deputy President until 1987.

Tan Sri Musa was appointed Chairman of the Board on 10 August 1995 and is also the Chairman of the Company's Nomination Committee.

Apart from his directorship in the Company, Tan Sri Musa does not hold any other directorship in public companies.

He attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2001.

Y. Bhg. Datuk Cheng Yong Kim
Managing Director, Non-Independent Executive Director

Aged 51, Datuk Cheng Yong Kim, a Singaporean, obtained his Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971.

Datuk Cheng has 25 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. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of the Company. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Datuk Cheng was appointed as Managing Director of the Company on 16 January 1995 and is a member of the Company's Remuneration Committee.

His other directorships in public companies are as follows:

- Director of Angkasa Marketing Berhad and Lion Corporation Berhad, both public listed companies
- Director of Hy-Line Berhad, a public company

Datuk Cheng has a direct shareholding of 591,586 ordinary shares of RM1.00 each and an indirect shareholding of 329,255,407 ordinary shares of RM1.00 each in the Company. He was also granted the options to subscribe for 175,000 ordinary shares of RM1.00 each in the Company pursuant to its Executive Share Option Scheme. Datuk Cheng is deemed to be interested in the subsidiary companies of the Company by virtue of his substantial interest in the Company. He also has interest in certain companies which conduct similar business with the Company in the property development sector.

Y. Bhg. Datuk Cheng Yong Kim (Continued)

Datuk Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company and his brother, Mr Cheng Yong Liang is also a Director of the Company.

During the financial year, Datuk Cheng attended all eight (8) Board Meetings held.

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin
Independent Non-Executive Director

Aged 57, Tan Sri Datuk Asmat bin Kamaludin, a Malaysian, obtained his Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966.

Tan Sri Asmat has served in the Ministry of Trade and Industry, now known as Ministry of International Trade and Industry ("MITI") for a period of approximately 35 years. During his tenure in the Civil Service, Tan Sri Asmat has served on the board of various companies and corporations as MITI's representative, including Heavy Industries Corporation of Malaysia, Malaysian Technology Development Corporation, Multimedia Development Corporation, Permodalan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, National Productivity Corporation, Malaysia External Trade Development Corporation, Small and Medium Industries Development Corporation and Perbadanan Johor. Between 1973 to 1976, he held the position of Senior Economic Counsellor to the European Community in Brussels. Tan Sri Asmat was appointed as Secretary General of MITI in May 1992 and held the position till his retirement on 18 January 2001.

At international level, Tan Sri Asmat has also served in committees of different international organisations such as Asian Pacific Economy Cooperation, Association of South East Asia Nations and World Trade Organisation.

Tan Sri Asmat was appointed to the Board on 26 February 2001 and is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad and Matsushita Electric Company (Malaysia) Berhad
- Director and Vice Chairman of YTL Cement Berhad
- Director of Hong Leong Properties Berhad, Shangri-La Hotels Malaysia Berhad, Malaysian Pacific Industries Berhad, Carlsberg Brewery Malaysia Berhad, Commerce-Asset Holding Berhad and Permodalan Nasional Berhad

Save for Permodalan Nasional Berhad, all the above companies are public listed companies.

Tan Sri Asmat attended the remaining two (2) Board Meetings held for the financial year ended 30 June 2001 subsequent to his appointment.

Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar
Non-Independent Non-Executive Director

Aged 65, Dato' Dr Mohd Shahari Ahmad Jabar, a Malaysian, graduated with a Bachelor of Arts degree from the University of Malaya in 1960. He was awarded a Dutch Government Fellowship in 1970 and obtained his Masters (Social Sciences) degree from the International Institute of Social Studies, Hague, Holland in 1972. In 1974, he was awarded the Fulbright-Hays Fellowship and obtained his PH. D (Political Science) from the University of Hawaii, United States of America in 1978. In 1990, on the nomination of the Government of Malaysia, he attended the Advance Management Program at the Harvard Business School, Boston, United States of America.

Upon graduation in 1960, Dato' Shahari was made an Assistant District Officer in the District of Kuala Selangor and was transferred to the District of Kuala Lumpur in 1963. He was then made Secretary of Public Services Commission, Sarawak and Sabah from 1964 to 1966. In 1967, he was appointed as an Assistant Secretary at the Prime Minister's Department until 1968. He was later appointed as Deputy Director of the Malaysian Centre for Development Studies from 1968 to 1970. Upon completion of his Masters, he became the Deputy Secretary at the Ministry of National Department until 1974. In 1978, he was appointed Director of the National Institute of Public Administration on completion of his PH. D and 1984 to 1990 as Director of Asian and Pacific Development Centre. Prior to his retirement in 1991, he was the Deputy Director-General at the Public Services Department.

Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar (Continued)

Dato' Shahari was appointed to the Board on 25 January 1996. His other directorships in public companies are as follows:

- Deputy Chairman of Malaysia British Assurance Berhad, a public listed company
- Chairman of MBA Life Assurance Berhad, a public company
- Director of Amanah SSCM Asset Management Berhad and Amanah Property Trust Managers Berhad, both public companies

He attended all eight (8) Board Meetings held during the financial year ended 30 June 2001.

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin
Non-Independent Non-Executive Director

Aged 63, Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, graduated from the University of Canterbury, New Zealand in 1966 with a Master of Arts degree majoring in Economics.

He joined the Malaysian Civil Service upon his graduation and served the Government until his retirement in 1993. During his tenure in the Civil Service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in the Ministry of Trade and Industry from 1966 to 1980. Between 1980 to 1990, he held the position of Deputy Secretary-General (Development) in the Ministry of Works. He retired in 1993 where his last position held was the Director-General, Registration Department, Ministry of Home Affairs.

Dato' Kamaruddin was appointed to the Board on 20 July 1994 and is a member of the Company's Nomination Committee and Remuneration Committee.

He is also a Director of APM Automotive Holdings Berhad, a public listed company.

Dato' Kamaruddin has a direct shareholding of 2,000 ordinary shares of RM1.00 each in the Company. He was also granted the options to subscribe for 79,000 ordinary shares of RM1.00 each in the Company pursuant to its Executive Share Option Scheme.

He attended seven (7) of the eight (8) Board Meetings held during the financial year ended 30 June 2001.

Mr Cheng Yong Liang
Non-Independent Non-Executive Director

Aged 44, Cheng Yong Liang, a Singaporean, holds a Diploma in Building from Singapore Polytechnic and a Bachelor of Science degree in Business Administration from the University of San Francisco.

Mr Cheng has been with the Lion Group for 16 years. He is primarily involved in the Property Division of the Lion Group.

Mr Cheng was appointed to the Board on 6 April 1994. He is also a director of Syarikat Pekan Baru Kemajuan Berhad, a public company.

Mr Cheng is the Chairman of the Company's Option Committee and he has a direct shareholding of 63,840 ordinary shares of RM1.00 each in the Company.

Mr Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company and his brother, Y. Bhg. Datuk Cheng Yong Kim is the Managing Director of the Company.

He attended all eight (8) Board Meetings held during the financial year ended 30 June 2001.

Mr Heah Sieu Lay
Non-Independent Executive Director

Aged 48, Heah Sieu Lay, a Malaysian, holds a Bachelor of Arts (Honours) degree in Accountancy from City of London Polytechnic, London. He is also an Associate Member of the Institute of Chartered Accountants in England and Wales.

Mr Heah is currently the Group Executive Director of the Lion Group responsible for corporate planning. Prior to joining the Lion Group in 1998, he was the Managing Director of RHB Sakura Merchant Bankers Berhad ("RHB Sakura") with extensive experience in the field of corporate finance after having served RHB Sakura for 15 years.

Mr Heah was appointed to the Board on 6 June 2001 and is a member of the Company's Audit Committee. He is also the Managing Director of Chocolate Products (Malaysia) Berhad, a public listed company.

Mr Heah attended the remaining one (1) Board Meeting held for the financial year ended 30 June 2001 subsequent to his appointment.

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

CORPORATE GOVERNANCE

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

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

1. DIRECTORS

The Board

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

The Board of Directors comprises 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. The profile of the members of the Board are set out on pages 5 to 8 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. 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.

Supply of Information

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

Re-election

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

Board Meetings

The Board meets on a quarterly basis with additional meetings convened as necessary. The Board met for a total of eight (8) times during the financial year ended 30 June 2001.

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

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

The Board Committees

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

2. DIRECTORS' REMUNERATION

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

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

| (RM) | Fees | Salaries & Other Emoluments | Total |
|-------------------------|--------|-----------------------------|---------|
| Executive Directors | 12,000 | 150,000 | 162,000 |
| Non-Executive Directors | 86,000 | 123,000 | 209,000 |

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

| Range of Remuneration (RM) | Executive | Non-Executive |
|----------------------------|-----------|---------------|
| 25,000 & below | 1 | 4 |
| 25,001 – 50,000 | – | 1 |
| 50,001 – 100,000 | – | – |
| 100,001 – 150,000 | – | 1 |
| 150,001 – 200,000 | 1 | – |

3. ACCOUNTABILITY AND AUDIT

To oversee the financial reporting and internal control of the Group, the Board has established an Audit Committee comprising three (3) Directors, the majority of whom are independent which composition complies with the Listing Requirements of the Kuala Lumpur Stock Exchange. The responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 11 and 12.

The Audit Committee met eight (8) times during the financial year.

Financial Reporting

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

Internal Controls

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

Relationship with the Auditors

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

4. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

5. SHAREHOLDERS

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

Members

- Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin
(Chairman, Independent Non-Executive Director) Appointed on 6 June 2001
- Y. Bhg. Tan Sri Dato' Musa bin Hitam
(Independent Non-Executive Director) Appointed on 10 October 1996
- Mr Heah Sieu Lay
(Non-Independent Executive Director) Appointed on 6 June 2001

The following Directors served on the Audit Committee during the financial year in the respective positions until their resignation on the dates set out below to comply with the Listing Requirements of the Kuala Lumpur Stock Exchange:

- Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar
(Chairman, Non-Independent Non-Executive Director) Resigned on 6 June 2001
- Mr Ee Beng Guan
(Non-Independent Non-Executive Director) Resigned on 6 June 2001

Secretaries

The Joint-Secretaries of Lion Land Berhad, Ms Wong Phooi Lin 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 matters the external auditors may wish to discuss (in the absence of management, where necessary)
- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems

MEETINGS

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

During the financial year under review, eight (8) Audit Committee Meetings were held. Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar and Mr Ee Beng Guan attended all the meetings until their resignation from the Audit Committee on 6 June 2001 whilst Y. Bhg. Tan Sri Dato' Musa bin Hitam attended all the meetings except for one (1) for which apology has been extended. Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin and Mr Heah Sieu Lay who were appointed as members of the Audit Committee on 6 June 2001 attended the remaining one (1) meeting held for the financial year subsequent to their appointment.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and financial statements of Lion Land 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. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The various corporate proposals including the revised Proposed Group Wide Restructuring Scheme and the intention of the management to secure a Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") were deliberated upon and endorsed for approval by the Board.

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

INTERNAL AUDIT

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

NOMINATION COMMITTEE

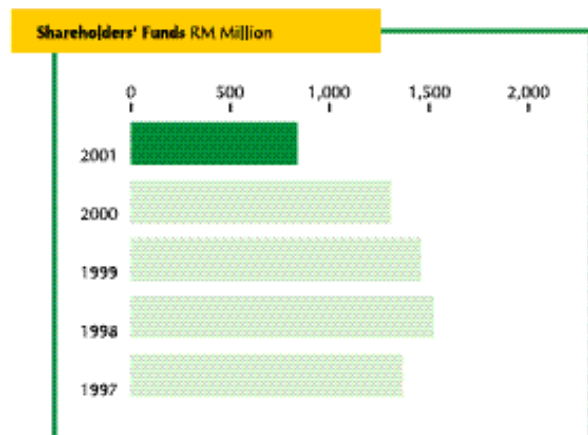
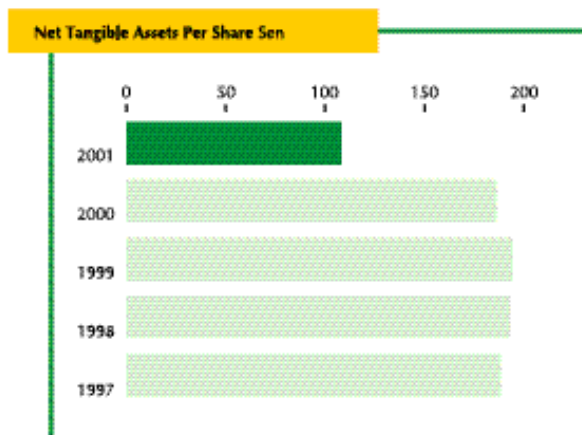
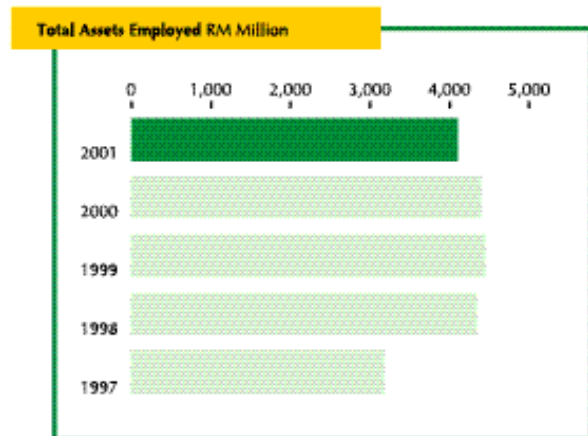
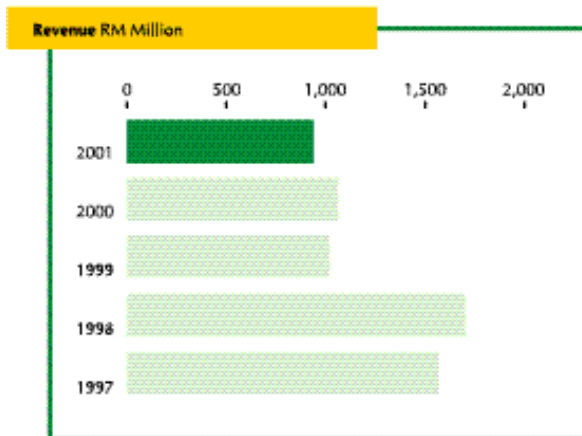
| | | |
|--------------------|---|---|
| Chairman | : | Y. Bhg. Tan Sri Dato'Musa bin Hitam <i>(Independent Non-Executive Director)</i> |
| Members | : | Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin <i>(Independent Non-Executive Director)</i> Y. Bhg. Dato'Kamaruddin @ Abas bin Nordin <i>(Non-Independent Non-Executive Director)</i> |
| Terms of Reference | : | <ul style="list-style-type: none">• To recommend to the Board, candidates for directorships in Lion Land 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. Tan Sri Datuk Asmat bin Kamaludin <i>(Independent Non-Executive Director)</i> |
| Members | : | Y. Bhg. Datuk Cheng Yong Kim <i>(Non-Independent Executive Director)</i> Y. Bhg. Dato'Kamaruddin @ Abas bin Nordin <i>(Non-Independent Non-Executive Director)</i> |
| Terms of Reference | : | <ul style="list-style-type: none">• To recommend to the Board the remuneration of the Executive Directors in all its form, 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

| Years ended 30 June | 1997 RM'000 | 1998 RM'000 | 1999 RM'000 | 2000 RM'000 | 2001 RM'000 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 1,567,424 | 1,701,362 | 1,020,419 | 1,062,750 | 938,386 |
| Profit/(loss) before taxation | 214,213 | (33,600) | (63,047) | (97,095) | (470,445) |
| Profit/(loss) after taxation | 200,207 | (40,454) | (59,549) | (115,158) | (473,499) |
| Dividends: | | | | | |
| Rate (%) | 8.0 | 0.5 | 0.1 | 0.1 | 0.1 |
| Amount (Net of tax) | 33,223 | 2,136 | 427 | 427 | 427 |
| Total assets employed | 3,170,713 | 4,333,268 | 4,438,859 | 4,367,764 | 4,105,568 |
| Shareholders' funds | 1,367,937 | 1,523,218 | 1,457,544 | 1,306,485 | 836,938 |
| Net tangible assets | 1,115,927 | 1,142,197 | 1,149,501 | 1,101,929 | 643,800 |
| | Sen | Sen | Sen | Sen | Sen |
| Net tangible assets per share | 188 | 193 | 194 | 186 | 108 |
| Earnings/(loss) per share | 33.8 | (5.0) | (9.1) | (17.0) | (78.9) |



THE GROUP'S BUSINESSES

Exterior view of Amsteel Mills' expansion project to produce bars and wire rods in Banting, Selangor
Pemandangan luar projek pembesaran Amsteel Mills untuk mengeluarkan batang besi keluli dan rod wayar yang terletak di Banting, Selangor



Inset: Fully automated rolling mill for producing quality bars and rods

Gambar kecil: Kilang penggulung berautomatik sepenuhnya untuk mengeluarkan batang besi keluli dan rod wayar berkualiti



Material handling yard in Amsteel Mills' hot briquetted iron ("HBI") plant in Labuan, Sabah

Inset: Close-up of HBI

Bahagian pengendalian bahan di loji besi briket panas Amsteel Mills di Labuan, Sabah

Gambar kecil: Besi briket panas



Double-storey link houses and shoplots at Taman Malim Jaya in Melaka, developed by Malim Jaya (Melaka) Sdn Bhd
Rumah berangkai dua tingkat dan lot-lot kedai di Taman Malim Jaya, Melaka yang dibangunkan oleh Malim Jaya (Melaka) Sdn Bhd



Night scene of Klang Parade, offering non-stop fun and excitement (inset)

Pemandangan waktu malam di Klang Parade, kompleks membeli-belah yang menawarkan keriahan dan keseronokan yang berpanjangan (gambar kecil)

PENYATA Pengerusi

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

PRESTASI KEWANGAN

Kesan kelembapan ekonomi Malaysia mulai ketara dalam separuh kedua tahun kewangan. Sektor perkilangan yang merupakan nadi penggerak utama perkembangan negara selama tujuh suku sebelum ini dengan catatan pertumbuhan dua digit, kini hanya mencatatkan pertumbuhan 3.7% dalam suku pertama 2001. Penguncupan ekonomi tempatan dan sejagat telah menjejaskan perniagaan Kumpulan.

Dalam tahun tinjauan, perolehan yang lebih rendah berjumlah RM938 juta telah dicatatkan berbanding dengan RM1,063 juta pada tahun lepas. Keuntungan operasi sebelum kos kewangan menjunam daripada RM107 juta pada tahun lepas kepada hanya RM3 juta pada tahun ini. Selepas menolak kos-kos kewangan berjumlah RM167 juta dan peruntukan tunggal pengiktirafan kerugian berjumlah RM404 juta berpunca daripada cadangan skim penyusunan semula seluruh kumpulan, Kumpulan telah mencatat kerugian sebelum cukai berjumlah RM470 juta.

PERKEMBANGAN KORPORAT

- Seperti yang dilaporkan pada tahun lepas, pada 5 Julai 2000, Syarikat telah mengumumkan cadangan skim penyusunan semula seluruh kumpulan ("Cadangan SPSSK") yang merangkumi pelbagai langkah penyusunan semula hutang, program pelupusan dan langkah penyusunan semula korporat yang akan membolehkan Kumpulan untuk meneruskan operasi-operasinya pada dasar berterusan dan dalam jangkamasa panjang memenuhi tanggungjawab kewangannya.

Walau bagaimanapun, selepas pengumuman tersebut, ekonomi Malaysia telah menghadapi kelembapan berpunca daripada kemerosotan ekonomi Amerika Syarikat yang lebih cepat daripada yang dijangkakan, prestasi ekonomi Jepun yang terus lemah dan ketidakpastian pasaran kewangan sejagat.

Suasana operasi yang berubah-ubah ini menyebabkan sumber-sumber aliran tunai yang telah dikenalpasti untuk melaksanakan cadangan pembayaran balik hutang-hutang di bawah Cadangan SPSSK yang telah diumumkan pada 5 Julai 2000 lalu perlu dinilai semula. Susulan daripada penilaian semula tersebut, pada 8 Oktober 2001, Kumpulan telah membuat pengumuman mengenai pindaan terma-terma

dalam Cadangan SPSSK ("Pindaan Cadangan SPSSK"). Maklumat lanjut mengenai Pindaan Cadangan SPSSK tersebut tertera di mukasurat 24 dan 25 Laporan Tahunan ini.

- Pada 13 Februari 2001, Amsteel Mills Sdn Bhd, syarikat subsidiari 99% milik Kumpulan, telah memeterai Perjanjian Pertukaran Aset Bersyarat untuk memiliki 100% kepentingan ekuiti di dalam Antara Steel Mills Sdn Bhd ("Antara") daripada Johor Corporation untuk balasan berjumlah RM108.23 juta. Cadangan pengambilalihan ini tertakluk kepada kelulusan para pemegang saham Syarikat dan Kerajaan Negeri Johor dan dijangka akan selesai pada penghujung tahun 2001.

TINJAUAN OPERASI

| Besi Keluli | | |
|-------------|-------------------|-------------------|
| | 2001 (RM Juta) | 2000 (RM Juta) |
| Perolehan | 813 | 925 |
| Keuntungan | 10 | 106 |

Dalam tahun tinjauan, prestasi Bahagian Besi Keluli Kumpulan terjejas akibat perang harga di antara pengeluar-pengeluar batang besi keluli tempatan yang berusaha untuk mengekalkan bahagian pasaran mereka yang semakin menyusut. Penguncupan permintaan berpunca daripada kelembapan ekonomi sejagat dan potongan harga yang rendah oleh pengeluar-pengeluar besi briket panas ("BBP") dari Australia dan Venezuela yang telah menyebabkan harga BBP semakin rendah di pasaran antarabangsa.

Sebagai pengeluar utama di Lembah Klang, kilang besi keluli milik Kumpulan mempunyai beberapa kelebihan memandangkan projek-projek prasarana dan pembangunan hartanah yang bertumpu di wilayah tengah. Kedudukannya yang strategik juga penting terutamanya dari segi bekalan bahan-bahan mentah memandangkan Lembah Klang adalah penjana tertinggi besi buangan kerana aktiviti-aktiviti industri bertumpu di sini. Kumpulan percaya kelebihan-kelebihan ini akan meletakkan syarikat di kedudukan yang lebih baik dalam menghadapi keadaan ekonomi sejagat yang tidak menentu.

