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## corporate information

### Board of Directors

Dato' Sulaiman bin Sujak  
Chairman

Tan Sri Dr Chen Lip Keong  
President and Chief Executive Officer

Puan Sri Lee Chou Sarn  
Mr Chua Tiam Wee  
*(Alternate Director to Puan Sri Lee Chou Sarn)*

Dato' Dr Abdul Razak bin Abdul

Datuk Wan Kassim bin Ahmed

Mr Leong Choong Wah

Tuan Haji Harun bin Haji Faudzar

### Group Company Secretary

Mr Lee Boo Tian  
LS 007987

### Audit Committee

Datuk Wan Kassim bin Ahmed  
Chairman, Independent Non-Executive Director

Mr Leong Choong Wah  
Executive Director

Tuan Haji Harun bin Haji Faudzar  
Independent Non-Executive Director

### Nomination Committee

Dato' Sulaiman bin Sujak  
Chairman, Non Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed  
Independent Non-Executive Director

Tuan Haji Harun bin Haji Faudzar  
Independent Non-Executive Director

### Remuneration Committee

Datuk Wan Kassim bin Ahmed  
Chairman, Independent Non-Executive Director

Dato' Dr Abdul Razak bin Abdul  
Executive Director

Tuan Haji Harun bin Haji Faudzar  
Independent Non-Executive Director

### Registered Office

MNI Twins, Tower 1  
Level 13, 11 Jalan Pinang  
50450 Kuala Lumpur  
Tel : 603 - 2162 0060  
Fax: 603 - 2162 0062

### Share Registrar

Lipkland Management and Consultancy Sdn Bhd  
19th Floor, Menara PanGlobal  
No. 8, Lorong P. Ramlee  
50250 Kuala Lumpur  
Tel : 603 - 2031 2377  
Fax: 603 - 2031 2327

### Auditors

Arthur Andersen & Co  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

### Principal Bankers

Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
Standard Chartered Bank Malaysia Berhad

### Stock Exchange Listing

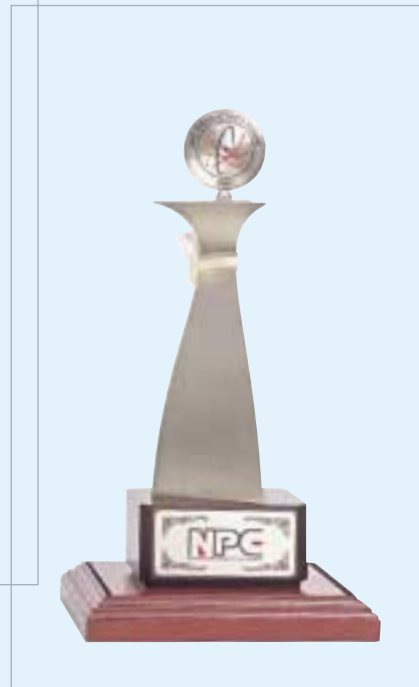
Kuala Lumpur Stock Exchange, Main Board

MITI Product Excellence Award 2001



Recognition for Kanzen Tetsu's stainless steel products' excellent quality and superior surface finishing that is in tune with its stringent quality control philosophy and intensive R&D.

NPC Productivity Award 2001



Awarded to Kanzen Tetsu for not only its outstanding productivity achievement and high efficiency but also its well trained human resource and management dedication.

“Quality is never an accident,  
it is always the result of intelligent effort.”

*John Ruskin*



## notice of meeting and book closure

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of the Company will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Wednesday, 4 December 2002 at 10.00 a.m. for the following purposes:

### Agenda

#### As Ordinary Business:

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2002 together with the Reports of Directors and Auditors thereon. *Resolution 1*
2. To approve a final dividend of 2% less tax for the year ended 30 June 2002. *Resolution 2*
3. To approve Directors' fees of RM93,000 for the year ended 30 June 2002. *Resolution 3*
4. To re-elect Tan Sri Dr Chen Lip Keong who is retiring pursuant to Article 80 of the Company's Articles of Association. *Resolution 4*
5. To re-elect the following Directors who are retiring pursuant to Article 82 of the Company's Articles of Association:
  - i) Mr Leong Choong Wah *Resolution 5*
  - ii) Datuk Wan Kassim bin Ahmed *Resolution 6*
  - iii) Tuan Haji Harun bin Haji Faudzar *Resolution 7*
6. To appoint Messrs Moore Stephens as Auditors of the Company in place of the retiring Auditors Messrs Arthur Andersen & Co who will not seek reappointment, to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration. *Resolution 8*

#### As Special Business:

7. To consider and, if thought fit, pass the following Ordinary Resolution:  
"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed 10 per centum of the Issued Share Capital of the Company for the time being." *Resolution 9*
8. To transact any other ordinary business of which due notice shall have been given.

### Notice Of Book Closure

NOTICE IS ALSO HEREBY GIVEN that Register of Members will be closed on 13 December 2002 to determine shareholders' entitlement to the dividend payment.

The final dividend of 2% less tax, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 23 December 2002 to shareholders whose names appear in the Records of Depositors on 12 December 2002.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred into the Depositor's Securities account before 12.30 p.m. on 12 December 2002 in respect of ordinary transfers.
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the rules of the Kuala Lumpur Stock Exchange.

By Order of the Board

**Lee Boo Tian**, LS 007987  
Group Company Secretary

Kuala Lumpur  
30 October 2002



# notice of meeting and book closure

## Notes

### Proxy

- i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- ii) Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
- iv) The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

## Explanatory Notes On Special Business

### Resolution pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution 9 proposed under Agenda 7 above if passed will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

## Statement Accompanying Notice of Annual General Meeting

### 1. Directors standing for re-election

Details of attendance of Board Meetings held during the financial year ended 30 June 2002 for the Directors standing for re-election are as follows:

Tan Sri Dr Chen Lip Keong	–	Attended all Board Meetings held at the Registered Office on 28 August 2001, 29 January 2002 and 29 May 2002 at 2.30 p.m., 2.30 p.m. and 11.00 a.m. respectively
Mr Leong Choong Wah	–	Appointed on 2 January 2002 and attended two Board Meetings held at the Registered Office on 29 January 2002 and 29 May 2002 at 2.30 p.m. and 11.00 a.m. respectively
Datuk Wan Kassim bin Ahmed	–	Appointed on 29 March 2002 and attended one Board Meeting held at the Registered Office on 29 May 2002 at 11.00 a.m.
Tuan Haji Harun bin Haji Faudzar	–	Appointed on 1 July 2002

Other particulars of the above Directors are set out on pages 6 and 7 of this Annual Report.

### 2. Place, Date & Hour of Meeting

The Twenty Third Annual General Meeting of FACB Industries Incorporated Berhad will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 4 December 2002 at 10.00 a.m.



## directors' profiles

### **Dato' Sulaiman bin Sujak**

*(aged 68, Malaysian)*

**Chairman**

**(Non-Independent Non-Executive Director)**

Dato' Sulaiman bin Sujak was appointed to the Board on 1 October 1988 and as Chairman on 1 July 2002. He also serves as Chairman of the Nomination Committee.

Dato' Sulaiman is a graduate of Royal Air Force College, Cranwell, England and Royal College of Defence Studies, London. He has served the Royal Air Force and the Royal Malaysian Air Force and is the first Malaysian Air Force Chief.

He has vast experience in the public and the private sectors. He was an Advisor (now known as Assistant Governor) to Bank Negara Malaysia and was the Director, Commercial Division of Kumpulan Guthrie. He was also the Deputy Chairman of Malaysian Airlines System Berhad.

Dato' Sulaiman is currently the Executive Director and Adviser of HSBC Bank Malaysia Berhad.

### **Tan Sri Dr Chen Lip Keong**

*(aged 55, Malaysian)*

**President and Chief Executive Officer**

**(Non-Independent Executive Director)**

Tan Sri Dr Chen Lip Keong was appointed to the Board and as President and Chief Executive Officer on 3 August 1994.