Kilang baru Amsteel Mills II telah memulakan operasinya dan akan membekalkan rod wayar gred tinggi di pasaran tempatan dan antarabangsa. Pada masa ini, tiada pengeluar utama di pasaran tempatan untuk produk ini. Di samping itu, cadangan pengambilalihan kilang Antara di Johor akan membolehkan Kumpulan menerokai pasaran besi keluli di wilayah selatan.

| Hartanah dan Pembinaan | | |
|------------------------|-------------------|-------------------|
| | 2001 (RM Juta) | 2000 (RM Juta) |
| Perolehan | 85 | 89 |
| Keuntungan | 20 | 23 |

Walaupun pasaran hartanah berhadapan dengan kelembapan ekonomi, Bahagian Hartanah dan Pembinaan berupaya mengekalkan perolehan dan keuntungannya dalam tahun kewangan yang ditinjau. Tumpuan berterusan Kumpulan dalam pembangunan bandar baru bertaraf sederhana secara tidak langsung telah membantu menyokong Kumpulan daripada kejatuhan permintaan dalam sektor hartanah.

Projek Seri Pelangi dan Pelangi Indah yang terletak di Klang terus mendapat sambutan yang memberangsangkan daripada para pembeli dan sehingga kini lebih daripada 90% daripada unit yang dilancarkan telah dijual. Kerja-kerja pembinaan di kedua-dua projek ini sedang berjalan lancar.

Bahagian pembinaan, JOPP Builders Sdn Bhd melaporkan perolehan yang lebih tinggi pada tahun ini. Projek-projek pembinaan utama yang sedang dibangunkan oleh syarikat ini dalam tahun tinjauan termasuklah projek Mahkota Cheras dan Bukit Mahkota.

| Perkhidmatan dan lain-lain | | |
|----------------------------|-------------------|-------------------|
| | 2001 (RM Juta) | 2000 (RM Juta) |
| Perolehan | 41 | 48 |
| Kerugian | (22) | (19) |

Bahagian pendidikan Kumpulan, Institut Teknologi Sepang mencatat kerugian yang lebih rendah dalam tahun kewangan berpunca daripada usaha-usaha yang telah dilaksanakan pada tahun lepas untuk menambah rangkaian kursus dan meningkatkan pengambilan pelajar.

Mengenai pelaburan di China, Kumpulan secara aktif sedang mengambil langkah-langkah untuk menyusun semula perniagaan-perniagaannya dengan melupus dan mengecilkan perniagaan-perniagaan yang merugikan dan bukan teras.

DIVIDEN

Lembaga Pengarah mengesyorkan dividen pertama dan akhir berjumlah 0.1% (2000: 0.1%) ditolak 28% cukai pendapatan. Jumlah dividen berbayar bersih jika diluluskan di Mesyuarat Agung Tahunan akan datang, berjumlah RM0.43 juta (2000: RM0.43 juta).

PROSPEK

Tahun kewangan yang akan datang dijangka merupakan satu lagi tahun yang mencabar untuk Kumpulan di mana ekonomi-ekonomi serantau dijangka lebih lemah. Walau bagaimanapun, Lembaga Pengarah yakin dengan kejayaan pelaksanaan Pindaan Cadangan SPSSK, kedudukan kewangan Kumpulan akan berada di kedudukan yang lebih kukuh untuk menghadapi cabaran yang akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya mengalu-alukan pelantikan Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin dan Encik Heah Sieu Lay ke Lembaga Pengarah. Saya juga ingin merakamkan penghargaan ikhlas kepada Encik Ee Beng Guan yang telah meletakkan jawatan daripada Lembaga pada tahun ini, atas sumbangan-sumbangan beliau yang tidak ternilai di sepanjang perkhidmatan beliau sebagai Pengarah Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih dan merakamkan penghargaan ikhlas kepada pihak pengurusan dan para kakitangan atas iltizam dan ketulusan mereka di sepanjang tahun ini. Kami juga ingin mengucapkan terima kasih kepada para pelanggan yang dihargai, pemegang saham, pembiaya, sekutu perniagaan dan pihak berkuasa kerajaan yang berkenaan atas sokongan dan tunjuk ajar mereka yang berterusan kepada Kumpulan.

TAN SRI DATO' MUSA BIN HITAM
Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

Towards the second half of the financial year, the Malaysian economy began to slowdown drastically. The manufacturing sector which has been the traditional engine of the country's growth for the past seven quarters with double digit gains, recorded only a growth of 3.7% in the first quarter of 2001. The marked contraction in growth of the domestic and global economies have adversely affected the business of the Group.

For the year under review, a lower revenue of RM938 million was recorded as against RM1,063 million last year. Operating profit before finance costs dropped significantly from RM107 million last year to only RM3 million this year. After accounting for finance costs of RM167 million and a one-off provision of RM404 million in relation to the recognition of losses pursuant to the proposed groupwide restructuring scheme, the Group recorded a loss before taxation of RM470 million.

CORPORATE DEVELOPMENTS

- a. As mentioned in the previous year, the Company had on 5 July 2000 announced the proposed groupwide restructuring scheme ("Proposed GWRS") encompassing various debt restructuring exercises, divestment programmes and corporate restructuring exercises that will enable the Group to continue its operations on a going concern basis and over the longer term to fully meet its financial obligations.

However, subsequent to the aforesaid announcement, the Malaysian economy faces the prospect of further slowdown due to the stronger than expected deceleration of growth in the United States economy, the continuing weakness of the Japanese economy and uncertainty in the global financial markets.

The change in operating conditions necessitated a re-examination of the sources of cash flows identified to support the proposed repayment envisaged under the Proposed GWRS announced on 5 July 2000. Following the completion of the aforesaid review, the Group made an announcement on 8 October 2001 on the revised terms of the Proposed GWRS ("Revised Proposed GWRS"). Full details of the Revised Proposed GWRS are set out on pages 24 and 25 of this Annual Report.

- b. On 13 February 2001, Amsteel Mills Sdn Bhd, the Group's 99% owned subsidiary company, entered into a Conditional Exchange of Asset Agreement to

acquire 100% equity interest in Antara Steel Mills Sdn Bhd ("Antara") from Johor Corporation for a consideration of RM108.23 million. The proposed acquisition is pending approval of shareholders of the Company and the State Government of Johor and is expected to be completed by end of 2001.

REVIEW OF OPERATIONS

| Steel | | |
|---------|----------------------|----------------------|
| | 2001 (RM Million) | 2000 (RM Million) |
| Revenue | 813 | 925 |
| Profit | 10 | 106 |

The performance of the Group's Steel Division during the year under review was affected by price undercutting by the local steel bar producers to retain their share of the much reduced market size. Contraction in demand as a result of the global economic slowdown and price dumping by the Australian and Venezuelan producers of hot briquetted iron ("HBI") have resulted in further deterioration in the already depressed international market prices for HBI.

As the only major miller in the Klang Valley region, the Group's steel mill has competitive advantages as the major infrastructure and property development projects are concentrated in this central region. Its strategic location is also important in terms of the supply of raw materials as the Klang Valley is the highest generator of scrap due to the concentration of industrial activities. The Group believes that these advantages will place the company in good stead in the face of the uncertain global economic outlook.

With the commissioning of the Amsteel Mills II plant, the new rolling mill will supply higher grade wire rods to the domestic and international market. There is currently no major domestic manufacturer for this product. In addition, the proposed acquisition of Antara in Johor will enable the Group to tap into the steel market in the southern region.

| Property & Construction | | |
|-------------------------|----------------------|----------------------|
| | 2001 (RM Million) | 2000 (RM Million) |
| Revenue | 85 | 89 |
| Profit | 20 | 23 |

Despite the slowdown in the property market, the Property & Construction Division managed to maintain its performance in terms of revenue and profit for the financial year under review. The Group's continued focus on low-end township development has, to a large extent, cushioned it from the drop in demand in the property sector.

Our Seri Pelangi and Pelangi Indah projects both located in Klang have continued to receive extremely good response from buyers and to date more than 90% of the units launched have been sold. Construction works on these two projects are progressing on time.

Our construction arm, JOPP Builders Sdn Bhd reported a higher revenue for the year. The major on-going construction projects undertaken by the company for the year includes Mahkota Cheras and Bukit Mahkota.

| Services & Others | | |
|-------------------|----------------------|----------------------|
| | 2001 (RM Million) | 2000 (RM Million) |
| Revenue | 41 | 48 |
| Loss | (22) | (19) |

The Group's education arm, Sepang Institute of Technology, recorded a lower loss for the financial year arising from efforts initiated last year to enlarge its range of courses and increase its student intake.

On our investments in China, the Group is actively taking steps to streamline its various loss-making and non-core businesses through divestment and downsizing.

DIVIDEND

The Board of Directors recommends a first and final dividend of 0.1% (2000 : 0.1%) less 28% income tax. Total net dividend payable, if approved at the forthcoming Annual General Meeting, will amount to RM0.43 million (2000 : RM0.43 million).

PROSPECTS

The next financial year is expected to be another difficult period for the Group in view of the expected further softening of the regional economies. However, the Board is confident that with the successful implementation of the Revised Proposed GWRS, the Group will be in a stronger financial footing to face the challenges ahead.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to the newly appointed Directors, Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin and Mr Heah Sieu Lay. I would also like to record my sincere appreciation to Mr Ee Beng Guan who resigned from the Board during the financial year, for his invaluable contributions during his tenure of service as Director of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to extend my sincere appreciation and gratitude to the management and staff of the Group for their commitment and loyalty to the Group throughout this reporting year. We also thank all our valued customers, shareholders, financiers, business associates and the various governmental and regulatory authorities for their guidance and continued support to the Group.

TAN SRI DATO' MUSA BIN HITAM
Chairman

主席报告

我谨代表董事部，欣然提呈金狮置地有限公司在截至2001年6月30日为止的会计年度的常年报告与经审核财务报告。

财务表现

在本会计年度下半年，马来西亚经济开始急速走下坡。制造业是我国经济增长的传统引擎，在过去七个季度，都以超过十巴仙的速率增长，但在2001年第一季，只增长3.7%。国内和全球经济显著收缩，对本集团的业务产生不利影响。

在本财政年度，营业额只有9亿3千800万零吉，上一年度是10亿6千300万零吉。在扣除财务成本之前的营业利润大大的减少，从上一年度的1亿700万零吉减少到本年度的只有300万零吉。在扣除1亿6千700万零吉的财务成本，以及在建议中经修订的整个集团重组计划下拨备的4亿400万零吉亏损，本集团的扣税前亏损达到4亿7千万零吉。

企业发展

(a) 如上一所提及，公司在2000年7月5日，宣布“建议中整个集团重组计划”，包括各种债务重组计划，脱售计划以及公司重组计划，使到本集团能够在有盈利的情况下操作及充分履行其财务义务。

不过，在上述宣布过后，由于美国经济成长率下降，日本经济继续疲弱，以及全球金融市场不确定，马来西亚的经济面对进一步减缓的前景。

营业条件改变，使到必须重新检讨现金流量来源，这些现金流量，是为了支持在2000年7月5日宣布的“建议中整个集团重组计划”下的偿还额。在完成上述检讨之后，本集团在2001年10月8日公布了“建议中经修订的整个集团重组计划”。

这项计划的详情，在本常年报告的第24及25页中列出。

(b) 在2001年2月13日，本集团拥有99%股权的子公司合营制钢私人有限公司签订了一份有条件交换资产协议，向柔佛企业机收购 Antara 钢铁厂私人有限公司的100%股权，售价是1亿823万零吉。建议中的收购，必须获得本公司股东以及柔佛州政府批准。预料收购会在2001年年底之前完成。

业务检讨

| 钢铁 | | |
|-----|---------------|---------------|
| | 2001年 百万零吉 | 2000年 百万零吉 |
| 营业额 | 813 | 925 |
| 利润 | 10 | 106 |

在本财政年度内，为了保持在缩小了的市场的份额，本集团钢铁部的表现受到本地钢铁生产者削价的影响。全球经济减缓导致需求收缩，以及澳洲和委内瑞拉的海绵铁削价出售，导致原本已经削弱的海绵铁国际市场价格进一步恶化。

本集团的钢铁厂，是巴生谷唯一的主要钢铁厂，由于主要的基本建设和产业发展计划集中在这个中部地区因而具有竞争优势。它位于战略性地地点，对于原料的供应来源是重要的，因为巴生谷是工业活动的集中地，所以也是废铁最多的地区。本集团认为，在面对全球经济前景不确定的情况下，这些优势对公司有利。

随著合营制钢第二厂投入生产，这家新的轧钢厂将供应高级钢线给本地及国际市场。目前国内没有这种产品的主要制造商。此外，建议中收购柔佛州的 Antara 钢铁厂，将使本集团能够打入大马半岛南部地区的钢铁市场。

| 产业与建筑 | | |
|-------|---------------|---------------|
| | 2001年 百万零吉 | 2000年 百万零吉 |
| 营业额 | 85 | 89 |
| 利润 | 20 | 23 |

尽管产业市场缓慢下来，在本财政年度内，本集团的产业与建筑业的营业额和利润方面的表现都良好。本集团继续集中发展廉价屋市镇，这在很大程度上，使它免受到产业需求的打击。

我们座落在巴生的 Seri Pelangi 和 Pelangi Indah 计划继续获得购屋者热烈反应，迄今为止，所推出的单位超过 90% 已经售出。这两项计划的建筑工程依进度进行。

我们在建筑业的 JOPP Builders Sdn Bhd，在本财政年度营业额增加。该公司正在进行中的主要建筑工程是 Mahkota Cheras 和 Bukit Mahkota。

| 服务业及其他 | | |
|--------|---------------|---------------|
| | 2001年 百万零吉 | 2000年 百万零吉 |
| 营业额 | 41 | 48 |
| 亏损 | (22) | (19) |

本集团的教育部门学邦工艺学院在本财政年度的亏损减少，这是由于该学院在上一年度致力于扩大课程范围和增加学生人数。

至于我们在中国的投资，本集团正在积极采取步骤，通过脱售及缩小规模来精简化各种亏本和非核心业务。

股息

董事部建议，派发一次过终期股息 0.1%，(2000 年：0.1%) 需扣除 28% 所得税。如果获得即将召开的常年大会批准，派发的净股息将是 43 万零吉 (2000 年：43 万零吉)。

展望

由于本地区经济进一步疲软，预料下一个财政年度将是本集团另一个困难时期。不过，董事部深信，在成功的推行“建议中经修订的整个集团重组计划”后，本集团将具有更坚强的财务基础，以面对未来的挑战。

董事部

我谨代表董事部，热烈的欢迎我们新委任的董事 Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin 和连寿礼先生。另外，余明源先生已于本年度辞去董事一职，我借此机会感谢他任职期间对公司的贡献。

鸣谢

我谨代表董事部，真诚感谢本集团的管理层和职员，在这一年内对集团忠心耿耿和竭诚服务。我也要感谢客户，股东，银行，商业伙伴以及各个政府部门和监督机构，继续支持本集团和提供宝贵意见。

主席

TAN SRI DATO' MUSA BIN HIT

FINANCIAL STATEMENTS

2001

For The Year Ended 30 June 2001

DIRECTORS' REPORT

The Directors of LION LAND BERHAD hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 37 to the Financial Statements.

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

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 |
|-----------------------|---------------------|-----------------------|
| Loss before tax | (470,445) | (457,114) |
| Income tax expense | (3,054) | (800) |
| | <hr/> | <hr/> |
| Loss after tax | (473,499) | (457,914) |
| Minority interests | 5,193 | - |
| | <hr/> | <hr/> |
| Net loss for the year | <u>(468,306)</u> | <u>(457,914)</u> |

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the provision for doubtful debts and loss in value of investments as disclosed in Note 6 to the Financial Statements.

DIVIDENDS

A first and final dividend of 0.1%, less tax, amounting to RM427,234 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 tax, amounting to RM427,234 in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There was no issue of new shares or debentures during the financial year.

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS") of the Company became effective on 15 May 2000 and the main features of the ESOS are as follows:

- (a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Registrar of Companies, Malaysia with an option to renew for a further period of 5 years upon the recommendation of the option committee.
- (b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.
- (c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Land Berhad ("LLB") Group with at least 12 months of service.
- (d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.
- (e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LLB shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.
- (f) The option is non-assignable.
- (g) The shares to be allotted under the ESOS shall rank pari passu in all respects with the then existing shares of the Company.

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 RM | Balance as of 1.7.2000 | Granted | Exercised | Lapsed | Unissued shares as of 30.6.2001 |
|------------------|---------------------------------|------------------------|---------|-----------|-------------|---------------------------------|
| 19.5.2000 | 1.00 | 6,392,000 | - | - | (1,886,000) | 4,506,000 |

The exercise period for the options will lapse on 14 May 2005.

OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

The Group incurred a loss after tax and minority interests of about RM468 million during the financial year ended 30 June 2001. At that date, the current liabilities of the Group exceeded its current assets by about RM1,086 million. As disclosed in Notes 26 and 27 to the Financial Statements, the Group and the Company have ceased servicing certain of its principal borrowings and interest charges. Certain principal bankers have also frozen or withdrawn existing credit facilities of the Group and of the Company.

As stated in the last report, the Board of Directors had, on 5 July 2000, approved and announced a proposed groupwide restructuring scheme ("Initial Proposed GWRS") covering the Lion Group, comprising the Company, Amsteel Corporation Berhad, Angkasa Marketing Berhad, Chocolate Products (Malaysia) Berhad and Lion Corporation Berhad. The Initial Proposed GWRS involves the restructuring of the Company and certain of its subsidiary companies' debts (collectively referred to as "Scheme Companies") and rationalisation of the Group structure whereby core businesses would be redefined and non-core businesses would be divested.

However, subsequent to the aforesaid, it became apparent that the growth of the Malaysian economy had reduced significantly and the economy faces the prospect of further slowdown due to the stronger than expected deceleration of growth in the economy of the United States of America, the continuing weakness of the Japanese economy and the uncertainties in the global financial markets.

The weaker domestic economy has led to less favourable operating conditions which necessitated a downward revision in the projected future cashflows from the key operating companies and projected divestment proceeds from the sale of non-core and peripheral assets, which are key sources of cashflows to support the proposed repayment of the debts to be restructured. Furthermore, the indebtedness of the Scheme Companies which are to be restructured has increased as a result of accrued interest.

In view of the foregoing, the following revisions have been made to the structure and terms of the various debt restructuring, asset divestment and corporate restructuring exercises proposed earlier under the Initial Proposed GWRS ("Revised Proposed GWRS"):

- (i) Reduction of the share capital;
- (ii) Reduction in the yield-to-maturity applicable to the Bonds and Consolidated and Rescheduled Debts to be issued to affected financial institution creditors ("FI-Creditors");
- (iii) Waiver of certain principal portion of the outstanding principal amounts by the affected FI-Creditors;
- (iv) Longer repayment profile for the Bonds and Consolidated and Rescheduled Debts to be issued; and
- (v) Reduction in the transaction values of assets to be transferred under the proposed corporate restructuring exercises.

The Revised Proposed GWRS was announced by the Company on 8 October 2001. The Revised Proposed GWRS pertaining to the Company and its subsidiary companies involves the following proposals:

- (i) Reduction of RM0.25 in each of the existing issued and paid-up share capital of RM1.00 in the Company and thereafter consolidation on the basis of 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each.
- (ii) Acquisition of 100% equity interest in Posim Berhad ("Posim") by the Company and Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary company of the Company, in the proportion of 31% and 69% respectively for a consideration of RM637.64 million of which 83.7% will be acquired from Avenel Sdn Bhd ("Avenel"), a subsidiary company of Amsteel Corporation Berhad ("Amsteel"), the consideration (RM533.72 million) of which will be satisfied by netting off against inter-company balances with Amsteel Group and the balance 16.3% (RM103.92 million) from minority shareholders for cash.
- (iii) Acquisition of 59.47% equity interest in Chocolate Products (Malaysia) Berhad ("CPB") by the Company and Amsteel Mills, in the proportion of 31% and 69% respectively from Amsteel Group for a consideration of RM201.50 million.
- (iv) Disposal of 25% equity interest in Avenel to Amsteel for a consideration of RM1.00 and the payment of RM81.62 million by the Company to Amsteel in view of the excess of Avenel's debts over the fair value of Avenel's assets as of 31 December 2001.
- (v) Disposal of a wholly-owned subsidiary company, Lion Plaza Sdn Bhd, to Akurjaya Sdn Bhd, a subsidiary company of Amsteel for a total consideration of RM35.66 million to be satisfied by an issue of RM35.66 million Amsteel Bonds to the Company.
- (vi) The net consideration payable by LLB Group to Amsteel Group resulting from proposals (ii) to (iv) above will be netted off against existing debts owing by Amsteel Group (after taking into account waiver of certain principal portion of the outstanding principal amount) to the restructured LLB Group (which would include 100% equity interest in Posim) resulting in a net balance owing by Amsteel Group to LLB Group of RM257.22 million. LLB Group will receive RM107.85 million Amsteel Bonds and cash payment and RM149.37 million in value of new Amsteel shares in settlement of this net inter-company balance of RM257.22 million.

- (vii) LLB Group will receive RM120.40 million Angkasa Marketing Berhad (“Angkasa”) Bonds and cash payment and RM13.60 million in value of new Angkasa shares for settlement of the net balance of existing inter-company debts owing by Angkasa Group to LLB Group of RM134.0 million.
- (viii) Issue of RM22.0 million in value of LLB Bonds and cash payment for settlement of inter-company balances owing by LLB Group to CPB Group of RM22.0 million.
- (ix) Issue of RM131.0 million in value of new LLB shares to Lion Corporation Berhad (“LCB”) Group for settlement of inter-company balances owing by LLB Group to LCB Group of RM131.0 million.
- (x) The aggregate amount of RM and USD debts owed by the Scheme Companies to the affected creditors (“Scheme Creditors”) (excluding LLB non-FI-Creditors) totalling RM327.06 million and USD58.44 million would be swapped for LLB Bonds and cash payment totalling RM327.06 million and LLB-SPV Consolidated and Rescheduled Debts and cash payment totalling USD58.44 million respectively.

The abovementioned LLB Bonds and LLB-SPV Consolidated and Rescheduled Debts would have 18.85 million free detachable new LLB shares at an assumed price of RM1.00 per share.

- (xi) The LLB non-FI-Creditors of RM115.41 million shall be addressed by way of a debt equity conversion involving an issuance of LLB shares at an issue price of RM1.00 per share.

The implementation of the Revised Proposed GWRS is subject to various conditions precedent, which include the approval of Bank Negara Malaysia, Securities Commission, Foreign Investment Committee, Ministry of International Trade and Industry, Kuala Lumpur Stock Exchange, Scheme Creditors of the Company and the Scheme Companies, shareholders of the Company and the Scheme Companies and all other participating companies concerned and any other relevant authorities.