Tan Sri Dr Chen graduated with a Bachelor of Medicine and Surgery in 1973 from University of Malaya. He has more than 25 years of corporate, managerial and business experience since 1976.

Currently, Tan Sri Dr Chen is also the President and Chief Executive Officer of both FACB Resorts Berhad and Petaling Tin Berhad.

### **Puan Sri Lee Chou Sarn**

*(aged 55, Malaysian)*

**(Non-Independent Executive Director)**

Puan Sri Lee Chou Sarn was appointed to the Board on 17 March 1997.

After graduating from University of Malaya with a Bachelor of Economics in 1971, Puan Sri Lee worked for 13 years in the Statistics Department for the Government of Malaysia before she ventured into business. She has been a

shareholder and a Director of Lipkland Holdings Sdn Bhd, an investment holding company since December 1982. She was also a Director of FACB Resorts Berhad from 1994 to 2001.

### **Dato' Dr Abdul Razak bin Abdul**

*(aged 52, Malaysian)*

**(Non-Independent Executive Director)**

Dato' Dr Abdul Razak bin Abdul was appointed to the Board on 12 April 1994. Dato' Dr Abdul Razak also serves as a member of the Remuneration Committee.

After graduating with a Master of Business Administration (Finance) in 1973, Dato' Dr Abdul Razak obtained his Ph.D (International Business) in 1979. He commenced his career as a lecturer in Institut Teknologi MARA (ITM) in 1973 and became the Head of ITM's School of Business in 1981. He has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. He was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000.

Dato' Dr Abdul Razak is also the Managing Director of Idris Hydraulic (Malaysia) Bhd and a Director of Mutiara Goodyear Development Berhad.

### **Datuk Wan Kassim bin Ahmed**

*(aged 53, Malaysian)*

**(Independent Non-Executive Director)**

Datuk Wan Kassim bin Ahmed was appointed to the Board on 29 March 2002. Datuk Wan Kassim also serves as Chairman of both Audit and Remuneration Committees and as a member of the Nomination Committee.

Datuk Wan Kassim graduated with a Bachelor of Economics from University of Malaya in 1973. He began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. He then joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn Bhd in 1984. He served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996. He was Executive Chairman of Inter-Fresh (Malaysia) Sdn Bhd between 1988 to 2001 and also worked as a Consultant and Advisor for several companies due to his experience in financial, marketing, management and wide business contacts. He served as





## directors' profiles

Chairman of Kawalan Warisan Rantau Sdn Bhd from 1993 to 2001.

Currently, Datuk Wan Kassim is also a Director of FACB Resorts Berhad, Petaling Tin Berhad and Octagon Consolidated Berhad.

### **Leong Choong Wah**

*(aged 34, Malaysian)*

**(Non-Independent Executive Director)**

Mr Leong Choong Wah was appointed to the Board on 2 January 2002. Mr Leong also serves as a member of the Audit Committee.

Mr Leong is a qualified Accountant and a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). He has extensive experience of over 13 years in the fields of financial management, corporate planning and accounting, having worked in Price Waterhouse, now known as PriceWaterhouse Coopers and Britac Berhad (formerly known as SAAG Corporation Berhad). Mr Leong has been the General Manager, Group Finance and Accounts prior to his appointment to the Board.

### **Haji Harun bin Haji Faudzar**

*(aged 49, Malaysian)*

**(Independent Non-Executive Director)**

Tuan Haji Harun bin Haji Faudzar was appointed to the Board on 1 July 2002. Tuan Haji Harun also serves as a member of Audit, Remuneration and Nomination Committees.

Tuan Haji Harun graduated with a Bachelor of Business Administration from Western Michigan University, majoring in Finance and Economics. He also holds a Diploma in Business Studies from Universiti Institut Teknologi MARA ("UiTM"), Malaysia.

Prior to his appointment, he was with Timah Langat Berhad and Amanah International Finance Berhad. He has extensive knowledge and vast working experience in the field of finance. He was primarily responsible for the financial operation of a mixed development project known as Taman Permata in Bukit Mertajam in 1984, which was completed in 1990.

Subsequently, he was actively involved in numerous development projects which included Taman Sejahtera, a mixed development project in Alma, Bukit Mertajam and a 15-storey office block known as Puncak Bangsar at Bukit Bandaraya, Kuala Lumpur. The projects were completed in 1995 and 1996 respectively.

Tuan Haji Harun is currently Chairman/Executive Director of Mutiara Goodyear Development Berhad and a Director of FACB Resorts Berhad.

### **Chua Tiam Wee**

*(aged 48, Malaysian)*

**(Alternate Director to Puan Sri Lee Chou Sarn)**

Mr Chua Tiam Wee was appointed as an alternate director to Puan Sri Lee Chou Sarn on 1 July 2002.

Mr Chua graduated from University of Malaya with a Bachelor of Engineering (Honours) degree in 1978 and obtained his Master in Business Administration in 1994. He began his career as an engineer in Malaysian Tobacco Co. Berhad and has subsequently served in the Hong Leong Group, Berjaya Kawat Manufacturing Sdn Bhd and P.T. Sampoerna JL Sdn Bhd in various positions.

He joined Kanzen Tetsu Sdn Bhd, a subsidiary of the Company as its General Manager – Operations in 1992. He is currently the Managing Director of the Kanzen Tetsu Group. He is also the Chairman of ERW Steel Pipe Group and Executive Committee Member of Malaysian Iron and Steel Industry Federation.

### **Other Information**

#### **a. Family Relationship**

Tan Sri Dr Chen Lip Keong is the husband of Puan Sri Lee Chou Sarn. Save as disclosed above, none of the Directors have any family relationship with any Director of the Company.

#### **b. Conflict of Interest**

Saved as disclosed in item 12 under Other Compliance Statements on page 24, none of the Directors have any conflict of interest with the Company.

#### **c. Conviction of offences**

None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.





## chairman's statement



Dear Shareholders,

On behalf of the Board of Directors of FACB Industries Incorporated Berhad ("FACBII" or "the Company"), it is my pleasure to present the Annual Report and Financial Statements of the Group for the financial year ended 30 June 2002.

### Financial Results

The business environment continues to be difficult and challenging for the Group due to regional and worldwide economic slowdown. I am pleased to report that the Group continued to be profitable.

The Group maintained its profit before taxation of RM6.9 million in the financial year ended 30 June 2002, same as that registered in the previous financial year ended 30 June 2001. Total revenue registered at RM185.5 million was lower compared to RM203.8 million recorded previously.



Industrial pipes and ornamental tubes...well known for their superior quality with top most finishing.

### Dividend

The Board is pleased to recommend the payment of a final dividend of 2% less tax for the financial year ended 30 June 2002, subject to the approval of the shareholders at the Twenty Third Annual General Meeting.

### Corporate Developments

During the financial year under review, the following corporate events have taken place in the Group:

- a. On 23 April 2002, FACBII entered into a Share Sale Agreement with IOI Corporation Berhad for the acquisition of the remaining 3,000,000 ordinary shares of RM1.00 each in Kanzen Tetsu Sdn Bhd ("KTSB") for a cash consideration of RM11 million.

With the completion of the acquisition on 30 August 2002, FACBII now holds 100% equity interest in KTSB.

- b. On 5 June 2002 and 21 June 2002, FACBII announced to the Kuala Lumpur Stock Exchange its proposal to implement the following:
  - i) Renounceable rights issue of up to 212,906,250 new ordinary shares of RM1.00 each in FACBII ("Rights Shares") together with up to 170,325,000 free detachable warrants ("Warrants") at an issue price to be determined later, on the basis of 5 Rights Shares together with 4 Warrants for every 2 existing ordinary shares held in FACBII ("Proposed Rights Issue with Warrants");
  - ii) Bonus Issue of up to 42,581,250 new ordinary shares of RM1.00 each in FACBII ("Bonus Shares") to be credited as fully paid-up on the basis of 1 Bonus Share for every 5 Rights Shares subscribed under the Proposed Rights Issue with Warrants; and
  - iii) Establishment of Employees' Share Option Scheme.