The proposed transactions within the Revised Proposed GWRS are inter-conditional to each other.

In addition to the Revised Proposed GWRS, a subsidiary company is presently re-negotiating with its bankers to extend the repayment schedules on existing borrowings.

The Directors are of the opinion that the Revised Proposed GWRS referred to above will be successfully implemented and the abovementioned subsidiary company will be able to obtain extended repayment schedules on existing borrowings from its bankers. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis. Other than the provision for doubtful debts and loss in value of investments as disclosed in Note 6 to the Financial Statements, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

Other than as stated above, at the date of this report, the Directors are not aware of any circumstances:

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

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

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

Subject to the successful implementation of the Revised Proposed GWRS, 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 40 to the Financial Statements.

DIRECTORS

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

Tan Sri Dato' Musa bin Hitam
 Datuk Cheng Yong Kim
 Dato' Dr Mohd Shahari Ahmad Jabar
 Dato' Kamaruddin @ Abas bin Nordin
 Cheng Yong Liang
 Tan Sri Datuk Asmat bin Kamaludin (appointed on 26.2.2001)
 Heah Sieu Lay (appointed on 6.6.2001)
 Ee Beng Guan (resigned on 6.6.2001)

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Musa bin Hitam and Y. Bhg. Datuk Cheng Yong Kim retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Company's Articles of Association, Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin and Mr Heah Sieu Lay, who were appointed to the Board during the financial year, retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors' interest in shares in the Company are as follows:

| | Balance as of 1.7.2000 | Number of ordinary shares | | Balance as of 30.6.2001 |
|------------------------------------|---------------------------|---------------------------|-------------|----------------------------|
| | | Additions | Disposals | |
| Direct interest | | | | |
| Datuk Cheng Yong Kim | 591,586 | - | - | 591,586 |
| Cheng Yong Liang | 87,340 | - | (23,500) | 63,840 |
| Dato' Kamaruddin @ Abas bin Nordin | 2,000 | - | - | 2,000 |
| Indirect interest | | | | |
| Datuk Cheng Yong Kim | 333,523,407 | - | (3,364,000) | 330,159,407 |

In addition to the above, the following Directors are deemed to have interest in shares of the Company by virtue of options granted to them pursuant to the ESOS of the Company:

| | Balance as of 1.7.2000 | Options over ordinary shares of RM1.00 each | | Balance as of 30.6.2001 |
|------------------------------------|---------------------------|---|-----------|----------------------------|
| | | Granted | Exercised | |
| Datuk Cheng Yong Kim | 175,000 | - | - | 175,000 |
| Dato' Kamaruddin @ Abas bin Nordin | 79,000 | - | - | 79,000 |

The Directors' interest in shares in related companies are as follows:

| Datuk Cheng Yong Kim | Nominal value per ordinary share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
|--|----------------------------------|------------------------|------------------|--------------|-------------------------|
| | | | Additions | Disposals | |
| Direct interest | | | | | |
| Amsteel Corporation Berhad | RM0.50 | 435,000 | - | - | 435,000 |
| Angkasa Marketing Berhad | RM1.00 | 205,650 | - | - | 205,650 |
| Silverstone Berhad | RM1.00 | 1,579,260 | - | - | 1,579,260 |
| Indirect interest | | | | | |
| Amsteel Corporation Berhad | RM0.50 | 471,886,826 | - | (18,193,000) | 453,693,826 |
| Chocolate Products (Malaysia) Berhad | RM0.50 | 233,545,501 | - | (1,120,000) | 232,425,501 |
| Akurjaya Sdn Bhd | RM1.00 | 63,500,000 | - | - | 63,500,000 |
| Ambang Maju Sdn Bhd | RM1.00 | 70,000 | - | - | 70,000 |
| Amsteel Securities (M) Sdn Bhd | RM1.00 | 155,000,000 | - | - | 155,000,000 |
| Angkasa Marketing Berhad | RM1.00 | 87,799,350 | - | - | 87,799,350 |
| 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 |
| Dauids Warehousing Sdn Bhd (under voluntary liquidation) | RM1.00 | 4,080,000 | - | - | 4,080,000 |
| Dwiwater Sdn Bhd | RM1.00 | 5,252 | - | - | 5,252 |
| Excellent Strategy Sdn Bhd | RM1.00 | 18,000,000 | - | (18,000,000) | - |
| Hiap Joo Chong Realty Sdn Bhd | RM1.00 | 1,000,000 | - | - | 1,000,000 |
| Kobayashi Optical Sdn Bhd | RM1.00 | 700,000 | - | - | 700,000 |
| Lion Gateway Parade Sdn Bhd | RM1.00 | 255,000 | - | (255,000) | - |
| Lion Mahkota Parade Sdn Bhd | RM1.00 | 1,000,000 | - | - | 1,000,000 |
| Lion Mutiara Parade Sdn Bhd | RM1.00 | 6,000,000 | - | - | 6,000,000 |
| Lion Plantations Sdn Bhd | RM1.00 | 8,000,000 | - | - | 8,000,000 |
| Lion Seremban Parade Sdn Bhd | RM1.00 | 7,000 | - | - | 7,000 |
| LLB Damai Holdings Sdn Bhd | RM1.00 | 3,300,000 | 1,015,385 | - | 4,315,385 |
| LLB Enterprise Sdn Bhd | RM1.00 | 690,000 | - | - | 690,000 |
| LLB Strategic Holdings Berhad | RM1.00 | 4,050,000 | - | - | 4,050,000 |
| Marvenel Sdn Bhd | RM1.00 | 100 | - | - | 100 |
| Ototek Sdn Bhd | RM1.00 | 1,050,000 | - | - | 1,050,000 |
| Posim Berhad | RM1.00 | 179,664,471 | 232,000 | (1,408,300) | 178,488,171 |
| Sabah Forest Industries Sdn Bhd | | | | | |
| - ordinary shares Class 'A' | RM1.00 | 752,532,412 | - | - | 752,532,412 |
| - ordinary shares Class 'B' | RM0.10 | 7,525,324,120 | - | - | 7,525,324,120 |
| Salient Care Sdn Bhd | RM1.00 | 1,400,000 | - | - | 1,400,000 |
| Secom (Malaysia) Sdn Bhd | RM1.00 | 5,100,000 | - | - | 5,100,000 |
| Secomex Manufacturing (M) Sdn Bhd | RM1.00 | 255,000 | - | - | 255,000 |
| Silverstone Berhad | RM1.00 | 149,228,512 | 161,070 | (161,070) | 149,228,512 |
| 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 |
| Brewood Investment Pte Ltd | SGD1.00 | 70 | - | - | 70 |
| 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 | 70 | - | - | 70 |
| Dawson Investment Pte Ltd | SGD1.00 | 70 | - | - | 70 |
| Farringdon Investment Pte Ltd | SGD1.00 | 70 | - | - | 70 |
| Holdsworth Investment Pte Ltd | SGD1.00 | 4,500,000 | - | - | 4,500,000 |
| Limerick Investment Pte Ltd | SGD1.00 | 70 | - | - | 70 |

| Datuk Cheng Yong Kim | Nominal value per ordinary share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
|---|------------------------------------|------------------------|------------------|-----------|-------------------------|
| | | | Additions | Disposals | |
| Indirect interest | | | | | |
| 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 | 600 | - | - | 600 |
| 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 | 25,400,080 | - | - | 25,400,080 |
| 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 |
| | Nominal value per preference share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
| | | | Additions | Disposals | |
| 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 | 2,511 | - | (21) | 2,490 |
| | Nominal value per deferred share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
| | | | Additions | Disposals | |
| 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 1.7.2000 | Additions | Disposals | Balance as of 30.6.2001 |
| 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 |

Datuk Cheng Yong Kim

Indirect interest

| Investments in the People' s Republic of China | Currency | Balance as of 1.7.2000 | Additions | Disposals | Balance as of 30.6.2001 |
|---|----------|------------------------|-----------|-----------|-------------------------|
| Hebei Weiyuan Heilen Bio-Chemical Co Ltd | USD | 2,313,982 | - | - | 2,313,982 |
| Huangshi Heilen Pharmaceutical Co Ltd (under liquidation) | Rmb | 45,416,040 | - | - | 45,416,040 |
| Hubei Jinlongquan Brewery Co Ltd | USD | 17,988,000 | - | - | 17,988,000 |
| Hubei Jinlong Shenshui Brewery Co Ltd | Rmb | 10,000,000 | - | - | 10,000,000 |
| Hubei Lion Brewery Co Ltd | USD | 17,993,990 | - | - | 17,993,990 |
| Hunan DEBier Brewery Co Ltd | Rmb | 132,000,000 | - | - | 132,000,000 |
| Jiangsu DEBier Brewery Co Ltd | USD | 6,587,927 | 37,074 | - | 6,625,001 |
| Jilin Motor City Park Hotel Co Ltd | Rmb | 60,000,000 | - | - | 60,000,000 |
| 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 Hengda Parkson Department Store Co Ltd (under liquidation) | USD | 2,410,118 | - | - | 2,410,118 |
| Shanghai Lion Food Industry Co Ltd | USD | 14,068,200 | - | - | 14,068,200 |
| Shanghai Lion Plastic Industrial Co Ltd | USD | 3,690,000 | - | - | 3,690,000 |
| Sichuan Hezheng Parkson Plaza Co Ltd | USD | 4,168,645 | - | - | 4,168,645 |
| Tianjin Baden Real Estate Development Co Ltd | USD | 5,000,000 | - | - | 5,000,000 |
| Tianjin Hua Shi Auto Meter Co Ltd | USD | 10,878,944 | - | - | 10,878,944 |
| Wuhan Fortune Motor Co Ltd | USD | 6,000,000 | - | - | 6,000,000 |
| Wuxi Puhua Electroplating Co Ltd | USD | 1,225,000 | - | - | 1,225,000 |
| Wuxi Sanyang Parkson Plaza Co Ltd | USD | 10,839,396 | - | - | 10,839,396 |
| Wuxi Top Absorber Co Ltd | USD | 6,600,000 | - | - | 6,600,000 |
| Xian Lucky King Parkson Plaza Co Ltd | Rmb | 16,579,917 | - | - | 16,579,917 |
| Yangzhou Parkson Plaza Co Ltd | USD | 4,281,843 | - | - | 4,281,843 |
| Zhu Zhou DEBier Brewery Co Ltd | Rmb | 65,158,427 | - | - | 65,158,427 |

| Dato' Kamaruddin @ Abas bin Nordin | Nominal value per ordinary share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
|------------------------------------|----------------------------------|------------------------|------------------|-----------|-------------------------|
| | | | Additions | Disposals | |
| | | | | | |

Direct interest

| | | | | | |
|----------------------------|--------|--------|---|---|--------|
| Amsteel Corporation Berhad | RM0.50 | 32,000 | - | - | 32,000 |
| Silverstone Berhad | RM1.00 | 945 | - | - | 945 |

| Cheng Yong Liang | Nominal value per ordinary share | Balance as of 1.7.2000 | Number of shares | | Balance as of 30.6.2001 |
|--------------------------|----------------------------------|------------------------|------------------|-----------|-------------------------|
| | | | Additions | Disposals | |
| Direct interest | | | | | |
| Angkasa Marketing Berhad | RM1.00 | 10,000 | - | (10,000) | - |

Other than as disclosed above, the Directors do not have any other interest in shares of the Company or its related companies during 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 balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 33 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 for the Company's ESOS as disclosed in Note 33 to the Financial Statements.

HOLDING COMPANIES

The immediate holding company is Umatrac Enterprises Sdn Bhd. The Directors regard Amsteel Corporation Berhad as its ultimate holding company. Both the 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,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
30 October 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF LION LAND BERHAD

We have audited the accompanying balance sheets as of 30 June 2001 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of 30 June 2001 and of the results of the Group and of the Company 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 the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 37 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.

Without qualifying our opinion, we draw attention to Note 2 to the Financial Statements concerning the financial position of the Group and of the Company and the proposed restructuring scheme involving the Group's and the Company's debts and rationalisation of the Group structure. Notwithstanding the above, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the proposed restructuring scheme. Accordingly, other than the provision for doubtful debts and loss in value of investments as disclosed in Note 6 to the Financial Statements, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KEK AH FONG
1880/4/02 (J)
Partner

Petaling Jaya,
30 October 2001

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

| | Note | The Group | | The Company | |
|--|------|------------------|------------------|------------------|----------------|
| | | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Revenue | 4 | 938,386 | 1,062,750 | 24,139 | 17,408 |
| Other operating income | | 5,533 | 21,087 | 98 | 899 |
| Net changes in inventories of finished goods and work-in-progress | | 14,041 | 28,348 | - | - |
| Raw materials and consumables used | | (731,052) | (774,002) | - | - |
| Contract costs recognised | | (16,022) | (11,122) | - | - |
| Property development expenditure | | (31,208) | (31,923) | (10,069) | (1,691) |
| Staff costs | 5 | (66,184) | (57,864) | (4,528) | (4,272) |
| Depreciation of property, plant and equipment | 9 | (37,125) | (37,592) | (3,284) | (3,301) |
| Amortisation of goodwill - net | | (9,840) | (9,840) | - | - |
| Amortisation of expenditure carried forward | 15 | (1,556) | (3,766) | - | (208) |
| Other operating expenses | | (61,990) | (79,051) | (2,791) | (4,732) |
| Profit from operations | | 2,983 | 107,025 | 3,565 | 4,103 |
| Finance costs | 5 | (166,503) | (157,712) | (40,985) | (31,027) |
| Deferred foreign exchange loss written off | 15 | - | (76,000) | - | - |
| Share in results of associated companies | | (6,047) | (21,242) | - | - |
| Income from other investments | 5 | 102,822 | 106,922 | 36,810 | 40,990 |
| Provision for doubtful debts and loss in value of investments | 6 | (403,700) | (56,088) | (456,504) | - |
| Profit/(Loss) before tax | 5 | (470,445) | (97,095) | (457,114) | 14,066 |
| Income tax expense | 7 | (3,054) | (18,063) | (800) | (5,698) |
| Profit/(Loss) after tax | | (473,499) | (115,158) | (457,914) | 8,368 |
| Minority interests | | 5,193 | 14,296 | - | - |
| Net profit/(loss) for the year | | (468,306) | (100,862) | (457,914) | 8,368 |
| Loss per ordinary share | 8 | (78.9) sen | (17.0) sen | | |

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

BALANCE SHEETS

AS OF 30 JUNE 2001

| ASSETS | Note | The Group | | The Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Property, plant and equipment | 9 | 1,305,531 | 1,307,604 | 109,900 | 112,955 |
| Investment property | 10 | 189,000 | 189,000 | - | - |
| Property development projects | | | | | |
| - non-current portion | 11 | 157,957 | 157,617 | 1,155 | 1,069 |
| Investment in subsidiary companies | 12 | - | - | 144,322 | 144,322 |
| Investment in associated companies | 13 | 83,508 | 87,366 | - | 25,000 |
| Other investments | 14 | 83,807 | 84,633 | 48,892 | 48,892 |
| Expenditure carried forward | 15 | 13,003 | 14,528 | 296 | 532 |
| Goodwill | 16 | 180,135 | 190,028 | - | - |
| Current Assets | | | | | |
| Property development projects | | | | | |
| - current portion | 11 | 22,565 | 40,561 | 4,574 | 1,146 |
| Inventories | 17 | 256,692 | 247,209 | 7,802 | 7,802 |
| Amount due by contract customers | 18 | 3,025 | 3,758 | - | - |
| Trade receivables | 19 | 185,308 | 208,734 | 2,699 | 580 |
| Other receivables, deposits and prepayments | 20 | 141,890 | 124,256 | 43,327 | 28,727 |
| Amount owing by other related companies | 21 | 341,866 | 367,570 | 12,405 | 11,233 |
| Amount owing by ultimate holding company | 21 | 1,006,891 | 1,229,694 | 107,601 | 378,858 |
| Amount owing by subsidiary companies | 21 | - | - | 1,014,806 | 1,036,057 |
| Amount owing by associated companies | 21 | 33,209 | 33,209 | 2 | 2 |
| Deposits, cash and bank balances | 22 | 101,181 | 81,997 | 5,224 | 5,791 |
| | | <u>2,092,627</u> | <u>2,336,988</u> | <u>1,198,440</u> | <u>1,470,196</u> |
| Current Liabilities | | | | | |
| Trade payables | 23 | 165,085 | 187,502 | 3,876 | 368 |
| Amount due to contract customers | 18 | 1,456 | 1,353 | - | - |
| Other payables, deposits and accruals | 24 | 742,167 | 615,750 | 54,217 | 33,608 |
| Amount owing to subsidiary companies | 21 | - | - | 237,252 | 223,112 |
| Amount owing to associated companies | 21 | 17,064 | 17,821 | 509 | 424 |
| Amount owing to other related companies | 21 | 134,212 | 122,880 | 73,493 | 69,282 |
| Lease and hire-purchase liabilities | 25 | 156 | 240 | - | 49 |
| Short-term borrowings | 26 | 1,972,194 | 1,975,993 | 233,509 | 214,274 |
| Tax liabilities | | 47,473 | 36,522 | 4,140 | 5,899 |
| Provisions | 6 | 98,400 | - | 98,400 | - |
| Proposed dividend | 31 | 427 | 427 | 427 | 427 |
| | | <u>3,178,634</u> | <u>2,958,488</u> | <u>705,823</u> | <u>547,443</u> |
| Net Current Assets/(Liabilities) | | (1,086,007) | (621,500) | 492,617 | 922,753 |

(Forward)

| | Note | The Group | | The Company | |
|---|------|----------------|------------------|----------------|------------------|
| | | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Non-Current And Deferred Liabilities | | | | | |
| Long-term loans | 27 | 40,000 | 54,001 | - | - |
| Deferred tax liabilities | 28 | 11,406 | 12,248 | 3,036 | 3,036 |
| Lease and hire-purchase liabilities | 25 | 426 | 17 | - | - |
| Security deposits | | 2,971 | 2,969 | - | - |
| | | (54,803) | (69,235) | (3,036) | (3,036) |
| Minority interests | | (35,193) | (33,556) | - | - |
| Net Assets | | <u>836,938</u> | <u>1,306,485</u> | <u>794,146</u> | <u>1,252,487</u> |
| Represented By: | | | | | |
| Issued capital | 29 | 593,380 | 593,380 | 593,380 | 593,380 |
| Reserves | 30 | 243,558 | 713,105 | 200,766 | 659,107 |
| Shareholders' Equity | | <u>836,938</u> | <u>1,306,485</u> | <u>794,146</u> | <u>1,252,487</u> |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2001

| The Group | Note | Issued Capital RM'000 | <— Non-Distributable Reserves —> | | | Distributable | Total Reserves RM'000 | Total/Net RM'000 |
|---------------------------------------|------|-----------------------------|----------------------------------|----------------------------------|--|-------------------|-----------------------------|---------------------|
| | | | Share premium RM'000 | Revaluation reserve RM'000 | Translation adjustment account RM'000 | Reserve (Note 30) | | |
| Balance as of 1 July 1999 | | 593,275 | 515,186 | 62,685 | 111,235 | 175,163 | 864,269 | 1,457,544 |
| Issue of shares | | 105 | 4 | - | - | - | 4 | 109 |
| Currency translation differences | | - | - | - | (49,879) | - | (49,879) | (49,879) |
| Net loss for the year | | - | - | - | - | (100,862) | (100,862) | (100,862) |
| Proposed dividend (0.1%, less tax) | 31 | - | - | - | - | (427) | (427) | (427) |
| Balance as of 30 June 2000 | | 593,380 | 515,190 | 62,685 | 61,356 | 73,874 | 713,105 | 1,306,485 |
| Currency translation differences | | - | - | - | (814) | - | (814) | (814) |
| Net loss for the year | | - | - | - | - | (468,306) | (468,306) | (468,306) |
| Proposed dividend (0.1%, less tax) | 31 | - | - | - | - | (427) | (427) | (427) |
| Balance as of 30 June 2001 | | 593,380 | 515,190 | 62,685 | 60,542 | (394,859) | 243,558 | 836,938 |

| The Company | Note | Issued Capital RM'000 | Non-Distributable | | Distributable | Total Reserves RM'000 | Total/Net RM'000 |
|---------------------------------------|------|-----------------------------|-------------------|-----------|-------------------|-----------------------------|---------------------|
| | | | Reserve | Reserve | Reserve (Note 30) | | |
| Balance as of 1 July 1999 | | 593,275 | 515,186 | 135,976 | 651,162 | 1,244,437 | |
| Issue of shares | | 105 | 4 | - | 4 | 109 | |
| Net profit for the year | | - | - | 8,368 | 8,368 | 8,368 | |
| Proposed dividend (0.1%, less tax) | 31 | - | - | (427) | (427) | (427) | |
| Balance as of 30 June 2000 | | 593,380 | 515,190 | 143,917 | 659,107 | 1,252,487 | |
| Net loss for the year | | - | - | (457,914) | (457,914) | (457,914) | |
| Proposed dividend (0.1%, less tax) | 31 | - | - | (427) | (427) | (427) | |
| Balance as of 30 June 2001 | | 593,380 | 515,190 | (314,424) | 200,766 | 794,146 | |

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

| The Group | Note | 2001 RM'000 | 2000 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | |
| Loss before tax and minority interests | | (470,445) | (97,095) |
| Adjustments for: | | | |
| Provision for doubtful debts and loss in value of investments (Note 6) | | 403,700 | 56,088 |
| Depreciation of property, plant and equipment | | 37,125 | 37,592 |
| Deferred foreign exchange loss written off | | - | 76,000 |
| Share in results of associated companies | | 6,047 | 21,242 |
| Unrealised loss on foreign exchange | | 4,802 | 4,700 |
| Amortisation of goodwill | | 9,840 | 9,840 |
| Amortisation of expenditure carried forward | | 1,556 | 3,766 |
| Expenditure carried forward written off | | 236 | 2,321 |
| Provision for compensation on late delivery | | 246 | - |
| Gain on disposal of: | | | |
| Associated companies | | - | (14,558) |
| Quoted shares | | - | (401) |
| Reversal of gain over-recognised on disposal of subsidiary company | | - | 3,900 |
| Provision for doubtful trade and other receivables | | 553 | 4,505 |
| Bad debts written off | | 93 | 230 |
| Property, plant and equipment written off | | 23 | 669 |
| Provision no longer required for: | | | |
| Doubtful trade and other receivables | | (156) | (621) |
| Cost to completion for property projects | | - | (194) |
| Inventories obsolescence | | - | (123) |
| Loss/(Gain) on disposal of property, plant and equipment - net | | (3,029) | 126 |
| Loss on liquidation of subsidiary company (ii) | | - | 2,463 |
| Provision for inventories obsolescence | | 90 | 344 |
| Finance costs | | 166,503 | 157,712 |
| Interest income | | (103,032) | (107,081) |
| Operating Profit Before Working Capital Changes | | 54,152 | 161,425 |
| Increase in inventories | | (9,565) | (16,272) |
| Decrease in property development projects - current portion | | 3,845 | 11,108 |
| Decrease/(Increase) in amount due by contract customers (net of depreciation of plant and equipment of RM63,000 (RM84,000 in 2000)) | | 796 | (298) |
| Decrease in trade receivables | | 23,018 | 32,685 |
| Decrease/(Increase) in other receivables, deposits and prepayments | | (23,984) | 24,965 |
| Decrease in trade payables | | (12,526) | (51,012) |
| Increase in other payables, deposits and accruals | | 16,298 | 3,465 |
| Increase/(Decrease) in amount due to contract customers | | 103 | (734) |
| Movements in translation adjustment account | | (1,983) | (594) |
| Cash Generated From Operations | | 50,154 | 164,738 |
| Income tax refunded/(paid) | | 7,055 | (6,337) |
| Net Cash Generated From Operating Activities | | 57,209 | 158,401 |

(Forward)

| The Group | Note | 2001 RM'000 | 2000 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | |
| Proceeds from disposal of associated company | | 29,842 | 255 |
| Purchase of property, plant and equipment (i) | | (13,603) | (32,543) |
| Proceeds from disposal of property, plant and equipment | | 8,596 | 2,232 |
| Additions to expenditure carried forward | | (260) | (1,527) |
| Purchase of additional investment in subsidiary company | | (600) | - |
| Purchase of other investments | | - | (121) |
| Cash flow from liquidation of subsidiary company net of cash and bank balances (ii) | | (99) | - |
| Purchase of investment in associated company | | (2,000) | - |
| Decrease/(Increase) in property development projects - non-current portion | | (340) | 1,144 |
| Decrease in amount owing by other related companies | | 40,766 | 24,931 |
| Decrease/(Increase) in amount owing by ultimate holding company | | (463) | 10,744 |
| Interest received | | 4,221 | 4,685 |
| | | <hr/> | <hr/> |
| Net Cash Generated From Investing Activities | | 66,060 | 9,800 |
| | | <hr/> | <hr/> |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | - | 109 |
| Repayment of lease and hire-purchase liabilities | | (222) | (274) |
| Dividend paid to shareholders of the Company | | (427) | (427) |
| Repayment of short-term borrowings | | (9,877) | (3,309) |
| Proceeds from short-term borrowings | | 13,317 | 13,761 |
| Increase/(Decrease) in amount owing to other related companies | | 1,801 | (2,650) |
| Decrease in fixed deposits pledged with licensed banks | | 565 | 1,858 |
| Increase in security deposits received | | 2 | 99 |
| Finance costs paid | | (106,455) | (135,388) |
| | | <hr/> | <hr/> |
| Net Cash Used In Financing Activities | | (101,296) | (126,221) |
| | | <hr/> | <hr/> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 21,973 | 41,980 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | (49,382) | (91,451) |
| Effects of changes in exchange rates | | 18 | 89 |
| | | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 32 | (27,391) | (49,382) |
| | | <hr/> <hr/> | <hr/> <hr/> |

- (i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM77,550,000 (RM140,059,000 in 2000) of which RM547,000 (RM108,000 in 2000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM13,603,000 (RM32,543,000 in 2000) (net of finance cost of RM30,900,000 (RM29,400,000 in 2000)).

(Forward)

| The Group | 2001 RM'000 | 2000 RM'000 |
|---|----------------|----------------|
| (ii) ANALYSIS OF LIQUIDATION OF SUBSIDIARY COMPANY | | |
| Property, plant and equipment | 36,906 | - |
| Expenditure carried forward | - | 469 |
| Other receivables, deposits and prepayments | 474 | 777 |
| Inventories | - | 1,347 |
| Cash and bank balances | 99 | - |
| Trade payables | (9,891) | - |
| Other payables, deposits and accruals | (7,705) | - |
| Amount owing to other related companies | (64,325) | - |
| Short-term borrowings | (1,377) | - |
| Long-term loans | (14,007) | - |
| Goodwill on consolidation | 53 | - |
| Minority interest | 5,336 | (130) |
| | <hr/> | <hr/> |
| Net assets/(liabilities) | (54,437) | 2,463 |
| Reversal of Group's share of net liabilities | 54,437 | - |
| Loss on liquidation of subsidiary company | - | (2,463) |
| | <hr/> | <hr/> |
| Less: Cash and bank balances | (99) | - |
| | <hr/> | <hr/> |
| Cash flow on liquidation | (99) | - |
| | <hr/> | <hr/> |

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

The Company

| | Note | 2001 RM'000 | 2000 RM'000 |
|--|------|-----------------|----------------|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | |
| Profit/(Loss) before tax | | (457,114) | 14,066 |
| Adjustments for: | | | |
| Provision for doubtful debts and loss in value of investments (Note 6) | | 456,504 | - |
| Depreciation of property, plant and equipment | | 3,284 | 3,301 |
| Amortisation of expenditure carried forward | | - | 208 |
| Expenditure carried forward written off | | 236 | 819 |
| Loss/(Gain) on disposal of: | | | |
| Associated companies | | - | 945 |
| Quoted shares | | - | (401) |
| Provision for doubtful amount owing by subsidiary companies no longer required | | - | (463) |
| Provision for doubtful debts on other receivables | | 82 | - |
| Gain on disposal of property, plant and equipment - net | | (32) | (14) |
| Finance costs | | 40,985 | 31,027 |
| Interest income | | (36,876) | (41,011) |
| Dividend income | | (1,339) | (3,385) |
| Operating Profit Before Working Capital Changes | | 5,730 | 5,092 |
| Increase in inventories | | - | (303) |
| Increase in property development projects - current portion | | (3,428) | (610) |
| Decrease/(Increase) in trade receivables | | (2,119) | 1,559 |
| Increase in other receivables, deposits and prepayments | | (3,872) | (2,882) |
| Increase/(Decrease) in trade payables | | 3,508 | (933) |
| Increase in other payables, deposits and accruals | | 650 | 2,346 |
| Cash Generated From Operations | | 469 | 4,269 |
| Income tax paid | | (2,184) | (2,176) |
| Net Cash Generated From/(Used In) Operating Activities | | (1,715) | 2,093 |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | |
| Proceeds from disposal of associated company | | - | 255 |
| Purchase of property, plant and equipment | | (229) | (429) |
| Proceeds from disposal of property, plant and equipment | | 32 | 143 |
| Additions to expenditure carried forward | | - | (8) |
| Purchase of other investments | | - | (402) |
| Proceeds from disposal of other investment | | - | 401 |
| Dividend received | | 964 | 2,437 |
| Increase in amount owing by subsidiary companies | | (17,192) | (15,495) |
| Increase in amount owing by other related companies | | (143) | (481) |
| Decrease/(Increase) in amount owing by ultimate holding company | | (33) | 10,317 |
| Decrease/(Increase) in property development projects - non-current portion | | (86) | 3,757 |
| Decrease in amount owing by associated companies | | - | 9 |
| Interest received | | 1,666 | 1,404 |
| Net Cash Generated From/(Used In) Investing Activities | | (15,021) | 1,908 |
| (Forward) | | | |

The Company

| | Note | 2001 RM'000 | 2000 RM'000 |
|---|------|----------------|----------------|
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | - | 109 |
| Repayment of lease and hire-purchase liabilities | | (49) | (239) |
| Dividend paid to shareholders of the Company | | (427) | (427) |
| Decrease in amount owing to subsidiary companies | | (1,381) | (3,762) |
| Decrease in amount owing to other related companies | | (1,076) | (10,859) |
| Decrease in amount owing to associated companies | | (1) | - |
| Increase in short-term borrowings | | 19,125 | 15,206 |
| Decrease in fixed deposits pledged with licensed banks | | - | 2,045 |
| Finance costs paid | | (132) | (2,969) |
| | | <hr/> | <hr/> |
| Net Cash Generated From/(Used In) Financing Activities | | 16,059 | (896) |
| | | <hr/> | <hr/> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (677) | 3,105 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 4,674 | 1,569 |
| | | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 32 | <u>3,997</u> | <u>4,674</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 37.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The Group incurred a loss after tax and minority interests of about RM468 million during the financial year ended 30 June 2001. At that date, the current liabilities of the Group exceeded its current assets by about RM1,086 million. As disclosed in Notes 26 and 27, the Group and the Company have ceased servicing certain of its principal borrowings and interest charges. Certain principal bankers have also frozen or withdrawn existing credit facilities of the Group and of the Company.

As stated in the last report, the Board of Directors had, on 5 July 2000, approved and announced a proposed groupwide restructuring scheme ("Initial Proposed GWRS") covering the Lion Group, comprising the Company, Amsteel Corporation Berhad, Angkasa Marketing Berhad, Chocolate Products (Malaysia) Berhad and Lion Corporation Berhad. The Initial Proposed GWRS involves the restructuring of the Company and certain of its subsidiary companies' debts (collectively referred to as "Scheme Companies") and rationalisation of the Group structure whereby core businesses would be redefined and non-core businesses would be divested.

However, subsequent to the aforesaid, it became apparent that the growth of the Malaysian economy had reduced significantly and the economy faces the prospect of further slowdown due to the stronger than expected deceleration of growth in the economy of the United States of America, the continuing weakness of the Japanese economy and the uncertainties in the global financial markets.

The weaker domestic economy has led to less favourable operating conditions which necessitated a downward revision in the projected future cashflows from the key operating companies and projected divestment proceeds from the sale of non-core and peripheral assets, which are key sources of cashflows to support the proposed repayment of the debts to be restructured. Furthermore, the indebtedness of the Scheme Companies which are to be restructured has increased as a result of accrued interest.

In view of the foregoing, the following revisions have been made to the structure and terms of the various debt restructuring, asset divestment and corporate restructuring exercises proposed earlier under the Initial Proposed GWRS ("Revised Proposed GWRS"):

- (i) Reduction of the share capital;
- (ii) Reduction in the yield-to-maturity applicable to the Bonds and Consolidated and Rescheduled Debts to be issued to affected financial institution creditors ("FI-Creditors");
- (iii) Waiver of certain principal portion of the outstanding principal amounts by the affected FI-Creditors;
- (iv) Longer repayment profile for the Bonds and Consolidated and Rescheduled Debts to be issued; and
- (v) Reduction in the transaction values of assets to be transferred under the proposed corporate restructuring exercises.

The Revised Proposed GWRS was announced by the Company on 8 October 2001. The Revised Proposed GWRS pertaining to the Company and its subsidiary companies involves the following proposals:

- (i) Reduction of RM0.25 in each of the existing issued and paid-up share capital of RM1.00 in the Company and thereafter consolidation on the basis of 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

- (ii) Acquisition of 100% equity interest in Posim Berhad (“Posim”) by the Company and Amsteel Mills Sdn Bhd (“Amsteel Mills”), a subsidiary company of the Company, in the proportion of 31% and 69% respectively for a consideration of RM637.64 million of which 83.7% will be acquired from Avenel Sdn Bhd (“Avenel”), a subsidiary company of Amsteel Corporation Berhad (“Amsteel”), the consideration (RM533.72 million) of which will be satisfied by netting off against inter-company balances with Amsteel Group and the balance 16.3% (RM103.92 million) from minority shareholders for cash.
- (iii) Acquisition of 59.47% equity interest in Chocolate Products (Malaysia) Berhad (“CPB”) by the Company and Amsteel Mills, in the proportion of 31% and 69% respectively from Amsteel Group for a consideration of RM201.50 million.
- (iv) Disposal of 25% equity interest in Avenel to Amsteel for a consideration of RM1.00 and the payment of RM81.62 million by the Company to Amsteel in view of the excess of Avenel’s debts over the fair value of Avenel’s assets as of 31 December 2001.
- (v) Disposal of a wholly-owned subsidiary company, Lion Plaza Sdn Bhd, to Akurjaya Sdn Bhd, a subsidiary company of Amsteel, for a total consideration of RM35.66 million to be satisfied by an issue of RM35.66 million Amsteel Bonds to the Company.
- (vi) The net consideration payable by LLB Group to Amsteel Group resulting from proposals (ii) to (iv) above will be netted off against existing debts owing by Amsteel Group (after taking into account waiver of certain principal portion of the outstanding principal amount) to the restructured LLB Group (which would include 100% equity interest in Posim) resulting in a net balance owing by Amsteel Group to LLB Group of RM257.22 million. LLB Group will receive RM107.85 million Amsteel Bonds and cash payment and RM149.37 million in value of new Amsteel shares in settlement of this net inter-company balance of RM257.22 million.
- (vii) LLB Group will receive RM120.40 million Angkasa Marketing Berhad (“Angkasa”) Bonds and cash payment and RM13.60 million in value of new Angkasa shares for settlement of the net balance of existing inter-company debts owing by Angkasa Group to LLB Group of RM134.0 million.
- (viii) Issue of RM22.0 million in value of LLB Bonds and cash payment for settlement of inter-company balances owing by LLB Group to CPB Group of RM22.0 million.
- (ix) Issue of RM131.0 million in value of new LLB shares to Lion Corporation Berhad (“LCB”) Group for settlement of inter-company balances owing by LLB Group to LCB Group of RM131.0 million.
- (x) The aggregate amount of RM and USD debts owed by the Scheme Companies to the affected creditors (“Scheme Creditors”) (excluding LLB non-FI-Creditors) totalling RM327.06 million and USD58.44 million would be swapped for LLB Bonds and cash payment totalling RM327.06 million and LLB-SPV Consolidated and Rescheduled Debts and cash payment totalling USD58.44 million respectively.

The abovementioned LLB Bonds and LLB-SPV Consolidated and Rescheduled Debts would have 18.85 million free detachable new LLB shares at an assumed price of RM1.00 per share.

- (xi) The LLB non-FI-Creditors of RM115.41 million shall be addressed by way of a debt equity conversion involving an issuance of LLB shares at an issue price of RM1.00 per share.

The implementation of the Revised Proposed GWRS is subject to various conditions precedent, which include the approval of Bank Negara Malaysia, Securities Commission, Foreign Investment Committee, Ministry of International Trade and Industry, Kuala Lumpur Stock Exchange, Scheme Creditors of the Company and the Scheme Companies, shareholders of the Company and the Scheme Companies and all other participating companies concerned and any other relevant authorities.

The proposed transactions within the Revised Proposed GWRS are inter-conditional to each other.

In addition to the Revised Proposed GWRS, a subsidiary company is presently re-negotiating with its bankers to extend the repayment schedules on existing borrowings.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

The Directors are of the opinion that the Revised Proposed GWRS referred to above will be successfully implemented and the abovementioned subsidiary company will be able to obtain extended repayment schedules on existing borrowings from its bankers. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis. Other than the provision for doubtful debts and loss in value of investments as disclosed in Note 6, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

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 for investment property which is stated at Directors' valuation. Certain development properties of subsidiary companies are stated in the Group's financial statements at values reflecting approximately the effective acquisition costs by the Group (group cost) of these assets.

Basis of Consolidation

The Group's 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 under Note 37. Subsidiary companies are consolidated using the acquisition method of accounting.

The results of subsidiary companies acquired or disposed of during the financial year are included in the income statement of the Group from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances are eliminated on consolidation.

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

| | | |
|------------------------|---|--------------------|
| Assets and liabilities | - | at closing rate |
| Share capital | - | at historical rate |
| Revenue and expenses | - | at average rate |

The exchange rates used in the translation are as follows:

| Currency | Average rate | | Year end rate | |
|--------------------|--------------|------------|---------------|------------|
| | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| 1 US Dollar | 3.80 | 3.80 | 3.80 | 3.80 |
| 1 Singapore Dollar | 2.14 | 2.22 | 2.08 | 2.18 |
| 1 Chinese Renminbi | 0.46 | 0.46 | 0.46 | 0.46 |

The results of foreign associated companies are translated at the average rate of exchange for the financial year.

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

Difference in exchange arising from the retranslation of the opening net investments in foreign subsidiary and associated companies, and from the translation of the results of those companies at the average rate, are taken to shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue of the Group consists of the proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, proportion of the total contract value attributable to the percentage of construction work performed, sales invoice value of steel and other products net of discounts and returns, tuition fees and other related fees receivable net of scholarship, gross rental income and dividend income receivable from quoted and unquoted investments.

Revenue of the Company consists of gross rental income and dividend income, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed and sales value of land under development and completed property units.

The revenue recognition policies of the Group and the Company are as follows:

(i) Steel Division

Gross invoiced value of goods sold - upon delivery of products and customers acceptance, net of discounts and return and when the risk and rewards of ownership have passed to the buyer.

(ii) Property Division

Rental income - on accrual basis.

Property development projects - based on the percentage of completion method. The stage of completion is determined based on the proportion of development cost incurred to date against the total estimated cost on projects where the outcome of the projects can be reliably estimated and are in respect of sales where agreements have been finalised by the end of the financial year. All anticipated losses on development projects are fully provided.

Sales of land under development and completed property units - when the agreements are executed.

(iii) Construction Division

Construction contracts - based on the percentage of completion method. The stage of completion is determined based on the proportion of contract costs incurred to date against the total estimated cost on contracts where the outcome of the contracts can be reliably estimated. Any foreseeable loss on contracts are provided for in full.

(iv) Others Division

Gross invoiced value of goods sold - upon delivery of products and customers acceptance, net of discounts and return and when the risk and rewards of ownership have passed to the buyer.

Gross dividend income - where the shareholders' right to receive payment is established.

Tuition fees and other related fees receivable net of scholarship - when services are performed.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The tax effects of transactions are generally recognised, using the 'liability' method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes, to the extent that they are expected to crystallise in the foreseeable future. However, when timing differences give rise to net future tax debit, the tax effects are recognised generally on actual realisation.

Property, Plant and Equipment and Depreciation

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

Depreciation of property, plant and equipment, except freehold land and construction work-in-progress which are not depreciated, is computed on the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

| | | | |
|----------------------------------|----|---|-----|
| Freehold buildings | 2 | - | 4% |
| Leasehold land and buildings | 2 | - | 5% |
| Other buildings and improvements | 2 | - | 10% |
| Plant, machinery and equipment | 5 | - | 20% |
| Motor vehicles | 8 | - | 20% |
| Furniture and office equipment | 5 | - | 25% |
| Computer equipment | 10 | - | 20% |
| Renovations | 2 | - | 10% |

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

Capitalisation of Finance Cost

Finance cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of finance cost will cease when the assets are ready for its intended use.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets (which approximate the present value of the minimum lease payment) at the beginning of the respective lease terms. The interest element of lease rentals, calculated using the 'sum of digit' method, is charged to the income statements. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Property, Plant and Equipment Acquired Under Hire-Purchase

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

Investment Property

Investment property is real property held for long-term purpose for investment potential and for rental income. Investment property is stated at Directors' valuation and is not depreciated. Directors' valuation recognises the value of the investment property based on latest valuation report by an independent firm of professional valuers

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

using the open market value basis. The investment property will be revalued at least once at regular intervals of 5 years with additional valuation in the intervening years where market conditions indicate that the carrying value of the revalued investment is materially different from the market value.

An increase in carrying amount arising from the revaluation of investment property will be credited to shareholders' equity as revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase that has been credited to revaluation reserve and not subsequently reversed or utilised, it will be charged against that revaluation reserve. In all other cases, a decrease in carrying amount will be charged to income statement. An increase on revaluation directly related to a previous decrease in carrying amount that was charged to income statement will be credited to income statement to the extent that it offsets the previously recorded decrease.

On disposal of a previously revalued investment property, the difference between net disposal proceeds and the net carrying amount will be charged or credited to the income statement.

Subsidiary Companies

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.

Investments in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any provision for permanent diminution in value.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Associated Companies

An associated company is a non-subsidiary 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.

Investment in associated companies is stated in the Company's financial statements at cost less any provision for permanent diminution in value. The Group's investment in associated companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated companies made up to 30 June 2001. Under this method of accounting, the Group's interest in the post-acquisition profit or loss of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Other Investments

Other investments in quoted and unquoted corporations are stated in both the Group's financial statements and the Company's financial statements at cost or at group cost less provision for diminution in value of investment, if appropriate.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Expenditure Carried Forward

Expenditure carried forward comprises preliminary and pre-operating expenses, proprietary technology and patents, development expenditure and deferred foreign exchange loss arising on the translation of foreign currency denominated long-term loans. Proprietary technology and patents consist of license fee which represents the acquisition cost of the design and manufacture rights while development expenditure represents expenses incurred in the development of new or substantially improved products prior to the commencement of commercial production.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary technology and patents and development expenditure are amortised systematically over a period of time not exceeding ten years upon commencement of operations or commercial production. These expenses will be written off if future economic benefits relating to these expenses cannot be determined with reasonable certainty.

In previous financial years, preliminary and pre-operating expenses were stated at cost and amortised once the subsidiary companies commence operations. However, during the previous financial year, the preliminary and pre-operating expenses were fully written off to the income statements as the said expenses have no future economic benefits.

Deferred foreign exchange loss is amortised systematically over the remaining repayment period of the long-term loans. In 2000, the Group expensed off the balance of unamortised deferred foreign exchange loss to the income statement as explained in Note 15.

Goodwill or Negative Goodwill

Goodwill or negative goodwill represents the difference between the purchase consideration for an acquisition and the sum of the fair value of the identifiable net assets at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill or negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed twenty-five years.

Goodwill is written down immediately through the income statement if there is a permanent diminution in its value.

Inventories

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Steel and other products are valued at the lower of cost and net realisable value. Cost is determined on the 'weighted average' method. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and a proportion of production overheads.

In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

Property Development Projects

Property development projects consist of land held for development, development expenditure and portion of profit attributable to development work performed to date, less applicable progress billings, provision for foreseeable loss and provision for decline in value, if any. Land held for development is stated at cost or at group cost. Development expenditure, which comprises construction and other related development costs including finance costs and administrative overheads relating to the projects, is stated at cost.

Provision for foreseeable loss is made for property development projects based on losses estimated to arise upon the completion of the projects which are already in progress.

Finance costs incurred on the development of property projects are capitalised and included as part of development expenditure. However, capitalisation of finance costs is suspended during extended periods in which active development is interrupted.