The implementation of the proposal is subject to the shareholders' approval which is expected to be sought in the financial year ending 2003.



## chairman's statement

### Future Outlook

Overall, whilst the performance of the Group's activities will to a certain extent be dependent on the pace of recovery in both local and global economic conditions, the longer term growth prospects remain bright.

The global stainless steel industry has continued to experience a healthy and continuous annual growth at an average of 5% per annum. The current trend of mergers and acquisitions amongst major steel producers will serve to strengthen and stabilise the global supply and demand situation in the long run. In addition, the emergence of new markets especially China, the largest consumer nation of stainless steel in the world is expected to provide further stimulus to the stainless steel industry.

The said corporate developments would enable the Group's Steel Operations to embark on an expansion programme to meet the increasing growth in market demand and remain as one of the market leaders in the stainless steel industry. With the ultimate aim of enhancing shareholders' value and returns, we will continue to put prime consideration on the needs of our customers, focus diligently on enhancing efficiency and product quality through continuous research and development and state-of-the-art technology.

The Group's China Operations is expected to benefit from the continuing robust gross domestic product growth rate of above 7% per annum in China whereas the Bedding Operations is expected to widen its market share through various innovative marketing strategies.

To further broaden the Group's long term earnings base, the property development operations in Kota Kinabalu, Sabah would be activated when the economic sentiment improves further.

### Acknowledgement

On behalf of the Board, I wish to express our appreciation to the Management and Staff under the leadership of YBhg Tan Sri Dr Chen Lip Keong for their hardwork and unwavering dedication in this difficult operating environment. To Government authorities and agencies, our local and overseas customers, suppliers, business associates and bankers, we thank them for their continuing support, guidance and assistance.

The Board of Directors wishes to thank YBhg Tan Sri Dato' Seri Megat Junid bin Megat Ayob, YBhg Dato' Nik Kamaruddin bin Ismail and YBhg Dato' Kalimullah bin Masheerul Hassan for their contributions during their term in office. Meanwhile, we welcome YBhg Datuk Wan Kassim bin Ahmed, Tuan Haji Harun bin Haji Faudzar and Mr Leong Choong Wah to the Board who, we trust, with their experience and knowledge will contribute to the growth and progress of the Group.

Last but not least, I sincerely thank the shareholders for their trust, continued support and confidence in the Group.



Dreamland's mattresses offer timeless comfort with backcare support.

**Dato' Sulaiman bin Sujak**

*Chairman*

*8 October 2002*



## president and ceo's review



Dear Shareholders,

It is my pleasure to keep you apprised of the Group's performance for the financial year ended 30 June 2002.

### Financial Review

FACBII continued to maintain its profit before taxation despite a difficult beginning in the financial year ended 30 June 2002. The difficulty was mainly attributable to the depressed selling price experienced in the steel industry which eventually resulted in a lower revenue of RM185.5 million for the financial year under review, a decrease of 9% compared to the previous year.

Shareholders' equity as at year-end rose by RM2.5 million to RM173.0 million from RM170.5 million registered in the previous financial year.

Net tangible assets backing per share has improved to RM2.03 from RM2.00 registered in the previous year. As at 30 June 2002, the Group's gearing is relatively low at 0.2 times.

### Operational Review

During the financial year under review, the steel industry encountered a volatile business climate. The Group incurred losses in the first half of the financial year ended 30 June 2002 mainly due to a significant margin squeeze from the depressed selling price experienced in the steel industry. However, the selling price has improved since early 2002 in tandem with the recovery and upward trend of the raw material price. With the timely purchase of raw materials, the Group managed to turnaround and improve its performance during the second half of the financial year under review.

Notwithstanding the difficult business and economic conditions, the stainless steel plant continued to operate at almost full capacity. The division managed to maintain its position as one of the leading manufacturers of stainless steel welded pipes and butt-weld fittings in the world exporting to more than 50 countries. It also successfully penetrated into the market in China, another major export market for the Group besides USA and Europe.



Emphasizing on technology...skilled technicians operating the state-of-the-art TPT Tricathode forming machine.



## president and ceo's review

In a move to consolidate and further strengthen its steel division as well as allow the Group to enjoy full benefits accruing from the Steel Operations, FACBII has acquired the remaining 30% equity interest in Kanzen Tetsu Sdn Bhd ("KTSB"). With this acquisition, FACBII now owns 100% of the equity interest in KTSB.

Other core business activities of the Group are China and Bedding Operations. Both operations have made positive contributions to the Group's profitability for the financial year ended 30 June 2002. The current over-supply situation and the removal of key social benefits have worked negatively to dampen the attractiveness of the consumer market in China. Nevertheless, the Group's operations in China was sustained through its long established presence in China of more than 16 years and its concerted marketing efforts.



Stringent quality control to ensure consistency in superior quality.

As for the Bedding Operations, the Group was able to improve its market share performance and weather the competitions through various marketing strategies and initiatives implemented during the year on top of the solid foundation built over the years on their brand, quality and resource management.

### Conclusion

The Group's main business activities and operating plans would continue to focus on further strengthening its position as one of the market leaders in its core business activities with greater emphasis on exports.

Whilst the Group has emerged lean from years of unrelenting austerity and stringent resource management, the Group is looking forward to the proposed corporate developments to fuel the Group's vision to become a leading one-stop stainless steel product manufacturer in the Asian Region as well as globally.

In conclusion, while the performance of the Group will be affected by the pace of the global economy recovery, FACBII will continue to explore ways to diversify its market which include tapping into the vast emerging market in China, in order to minimise margin volatility.

### Acknowledgement

On behalf of the Management, I would like to take this opportunity to express our utmost gratitude to our Board of Directors and the Audit Committee for their guidance, all the staff for their commitment, all our valued local and overseas customers, suppliers, business associates and bankers for their support throughout the financial year.

I look forward to another challenging year.

**Tan Sri Dr Chen Lip Keong**

*President and Chief Executive Officer*

*8 October 2002*





## review of operations



FACB Industries Incorporated Berhad's ("FACBII" or "Group") core business activities consist of Steel (both stainless and carbon), China and Bedding Operations.

## Steel Operations

### Stainless Steel

The stainless steel division continues to be the market leader in the manufacturing of stainless steel welded pipes and butt-weld fittings with an estimated 50% to 60% share of the local market. The division is also a significant exporter with up to 75% of its products being exported to over 50 countries which include USA, Canada, UK, Japan, Australia, Brazil, South Africa and Asian countries.

During the financial year, the division's performance was subjected to adverse factors which included the depressed international stainless steel pipe selling price and the slowdown in the local as well as global economy, in particular USA. However, business conditions improved when selling price rebounded after Chinese New Year in line with the recovery and upward price trend of stainless steel raw material price.



Versatile application of aesthetic stainless steel pipes and carbon steel pipes in modern building industry.

Despite the volatile business climate, the division continues to supply its products to various major projects which include the Government Administration Blocks in Putrajaya township, Palm-Oleo Plant Expansion Project, Acidchem International Expansion Project and Premium Vegetable Oil Berhad Project in the local market. With the Jabatan Kerja Raya's Tender Specification for Stainless Steel Water Meter Position released in April 2001, demand for the division's piping products by the local water piping industry has also increased.



Another proud moment...our management team receiving the NPC Productivity Award 2001 from YB Dato' Seri Rafidah Aziz, Minister of International Trade & Industry.



## review of operations



Strategically located in Shah Alam Industry Estate, the stainless steel division is one of the key players in the world.



Stainless steel fittings produced from in-house pipes that meet internationally recognised quality certification.

As for export market, the division successfully penetrated into new major markets such as the market in China. The division also managed to export its special finishing ornamental tubing to one of the kangaroo bar manufacturers in South Africa, which is the contract supplier for renowned car manufacturers such as BMW, Toyota, Land Rover and Nissan.