Profits on property development projects are recognised, using the percentage-of-completion method, based on progress billings (which approximates cost basis), in respect of sales where agreements have been finalised by the end of the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction Contracts

Construction contracts are stated at cost and portion of profit attributable to contract work performed to date, less applicable progress billings and provision for foreseeable loss, if any. Costs consist of direct materials, labour and direct expenses.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Receivables

Provision for bad and doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts while debts considered to be uncollectible are written off.

Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required 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 risks of changes in value.

4. REVENUE

An analysis of revenue is as follows:

| | The Group | | The Company | |
|--|----------------|------------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Sales of goods | 844,535 | 965,302 | - | - |
| Revenue from: | | | | |
| Property development | 39,916 | 56,233 | 11,525 | 2,590 |
| Construction contracts | 18,141 | 13,027 | - | - |
| Sales of land under development and completed property units | 3,149 | 720 | - | 98 |
| Gross rental income | 23,958 | 19,448 | 11,275 | 11,335 |
| Tuition and other related fees | 8,687 | 8,020 | - | - |
| Gross dividend income from subsidiary companies | - | - | 1,339 | 3,385 |
| | <u>938,386</u> | <u>1,062,750</u> | <u>24,139</u> | <u>17,408</u> |

5. PROFIT/(LOSS) BEFORE TAX

The profit/(loss) before tax has been arrived at:

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| After charging: | | | | |
| Finance costs comprising interest on: | | | | |
| Term loans | 130,670 | 124,758 | 19,959 | 19,697 |
| Bills payable | 5,179 | 9,214 | - | - |
| Advances from other related companies | 8,276 | 9,846 | 5,287 | 6,089 |
| Bank overdrafts | 11,712 | 12,218 | 110 | 100 |
| Lease and hire-purchase | 27 | 101 | 2 | 22 |
| Advances from associated company | 86 | 51 | 86 | 51 |
| Advances from subsidiary companies | - | - | 15,521 | 5,061 |
| Related parties | 10,325 | 485 | - | - |
| Others | 228 | 1,039 | 20 | 7 |
| | 166,503 | 157,712 | 40,985 | 31,027 |
| Unrealised loss on foreign exchange - net | 4,802 | 4,700 | - | - |
| Rental of: | | | | |
| Jetties and leasehold land | 3,850 | 3,850 | - | - |
| Plant, machinery and equipment | 3,544 | 1,669 | - | - |
| Premises | 534 | 190 | 188 | - |
| Provision for doubtful trade and other receivables | 553 | 4,505 | 82 | - |
| Rental of premises payable to other related companies | 838 | 1,048 | - | 111 |
| Audit fee: | | | | |
| Current year | 350 | 350 | 36 | 36 |
| Underprovision in prior year | - | 3 | - | - |
| Directors' remuneration: | | | | |
| Salaries and allowances | 273 | 259 | 174 | 174 |
| Fees | 98 | 69 | 98 | 69 |
| Management fee payable to other related companies | 313 | 291 | - | - |
| Provision for compensation on late delivery | 246 | - | - | - |
| Expenditure carried forward written off | 236 | 2,321 | 236 | 819 |
| Bad debts written off | 93 | 230 | - | - |
| Provision for inventories obsolescence | 90 | 344 | - | - |
| Property, plant and equipment written off | 23 | 669 | - | - |
| Reversal of gain over - recognised | | | | |
| on disposal of subsidiary company | - | 3,900 | - | - |
| Loss on liquidation of subsidiary company | - | 2,463 | - | - |
| Loss on disposal of property, plant and equipment - net | - | 126 | - | - |
| Loss on disposal of associated company | - | - | - | 945 |
| And crediting: | | | | |
| Income from other investments comprising interest income from: | | | | |
| Ultimate holding company | 82,034 | 85,192 | 34,010 | 36,969 |
| Other related companies | 16,777 | 17,204 | 1,029 | 950 |
| Fixed deposits | 1,848 | 2,564 | 72 | 149 |
| Subsidiary companies | - | - | 171 | 1,688 |
| Others | 2,163 | 1,962 | 1,528 | 1,234 |
| | 102,822 | 106,922 | 36,810 | 40,990 |
| Realised gain on foreign exchange - net | 2,066 | 4,975 | - | - |
| Gain on disposal of property, plant and equipment - net | 3,029 | - | 32 | 14 |
| Interest income from Housing Development Accounts | 210 | 159 | 66 | 21 |

5. PROFIT/(LOSS) BEFORE TAX (Continued)

| | The Group | | The Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| And crediting: | | | | |
| Provision no longer required for: | | | | |
| Doubtful trade and other receivables | 156 | 621 | - | - |
| Cost to completion for property projects | - | 194 | - | - |
| Inventories obsolescence | - | 123 | - | - |
| Amount owing by subsidiary companies | - | - | - | 463 |
| Bad debts recovered | 72 | 56 | - | - |
| Gain on disposal of: | | | | |
| Associated companies | - | 14,558 | - | - |
| Quoted shares | - | 401 | - | 401 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Staff costs include salaries, bonuses, contributions to employees' provident fund, directors' remuneration and all other staff related expenses.

6. PROVISION FOR DOUBTFUL DEBTS AND LOSS IN VALUE OF INVESTMENTS

Provision for doubtful debts and loss in value of investments comprise:

| | The Group | | The Company | |
|---|------------------|-----------------|------------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Provision for doubtful debts on amount owing by ultimate holding company pursuant to the Revised Proposed GWRS (Note 2) | (305,300) | - | (305,300) | - |
| Provision for: | | | | |
| Foreseeable loss on proposed disposal of the following investments pursuant to the Revised Proposed GWRS (Note 2): | | | | |
| Subsidiary company | (16,800) | - | (16,800) | - |
| Associated company | (81,600) | - | (81,600) | - |
| Diminution in value of investment in associated company | - | - | (25,000) | - |
| | (98,400) | - | (123,400) | - |
| Realisation/Provision in respect of subsidiary company under liquidation in 2001: | | | | |
| Doubtful debts | (25,224) | - | (25,224) | - |
| Bad debts written off | (29,213) | - | (2,580) | - |
| Reversal of Group's share of net liabilities | 54,437 | - | - | - |
| Write down in: | | | | |
| Property, plant and equipment | - | (40,259) | - | - |
| Expenditure carried forward | - | (12,704) | - | - |
| Trade receivables | - | (2,000) | - | - |
| Inventories | - | (1,125) | - | - |
| | - | (56,088) | (27,804) | - |
| | <u>(403,700)</u> | <u>(56,088)</u> | <u>(456,504)</u> | <u>-</u> |

7. INCOME TAX EXPENSE

Income tax expense for the Group and the Company consists of:

| | The Group | | The Company | |
|---|----------------|-----------------|--------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current estimated tax payable: | | | | |
| Current year: | | | | |
| Malaysian | (4,300) | (17,760) | (800) | (5,537) |
| Foreign | (3) | - | - | - |
| Over/(Under) provision in prior years | 407 | (675) | - | (161) |
| Deferred taxation: | | | | |
| Current year: | | | | |
| Malaysian (Note 28) | 842 | 388 | - | - |
| Share in taxation of associated company | - | (16) | - | - |
| Net | <u>(3,054)</u> | <u>(18,063)</u> | <u>(800)</u> | <u>(5,698)</u> |

Taxation is provided for the Group for 2001 and 2000 despite losses incurred due mainly to certain expenses which are not deductible for tax purposes and losses of certain subsidiary companies which for tax purposes cannot be offset with profits of other subsidiary companies within the Group. The tax provision also takes into account the utilisation of carryforward tax losses and unabsorbed capital allowances totalling about RM Nil (RM86 million in 2000) to partially set-off the chargeable income that would otherwise be taxable.

The current estimated tax payable of the Company in 2001 is in respect of non-business income.

The effective tax rate of the Company in 2000 is higher than the statutory tax rate due mainly to interest restriction.

As of 30 June 2001, the Company has tax exempt account amounting to approximately RM21,170,000 (RM21,170,000 in 2000) arising from waiver of tax payable on chargeable income earned in 1999 under the Income Tax (Amendment) Act, 1999 which, subject to agreement with the tax authorities, is available for distribution as tax exempt dividends. As of 30 June 2001, the Company has not distributed any of its tax exempt income as tax exempt dividends.

As of 30 June 2001, the Group has estimated unutilised carryforward tax losses and unabsorbed capital allowances totalling about RM97 million (RM83 million in 2000) which, subject to confirmation by the tax authorities, are available for set-off against future taxable business income of the respective subsidiary companies. The related tax debit will be recognised on actual realisation.

The tax effects relating to the increase in the carrying value of investment property are not provided for as there is no intention to dispose of this asset in the foreseeable future.

8. LOSS PER ORDINARY SHARE

Basic

Loss per ordinary share for the Group is computed based on the loss after tax and minority interests of RM468,306,000 (RM100,862,000 in 2000) and the weighted average number of ordinary shares in issue during the financial year of 593,380,000 (593,373,000 in 2000).

Diluted

The options over 4,506,000 (6,392,000 in 2000) unissued ordinary shares granted to eligible employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2001. The terms of the unexercised options are set out in Note 29.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| 2001 | COST | | | | | | | |
|--|----------------------|---------------|----------------|---|-------------------------|--------------|------------------|------------------|
| | At beginning of year | Additions | Disposals | Effect on liquidation of subsidiary company | Translation differences | Write-offs | Reclassification | At end of year |
| The Group | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Freehold land and buildings | 70,626 | - | - | - | - | - | 177,017 | 247,643 |
| Leasehold land and buildings under long lease | 216,061 | 119 | - | - | - | - | - | 216,180 |
| Leasehold land and buildings under short lease | 49,977 | - | (13) | (29,070) | 21 | - | - | 20,915 |
| Other buildings and improvements | 108 | - | - | - | - | - | 1,431 | 1,539 |
| Plant, machinery and equipment | 414,199 | 1,890 | (5,428) | (58,416) | 44 | - | 360,406 | 712,695 |
| Motor vehicles | 6,502 | 617 | (1,071) | (386) | 1 | (4) | 657 | 6,316 |
| Furniture and office equipment | 23,062 | 1,032 | (183) | (547) | 1 | (180) | 100 | 23,285 |
| Computer equipment | 2,645 | 192 | - | - | - | (2) | - | 2,835 |
| Renovations | 3,987 | 27 | - | - | - | - | - | 4,014 |
| Construction work-in-progress | 759,879 | 73,673 | - | - | 4 | - | (539,611) | 293,945 |
| Total | 1,547,046 | 77,550 | (6,695) | (88,419) | 71 | (186) | - | 1,529,367 |

| | ACCUMULATED DEPRECIATION | | | | | | | |
|--|--------------------------|---------------------|----------------|---|-------------------------|--------------|------------------|----------------|
| | At beginning of year | Charge for the year | Disposals | Effect on liquidation of subsidiary company | Translation differences | Write-offs | Reclassification | At end of year |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Freehold land and buildings | - | - | - | - | - | - | - | - |
| Leasehold land and buildings under long lease | 36,639 | 6,394 | - | - | - | - | - | 43,033 |
| Leasehold land and buildings under short lease | 5,348 | 563 | - | (3,141) | 2 | - | - | 2,772 |
| Other buildings and improvements | 42 | 104 | - | - | - | - | - | 146 |
| Plant, machinery and equipment | 134,943 | 26,346 | (40) | (7,918) | 7 | - | - | 153,338 |
| Motor vehicles | 4,266 | 815 | (922) | (92) | 1 | (2) | - | 4,066 |
| Furniture and office equipment | 15,064 | 2,288 | (166) | (103) | - | (159) | - | 16,924 |
| Computer equipment | 1,650 | 283 | - | - | - | (2) | - | 1,931 |
| Renovations | 1,231 | 395 | - | - | - | - | - | 1,626 |
| Total | 199,183 | 37,188 | (1,128) | (11,254) | 10 | (163) | - | 223,836 |

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

| 2001 | NET BOOK VALUE At Beginning of Year | | | NET BOOK VALUE At end of year RM'000 |
|--|---|------------------------------------|--|---|
| | Before provision for write down RM'000 | Provision for write down RM'000 | After provision for write down RM'000 | |
| The Group | | | | |
| Freehold land and buildings | 70,626 | - | 70,626 | 247,643 |
| Leasehold land and buildings under long lease | 179,422 | - | 179,422 | 173,147 |
| Leasehold land and buildings under short lease | 44,629 | (12,959) | 31,670 | 18,143 |
| Other buildings and improvements | 66 | - | 66 | 1,393 |
| Plant, machinery and equipment | 279,256 | (26,931) | 252,325 | 559,357 |
| Motor vehicles | 2,236 | (147) | 2,089 | 2,250 |
| Furniture and office equipment | 7,998 | (222) | 7,776 | 6,361 |
| Computer equipment | 995 | - | 995 | 904 |
| Renovations | 2,756 | - | 2,756 | 2,388 |
| Construction work-in-progress | 759,879 | - | 759,879 | 293,945 |
| Total | 1,347,863 | (40,259) | 1,307,604 | 1,305,531 |

| 2001 | COST | | | |
|---|--------------------------------|---------------------|---------------------|--------------------------|
| | At beginning of year RM'000 | Additions RM'000 | Disposals RM'000 | At end of year RM'000 |
| The Company | | | | |
| Leasehold land and buildings under long lease | 123,458 | - | - | 123,458 |
| Plant, machinery and equipment | 2,105 | - | - | 2,105 |
| Motor vehicles | 820 | - | (130) | 690 |
| Furniture and office equipment | 1,141 | 42 | - | 1,183 |
| Computer equipment | 927 | 187 | - | 1,114 |
| Renovations | 3,826 | - | - | 3,826 |
| Total | 132,277 | 229 | (130) | 132,376 |

| | ACCUMULATED DEPRECIATION | | | | NET BOOK VALUE | |
|---|--------------------------------|-------------------------------|---------------------|--------------------------|--------------------------------|--------------------------|
| | At beginning of year RM'000 | Charge for the year RM'000 | Disposals RM'000 | At end of year RM'000 | At beginning of year RM'000 | At end of year RM'000 |
| Leasehold land and buildings under long lease | 15,051 | 2,371 | - | 17,422 | 108,407 | 106,036 |
| Plant, machinery and equipment | 1,581 | 210 | - | 1,791 | 524 | 314 |
| Motor vehicles | 425 | 138 | (130) | 433 | 395 | 257 |
| Furniture and office equipment | 803 | 71 | - | 874 | 338 | 309 |
| Computer equipment | 292 | 111 | - | 403 | 635 | 711 |
| Renovations | 1,170 | 383 | - | 1,553 | 2,656 | 2,273 |
| Total | 19,322 | 3,284 | (130) | 22,476 | 112,955 | 109,900 |

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in property, plant and equipment of the Group and the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM772,000 (RM1,396,000 in 2000) and RM Nil (RM395,000 in 2000) respectively.

Current additions to construction work-in-progress of the Group include interest costs on long-term loan amounting to RM30,900,000 (RM29,400,000 in 2000).

As of 30 June 2001, plant, machinery and equipment of subsidiary companies with carrying values totalling RM5.0 million (RM24.3 million in 2000) have been charged to licensed banks as security for loans granted as mentioned in Notes 26 and 27.

As of 30 June 2001, the titles to all parcels of leasehold land of the Company and certain parcels of freehold and long leasehold land of subsidiary companies with carrying values totalling RM103,726,000 (RM104,493,000 in 2000) have not been registered in the name of the Company and the respective subsidiary companies.

As of 30 June 2001, the titles of certain motor vehicles of the Group and the Company with carrying values totalling RM212,300 (RM503,900 in 2000) and RM212,300 (RM439,000 in 2000) respectively have not been registered in the name of the Company and the respective subsidiary companies.

The depreciation charge is allocated as follows:

| | The Group | | The Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Income statement | 37,125 | 37,592 | 3,284 | 3,301 |
| Contract cost (Note 18) | 63 | 84 | - | - |
| | <u>37,188</u> | <u>37,676</u> | <u>3,284</u> | <u>3,301</u> |

10. INVESTMENT PROPERTY

Investment property of the Group represents freehold land with a shopping complex erected thereon belonging to a subsidiary company.

| | 2001 RM'000 | 2000 RM'000 |
|-------------------|----------------|----------------|
| At 1999 valuation | <u>189,000</u> | <u>189,000</u> |

The investment property of the Group has been charged to a licensed bank as security for short-term loan (Note 26) and long-term loan (Note 27) granted to the said subsidiary company.

11. PROPERTY DEVELOPMENT PROJECTS

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Land: | | | | |
| At cost | 41,451 | 55,738 | 3,796 | 3,796 |
| At group cost | 69,994 | 73,143 | - | - |
| Development expenditure: | | | | |
| At cost | 150,407 | 126,364 | 20,904 | 6,959 |
| Total | 261,852 | 255,245 | 24,700 | 10,755 |
| Provision for decline in value | (45,253) | (47,399) | - | - |
| | 216,599 | 207,846 | 24,700 | 10,755 |
| Non-current portion | (157,957) | (157,617) | (1,155) | (1,069) |
| | 58,642 | 50,229 | 23,545 | 9,686 |
| Portion of profit attributable to development work performed to date | 21,185 | 20,319 | 4,248 | 2,792 |
| | 79,827 | 70,548 | 27,793 | 12,478 |
| Progress billings | (57,262) | (29,987) | (23,219) | (11,332) |
| Current portion | 22,565 | 40,561 | 4,574 | 1,146 |

The Group considers as current asset that portion of property projects on which development work has commenced and is expected to be completed within the normal operating cycle of one to two years. The portion transferred to current assets includes the related profit attributable to development work performed to date, net of the applicable progress billings and provision for decline in value.

As of 30 June 2001, the titles to certain parcels of land held for development of the Group with carrying values totalling RM5,683,000 (RM5,683,000 in 2000) have yet to be registered in the name of the subsidiary companies.

As of 30 June 2001, a parcel of land included in the property development projects of the Group with carrying value of RM57,212,000 (RM57,011,000 in 2000) has been charged to an offshore bank as security for banking facilities granted to an associated company.

12. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company | |
|--|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 |
| Unquoted shares - at cost | 313,071 | 313,071 |
| Provision for diminution in value of investments | (168,749) | (168,749) |
| | 144,322 | 144,322 |

12. INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

During the financial year, Huangshi Heilen Pharmaceutical Co Ltd ("Huangshi"), a company incorporated in the People's Republic of China, was under liquidation. Huangshi is a 60% owned subsidiary company of Lion Biotech Pte Ltd ("Lion Biotech") which in turn is a 51% owned subsidiary company of the Company. Huangshi was principally involved in the manufacturing and packaging of pharmaceutical products and has ceased operations since 1999.

During the previous financial year, Zhuhai Lion International Bio-Tech Co Ltd ("Zhuhai"), a company incorporated in the People's Republic of China, was liquidated. Zhuhai is a 95% owned subsidiary company of Lion Biotech. Zhuhai was principally involved in the manufacturing and selling of pharmaceutical health and herbal products and has ceased operations since 1998.

The effects of the liquidation of subsidiary companies on the financial position of the Group are as follows:

| | 2001 RM'000 | 2000 RM'000 |
|---|-----------------|-----------------|
| Assets and liabilities: | | |
| Property, plant and equipment | 36,906 | 38,258 |
| Expenditure carried forward | - | 469 |
| Other receivables, deposits and prepayments | 474 | 2,792 |
| Inventories | - | 1,347 |
| Cash and bank balances | 99 | 161 |
| Trade payables | (9,891) | (10,005) |
| Other payables, deposits and accruals | (7,705) | (7,183) |
| Amount owing to other related companies | (64,325) | (44,532) |
| Short-term borrowings | (1,377) | (20,372) |
| Long-term loans | (14,007) | (14,001) |
| Goodwill on consolidation | 53 | 55 |
| Minority interest | 5,336 | 5,206 |
| | <hr/> | <hr/> |
| Net liabilities | <u>(54,437)</u> | <u>(47,805)</u> |

The effects of the abovementioned liquidation on the financial results of the Group are as follows:

| | 2001 RM'000 | 2000 RM'000 |
|--|----------------|----------------|
| Revenue | 177 | 799 |
| Operating costs | (2,558) | (5,991) |
| | <hr/> | <hr/> |
| Loss from operations | (2,381) | (5,192) |
| Finance costs | (1,784) | (7,228) |
| | <hr/> | <hr/> |
| Loss before tax | (4,165) | (12,420) |
| Income tax expense | - | - |
| | <hr/> | <hr/> |
| Loss after tax | (4,165) | (12,420) |
| Minority interest | - | 5,642 |
| | <hr/> | <hr/> |
| Net loss attributable to shareholders of the Company | <u>(4,165)</u> | <u>(6,778)</u> |

The effects of the liquidation on the financial position and financial results for the year ended 30 June 2000 as disclosed above comprise Huangshi and Zhuhai.

13. INVESTMENT IN ASSOCIATED COMPANIES

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Unquoted investments - at cost (less accumulated amortisation of premium on acquisition of RM181,819 (RM181,819 in 2000) for the Group) | 134,984 | 132,795 | 25,000 | 25,000 |
| Provision for diminution in value | - | - | (25,000) | - |
| | <u>134,984</u> | <u>132,795</u> | <u>-</u> | <u>25,000</u> |
| Share in post-acquisition results | (51,476) | (45,429) | - | - |
| | <u>83,508</u> | <u>87,366</u> | <u>-</u> | <u>25,000</u> |

The carrying value of the Group's investment in associated companies is represented by:

| | The Group | |
|-------------------------------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 |
| Share of net assets | 83,508 | 87,366 |
| Premium on acquisition | 182 | 182 |
| Accumulated amortisation of premium | (182) | (182) |
| | <u>83,508</u> | <u>87,366</u> |

Included in the investment in associated companies is exchange gain of RM29,850,000 (RM29,661,000 in 2000) arising on year end translation of investment in foreign associated companies.

The Group's share in results of certain associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM144.9 million (RM120.8 million in 2000) and RM24.1 million (RM21.3 million in 2000) respectively.

14. OTHER INVESTMENTS

| | The Group | | The Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Shares quoted in Malaysia: | | | | |
| At cost | 4,854 | 4,854 | 4,823 | 4,823 |
| Shares quoted outside Malaysia: | | | | |
| At cost | 56 | 56 | 56 | 56 |
| Unquoted investments: | | | | |
| At cost | | | | |
| Ordinary shares | 35,511 | 36,337 | 400 | 400 |
| Preference shares | 43,613 | 43,613 | 43,613 | 43,613 |
| Provision for diminution in value | (227) | (227) | - | - |
| | 78,897 | 79,723 | 44,013 | 44,013 |
| Total | 83,807 | 84,633 | 48,892 | 48,892 |
| Market value of quoted shares | 2,683 | 5,436 | 2,678 | 5,414 |

The above unquoted preference shares represent 5-year cumulative redeemable preference shares of RM0.01 each in Likom Computer System Sdn Bhd ("LCS"), a related party of the Company. These preference shares were due for redemption on 28 June 2001.

The Company has entered into a supplemental agreement on 10 July 2001 with LCS and Likom Electronic Pte Ltd ("LEL") to defer the redemption date from 28 June 2001 until the earlier of the following dates ("Redemption Date"):

- (i) within 21 days from the listing date of LEL on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and
- (ii) on 28 December 2002.

Additional securities which approximate the redemption sum plus an interest at the rate of 1.75% per annum above the base lending rate of Malayan Banking Berhad for the period from 29 June 2001 until the Redemption Date is to be provided as consideration for the proposed deferment.

The said proposed deferment is pending the approvals from the shareholders of the Company and other relevant authorities.

15. EXPENDITURE CARRIED FORWARD

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Preliminary and pre-operating expenses at cost: | | | | |
| At beginning of year | - | 7,011 | - | - |
| Translation difference | - | 16 | - | - |
| Write-off | - | (6,744) | - | - |
| Effect on liquidation of subsidiary company | - | (283) | - | - |
| At end of year | - | - | - | - |
| Proprietary technology and patents and development expenditure at cost: | | | | |
| At beginning of year | 34,704 | 34,189 | 1,789 | 2,600 |
| Translation difference | 15 | 90 | - | - |
| Addition during the year | 260 | 1,527 | - | 8 |
| Effect on liquidation of subsidiary company | - | (283) | - | - |
| Write-off | (16,721) | (819) | (236) | (819) |
| At end of year | 18,258 | 34,704 | 1,553 | 1,789 |
| | 18,258 | 34,704 | 1,553 | 1,789 |
| Cumulative amortisation: | | | | |
| At beginning of year | (7,472) | (9,025) | (1,257) | (1,049) |
| Translation difference | (8) | (20) | - | - |
| Effect on liquidation of subsidiary company | - | 97 | - | - |
| Write-off | 3,781 | 5,242 | - | - |
| Amortisation for the current year | (1,556) | (3,766) | - | (208) |
| At end of year | (5,255) | (7,472) | (1,257) | (1,257) |
| Net | 13,003 | 27,232 | 296 | 532 |
| Provision for write down | - | (12,704) | - | - |
| | 13,003 | 14,528 | 296 | 532 |
| Deferred foreign exchange loss - net | | | | |
| At beginning of year | - | 76,000 | - | - |
| Write-off | - | (76,000) | - | - |
| At end of year | - | - | - | - |
| | 13,003 | 14,528 | 296 | 532 |

In view of the negotiations undertaken by the Group with the bankers for the restructuring and rescheduling of the bank borrowings, the balance of the unamortised deferred foreign exchange loss was written off to the income statement in 2000.

16. GOODWILL

The movements in goodwill are as follows:

| | The Group | |
|---|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 |
| Goodwill on consolidation/Purchased goodwill | | |
| At beginning of year | 329,969 | 329,969 |
| Effect on liquidation of subsidiary company | (72) | - |
| At end of year | 329,897 | 329,969 |
| Cumulative amortisation: | | |
| At beginning of year | (74,818) | (61,621) |
| Effect on liquidation of subsidiary company | 19 | - |
| Amortisation for the current year | (13,197) | (13,197) |
| At end of year | (87,996) | (74,818) |
| | <u>241,901</u> | <u>255,151</u> |
| Negative goodwill | | |
| At beginning and end of year | 84,147 | 84,147 |
| Cumulative credit: | | |
| At beginning of year | (19,024) | (15,667) |
| Credited to income statement for the current year | (3,357) | (3,357) |
| At end of year | (22,381) | (19,024) |
| | <u>61,766</u> | <u>65,123</u> |
| Net | <u>180,135</u> | <u>190,028</u> |

17. INVENTORIES

Inventories consist of the following:

| | The Group | | The Company | |
|--|-----------------------|-----------------------|---------------------|---------------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Property: | | | | |
| Completed units for sale (net of provision for write down of RM7,877,400 (RM5,660,900 in 2000) for the Group and RM Nil for the Company (RM Nil in 2000)) | 24,563 | 26,819 | 7,802 | 7,802 |
| Products at cost: | | | | |
| Raw materials | 50,516 | 82,843 | - | - |
| Work-in-progress | 4,210 | 2,677 | - | - |
| Finished goods | 105,431 | 92,923 | - | - |
| General and consumable stores | 49,779 | 44,947 | - | - |
| Goods-in-transit | 23,873 | 59 | - | - |
| | <u>233,809</u> | <u>223,449</u> | <u>-</u> | <u>-</u> |
| Less: Provision for inventories obsolescence | (1,680) | (3,059) | - | - |
| | <u>232,129</u> | <u>220,390</u> | <u>-</u> | <u>-</u> |
| Net | <u><u>256,692</u></u> | <u><u>247,209</u></u> | <u><u>7,802</u></u> | <u><u>7,802</u></u> |

As of 30 June 2001, the title to a completed unit for sale of the Company with carrying value amounting to RM7,503,000 (RM7,503,000 in 2000) has yet to be registered in the name of the Company.

18. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS

Amount due by/(to) contract customers, pertaining to a subsidiary company, consists of the following:

| | The Group | |
|---|-----------------------|-----------------------|
| | 2001 RM'000 | 2000 RM'000 |
| Contract cost | 727,830 | 721,430 |
| Profit attributable to work performed to date | 29,167 | 28,805 |
| Total | <u>756,997</u> | <u>750,235</u> |
| Progress billings | <u>(753,972)</u> | <u>(746,477)</u> |
| Amount due by contract customers | <u><u>3,025</u></u> | <u><u>3,758</u></u> |
| Contract cost | 113,565 | 113,079 |
| Profit attributable to work performed to date | 4,274 | 4,205 |
| Total | <u>117,839</u> | <u>117,284</u> |
| Progress billings | <u>(119,295)</u> | <u>(118,637)</u> |
| Amount due to contract customers | <u><u>(1,456)</u></u> | <u><u>(1,353)</u></u> |

As of 30 June 2001, retentions held by customers for contract works amounted to RM6,307,000 (RM9,689,000 in 2000).

18. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS (Continued)

Current charges to contract cost include the following:

| | The Group | |
|--|-----------|-----------|
| | 2001 | 2000 |
| | RM'000 | RM'000 |
| Depreciation of property, plant and equipment (Note 9) | 63 | 84 |
| | <u>63</u> | <u>84</u> |

19. TRADE RECEIVABLES

| | The Group | | The Company | |
|---|----------------|----------------|--------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | 185,561 | 209,052 | 2,851 | 732 |
| Less: Provision for doubtful debts | (6,560) | (10,007) | (152) | (152) |
| | <u>179,001</u> | <u>199,045</u> | <u>2,699</u> | <u>580</u> |
| Retention monies | 6,307 | 9,689 | - | - |
| | <u>185,308</u> | <u>208,734</u> | <u>2,699</u> | <u>580</u> |
| Lease, hire-purchase and loan receivables | 18,523 | 18,668 | - | - |
| Less: Provision for doubtful debts | (18,523) | (18,668) | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>185,308</u> | <u>208,734</u> | <u>2,699</u> | <u>580</u> |

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|----------------|----------------|---------------|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables, deposits and prepayments | 172,180 | 129,203 | 69,138 | 29,232 |
| Less: Provision for doubtful debts | (30,290) | (4,947) | (25,811) | (505) |
| | <u>141,890</u> | <u>124,256</u> | <u>43,327</u> | <u>28,727</u> |

21. ULTIMATE HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS

The immediate holding company is Umatrac Enterprises Sdn Bhd. The Directors regard Amsteel Corporation Berhad as its ultimate holding company. Both the companies are incorporated in Malaysia.

Related companies refer to members of the Amsteel Corporation Berhad group of companies.

21. ULTIMATE HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS (Continued)

(a) Amount owing by ultimate holding company and amount owing by/to other related companies

The amount owing by ultimate holding company comprises:

| | The Group | | The Company | |
|--|------------------|------------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Amount owing by ultimate holding company | 1,312,191 | 1,229,694 | 412,901 | 378,858 |
| Less: Provision for doubtful debts | (305,300) | - | (305,300) | - |
| | <u>1,006,891</u> | <u>1,229,694</u> | <u>107,601</u> | <u>378,858</u> |

The amount owing by the ultimate holding company and amount owing by/to other related companies, which bear interest at 1% above the respective companies' cost of funds, arose mainly from progress billings, inter-company sales, prior years' inter-company advances and expenses paid on behalf and have no fixed repayment terms.

The recoverability of the amounts owing by the ultimate holding company and other related companies is dependent on the successful implementation of the proposed restructuring scheme as explained in Note 2.

(b) Amount owing by/to subsidiary companies

The amount owing by subsidiary companies (included under current assets) comprises:

| | The Company | |
|--|------------------|------------------|
| | 2001 RM'000 | 2000 RM'000 |
| Amount owing by subsidiary companies | 1,014,894 | 1,036,145 |
| Less: Provision for doubtful debts | (88) | (88) |
| | <u>1,014,806</u> | <u>1,036,057</u> |
| Amount owing to subsidiary companies (included under current liabilities) | <u>237,252</u> | <u>223,112</u> |

The amounts owing by/to subsidiary companies arose mainly from inter-company advances, interest and dividend receivable and payable and contract billings which during the year amounted to RM126,000 (RM Nil in 2000) in respect of construction contracts undertaken by a subsidiary company.

The amount owing by subsidiary companies are either interest-free or bear interest at rates ranging from nominal value to 0.6% (nominal value to 10.8% in 2000) per annum and have no fixed repayment terms.

The amount owing by a subsidiary company under liquidation of RM10,810,000 (net of provision for doubtful debts of RM25,224,000 (Note 6) made in 2001) is reclassified to other receivables, deposits and prepayments (Note 20).

The amount owing to subsidiary companies are either interest-free or bear interest at rates ranging from 0.01% to 8.9% (1.1% to 11.0% in 2000) per annum and have no fixed repayment terms.

21. ULTIMATE HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS (Continued)

Significant transactions of the Company and subsidiary companies with related companies during the financial year, in addition to those disclosed in Note 5, are as follows:

| Name of Company | Nature | The Group RM'000 | The Company RM'000 |
|--------------------------------------|-------------------------------------|---------------------|-----------------------|
| Amsteel Corporation Berhad | Interest income | 82,034 | 34,010 |
| Sukhothai Food Sdn Bhd | Interest income | 886 | 886 |
| Amsteel Securities (M) Sdn Bhd | Rental income | 238 | 238 |
| Angkasa Marketing Berhad | Sales of goods | 520,433 | - |
| | Purchase of raw materials | 182,997 | - |
| | Interest income | 13,090 | - |
| | Interest expense | 3,551 | 3,551 |
| Singa Logistics Sdn Bhd | Transportation charges | 6,128 | - |
| Araprop Development Sdn Bhd | Progress billings for contract work | 5,957 | - |
| | Interest expense | 1,095 | 1,095 |
| | Interest income | 702 | - |
| Parkson Corporation Sdn Bhd | Rental income | 3,976 | - |
| Ayer Keroh Resort Sdn Bhd | Progress billings for contract work | 1,868 | - |
| | Interest income | 523 | - |
| Lion Tooling Sdn Bhd | Purchase of tooling | 1,815 | - |
| Posim Petroleum Marketing Sdn Bhd | Purchase of consumables | 874 | - |
| Lion Metal Industries Sdn Bhd | Rental expenses | 634 | - |
| Chocolate Products (Malaysia) Berhad | Interest expense | 619 | - |

The Directors of the Company are of the opinion that the above 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.

(c) Amount owing by/to associated companies

The amounts owing by/to associated companies arose mainly from advances and have no fixed repayment terms. The amounts owing by associated companies of the Group are interest-free whilst the amounts owing to associated companies of the Group are interest-free or bear interest at 8% per annum (nominal amount of interest in 2000).

The amount owing by associated company of the Company is interest-free (interest-free in 2000) whilst the amount owing to associated company of the Company bears interest at 8% per annum (nominal amount of interest in 2000).

22. DEPOSITS, CASH AND BANK BALANCES

| | The Group | | The Company | |
|---------------------------------|----------------|---------------|--------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed deposits with: | | | | |
| Licensed banks: | | | | |
| Restricted | 306 | 871 | 49 | 49 |
| Unrestricted | 75,555 | 55,574 | 3,199 | 2,904 |
| | 75,861 | 56,445 | 3,248 | 2,953 |
| Licensed financial institutions | 950 | 950 | - | - |
| Housing Development Accounts | 5,960 | 8,320 | 1,224 | 2,753 |
| Cash and bank balances | 18,410 | 16,282 | 752 | 85 |
| | <u>101,181</u> | <u>81,997</u> | <u>5,224</u> | <u>5,791</u> |

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure has been fully settled.

Included in fixed deposits of the Group and the Company are amounts of RM306,000 (RM871,000 in 2000) and RM49,000 (RM49,000 in 2000) respectively pledged to certain local banks as security for bank guarantees granted.

23. TRADE PAYABLES

| | The Group | | The Company | |
|------------------|----------------|----------------|--------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 144,106 | 158,776 | 2,840 | 160 |
| Retention monies | 20,979 | 28,726 | 1,036 | 208 |
| | <u>165,085</u> | <u>187,502</u> | <u>3,876</u> | <u>368</u> |

24. OTHER PAYABLES, DEPOSITS AND ACCRUALS

Included in the other payables, deposits and accruals of the Group are:

- amounts totalling RM257 million (RM227 million in 2000) relating to cost for construction work-in-progress of a subsidiary company;
- an amount of RM159 million (RM149 million in 2000) representing advance billings received from a related party in respect of construction contracts which bear interest at 9% per annum (interest-free in 2000);
- amounts totalling RM145 million (RM72 million in 2000) representing interest accrued relating to certain of the principal borrowings; and
- an amount of RM5.5 million (RM5.5 million in 2000) representing refundable deposit received from a related party pursuant to a proposed sale of office space/business suites to be developed by a subsidiary company to the said related party. The said proposed sale was aborted in 1998.

25. LEASE AND HIRE-PURCHASE LIABILITIES

| | The Group | | The Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Lease and hire-purchase | 582 | 257 | - | 49 |
| Portion due within one year | (156) | (240) | - | (49) |
| | <u>426</u> | <u>17</u> | <u>-</u> | <u>-</u> |
| Non-current portion | <u>426</u> | <u>17</u> | <u>-</u> | <u>-</u> |

The non-current portion of the lease and hire-purchase obligations are payable as follows:

| | The Group | | The Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Financial year ending 30 June: | | | | |
| 2002 | - | 17 | - | - |
| 2003 | 142 | - | - | - |
| 2004 to 2006 | 284 | - | - | - |
| | <u>426</u> | <u>17</u> | <u>-</u> | <u>-</u> |
| | <u>426</u> | <u>17</u> | <u>-</u> | <u>-</u> |

Lease and hire-purchase obligations bear interest at rates ranging from 6.5% to 10.0% (5.8% to 10.0% in 2000) per annum.

26. SHORT-TERM BORROWINGS

| | The Group | | The Company | |
|---|------------------|------------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Short-term loans from financial institutions: | | | | |
| Secured | 11,377 | 11,377 | - | - |
| Unsecured | 1,040,857 | 1,054,711 | 132,331 | 113,206 |
| Bank overdrafts: | | | | |
| Unsecured | 128,266 | 130,508 | 1,178 | 1,068 |
| Bills payable | 108,196 | 95,899 | - | - |
| Portion of long-term loans due within one year (Note 27): | | | | |
| Secured | 63,390 | 63,390 | - | - |
| Unsecured | 620,108 | 620,108 | 100,000 | 100,000 |
| | <u>1,972,194</u> | <u>1,975,993</u> | <u>233,509</u> | <u>214,274</u> |
| | <u>1,972,194</u> | <u>1,975,993</u> | <u>233,509</u> | <u>214,274</u> |

The short-term loans pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment, investment property and other assets of the subsidiary companies and are guaranteed by the Company.

The short-term borrowings bear interest at rates ranging from 4.5% to 12.0% (4.9% to 12.0% in 2000) per annum.

26. SHORT-TERM BORROWINGS (Continued)

As stated in the last report, the Group and the Company has ceased servicing certain of its short-term borrowings to facilitate the finalisation and subsequent implementation of the proposed restructuring scheme as mentioned in Note 2. As a result, certain principal bankers have frozen or withdrawn existing credit facilities of the Group and the Company.

In addition, a subsidiary company is presently re-negotiating with its bankers to extend the repayment schedules on existing borrowings.

Included in the above outstanding amounts of the Group and the Company are amounts totalling RM102.4 million (RM94.5 million in 2000) and RM20.0 million (RM20.0 million in 2000) respectively which have been sold by the licensed banks and financial institutions to Danaharta Group (comprising Pengurusan Danaharta Nasional Bhd, Danaharta Managers Sdn Bhd, Danaharta Urus Sdn Bhd and Danaharta Managers (L) Ltd). The original terms and conditions contained in the loan agreements with the licensed banks and financial institutions remain unchanged.

27. LONG-TERM LOANS

| | The Group | | The Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Outstanding loans: | | | | |
| Secured: | | | | |
| Principal | 63,390 | 77,391 | - | - |
| Portion due within one year (Note 26) | (63,390) | (63,390) | - | - |
| | - | 14,001 | - | - |
| Unsecured: | | | | |
| Principal | 660,108 | 660,108 | 100,000 | 100,000 |
| Portion due within one year (Note 26) | (620,108) | (620,108) | (100,000) | (100,000) |
| | 40,000 | 40,000 | - | - |
| Non-current portion | 40,000 | 54,001 | - | - |

The non-current portion of the long-term loans is repayable as follows:

| | The Group | | The Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Financial year ending 30 June: | | | | |
| 2002 | - | 54,001 | - | - |
| 2003 | 40,000 | - | - | - |

The long-term loans pertaining to certain subsidiary companies are secured by a charge on the property, plant and equipment, investment property and a fixed and floating charge over the other assets of the said subsidiary companies and is guaranteed by the Company.

The long-term loans bear interest at rates ranging from 6.0% to 9.8% (6.0% to 9.8% in 2000) per annum.

As stated in the last report, the Group has ceased servicing certain of the long-term loans to facilitate the finalisation and subsequent implementation of the proposed restructuring scheme as mentioned in Note 2. As a result, certain principal bankers have frozen or withdrawn existing credit facilities of the Group.

27. LONG-TERM LOANS (Continued)

In addition, a subsidiary company is presently re-negotiating with its bankers to extend the repayment schedules on existing borrowings.

Included in the above outstanding loans of the Group is an amount of RM63.4 million (RM63.4 million in 2000) which has been sold by a licensed bank to Danaharta Group. The original terms and conditions contained in the loan agreement with the licensed bank remain unchanged.

28. DEFERRED TAX LIABILITIES

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Balance at beginning of year | 12,248 | 12,636 | 3,036 | 3,036 |
| Net transfer to income statement (Note 7) | (842) | (388) | - | - |
| Balance at end of year | <u>11,406</u> | <u>12,248</u> | <u>3,036</u> | <u>3,036</u> |

The deferred tax liabilities is in respect of the following:

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Timing differences of: | | | | |
| Tax effects of the Group's acquisition cost over tax base cost of certain development properties | 7,684 | 7,831 | - | - |
| Excess of capital allowances over book depreciation of property, plant and equipment | 3,091 | 3,202 | 3,051 | 3,064 |
| Unutilised capital allowances and unabsorbed tax losses | (427) | (366) | (427) | (299) |
| Difference in method of recognising finance and administrative expenses for tax purposes and that used for accounting purposes | 657 | 1,235 | - | - |
| Others | 401 | 346 | 412 | 271 |
| | <u>11,406</u> | <u>12,248</u> | <u>3,036</u> | <u>3,036</u> |

29. SHARE CAPITAL

| | The Group and The Company | |
|--------------------------------|------------------------------|------------------|
| | 2001 RM'000 | 2000 RM'000 |
| Authorised: | | |
| Ordinary shares of RM1.00 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of RM1.00 each | | |
| At beginning of year | 593,380 | 593,275 |
| Issued during the year | - | 105 |
| At end of year | <u>593,380</u> | <u>593,380</u> |

29. SHARE CAPITAL (Continued)

The Executive Share Option Scheme ("ESOS") of the Company became effective on 15 May 2000 and the main features of the ESOS are as follows:

- (a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Registrar of Companies, Malaysia with an option to renew for a further period of 5 years upon the recommendation of the option committee.
- (b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.
- (c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Land Berhad ("LLB") Group with at least 12 months of service.
- (d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.
- (e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LLB shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.
- (f) The option is non-assignable.
- (g) The shares to be allotted under the ESOS shall rank *pari passu* in all respects with the then existing shares of the Company.

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 RM | Balance as of 1.7.2000 | Granted | Exercised | Lapsed | Unissued shares as of 30.6.2001 |
|------------------|---------------------------------|------------------------|---------|-----------|-------------|---------------------------------|
| 19.5.2000 | 1.00 | 6,392,000 | - | - | (1,886,000) | 4,506,000 |

The exercise period for the options will lapse on 14 May 2005.

30. RESERVES

Distributable reserves are those available for distribution by way of dividends.

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax exempt income mentioned in Note 7, the Company has sufficient tax credits to frank the payment of dividends of approximately RM40.5 million (RM41.2 million in 2000) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 28% on the gross amount of the additional dividend paid.

31. DIVIDENDS

The Directors propose a first and final dividend of 0.1% (0.1% in 2000), less tax, amounting to RM427,234 (RM427,234 in 2000) in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has been included as a liability in the financial statements. Gross dividends per share during the financial year is 0.1 sen (0.1 sen in 2000).

32. CASH AND CASH EQUIVALENTS

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

| | The Group | | The Company | |
|--|-----------------|-----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Cash and bank balances (Note 22) | 18,410 | 16,282 | 752 | 85 |
| Fixed deposits with (Note 22): | | | | |
| Licensed banks (unrestricted) | 75,555 | 55,574 | 3,199 | 2,904 |
| Licensed financial institutions | 950 | 950 | - | - |
| Housing Development Accounts (Note 22) | 5,960 | 8,320 | 1,224 | 2,753 |
| Bank overdrafts (Note 26) | (128,266) | (130,508) | (1,178) | (1,068) |
| | <u>(27,391)</u> | <u>(49,382)</u> | <u>3,997</u> | <u>4,674</u> |

33. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors or substantial shareholders of the Company or its subsidiary companies or persons connected to such Directors or substantial shareholders have interest, excluding those parties disclosed as related companies in Notes 12, 13 and 21.