In recognition of the division's strive for excellence in product quality and productivity, the division has been awarded the prestigious Product Excellence Award 2001 by Ministry of International Trade & Industry and Productivity Award 2001 by National Productivity Corporation. The division has also obtained the Pressure Equipment Directive ("PED") Certificate from TUV Sddeutschland, Germany which allows the division to increase its sales to European countries.

Going forward, as the division is the largest ISO 9002 integrated Stainless Steel Welded Pipes and Stainless Steel Butt-weld Fittings manufacturer in the South East Asia region armed with its competitive pricing and comprehensive product range, the full implementation of AFTA in 2003 will provide vast business opportunities for the steel division to capture.

### Carbon Steel

Despite yet another challenging year filled with intense competition, the carbon steel division continues to maintain its position as one of the leading manufacturers of carbon steel pipes in Malaysia. The division successfully defended its market share and aggressively tapped into new markets such as the automotive seat frame and exhaust pipe market, provided external slitting and pipe forming services and developed new products for the export market.

In the domestic market, profit margin for the carbon steel products has improved due to the timely intervention by the Government in imposing Approved Permit ("AP") to curb rampant importation of pipes from neighbouring countries.

### Human Resource

Continuous training in management and technology is essential to the Steel Operations' success. The Steel Operations will continue to place emphasis on building its employees' skills and knowledge by regularly providing extensive in-house training and development programmes besides sending its employees for external courses and conferences.



## review of operations



## china operations

The financial year under review saw the ascension of China into the World Trade Organisation. The event and the hosting of the Beijing Olympic 2008 have signified two important milestones in the "Open Door" policy of China. China now thrives on free market economy. Supply, demand, competition, product life cycle and the invisible hand of price mechanism are functioning without much intervention from the State.

The current over-supply and competitive situation in China have all worked negatively to dampen the attractiveness of the consumer market. Despite the difficult operating environment, China Operations managed to maintain its profitability through its various cost-down programmes in order to sustain its market share and mitigate adverse financial impact to its bottomline.



An exemplary self-managed retail outlet in the city of Qingdao, China.



Jiangyin Bingjiang Power Plant – a successful model of Sino-Malaysia Joint Venture in China.

In view of the above market scenarios, more efforts are made by some coastal joint venture companies to seek for export market. Besides the conventional market in Japan and Australia, these companies have also successfully penetrated into new export market in USA and the Middle East.

In response to the changing market, most of the joint venture companies have made some of the following changes. Among them were the purchase of high technology Gribetz quilting machine with Tack N Jump features to make high class quilting materials for the mattresses, the addition of complementary products like metal futons, metal and wooden beds, the upgrading of display showroom to project a distinct, standardized and up market image and the continual introduction of innovative bedding products into the market.

With the above efforts on strengthening the domestic market as well as greater emphasis placed on exports, we anticipate that the performance of China Operations will improve in the future.





## review of operations



The Pioneers in Spring Mattress Technology



## bedding operations

Whilst the continued global economic problems have affected many businesses during the year, the Bedding Operations continued to defy all odds and performed well above expectations with a 183% increase in profit before taxation. This remarkable achievement was made possible through aggressive and innovative activities with good improvements being recorded from most business units.

Dreamland Chiropractic mattresses, despite its relative short presence in the market, have managed to attain the leadership position in the backcare segment of the Malaysian market with impressive sales growth being recorded. The successful Chiropractic range of products is expected to continue to lead the way in driving sales volume as well as profit contributions in the coming financial year.

Sales to the mass merchants such as Carrefour, Giant, etc also recorded impressive growth rates during the year and Dreamland has further strengthened its standing as the preferred brand for bedding accessories in Malaysia. With more hypermarkets being targeted to be opened in the next financial year, Dreamland is expected to further increase its market share thus consolidating its leadership position in the market.

Despite the tough economic conditions and cost cutting measures by most organisations, Dreamland's project business continues to show significant growth in terms of sales and profitability. Major projects secured during the year were the 5 stars Prince Hotel, Tentera Udara DiRaja Malaysia ("TUDM"), Institute Ukur & Tanah, Riverview Hotel in Singapore as well as the balance of the First World Hotel in Genting Highland. Dreamland, with its unique Miracoil Spring System, has now been used as the benchmark for quality bedding for most major 4 and 5 stars hotels in Malaysia and Singapore.

Amway and Ikea businesses also registered credible performances with Amway almost doubling in sales against the corresponding period of the previous year. However, due to the depressed state of economy in Singapore and Brunei, export businesses were slightly down in numbers in spite of numerous efforts put forward to stimulate sales. Efforts have also been channeled to further expand the Bedding Operations businesses by exploring other export opportunities such as the Middle East countries.



Achieving Optimal Spinal Alignment is what separates Dreamland's mattresses from ordinary mattresses.



Extensive research and development to produce high quality Dreamland mattresses.

Polyester fibre business, for the major part of the year, was badly affected by market competition with cheaper alternatives from local operators. However, the business, with its new thermal bonded line, is expected to produce better quality products at competitive prices and to recover substantial market share in the new financial year.

Continuous efforts to implement new initiatives to reduce operating costs remain to be one of the key priorities of the Bedding Operations to ensure continued profitability of the business. Investment in research and development is the other critical area to ensure the Bedding Operations remains in the forefront of product innovations thus extending further its leadership position in the market.



# audit committee report

## Composition

Members of the Audit Committee, their respective designations and directorships are as follows:

### Chairman

Dato' Kalimullah bin Masheerul Hassan

*(Resigned on 1/7/2002)*

(Independent Non-Executive Director)

Datuk Wan Kassim bin Ahmed

*(Appointed on 1/7/2002)*

(Independent Non-Executive Director)

### Members

Tan Sri Dato' Seri Megat Junid bin Megat Ayob

*(Resigned on 1/7/2002)*

(Independent Non-Executive Director)

Tuan Haji Harun bin Haji Faudzar

*(Appointed on 1/7/2002)*

(Independent Non-Executive Director)

Dato' Dr Abdul Razak bin Abdul

*(Resigned on 29/3/2002)*

(Executive Director)

Mr Leong Choong Wah

*(Appointed on 29/3/2002)*

(Executive Director)

## Terms of Reference

### Purpose

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

### Reporting Responsibilities

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

## Attendance at Meetings

The Head of Finance, the Head of Internal Audit and a representative of External Audit shall normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda.

## Frequency of Meetings

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities.

## Quorum

The quorum for a meeting shall be two (2) members of whom a majority shall be independent Directors.

## Authority

The Audit Committee is authorised by the Board to investigate any activity within its term of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

## Duties

The duties of the Audit Committee include the following:

- to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- to discuss with the external auditor before the audit commences, the nature and scope of the audit.
- to review the quarterly and year end financial statement of the Board, focusing on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements.



# audit committee report

- to discuss problems and reservation arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary).
- to review the external auditor's management letter and management's response.
- to review the adequacy of the scope, authority and resources of internal audit function.
- to review the internal audit programmes and results, ensuring that appropriate action is taken on the recommendations of the internal audit function.
- to review any appraisal or assessment of the performance of members of the internal audit function.
- to approve any appointments or termination of senior staff members of the internal audit function.
- to consider any related party transactions that may arise within the Company or Group.
- to consider the major findings of internal investigations and management's response.

## Details of Meetings

The Audit Committee met three times during the financial year ended 30 June 2002 and details of attendance are as follows:

Dato' Kalimullah bin Masheerul Hassan (resigned on 1/7/2002)	3/3
Datuk Wan Kassim bin Ahmed (appointed on 1/7/2002)	N/A
Tan Sri Dato' Seri Megat Junid bin Megat Ayob (resigned on 1/7/2002)	2/3
Tuan Haji Harun bin Haji Faudzar (appointed on 1/7/2002)	N/A
Dato' Dr Abdul Razak bin Abdul (resigned on 29/3/2002)	2/2
Mr Leong Choong Wah (appointed on 29/3/2002)	1/1

## Summary of Audit Committee Activities

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- reviewed the quarterly and year end financial statements and made recommendation to the Board.
- assessed the overall coverage of both internal and external audit.
- deliberated over the internal audit reports, ensuring that appropriate actions are taken by management.
- discussed and reviewed with the external auditors the results of their examination, their auditor's report and management letters in relation to the audit and accounting issues arising from the audit.
- reviewed the Company's compliance with regards to the Revamped Listing Requirements of the KLSE.

## Summary of Internal Audit Activities

The Audit Committee of the Board is supported by an Internal Audit Department. The department reports functionally to the Audit Committee and is independent of the activities they audit. During the financial year, the Internal Audit Department conducted, inter alia, the following activities:

- formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control systems.
- analysed and assessed key business systems, report findings, and made recommendations to improve effectiveness and efficiency.
- followed up on internal audit reports to ascertain whether matters which requires addressing have been rectified and corrective actions taken are effective.
- assisted on the implementation of the Malaysian Code on Corporate Governance.
- other on-going assurance and advisory work to the Board and management.

(This statement is made in accordance with a resolution of the Board of Directors dated 20 September 2002).



## corporate governance statement

(Pursuant to paragraph 15.26(a) and (b) of the KLSE Listing Requirements)

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibility for sound corporate governance in its business practices. Towards this end, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance ("the Code").

In particular, the Company has complied with Part 2, "Best Practices in Corporate Governance", of the Code whereas the ensuing paragraphs narrates how the Company has applied Part I, "Principles of Corporate Governance", of the Code.

### Directors

#### The Board

An effective Board leads and controls the Company. Board members' judgement has a bearing on strategies, performances, resources and standards. Three (3) Board Meetings were held during the financial year ended 30 June 2002 with details of attendance presented on page 22 under Other Compliance Statements of this Annual Report. All Directors have attended the Mandatory Accreditation Programme prescribed by the Kuala Lumpur Stock Exchange.

#### Board Balance

The Board currently consists of seven (7) members; comprising four (4) Executive Directors and three (3) Non-Executive Directors. Among the Non-Executive Directors two (2) are independent, hence, the Board's composition meets the KLSE Listing Requirements. Meanwhile, the existing composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out on pages 6 and 7 of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the senior independent Non-Executive Director, to whom concerns may be conveyed.

#### Supply of Information

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering areas of strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company's expense, in furtherance of their duties.

#### Appointments to the Board

A Nomination Committee with appropriate terms of reference, was established by the Board on 24 June 2002. The Committee comprising wholly of Non-Executive Directors, a majority of whom are independent, are as follows:

1. Dato' Sulaiman bin Sujak (*Chairman*)
2. Dato' Kalimullah bin Masheerul Hassan (*resigned on 1/7/2002*)
3. Tuan Haji Harun bin Haji Faudzar (*appointed on 1/7/2002*)
4. Datuk Wan Kassim bin Ahmed

This Committee is responsible, inter-alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board.

#### Re-election

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years, but shall be eligible for re-election. This provision is in line with para 7.28 (2) of the KLSE Listing Requirements.



# corporate governance statement

(Pursuant to paragraph 15.26(a) and (b) of the KLSE Listing Requirements)

## Directors' Remuneration

### Procedure

A Remuneration Committee with appropriate terms of reference was established by the Board on 24 June 2002. The Committee comprising a majority of Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed (*Chairman*)
2. Dato' Kalimullah bin Masheerul Hassan (*resigned on 1/7/2002*)
3. Tuan Haji Harun bin Haji Faudzar (*appointed on 1/7/2002*)
4. Dato' Dr Abdul Razak bin Abdul

### The Level and Make-up of Remuneration

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration for directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration is structured to commensurate with the skills and responsibilities expected of the directors. The level of remuneration also reflects the experience and time demanded of directors to discharge their duties.

While discharging duties, the Directors concerned shall abstain from discussion of their own remuneration.

### Disclosure

The details of Directors' remuneration for the financial year are summarized in page 23 under Other Compliance Statements of this Annual Report.

## Shareholders

### Dialogue between Company and Investors

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

### The AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

## Accountability And Audit

### Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out in page 22 under Other Compliance Statements of this Annual Report.

### Internal Control

The Statement on Internal Control set out in pages 20 and 21 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

### Relationship with the Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors are detailed in pages 16 and 17 of the Audit Committee Report in this Annual Report.

*(This statement is made in accordance with a resolution of the Board of Directors dated 20 September 2002.)*



## internal control statement

(Pursuant to paragraph 15.27 (b) of the KLSE Listing Requirements)

The Malaysian Code on Corporate Governance ("the code") states that the Board of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. The Revamped Listing Requirements of KLSE requires listed companies' directors to include a statement in its annual report on the state of their internal controls. In making this statement on internal control it is essential to address the Principles and Best Practices of the code which relates to internal control.

### Responsibility

The Board has overall stewardship responsibility for the Company's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Company's assets. However, it should be noted that in any system of internal control, it is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

### Internal Control Systems

The embedded control system is designed to facilitate achievement of the Group's corporate objectives. It comprises the underlying control environment, control processes, communication and monitoring systems which manifest themselves as follows:

- Organization structure with formally defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Board has delegated to Executive Management the implementation of the systems of internal control but still maintain full control and direction over appropriate strategic, financial, organizational and compliance issues. The Executive Management convenes regularly to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.
- Well documented internal operating policies and procedures have been established, periodically reviewed and kept updated in accordance with changes in the operating environment.
- Comprehensive budgeting process for all operating units with periodical monitoring of performance so that major variances are followed up and management action taken.
- Functional limits of authority for revenue and capital expenditure of all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serves to facilitate the approval process whilst keeping potential exposure in check.
- Detailed justification and approval process for major expenditures to ensure congruence with company's strategic objectives.
- Framework for computerised information systems spearheaded by an IT Steering Committee to streamline hardware and software regulations and guidelines for system integrity, effectiveness and efficiency.
- Independent appraisals by internal and external auditors to ensure ongoing compliance with policies, procedures and legislations whilst assessing the effectiveness of the Group's system of financial, compliance and operational controls.



# internal control statement

(Pursuant to paragraph 15.27 (b) of the KLSE Listing Requirements)

## Risk Management Framework

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognizes its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has, during the year under review, initiated an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

Taking cognizance of the control and cultural environment, the Group has adopted an approach which involves the creation of an adequately mandated Risk Advisory Committee to drive the process whilst focusing on the critical business agenda on the Board's behalf. A Risk Advisory Committee comprising senior management personnel responsible, inter alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1 March 2002.

To facilitate risk analysis, a Risk Management Workshop was conducted on 22 April 2002 by the Internal Audit Department for all operations and services heads. The workshop besides increasing senior management's risk awareness and implications, served to capture a database of likelihood and impact of all risks and its associated controls. The consolidated risk profiles of the various business units would be reported to the Board through the Audit Committee in due course.

## Internal Audit

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraise and contribute towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

## Internal Control Issues

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

*(This statement is made in accordance with a resolution of the Board of Directors dated 20 September 2002.)*





## other compliance statements

### 1. Directors' Responsibility Statement

#### pursuant to Paragraph 15.27(a) of the KLSE Listing Requirements

The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss for that period. In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965. They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 2. Directors' Attendance At Board Meetings

During the financial year, the Board held three (3) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings		
	@ 28.08.2001	@ 29.01.2002	@ 29.05.2002
<b>Directors</b>			
Tan Sri Dato' Seri Megat Junid bin Megat Ayob (resigned on 1 July 2002)	√	X	√
Tan Sri Dr Chen Lip Keong	√	√	√
Dato' Sulaiman bin Sujak	√	√	√
Puan Sri Lee Chou Sarn	√	√	√
Dato' Dr Abdul Razak bin Abdul	√	√	X
Dato' Nik Kamaruddin bin Ismail (resigned on 1 July 2002)	√	√	√
Dato' Kalimullah bin Masheerul Hassan (resigned on 1 July 2002)	√	√	√
Chua Tiam Wee (resigned on 1 July 2002)	√	√	√
Leong Choong Wah (appointed on 2 January 2002)	N/A	√	√
Datuk Wan Kassim bin Ahmed (appointed on 29 March 2002)	N/A	N/A	√
Haji Harun bin Haji Faudzar (appointed on 1 July 2002)	N/A	N/A	N/A
<b>Alternate Director</b>			
Chua Tiam Wee (Alternate Director to Puan Sri Lee Chou Sarn) (appointed on 1 July 2002)	N/A	N/A	N/A

☒ Attended

☐ Not attended

☐ Not applicable



## other compliance statements

### 3. Directors' Remuneration

The aggregate remuneration of Directors for the financial year is categorized as follows:

In RM	Executive	Non-Executive
Fees*	30,000	63,000
Salaries & Other Emoluments	1,316,308	–
Benefits In Kind	48,408	–
<b>Total</b>	<b>1,394,716</b>	<b>63,000</b>

\* subject to shareholders' approval at the forthcoming Annual General Meeting.