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

(a) Sales and purchase of goods and services and interest

| Name of Company | Nature | The Group RM'000 | The Company RM'000 |
|-------------------------------------|-------------------------------------|---------------------|-----------------------|
| Likom Computer System Sdn Bhd | Rental income | 10,979 | 10,979 |
| | Interest income | 650 | 650 |
| Megasteel Sdn Bhd | Sales of goods | 101,863 | - |
| | Purchase of raw materials | 18,811 | - |
| | Interest expense | 9,856 | - |
| | Progress billings for contract work | 3,342 | - |
| Angkasa Buildings Materials Pte Ltd | Sales of goods | 25,485 | - |
| Narajaya Sdn Bhd | Progress billings for contract work | 4,207 | - |
| Messer Singapore Pte Ltd | Sales of goods | 3,728 | - |
| Affin Insurance Brokers Sdn Bhd | Insurance premium | 2,255 | - |

The Directors of the Company are of the opinion that the above 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.

33. RELATED PARTY TRANSACTIONS (Continued)

The outstanding balances arising from the above transactions are as follows :

| | The Group | | The Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Receivables: | | | | |
| Included in trade receivables | 106,690 | 111,719 | - | - |
| Included in other receivables | 31,345 | 28,974 | 28,617 | 25,363 |
| Payables: | | | | |
| Included in trade payables | 8,383 | 9,496 | - | - |
| Included in other payables | 188,483 | 176,596 | - | 74 |

(b) Share options granted to Directors

The options over ordinary shares of the Company granted to Executive Directors of the Company during the financial year are as follows:

| | Unexercised options as of 30 June 2001 |
|-----------------------------------|---|
| Datuk Cheng Yong Kim | 175,000 |
| Dato'Kamaruddin @ Abas bin Nordin | 79,000 |

The share options were given to the Director on the same terms and conditions as those offered to other employees of the Company (Note 29).

34. SEGMENTAL INFORMATION

Financial information of the Group by industry and geographical segments is as follows:

| 2001 | Revenue RM'000 | Profit/(Loss) RM'000 | Total Assets Employed RM'000 |
|--|-------------------|-------------------------|------------------------------------|
| (a) Industry segment | | | |
| Steel operations | 812,606 | 10,185 | 2,705,846 |
| Property | 66,945 | 21,846 | 847,993 |
| Construction | 18,141 | (1,391) | 193,758 |
| Others | 40,694 | (22,013) | 274,463 |
| | <u>938,386</u> | <u>8,627</u> | <u>4,022,060</u> |
| Non-segment activities: | | | |
| Provision for doubtful debts and loss in value of investments | | (403,700) | - |
| Others | | (69,325) | - |
| Share in results of associated companies/Investment in associated companies | | (6,047) | 83,508 |
| | | <u>(470,445)</u> | <u>4,105,568</u> |

34. SEGMENTAL INFORMATION (Continued)

| | Revenue RM'000 | Profit/(Loss) RM'000 | Total Assets Employed RM'000 |
|--|-------------------|-------------------------|------------------------------------|
| 2001 | | | |
| (b) Geographical segment | | | |
| Malaysia | 917,686 | 22,516 | 3,771,452 |
| Overseas | 20,700 | (13,889) | 250,608 |
| | <u>938,386</u> | <u>8,627</u> | <u>4,022,060</u> |
| Non-segment activities: | | | |
| Provision for doubtful debts and loss in value of investments | | (403,700) | - |
| Others | | (69,325) | - |
| Share in results of associated companies/Investment in associated companies | | (6,047) | 83,508 |
| | | <u>(470,445)</u> | <u>4,105,568</u> |
| 2000 | | | |
| (a) Industry segment | | | |
| Steel operations | 924,827 | 106,289 | 2,628,398 |
| Property | 76,400 | 24,297 | 1,129,031 |
| Construction | 13,027 | (1,508) | 194,791 |
| Others | 48,496 | (18,918) | 328,178 |
| | <u>1,062,750</u> | <u>110,160</u> | <u>4,280,398</u> |
| Non-segment activities: | | | |
| Deferred foreign exchange loss written off | | (76,000) | - |
| Provision for doubtful debts and loss in value of investments | | (56,088) | - |
| Others | | (53,925) | - |
| Share in results of associated companies/Investment in associated companies | | (21,242) | 87,366 |
| | | <u>(97,095)</u> | <u>4,367,764</u> |
| (b) Geographical segment | | | |
| Malaysia | 1,036,384 | 135,299 | 3,974,735 |
| Overseas | 26,366 | (25,139) | 305,663 |
| | <u>1,062,750</u> | <u>110,160</u> | <u>4,280,398</u> |
| Non-segment activities: | | | |
| Deferred foreign exchange loss written off | | (76,000) | - |
| Provision for doubtful debts and loss in value of investments | | (56,088) | - |
| Others | | (53,925) | - |
| Share in results of associated companies/Investment in associated companies | | (21,242) | 87,366 |
| | | <u>(97,095)</u> | <u>4,367,764</u> |

Others non-segment activities consist of finance costs net of interest income and business development expenses which are not directly attributable to any segment.

The inter-segment transactions were conducted at fair market value.

35. CONTINGENT LIABILITIES

- (a) Contingent liabilities (unsecured) in respect of guarantees or indemnities given by the Group and the Company for borrowings and other credit facilities obtained and utilised by certain subsidiary companies and an associated company are as follows:

| | The Group | | The Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Subsidiary companies | - | - | 278,973 | 312,630 |
| Associated company | 190,635 | 190,635 | 190,635 | 190,635 |
| | <u>190,635</u> | <u>190,635</u> | <u>469,608</u> | <u>503,265</u> |

- (b) As of 30 June 2001, Lion Plaza Sdn Bhd, a wholly-owned subsidiary company, is contingently liable in respect of a third party fixed charge over the land included in property development projects (Note 11) in favour of an offshore bank as security for banking facilities granted to Avenel Sdn Bhd, an associated company of the Company.

- (c) As of 30 June 2001, a sub-contractor has filed a legal claim against JOPP Builders Sdn Bhd, a wholly-owned subsidiary company, in the sum of RM1.6 million for alleged wrongful and unilateral termination of contract awarded. The sub-contractor also claimed a total of RM10.6 million for loss of profit and uncertified works performed in addition to the sum of RM1.6 million for which provision has been made in the financial statements. Currently, both claims are being referred to arbitration. The outcome of this matter is not presently determinable. In the opinion of the Directors, the claim of RM10.6 million has no merit and, accordingly, no provision has been made in the financial statements.

36. COMMITMENTS

- (a) Capital commitments

As of the end of the financial year, the Group and the Company have the following capital commitments:

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Approved and contracted for: | | | | |
| Acquisition of land | 100,366 | 100,366 | - | - |
| Acquisition of plant and machinery | 162,470 | 233,570 | - | - |
| | <u>262,836</u> | <u>333,936</u> | <u>-</u> | <u>-</u> |
| Approved but not contracted for: | | | | |
| Acquisition of plant and machinery | 37,681 | 58,148 | - | - |
| Acquisition of investment in an unquoted corporation | 19,635 | 19,635 | - | - |
| | <u>57,316</u> | <u>77,783</u> | <u>-</u> | <u>-</u> |
| | <u>320,152</u> | <u>411,719</u> | <u>-</u> | <u>-</u> |

36. COMMITMENTS (Continued)

(b) Undertaking to subscribe shares

As of 30 June 2001, the Company and a subsidiary company of the ultimate holding company entered into shareholders' undertaking agreements with certain financial institutions to fully subscribe for ordinary shares of Avenel Sdn Bhd ("Avenel"), an associated company. The purpose of the said undertakings is to enable Avenel to obtain loan facilities of up to RM860 million (RM860 million in 2000) at such time or from time to time as Avenel may request.

As of the end of the financial year, the amount of the loan facilities utilised by Avenel is RM763 million (RM763 million in 2000). Of this amount, the Company is contingently liable to the extent of RM190.6 million (RM190.6 million in 2000) (Note 35).

(c) Lease commitment

| | The Group | | The Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2001 RM'000 | 2000 RM'000 | 2001 RM'000 | 2000 RM'000 |
| Financial year ending 30 June: | | | | |
| 2002 | 6,900 | - | - | - |
| 2003 | 10,200 | - | - | - |
| 2004 to 2006 | 37,500 | - | - | - |
| 2007 to 2011 | 77,100 | - | - | - |
| | <u>131,700</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The above commitment represents lease agreement entered into by Amsteel Mills with Johor Corporation during the financial year in conjunction with the execution of a Conditional Exchange of Asset Agreement as more fully explained in Note 39 (e).

37. SUBSIDIARY COMPANIES

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

| Name of Company | Effective Percentage Ownership | | Principal Activities |
|---|--------------------------------------|-----------|----------------------|
| | 2001 % | 2000 % | |
| Property Division | | | |
| * Amble Legacy Sdn Bhd | 100 | 100 | Investment holding |
| Batu Pahat Enterprise Sdn Bhd | 94 | 94 | Property holding |
| * Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China) | 95 | 95 | Property development |
| Berkat Timor Sdn Bhd | 100 | 100 | Property development |
| Citibaru Sendirian Berhad | 100 | 100 | Property development |
| * Crest Wonder Sdn Bhd | 100 | 100 | Investment holding |

37. SUBSIDIARY COMPANIES (Continued)

| Name of Company | Effective Percentage Ownership | | Principal Activities |
|---|--------------------------------|--------|---|
| | 2001 % | 2000 % | |
| Property Division | | | |
| JOPP Builders Sdn Bhd | 100 | 100 | Contractor for construction and civil engineering works |
| LLB Bina Sdn Bhd | 100 | 100 | Property development |
| LLB Damai Sdn Bhd (formerly known as LLB Hazama Sdn Bhd) | 78.5 | 60 | Property development |
| LLB Damai Holdings Sdn Bhd (formerly known as LLB Hazama Incorporated Sdn Bhd) | 78.5 | 60 | Investment holding |
| LLB Indah Permai Sdn Bhd | 100 | 100 | Property development |
| Lion Courts Sdn Bhd | 100 | 100 | Investment and property holding |
| Lion Klang Parade Bhd | 100 | 100 | Property holding and development |
| Lion Plaza Sdn Bhd | 100 | 100 | Property development |
| Malim Jaya (Melaka) Sdn Bhd | 100 | 100 | Property development |
| Malim Courts Property Development Sdn Bhd | 100 | 100 | Property development and investment holding |
| * Matrix Control Sdn Bhd | 100 | 100 | Investment holding |
| Mcken Sdn Bhd | 100 | 100 | Property development |
| PM Holdings Sdn Bhd | 100 | 100 | Investment holding and property development |
| Projek Jaya Sdn Bhd | 100 | 100 | Investment holding |
| Seri Lalang Development Sdn Bhd | 100 | 100 | Provision of management consultancy services |
| Sharikat Pengangkutan East West Sdn Bhd | 100 | 100 | Provision of management consultancy services |
| Soga Sdn Bhd | 94 | 94 | Property development |
| Sucorp Enterprise Sdn Bhd | 100 | 100 | Investment holding |
| Sumber Realty Sdn Bhd | 100 | 100 | Property development and investment holding |
| Syarikat Pekan Baru Kemajuan Berhad | 100 | 100 | Property development |

37. SUBSIDIARY COMPANIES (Continued)

| Name of Company | Effective Percentage Ownership | | Principal Activities |
|--|--------------------------------|--------|--|
| | 2001 % | 2000 % | |
| Property Division | | | |
| * Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China) | 95 | 95 | Property development |
| * Trial Jubilant Sdn Bhd | 100 | 100 | Investment holding |
| Steel Division | | | |
| * Amsteel Mills Sdn Bhd | 99 | 99 | Manufacture and marketing of steel bars, wire rods and hot briquetted iron |
| * Amsteel Mills Marketing Sdn Bhd (formerly known as LLB Innovation Sdn Bhd) | 100 | 100 | Marketing and sales of steel related products |
| * Amsteel Mills Realty Sdn Bhd | 99 | 99 | Investment holding |
| * LLB Steel Industries Sdn Bhd | 100 | 100 | Investment holding |
| * Steelcorp Sdn Bhd | 99 | 99 | Investment holding |
| * Slag Aggregate Sdn Bhd | 100 | 100 | Dormant |
| Others | | | |
| * Amarod Corporation Sdn Bhd | 100 | 100 | Manufacture of pre-stressed concrete wire and strand (yet to commence operations as of 30 June 2001) |
| * Hebei Weiyuan Heilen Bio-Chemical Co Ltd (incorporated in the People's Republic of China) | 33 | 33 | Manufacture of industrial chemicals and related products |
| * Holdsworth Investment Pte Ltd (incorporated in Singapore) | 76 | 76 | Investment holding |
| * Huangshi Heilen Pharmaceutical Co Ltd (incorporated in the People's Republic of China) (under liquidation) | 36 | 36 | Manufacture and packaging of pharmaceutical products (ceased operations) |
| Kisan Agency Sdn Bhd | 100 | 100 | Property development (yet to commence operations as of 30 June 2001) |
| LLB Courts Sdn Bhd | 100 | 100 | Investment and property holding |
| LLB Enterprise Sdn Bhd | 69 | 69 | Dormant |

37. SUBSIDIARY COMPANIES (Continued)

| Name of Company | Effective Percentage Ownership | | Principal Activities |
|---|--------------------------------|--------|--|
| | 2001 % | 2000 % | |
| Others | | | |
| LLB Nominees Sdn Bhd | 100 | 100 | Investment holding |
| LLB Strategic Holdings Berhad | 90 | 90 | Investment holding |
| LLB Suria Sdn Bhd | 100 | 100 | Investment holding |
| * LLB Venture Sdn Bhd | 100 | 100 | Dormant |
| * Lion Biotech Pte Ltd (incorporated in Singapore) | 61 | 61 | Investment holding |
| * Lion Motor Venture Sdn Bhd | 100 | 100 | Investment holding |
| Marvenel Sdn Bhd | 70 | 70 | Investment holding |
| Sepang Education Centre Sdn Bhd | 90 | 90 | Commercial college for higher education |
| * Secomex Manufacturing (M) Sdn Bhd | 51 | 51 | Manufacture and marketing of industrial gases |
| * Shanghai Lion Plastic Industrial Co Ltd (incorporated in the People's Republic of China) | 68 | 68 | Manufacture and marketing of plastic components and related products |
| * Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) | 56 | 56 | Manufacture of meters for motor vehicles and after sales services |
| * The financial statements of these companies were examined by auditors other than the auditors of the Company. | | | |

38. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

| Name of Company | Financial Year-end | Place of Incorporation | Effective Equity Interest | | Principal Activities |
|-----------------------------|--------------------|------------------------|---------------------------|--------|---|
| | | | 2001 % | 2000 % | |
| Direct | | | | | |
| Avenel Sdn Bhd | 30 June | Malaysia | 25 | 25 | Investment holding |
| Indirect | | | | | |
| Angkasa Welded Mesh Pte Ltd | 30 June | Singapore | 49 | 49 | Manufacture of welded wire mesh (yet to commence operations as of 30 June 2001) |

38. ASSOCIATED COMPANIES (Continued)

| Name of Company | Financial Year-end | Place of Incorporation | Effective Equity Interest | | Principal Activities |
|---|--------------------|----------------------------|---------------------------|--------|---|
| | | | 2001 % | 2000 % | |
| Indirect | | | | | |
| Changchun Sanjia Carburettors Co Ltd | 31 December | People's Republic of China | 50 | 50 | Manufacture of carburettors |
| CH-Lion Reinforcing Steel Sdn Bhd | 31 December | Malaysia | 20 | - | Cutting and bending steel bars for sale |
| Kamiya Corporation Sdn Bhd | 30 June | Malaysia | 19 | 19 | Property development (yet to commence operations as of 30 June 2001) |
| Lion Asia Investment Pte Ltd | 30 June | Singapore | 20 | 20 | Investment holding |
| Parkson Venture Pte Ltd | 30 June | Singapore | 26 | 26 | Investment holding |
| Sereka Jaya Sdn Bhd | 31 December | Malaysia | 35 | 35 | Property development (yet to commence operations as of 30 June 2001) |
| Teck Chiang Investment Pte Ltd | 30 June | Singapore | 50 | 50 | Property development and investment holding (yet to commence operations as of 30 June 2001) |
| # Tianjin Huaili Motor Co Ltd | 31 December | People's Republic of China | 25 | 25 | Manufacture of commercial vehicles |
| Wuhan Wushang & Parkson Enterprise Development Co Ltd | 31 December | People's Republic of China | 50 | 50 | Mixed commercial property development cum cash and carry retail business |
| # Hubei Zenith Heilen Pharmaceutical Co Ltd | 31 December | People's Republic of China | 15 | 15 | Manufacture and sale of pharmaceutical products |

Except for Sereka Jaya Sdn Bhd, the financial statements of all the associated companies were examined by auditors other than the auditors of the Company.

The Group has not accounted for the investment in these associated companies under the equity method of accounting as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in their management. Accordingly, the investment costs or group costs have been included under other investments (Note 14).

39. SIGNIFICANT EVENTS

The major corporate developments of the Group during the financial year are as follows:

- (a) The Initial Proposed GWRS which was announced on 5 July 2000 as disclosed in the previous report had been revised subsequent to the current financial year end, the details of which are disclosed in Note 2.
- (b) LLB has entered into a conditional sale and purchase agreement on 14 December 2000 to dispose of a property, commonly referred to as the East Wing of Wisma Amsteel Securities, to Amsteel Equity Realty (M) Sdn Bhd, a wholly-owned subsidiary company of Amsteel Securities (M) Sdn Bhd, which in turn is a 83.78% owned subsidiary company of Amsteel, for a total cash consideration of RM14.88 million.

The said proposed disposal was terminated on 8 June 2001.

- (c) LLB and certain of its subsidiary companies ("Scheme Companies") had filed a joint application pursuant to Section 176 subsection (1) of the Companies Act, 1965 ("the Act") with the High Court of Malaya on 16 March 2001. The aforesaid application was made to seek a Court order to convene meetings for each of the Scheme Companies for the purpose of approving the scheme of compromise and arrangement proposed to be made between each of such Scheme Companies and their respective creditors/members to facilitate the implementation of the Initial Proposed GWRS together with revisions, if any ("Scheme Meetings"). However, the Scheme Companies did not apply to the Court for an order to restrain legal proceedings against the Scheme Companies under Section 176 subsection (10) of the Act.

The High Court of Malaya had granted an order for the Scheme Companies to convene the Scheme Meetings on or before 22 February 2002.

- (d) On 23 February 2001, LLB authorised Lion Biotech Pte Ltd ("Lion Biotech"), a 51% owned subsidiary company, to effect the proposed winding-up proceedings of Huangshi Heilen Pharmaceutical Co Ltd ("Huangshi"), a 60% owned subsidiary company of Lion Biotech. Huangshi was principally involved in the manufacturing and packaging of pharmaceutical products and had ceased operations since April 1999. The Intermediate People's Court of Huangshi City has approved the winding-up proceedings of Huangshi on 19 March 2001.
- (e) On 13 February 2001, Amsteel Mills, a 99% owned subsidiary company of LLB together with Amsteel and Ayer Keroh Resort Sdn Bhd ("AKR"), a 70% owned subsidiary company of Amsteel, entered into a Conditional Exchange of Asset Agreement ("CEAA") with Johor Corporation ("JCorp") for the proposed acquisition by Amsteel Mills of 100% equity interest in Antara Steel Mills Sdn Bhd ("Antara") comprising 208,010,000 ordinary shares of RM1.00 each ("Antara Shares") from JCorp for a consideration of RM108.23 million ("Proposed Acquisition of Antara").

In satisfying the consideration for the Proposed Acquisition of Antara, Amsteel Mills shall procure Amsteel to undertake the following:

- (i) proposed disposal of 100% equity interest in Lion Gateway Parade Sdn Bhd to JCorp by Amsteel;
- (ii) cash payment of RM17.25 million to be made by AKR to JCorp; and
- (iii) simultaneous proposed settlement of inter-company indebtedness between Amsteel Mills and Amsteel.

Simultaneously with the execution of the CEAA, Amsteel Mills entered into a lease agreement with Antara pursuant to which Amsteel Mills shall have the full rights and liberty to operate Antara's steel plant for an initial period commencing on 1 April 2001 and ending upon the earlier of the completion of the Proposed Acquisition of Antara and the termination of the CEAA upon the terms and conditions stated in the lease agreement.

The Proposed Acquisition of Antara is pending completion.

- (f) The Company's investment of 43.613 million 5-year cumulative redeemable preference shares of RM0.01 each in LCS ("RPS") was due for redemption on 28 June 2001. LCS had proposed to defer the redemption of the RPS in view of the deferment of the listing of LEL on the SGX-ST whereby the redemption sum of the RPS was to be satisfied by the allotment and issuance of RM43.613 million worth of new ordinary shares of SGD1.00 each in LEL upon its listing on the SGX-ST ("Proposed Deferment"). The details of the Proposed Deferment are disclosed in Note 14.

40. SUBSEQUENT EVENTS

Subsequent to the financial year end:

- (a) The Company had on 8 October 2001 announced the Revised Proposed GWRS in view of the prevailing adverse economic development. The details of the Revised Proposed GWRS are mentioned in Note 2.
- (b) The Company had on 15 August 2001 disposed of its entire equity interest in Amsteel Mills Marketing Sdn Bhd (formerly known as LLB Innovation Sdn Bhd) ("Amsteel Mills Marketing") to Amsteel Mills for a consideration of RM1.00.
- (c) By an agreement dated 10 May 1995, Amsteel Mills had appointed Angkasa as its sole distributor of steel bars and wire rods. This agreement, which was duly renewed and due to expire on 9 May 2005, was terminated with effect from 1 October 2001. Upon the termination of the said agreement, the marketing and distribution of Amsteel Mills' steel bars and wire rods has been undertaken by Amsteel Mills Marketing (Note (b)).

41. COMPARATIVE FIGURES

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

- (a) Reclassifications of amount owing by/to subsidiary and associated companies previously included in investment in subsidiary and associated companies to their respective classification under current assets/liabilities; and
- (b) Changes in presentation on items previously disclosed as "exceptional items" in the income statements to provision for doubtful debts and loss in value of investments and deferred foreign exchange loss written off.