The number of Directors whose remuneration falls within the following bands are as follows:

Range of Remuneration (In RM)	No. of Directors	
	Executive	Non-Executive
Below 50,000	1	4
50,001 to 200,000	–	–
200,001 to 250,000	1	–
250,001 to 300,000	3	–
300,001 to 350,000	1	–
<b>Total</b>	<b>6</b>	<b>4</b>

The above disclosure is in compliance with the Listing Requirements of Kuala Lumpur Stock Exchange. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

### 4. Utilisation of Proceeds

There is a sum of RM29.1 million being balance of unutilised rights issue proceeds completed in 1992 and placed with financial institutions which is reserved for long term investments to be identified.

### 5. Share Buy-Backs

During the financial year, there were no share buy-backs by the Company.

### 6. Options, Warrants or Convertible Securities

During the financial year, the Company did not issue any option, warrant or convertible securities. However, the Company proposed to implement renounceable rights issue with warrants, bonus issue and an employees' share option scheme, the details of which appeared in the Chairman's Statement on pages 8 and 9.

### 7. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR)

During the financial year, the Company did not sponsor any ADR or GDR programme.



## other compliance statements

### 8. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

### 9. Non-Audit Fees

The non-audit fees paid to the external auditors for the financial year amounts to RM74,000.

### 10. Variation in Results

There is no variance between the results for the financial year and the unaudited results previously announced.

### 11. Profit Guarantee

During the year, there was no profit guarantee given by the Company.

### 12. Material Contracts Involving Directors and Substantial Shareholders

On 31 March 1997, a subsidiary Beribu Ukiran Sdn Bhd ("BUSB") entered into an agreement with Dapan Holdings Sdn Bhd ("DHBS"), a subsidiary of FACB Resorts Berhad ("FACBR"), to acquire a portion of land for development measuring 127.64 acres in the District of Kota Kinabalu, Sabah.

On the same date, the Company and FACBR entered into a shareholders agreement and they hold 60% and 40% equity interests respectively in BUSB.

The purchase consideration to acquire the land is RM45,280,000. The status and other details of the sale and purchase are stated in notes 4 and 17 of the financial statements which appear on pages 49 and 57 of this Annual Report.

Tan Sri Dr Chen Lip Keong, Datuk Wan Kassim bin Ahmed and Tuan Haji Harun bin Haji Faudzar are directors of FACBR whereas Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr Chen Lip Keong. Accordingly, these directors who are Directors of the Company are deemed interested in the sale and purchase of the land.

There were no other material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interest other than as disclosed above.

### 13. Revaluation Policy

The Company does not have a policy of regular revaluation of its landed properties.

### 14. Recurrent Related Party Transactions of A Revenue Nature

There were no material recurrent related party transactions of a revenue nature during the year.

## 5 years group financial highlights

In RM'000	2002	2001	2000	1999	1998
Revenue	<b>185,493</b>	203,798	208,786	161,590	179,962
Profit before taxation	<b>6,941</b>	6,852	30,369	6,920	13,823
Total assets	<b>306,130</b>	299,205	319,019	290,499	303,946
Shareholders' equity	<b>172,992</b>	170,524	167,539	151,714	147,729
Net tangible assets per share (In RM)	<b>2.03</b>	2.00	1.96	1.78	1.73
Net earnings per share (In Sen)	<b>2.90</b>	4.94	20.74	6.06	10.70
Dividend rate – Gross (%)	–	2.00	3.00	1.00	3.00





## list of properties

as at 30 June 2002

Location/Address	Description	Area (M <sup>2</sup> )	Approximate age (year)	Existing use	Tenure	Net book value (RM'000)	Year of revaluation/ acquisition
K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047	24	Factory Premises	Leasehold for 60 years expiring in 2038	1,017	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	22	Factory Premises	Leasehold for 60 years expiring in 2040	1,300	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,046	22	Factory Premises	Leasehold for 60 years expiring in 2040	507	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	16	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	1,098	1991
Lot 4 Persiaran Perusahaan Seksyen 23 Bandar Shah Alam 40000 Shah Alam Selangor Darul Ehsan	Land & Building	81,520	12	Factory & Office Premises	Leasehold for 99 years expiring in 2098	43,339	1992
Country Lease No. 015414972 Mile 13 Tuaran Road District of Kota Kinabalu Sabah	Land held for development	516,541	–	Under development	Leasehold for 999 years expiring in 2905	45,280	1997

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## directors' report

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2002.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management, cash and treasury services to its subsidiaries. The principal activities of the subsidiaries are described in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

In RM	Group	Company
Profit after taxation	<b>4,751,839</b>	<b>350,949</b>
Minority interests	<b>(2,283,483)</b>	<b>–</b>
Net profit attributable to shareholders	<b>2,468,356</b>	<b>350,949</b>

### DIVIDENDS

On 21 December 2001, the Company paid a final dividend of 2% less 28% taxation amounting to RM1,226,340 in respect of the financial year ended 30 June 2001.

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2002 of 2% on 85,162,500 ordinary shares less 28% taxation amounting to a total dividend of RM1,226,340 (1.44 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2003.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the consolidated statement of changes in equity.

### BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amounts written off as bad debts or provided for as doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

### CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.





## directors' report

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or the Company which would render any amount stated in the financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

The significant events are as disclosed in Note 32 to the financial statements.

### DIRECTORS

The directors who served since the date of the last report are:

Y. Bhg. Dato' Sulaiman bin Sujak  
Y. Bhg. Tan Sri Dr Chen Lip Keong  
Y. Bhg. Puan Sri Lee Chou Sarn  
Y. Bhg. Dato' Dr Abdul Razak bin Abdul  
Y. Bhg. Datuk Wan Kassim bin Ahmed (*appointed on 29 March 2002*)  
Leong Choong Wah (*appointed on 2 January 2002*)  
Haji Harun bin Haji Faudzar (*appointed on 1 July 2002*)  
Chua Tiam Wee (*resigned on 1 July 2002; appointed as alternate director to Y. Bhg. Puan Sri Lee Chou Sarn on 1 July 2002*)  
Y. Bhg. Tan Sri Dato' Seri Megat Junid bin Megat Ayob (*resigned on 1 July 2002*)  
Y. Bhg. Dato' Nik Kamaruddin bin Ismail (*resigned on 1 July 2002*)  
Y. Bhg. Dato' Kalimullah bin Masheerul Hassan (*resigned on 1 July 2002*)



## directors' report

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 24 to 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.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1 July 2001	Bought	Sold	30 June 2002
<b>Indirect interest</b>				
Y. Bhg. Tan Sri Dr Chen Lip Keong	17,430,493	–	–	<b>17,430,493</b>
Y. Bhg. Puan Sri Lee Chou Sarn	17,430,493	–	–	<b>17,430,493</b>

Y. Bhg. Tan Sri Dr Chen Lip Keong and Y. Bhg. Puan Sri Lee Chou Sarn by virtue of their interest in shares in the Company, are also deemed interested in shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

### AUDITORS

Our auditors, Arthur Andersen & Co., retire and do not seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors

**DATO' DR ABDUL RAZAK BIN ABDUL**

**LEONG CHOONG WAH**

Kuala Lumpur

Dated: 8 October 2002



## statement by directors

We, **DATO' DR ABDUL RAZAK BIN ABDUL** and **LEONG CHOONG WAH**, being two of the directors of **FACB INDUSTRIES INCORPORATED BERHAD**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 33 to 65 give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2002 and of their results and their cash flows for the year then ended and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors

**DATO' DR ABDUL RAZAK BIN ABDUL**

**LEONG CHOONG WAH**

Kuala Lumpur  
Dated: 8 October 2002

## statutory declaration

I, **LEONG CHOONG WAH**, the director primarily responsible for the financial management of **FACB INDUSTRIES INCORPORATED BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 33 to 65 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the	)	
abovenamed <b>LEONG CHOONG WAH</b>	)	
at Kuala Lumpur in Wilayah Persekutuan	)	
on 8 October 2002	)	<b>LEONG CHOONG WAH</b>

Before me:

**TEE KIAN @ TEE SING** PPN, No. W 193  
Commissioner for Oaths



## auditors' report

To the Shareholders of

**FACB INDUSTRIES INCORPORATED BERHAD**

We have audited the financial statements set out on pages 33 to 65. 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. Those 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
  - (i) the state of affairs of the Group and the Company as at 30 June 2002 and of their results and their cash flows for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 the auditors' reports of all the subsidiaries of which we have not acted as auditors, as included in Note 5 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 subsidiaries 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 required by us for these purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any adverse comment made under subsection (3) of Section 174 of the Act.

**ARTHUR ANDERSEN & CO.**

No. AF 0103

Chartered Accountants

**WONG KANG HWEE**

No. 1116/01/04(J)

Partner of the Firm

Dated: 8 October 2002



# consolidated balance sheet

as at 30 June 2002

In RM	Note	2002	2001
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	68,678,281	70,785,964
Land held for development	4	41,877,211	40,452,012
Investments in associated companies	6	9,761,469	10,163,251
Other investments	7	60,200	60,200
		<b>120,377,161</b>	121,461,427
<b>CURRENT ASSETS</b>			
Land and development expenditure	8	8,417,211	8,417,211
Inventories	9	70,585,210	77,635,293
Trade receivables	10	52,012,040	42,149,796
Other receivables	11	17,865,138	5,435,863
Due from associated companies		2,250,523	784,037
Due from affiliated companies		103,692	5,322
Deposits with licensed financial institutions and short term investment	13	33,216,863	41,603,930
Cash and bank balances		1,301,928	1,712,093
		<b>185,752,605</b>	177,743,545
<b>CURRENT LIABILITIES</b>			
Short term borrowings	14	29,394,222	28,847,819
Trade payables		9,145,979	9,205,375
Other payables	15	28,388,050	19,658,048
Taxation		1,966,763	3,710,352
Proposed dividends		–	1,226,340
		<b>68,895,014</b>	62,647,934
<b>NET CURRENT ASSETS</b>		<b>116,857,591</b>	115,095,611
		<b>237,234,752</b>	236,557,038
<b>FINANCED BY:</b>			
Share capital	16	85,162,500	85,162,500
Reserves		87,829,676	85,361,320
Shareholders' equity		<b>172,992,176</b>	170,523,820
Minority interests		42,445,650	39,458,448
		<b>215,437,826</b>	209,982,268
Long term obligation	17	16,980,000	19,111,384
Long term borrowings	18	2,984,006	5,689,171
Deferred taxation	19	1,832,920	1,774,215
Non-current liabilities		<b>21,796,926</b>	26,574,770
		<b>237,234,752</b>	236,557,038

The accompanying notes are an integral part of this balance sheet.



# consolidated income statement

for the year ended 30 June 2002

In RM	Note	2002	2001
Revenue	22	<b>185,493,329</b>	203,797,622
Cost of sales	23	<b>(157,096,714)</b>	(177,668,155)
Gross profit		<b>28,396,615</b>	26,129,467
Other operating income		<b>2,451,578</b>	4,292,258
Distribution costs		<b>(7,882,107)</b>	(7,638,883)
Administrative expenses		<b>(12,186,705)</b>	(10,542,239)
Other operating expenses		<b>(3,974,345)</b>	(4,727,585)
Profit from operations	24	<b>6,805,036</b>	7,513,018
Finance costs	25	<b>(1,276,948)</b>	(2,118,100)
Share of results of associated companies		<b>1,412,870</b>	1,456,800
Profit before taxation		<b>6,940,958</b>	6,851,718
Taxation	26	<b>(2,189,119)</b>	(1,791,515)
Profit after taxation		<b>4,751,839</b>	5,060,203
Minority interests		<b>(2,283,483)</b>	(849,317)
Net profit attributable to shareholders		<b>2,468,356</b>	4,210,886
Earnings per share (sen)	28	<b>2.9</b>	4.9

The accompanying notes are an integral part of this statement.



# consolidated statement of changes in equity

for the year ended 30 June 2002

	← Non-distributable →			→ Distributable		
In RM	Share capital	Share premium	Translation reserve	Reserves of subsidiaries*	Retained profits	Total
At 1 July 2000	85,162,500	28,989,335	971,741	103,598	52,312,100	167,539,274
Transfer	–	–	–	19,018	(19,018)	–
Net profit for the year	–	–	–	–	4,210,886	4,210,886
Dividends (Note 27)	–	–	–	–	(1,226,340)	(1,226,340)
At 30 June 2001	85,162,500	28,989,335	971,741	122,616	55,277,628	170,523,820
At 1 July 2001	<b>85,162,500</b>	<b>28,989,335</b>	<b>971,741</b>	<b>122,616</b>	<b>55,277,628</b>	<b>170,523,820</b>
Transfer	–	–	–	<b>7,646</b>	<b>(7,646)</b>	–
Net profit for the year	–	–	–	–	<b>2,468,356</b>	<b>2,468,356</b>
At 30 June 2002	<b>85,162,500</b>	<b>28,989,335</b>	<b>971,741</b>	<b>130,262</b>	<b>57,738,338</b>	<b>172,992,176</b>

\* The reserves of the subsidiaries incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements there and are not distributable as cash dividends.

The accompanying notes are an integral part of this statement.





# consolidated cash flow statement

for the year ended 30 June 2002

In RM	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,940,958	6,851,718
Adjustments for:		
Bad debts written off	1,583	–
Share of results of associated companies	(1,412,870)	(1,456,800)
Provision for/(write back of) doubtful debts	176,909	(836,410)
Write down/(reversal) of inventories	161,996	(306,468)
Depreciation	6,059,545	8,024,273
Interest expense	1,276,948	2,118,100
Interest income	(1,387,162)	(1,337,408)
Intangible assets written off	–	244,415
Property, plant and equipment written off	14,796	20,517
Gain on disposal of property, plant and equipment	(504,429)	(29,124)
Unrealised gain on foreign exchange	(4,511)	–
Operating profit before working capital changes	11,323,763	13,292,813
(Increase)/decrease in receivables	(10,595,712)	9,888,633
Decrease in inventories	6,888,087	13,074,354
(Increase)/decrease in amount due from affiliated companies	(98,370)	111,891
Increase/(decrease) in payables	761,658	(193,355)
Cash generated from operations	8,279,426	36,174,336
Taxes paid	(4,062,068)	(3,940,249)
Interest paid	(1,279,069)	(2,086,620)
Net cash generated from operating activities	2,938,289	30,147,467
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proposed acquisition of shares in a subsidiary (Note 32(b))	(11,000,000)	–
Expenses incurred for land held for development	(1,425,199)	(1,969,597)
Purchase of property, plant and equipment	(3,995,912)	(1,725,847)
Purchase of short term investment	–	(4,000,000)
Proceeds from maturity of short term investment	4,000,000	–
Proceeds from disposal of property, plant and equipment	103,683	1,192,447
Refund by land vendor	5,792,616	–
Repayment of long term obligation	–	(9,188,616)
Interest received	1,495,172	1,390,134
Dividends received from associated companies	410,893	1,725,577
Net cash used in investing activities	(4,618,747)	(12,575,902)