42. GENERAL INFORMATION

The total number of employees of the Group and the Company as of 30 June 2001 were 2,949 (3,290 as of 30 June 2000) and 45 (53 as of 30 June 2000) respectively.

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

The principal place of business is located at Level 13-14 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

STATEMENT BY DIRECTORS

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

Signed in accordance with
a resolution of the Directors,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
30 October 2001

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

I, DATUK CHENG YONG KIM, the Director primarily responsible for the financial management of LION LAND 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.

DATUK CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed DATUK CHENG YONG KIM
at KUALA LUMPUR in the Federal Territory
on the 30th day of October 2001.

Before me,

W-217
P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 12 December 2000 between the Company of the one part and Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company of the Company and a company wherein a Director and certain major shareholders have an interest, Ayer Keroh Resort Sdn Bhd ("AKR"), Ambang Jaya Sdn Bhd, Umatrac Enterprises Sdn Bhd and Parkson Corporation Sdn Bhd ("Parkson"), all of which are subsidiaries of Amsteel, of the other part ("Vendors A"), and a Third Supplemental Agreement dated 8 October 2001 between the Company, Vendors A and Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary of the Company, to include Amsteel Mills as a co-purchaser for the disposal by Vendors A and the acquisition by the Company and Amsteel Mills of a total of 207,209,445 ordinary shares of RM0.50 each in Chocolate Products (Malaysia) Berhad ("CPMB"), representing 59.47% equity interest in CPMB for a consideration of RM201,501,369 to be satisfied by netting off the existing balances owing by other company(ies) within the Lion Group to the Company's Scheme Companies or owing by the Company's Scheme Companies to other company(ies) within the Lion Group, which are proposed to be addressed under the Revised Proposed GWRS.
2. Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 19 October 2000 between the Company and Avenel Sdn Bhd ("Avenel"), a subsidiary of Amsteel, and Second Supplemental Agreement dated 8 October 2001 between the Company, Amsteel Mills and Avenel to include Amsteel Mills as a co-purchaser for the disposal by Avenel of a total of 170,097,271 ordinary shares of RM1.00 each representing 83.70% equity interest in Posim Berhad ("Posim") for a consideration of RM533,718,760 to be satisfied by netting off inter-company balances owing by Amsteel Group to the Company and Amsteel Mills.
3. Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between the Company and Amsteel, wherein in consideration of Amsteel paying RM1.00 to the Company, the Company disposes 25,000,000 ordinary shares of RM1.00 each representing 25% equity interest in the capital of Avenel and the Company shall pay Amsteel a sum of RM81,617,610 which represents the Company's 25% share of Avenel's estimated adjusted net liabilities as at 31 December 2001 of RM326,470,438 after restating Avenel's cost of investment in Posim based on a discounted cashflow valuation of the future cash flows of SFI, Posim's principal assets and net value of Posim's residual assets (after taking into account the relevant principal to be waived by Posim for the amount owing by Amsteel Group to Posim), to be satisfied by netting off the existing inter-company indebtedness owing by Amsteel Group to the Group.
4. Sale and Purchase Agreement dated 9 August 2000 between the Company, Narajaya Sdn Bhd, Likom Electronic Pte Ltd ("LEPL") and Likom Caseworks Sdn Bhd ("LCW"), all of which are companies wherein a Director and certain major shareholders of the Company have an interest, for the disposal of a piece of industrial land held under H.S.(D) 34924, P.T. No. 3852, Mukim Cheng, Daerah Melaka Tengah, Melaka measuring approximately 37.513 hectares together with buildings erected thereon known as "Melaka Technology Park" to LCW for a sale consideration of RM93.15 million to be satisfied via the issuance of new shares of SGD1.00 each in LEPL.
5. Conditional Share Sale Agreement dated 19 October 2000 and First Supplemental Agreement dated 8 October 2001 between the Company and Akurjaya Sdn Bhd, a subsidiary of Amsteel for the disposal of 3,418,260 ordinary shares of RM1.00 each representing 100% equity interest in Lion Plaza Sdn Bhd for a total consideration of RM35,661,000 to be satisfied by an issue of RM35,661,000 in value of Amsteel Bonds.
6. Conditional Agreement dated 13 December 2000 and Supplemental Conditional Agreement dated 10 July 2001 amongst the Company, Likom Computer System Sdn Bhd ("LCS"), a company in which a major shareholder of the Company has an interest, and LEPL, whereby the parties thereto agreed to an extension of time for the redemption of the 43,613,000 5-year cumulative preference shares of RM0.01 each in LCS ("RPS") held by the Company from 29 June 2001 until the earlier of the following dates ("Maturity Date"):
 - (a) within 21 days from the date the new ordinary shares of SGD1.00 each in LEPL are listed and quoted on the Singapore Exchange Securities Trading Limited; and
 - (b) on 28 December 2002.
7. Conditional Sale and Purchase Agreement dated 14 December 2000 between the Company and Amsteel Equity Realty (M) Sdn Bhd ("Amsteel Equity"), a subsidiary of Amsteel, for the disposal by the Company to Amsteel Equity of the portion of the building commonly known as the East Wing of Wisma Amsteel Securities constructed on part of the land held under qualified sub-divided title No. H.S (D) 64502 No. PT 32625 Mukim Kapar, Daerah Klang, Negeri Selangor, measuring approximately 21,300 square feet for a cash consideration of RM14.88 million. The agreement was terminated on 8 June 2001.

8. Guarantee Agreement dated 2 August 1996 and Supplemental Guarantee dated 10 July 2001 between the Company and Tan Sri Cheng Heng Jem, a major shareholder of the Company, whereby the parties thereto had agreed that Tan Sri Cheng shall guarantee the payment on the Maturity Date, a sum of RM43,613,000 ("Redemption Sum") and a sum ("Extension Fee") calculated on the Redemption Sum: (a) at the rate of 1.75% per annum above the base lending rate of Malayan Banking Berhad prevailing as at the date of redemption of the RPS ("Prescribed Rate") from 29 June 2001 until the Maturity Date less the aggregate of cumulative dividend declared and paid by LCS from 29 June 2001 until the Maturity Date; and (b) at the rate of 1% above the Prescribed Rate calculated from the expiry of the Maturity Date until the date of full payment of the Redemption Sum if LCS shall default in the payment of the Redemption Sum on the Maturity Date.
9. Conditional Exchange of Asset Agreement dated 13 February 2001 between Amsteel Mills, Johor Corporation ("JCorp") and AKR, a subsidiary of Amsteel, in which:
 - (a) JCorp shall sell and transfer 218,010,000 ordinary shares of RM1.00 in Antara Steel Mills Sdn Bhd to Amsteel Mills for a consideration of RM108,230,000; and
 - (b) in satisfying the aforesaid consideration payable to JCorp, Amsteel Mills shall procure (a) Amsteel to transfer to JCorp 500,000 ordinary shares of RM1.00 each in Lion Gateway Parade Sdn Bhd ("LGP") and assign to JCorp, shareholders' advances owing by LGP to Amsteel; and (b) AKR to pay cash of RM17.25 million to JCorp.

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company had registered with the Securities and Exchange Commission of the United States of America a Level 1 Sponsored American Depositary Receipt ("ADR") Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company's trading symbol on the US OTC Market is LONLY and its CUSIP number is 536204308.

The depositary bank for the ADR Programme is The Bank of New York and the sole custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad ("MBB"), Kuala Lumpur.

As at 31 October 2001, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2001

| | Address | Tenure/ Expiry Date for Leasehold | Area | Description | Age of Building (Year) | Net Book Value (RM million) | Date of Acquisition/ Last Revaluation |
|-----|---|--|--------------------|---|---------------------------|-----------------------------------|---|
| 1. | Lot 7736, HS(D) 159945 Johor Bahru, Johor | Freehold | 152 sq metres | 3-storey shophouse | 29 | 0.2 | June 1991 |
| 2. | PT 19268 Mukim of Bukit Raja Klang, Selangor | Freehold | 1.0 hectare | Commercial land for future development | - | 2.1 | 27 September 1993 |
| 3. | PT 19263 Mukim of Bukit Raja Klang, Selangor | Freehold | 0.5 hectare | Commercial land where development is in progress | - | 3.1 | 27 September 1993 |
| 4. | Melaka Technology Park PT 3852, HS(D) 34924 Mukim of Cheng District of Melaka Tengah Melaka | Leasehold 14.8.2096 | 37.6 hectares | Factory buildings | 9 | 106.0 | September 1994 |
| 5. | PT 19254-59, 19264-66 & 19273-74 Mukim of Bukit Raja Klang, Selangor | Freehold | 0.6 hectare | Commercial land where development is in progress | - | 13.3 | 30 October 1992 |
| 6. | Lot 2764, 2835 & 3680 Mukim 14 Seberang Perai Pulau Pinang | Freehold | 0.9 hectare | Land where development is in progress | - | 2.1 | June 1991 |
| 7. | Taman Supreme 39 Titles Mukim of Cheras Kuala Lumpur | Freehold | 11.9 hectares | Land for future development | - | 7.1 | June 1991 |
| 8. | Lot 1110, 1111 & 2870 Mukim of Petaling District of Petaling Selangor | Freehold | 8,114 sq metres | Industrial land | - | 0.2 | June 1991 |
| 9. | PT 862-3348 Mukim of Bacang Melaka | Leasehold 12.4.2081 (residential) 22.8.2077 (industrial) | 4.9 hectares | Land where development is in progress | - | 10.9 | June 1991 |
| 10. | Lot 1553, Section 2 Bandar Tanjung Tokong Pulau Pinang | Freehold | 0.5 hectare | Land & buildings | 2 | 4.9 | June 1991 |
| 11. | Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor | Freehold | 4.6 hectares | Land where development is in progress | - | 4.1 | June 1991 |
| 12. | Lot 4093 Mukim of Simpang Kanan Batu Pahat, Johor | Freehold | 1,201 sq metres | 10-storey commercial/ office building | 17 | 5.0 | June 1991 |
| 13. | Lot 11233 HS(D) 60874 Taman Tayton, Cheras Kuala Lumpur | Freehold | 620 sq metres | Land for future development | - | 0.1 | June 1991 |
| 14. | Lot 7623 Kepong Utara Mukim of Batu Kuala Lumpur | Leasehold 30.3.2086 | 4.9 hectares | Land where development is in progress | - | 14.9 | 30 June 1990 |

| Address | Tenure/ Expiry Date for Leasehold | Area | Description | Age of Building (Year) | Net Book Value (RM million) | Date of Acquisition/ Last Revaluation |
|--|---|---------------------|---|---------------------------|-----------------------------------|---|
| 15. Mukim 17 North East District Batu Ferringhi Pulau Pinang | Freehold | 28.7 hectares | Land for future development | - | 31.3 | June 1991 |
| 16. PT 19261 Mukim of Bukit Raja Klang, Selangor | Freehold | 4.2 hectares | Office and shopping complex | 7 | 189.0 | April 1999 |
| 17. PT 19269 Mukim of Bukit Raja Klang, Selangor | Freehold | 5,463 sq metres | Commercial land for future development | - | 0.8 | 27 September 1993 |
| 18. Lot 408, 937 & 2090 Mukim of Plentong Johor Bahru | Freehold | 2.8 hectares | Agriculture land for future development | - | 0.1 | June 1991 |
| 19. Lot 59, Section 57 Kuala Lumpur | Freehold | 6,556 sq metres | Commercial land for future development | - | 57.2 | 6 September 1994 |
| 20. PT 798 & 885 Mukim of Jerai District of Jempol Negeri Sembilan | Freehold | 1.0 hectare | Land where development is in progress | - | 0.7 | 6 September 1994 |
| 21. PT 3494 Mukim of Bukit Raja Klang, Selangor | Leasehold 9.11.2085 | 24.0 hectares | Industrial land & buildings | 24 | 47.3 | 22 October 1994 |
| 22. PT 17631 Mukim of Bukit Raja Klang, Selangor | Leasehold 29.10.2091 | 2,880 sq metres | Industrial land & buildings | 24 | 0.4 | 22 October 1994 |
| 23. PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor | Leasehold 29.3.2087 | 10.4 hectares | Industrial land | - | 9.2 | 22 October 1994 |
| 24. PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor | Leasehold 21.10.2088 | 2.9 hectares | Industrial land & buildings | 6 | 10.5 | 22 October 1994 |
| 25. Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor | Freehold | 71.6 hectares | Industrial land & buildings | 1 | 246.6 | 1996 |
| 26. Beijing Lu, Fengxi Town Qingpu Country Shanghai, China | Leasehold 30.6.2043 | 7.1 hectares | Office & factory buildings | 7 | 3.8 | 1 July 1993 |
| 27. 27 Nanheng Street Fuxingzhuang Hedong District Tianjin, China | Leasehold 19.12.2045 | 33,411 sq metres | Industrial land, office & factory | 4 - 15 | 6.0 | December 1995 |
| 28. Tong Xian County Beijing, China | Leasehold 2.7.2045 | 2.9 hectares | Industrial land & buildings | 7 | 24.1 | July 1995 |
| 29. Sun Palace Apartments Chao Yang District Beijing, China | Leasehold 22.7.2064 | 1,245 sq metres | Apartment building | 8 | 3.4 | 1996 |
| 30. 186, Yellow River Road Zhejiazhuang New and Hi-Tech Industrial Development Zone Hebei, China | Leasehold 1.6.2026 | 20,100 sq metres | Industrial land & buildings | 4 - 5 | 4.1 | June 1996 |

ANALYSIS OF SHAREHOLDINGS

AS AT 31 OCTOBER 2001

Share Capital

| | |
|----------------------------|-----------------------------------|
| Authorised Share Capital | : RM1,000,000,000 |
| Issued and Paid-up Capital | : RM593,380,035 |
| Class of Shares | : Ordinary shares of RM1.00 each |
| Voting Rights | : One (1) vote per ordinary share |

Distribution of Shareholdings

| Size of Shareholdings | No. of shareholders | % of shareholders | No. of shares | % of shares |
|---|---------------------|-------------------|--------------------|---------------|
| Less than 1,000 | 6,638 | 18.03 | 1,788,403 | 0.30 |
| 1,000 - 10,000 | 26,984 | 73.29 | 83,170,125 | 14.02 |
| 10,001 - 100,000 | 2,958 | 8.03 | 76,806,865 | 12.94 |
| 100,001 - less than 5% of issued shares | 235 | 0.64 | 234,491,742 | 39.52 |
| 5% and above of issued shares | 2 | 0.01 | 197,122,900 | 33.22 |
| | <u>36,817</u> | <u>100.00</u> | <u>593,380,035</u> | <u>100.00</u> |

Substantial Shareholders

| | Direct Interest | | Indirect Interest | | No. of options ⁽¹⁾ |
|--------------------------------------|-----------------|-------------|-------------------|-------------|-------------------------------|
| | No. of shares | % of shares | No. of shares | % of shares | |
| 1. Tan Sri Cheng Heng Jem | 1,680 | ^ | 342,179,285 | 57.67 | - |
| 2. Lancaster Trading Company Limited | 11,518,084 | 1.94 | 320,561,025 | 54.02 | - |
| 3. Datuk Cheng Yong Kim | 591,586 | 0.10 | 329,255,407 | 55.49 | 175,000 |
| 4. Lion Realty Private Limited | - | - | 329,148,223 | 55.47 | - |
| 5. William Cheng Sdn Bhd | 7,466 | ^ | 320,561,025 | 54.02 | - |
| 6. Lion Holdings Sdn Bhd | 12,482,614 | 2.10 | 308,078,411 | 51.92 | - |
| 7. Utara Enterprise Sdn Bhd | - | - | 320,561,025 | 54.02 | - |
| 8. Lembaga Tabung Angkatan Tentera | 17,360,993 | 2.93 | 299,983,946 | 50.56 | - |
| 9. Happyvest (M) Sdn Bhd | - | - | 307,998,020 | 51.91 | - |
| 10. Amanvest (M) Sdn Bhd | 8,297,194 | 1.40 | 299,529,946 | 50.48 | - |
| 11. Amsteel Corporation Berhad | 1,002,783 | 0.17 | 298,527,163 | 50.31 | - |
| 12. Lion Corporation Berhad | 756 | ^ | 299,529,190 | 50.48 | - |
| 13. Mirzan bin Mahathir | - | - | 299,529,946 | 50.48 | - |
| 14. Peringkat Prestasi (M) Sdn Bhd | - | - | 299,529,946 | 50.48 | - |
| 15. Timuriang Sdn Bhd | - | - | 299,529,946 | 50.48 | - |
| 16. Umatrac Enterprises Sdn Bhd | 296,797,060 | 50.02 | 2,732,886 | 0.46 | - |

^ *Negligible*

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

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

| | Direct Interest | | Indirect Interest | | No. of options ⁽¹⁾ |
|--------------------------------------|-----------------|-------------|-------------------|-------------|-------------------------------|
| | No. of shares | % of shares | No. of shares | % of shares | |
| Datuk Cheng Yong Kim | | | | | |
| The Company | 591,586 | 0.10 | 329,255,407 | 55.49 | 175,000 |
| Related Companies | | | | | |
| Amsteel Corporation Berhad | 435,000 | 0.03 | 452,743,826 | 35.94 | - |
| Chocolate Products (Malaysia) Berhad | - | - | 232,254,501 | 66.66 | - |
| Posim Berhad | - | - | 178,234,171 | 87.71 | - |
| Silverstone Berhad | 1,579,260 | 0.77 | 149,067,442 | 73.12 | - |
| Hy-Line Berhad | - | - | *2,469 | N/A | - |

* Preference shares

Note:

(1) Options granted pursuant to the Company's Executive Share Option Scheme at an option price of RM1.00 per share.

| Thirty Largest Registered Shareholders | | No. of shares | % of shares |
|--|--|---------------|-------------|
| 1. | HDM Nominees (Tempatan) Sdn Bhd DBS Bank Labuan Branch for Umatrac Enterprises Sdn Bhd | 118,029,900 | 19.89 |
| 2. | Arab-Malaysian Nominees (Tempatan) Sdn Bhd AMMB International (L) Ltd for Umatrac Enterprises Sdn Bhd (7/383-2) | 79,093,000 | 13.33 |
| 3. | Amsteel Equity Nominees (Tempatan) Sdn Bhd Amsteel Securities (M) Sdn Bhd for Umatrac Enterprises Sdn Bhd | 26,932,544 | 4.54 |
| 4. | Umatrac Enterprises Sdn Bhd | 21,710,844 | 3.66 |
| 5. | Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A) | 20,945,239 | 3.53 |
| 6. | Lembaga Tabung Angkatan Tentera | 17,360,993 | 2.93 |
| 7. | Cartaban Nominees (Tempatan) Sdn Bhd Westdeutsche Landesbank Girozentrale, Singapore Branch for Umatrac Enterprises Sdn Bhd | 15,139,200 | 2.55 |
| 8. | HSBC Nominees (Asing) Sdn Bhd BOA (M) Bhd for Lancaster Trading Company Limited | 8,000,000 | 1.35 |
| 9. | HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Sdn Bhd for Lion Holdings Sdn Bhd | 5,334,000 | 0.90 |
| 10. | Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A) | 5,200,000 | 0.88 |

| | No. of shares | % of shares |
|---|---------------|-------------|
| 11. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (BK7/361-1) | 4,680,000 | 0.79 |
| 12. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Umatrac Enterprises Sdn Bhd | 4,565,605 | 0.77 |
| 13. Rothputra Nominees (Tempatan) Sdn Bhd Employees Provident Fund | 3,878,000 | 0.65 |
| 14. Lancaster Trading Company Limited | 3,518,084 | 0.59 |
| 15. Lion Holdings Sdn Bhd | 3,317,614 | 0.56 |
| 16. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Securities (M) Sdn Bhd (651001) | 3,176,656 | 0.54 |
| 17. Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreichische Volksbanken AG | 3,000,000 | 0.51 |
| 18. Chase Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd | 2,950,000 | 0.50 |
| 19. Southern Steel Berhad | 2,810,870 | 0.47 |
| 20. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Holdings Sdn Bhd (HLFLHSB/23/LHSB) | 2,800,000 | 0.47 |
| 21. Alliance Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd | 2,400,000 | 0.40 |
| 22. Lion Management Sdn Bhd | 2,020,000 | 0.34 |
| 23. PAB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (4407027213) | 2,004,072 | 0.34 |
| 24. Employees Provident Fund Board | 1,959,750 | 0.33 |
| 25. Malaysia Nominees (Tempatan) Sendirian Berhad Amanah SSCM Asset Management Berhad for Amanah Smallcap Fund Berhad (JM730) | 1,894,000 | 0.32 |
| 26. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Development (Penang) Sdn Bhd (HLFTL148) | 1,861,700 | 0.31 |
| 27. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd (01-00007-000) | 1,853,000 | 0.31 |
| 28. Quarry Lane Sdn Bhd | 1,751,000 | 0.30 |
| 29. Amsteel Equity Nominees (Asing) Sdn Bhd Amsteel Securities (HK) Limited for Konming Inv Ltd | 1,588,000 | 0.27 |
| 30. Menteri Kewangan Malaysia | 1,515,351 | 0.26 |

OTHER INFORMATION

Non-audit Fees

The amount of non-audit fees paid or payable to external auditors for the financial year was RM90,000.

Variation in Results

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

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

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

| | | |
|---|-----------------|------------------|
| Loss (Year-to-date) | | RM'000 |
| As per the Announcement | | (63,368) |
| Taking into account the provisions now ascertained pursuant to the Revised Proposed GWRS: | | |
| - Provision for doubtful debts on amounts owing by ultimate holding company | | (305,300) |
| - Provision for foreseeable loss on proposed disposals | | (98,400) |
| Loss after adjustments | (a) | <u>(467,068)</u> |
| Loss as per Audited Financial Statements | (b) | <u>(468,306)</u> |
| Variance - RM'000 | (c) = (b) - (a) | (1,238) |
| - % | (c)/(a) | -0.3% |

FORM OF PROXY

I/We
of.....
being a member/members of LION LAND BERHAD, hereby appoint.....
.....
of.....
or failing whom.....
of.....

as my/our proxy to vote for me/us and on my/our behalf at the Seventy-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 24 December 2001 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, Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin | | |
| 5. To re-elect as Director, Mr Heah Sieu Lay | | |
| 6. To re-elect as Director, Y. Bhg. Tan Sri Dato' Musa bin Hitam | | |
| 7. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim | | |
| 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 hand this day of2001.

No. of Shares

Signed

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, either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
- The instrument of proxy must be deposited at the Company's Registered Office, 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.