# consolidated cash flow statement

for the year ended 30 June 2002

In RM	2002	2001
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(1,226,340)	(1,839,510)
Drawdown of term loans	450,000	2,283,297
Repayment of term loans	(3,002,398)	(2,375,751)
Drawdown of short term borrowings	1,531,000	–
Repayment of short term borrowings	(700,000)	(11,482,000)
Repayment of hire purchase financing	(88,456)	(177,158)
Proceeds from issuance of shares in a subsidiary to a minority shareholder	360,000	–
Dividend paid to minority shareholder by a subsidiary	(91,666)	(45,156)
Net cash used in financing activities	(2,767,860)	(13,636,278)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,448,318)</b>	3,935,287
<b>CASH AND CASH EQUIVALENTS AT 1 JULY 2001/2000</b>	<b>38,255,058</b>	34,319,771
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2002/2001</b>	<b>33,806,740</b>	38,255,058
Cash and cash equivalents comprise:		
Cash and bank balances	1,301,928	1,712,093
Deposits with licensed financial institutions	33,216,863	37,603,930
Bank overdrafts (Note 14)	(712,051)	(1,060,965)
	<b>33,806,740</b>	38,255,058

Cash and cash equivalents at the end of the year include deposits of RM29,114,000 (2001: RM29,114,000) placed with financial institutions which are not freely remissible to the Group as disclosed in Note 13 to the financial statements.

The accompanying notes are an integral part of this statement.



# balance sheet

as at 30 June 2002

In RM	Note	2002	2001
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	266,275	343,468
Investments in subsidiaries	5	33,275,638	32,735,638
Other investments	7	60,200	60,200
		<b>33,602,113</b>	33,139,306
<b>CURRENT ASSETS</b>			
Other receivables	11	12,662,808	1,120,149
Due from subsidiaries	12	63,553,887	76,352,607
Deposits with licensed financial institutions and short term investment	13	29,540,838	29,470,139
Cash and bank balances		10,599	23,587
		<b>105,768,132</b>	106,966,482
<b>CURRENT LIABILITIES</b>			
Short term borrowings	14	–	59,500
Other payables	15	546,921	311,573
Proposed dividends		–	1,226,340
		<b>546,921</b>	1,597,413
<b>NET CURRENT ASSETS</b>		<b>105,221,211</b>	105,369,069
		<b>138,823,324</b>	138,508,375
<b>FINANCED BY:</b>			
Share capital	16	85,162,500	85,162,500
Reserves		53,651,824	53,300,875
Shareholders' equity		<b>138,814,324</b>	138,463,375
Deferred taxation	19	9,000	45,000
		<b>138,823,324</b>	138,508,375

The accompanying notes are an integral part of this balance sheet.



## income statement

for the year ended 30 June 2002

In RM	Note	2002	2001
Revenue	22	<b>260,000</b>	260,000
Other operating income		<b>3,093,907</b>	6,959,812
Administrative expenses		<b>(2,053,080)</b>	(1,905,595)
Other operating expenses		<b>(698,028)</b>	(847,578)
Profit from operations	24	<b>602,799</b>	4,466,639
Finance costs	25	<b>(17,850)</b>	(43,759)
Profit before taxation		<b>584,949</b>	4,422,880
Taxation	26	<b>(234,000)</b>	(933,183)
Net profit for the year		<b>350,949</b>	3,489,697

The accompanying notes are an integral part of this statement.

# statement of changes in equity

for the year ended 30 June 2002

In RM	← Non-distributable →				Distributable	Total
	Share capital	Share premium	Revaluation reserve	Retained profits		
At 1 July 2000	85,162,500	28,989,335	4,424,349	17,623,834		136,200,018
Net profit for the year	–	–	–	3,489,697		3,489,697
Dividends (Note 27)	–	–	–	(1,226,340)		(1,226,340)
At 30 June 2001	85,162,500	28,989,335	4,424,349	19,887,191		138,463,375
At 1 July 2001	<b>85,162,500</b>	<b>28,989,335</b>	<b>4,424,349</b>	<b>19,887,191</b>		<b>138,463,375</b>
Net profit for the year	–	–	–	<b>350,949</b>		<b>350,949</b>
At 30 June 2002	<b>85,162,500</b>	<b>28,989,335</b>	<b>4,424,349</b>	<b>20,238,140</b>		<b>138,814,324</b>

The accompanying notes are an integral part of this statement.



# cash flow statement

for the year ended 30 June 2002

In RM	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	584,949	4,422,880
Adjustments for:		
Depreciation	108,436	227,390
Property, plant and equipment written off	14,195	–
Interest income	(3,092,121)	(6,953,001)
Interest expense	17,850	43,759
Operating loss before working capital changes	(2,366,691)	(2,258,972)
Increase in receivables	(187,263)	(12,582)
Increase/(decrease) in payables	235,348	(46,861)
Cash used in operations	(2,318,606)	(2,318,415)
Taxes paid	(733,326)	(2,801,387)
Interest paid	(17,850)	(43,759)
Net cash used in operating activities	(3,069,782)	(5,163,561)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proposed acquisition of shares in a subsidiary (Note 32(b))	(11,000,000)	–
Subscription of shares in a subsidiary	(540,000)	–
Purchase of property, plant and equipment	(53,698)	(33,120)
Interest received	2,197,889	5,487,758
Net cash (used in)/generated from investing activities	(9,395,809)	5,454,638
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment by/(advances to) subsidiaries	13,809,142	(1,454,172)
Repayment of hire purchase financing	(59,500)	(148,172)
Dividends paid	(1,226,340)	(1,839,510)
Net cash generated from/(used in) financing activities	12,523,302	(3,441,854)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	57,711	(3,150,777)
<b>CASH AND CASH EQUIVALENTS AT 1 JULY 2001/2000</b>	29,493,726	32,644,503
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2002/2001</b>	29,551,437	29,493,726
Cash and cash equivalents comprise:		
Cash and bank balances	10,599	23,587
Deposits with licensed financial institutions	29,540,838	29,470,139
	29,551,437	29,493,726

Cash and cash equivalents at the end of the year include deposits of RM29,114,000 (2001: RM29,114,000) placed with financial institutions which are not freely remissible to the Company as disclosed in Note 13 to the financial statements.

The accompanying notes are an integral part of this statement.



# notes to the financial statements

for the year ended 30 June 2002

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are investment holding and the provision of management, cash and treasury services to its subsidiaries. The principal activities of the subsidiaries are described in Note 5. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The number of employees in the Group and the Company at the end of the financial year were 979 (2001 : 895) and 15 (2001 : 19) respectively.

The financial statements have been authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 October 2002.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention modified by the revaluation of the investments in certain subsidiaries and certain land and buildings of the Group, unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Revenue Recognition

#### (i) Sale of Goods

Sales of goods are recognised on invoice value net of discounts when transfer of risks and reward has been completed.

#### (ii) Dividend Income

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

#### (iii) Interest Income

Interest income is recognised on an accrual basis.

### (c) Basis of Consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using the acquisition method of accounting.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

### (d) Associated Companies

The Group treats as associated companies those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies.



## notes to the financial statements

for the year ended 30 June 2002

### (d) Associated Companies (cont'd)

The Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

### (e) Investments

Investments in subsidiaries, associated companies and other investments are stated at cost or directors' valuation less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

The Group does not have the intention to revalue the investment on a periodic basis and the previous revaluation was an exercise performed solely for the corporate exercise undertaken by the Group in 1992.

### (f) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date unless hedged by forward exchange contracts, in which case the rate specified in such forward contracts are used. All exchange differences are taken to the income statement.

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

In RM	2002	2001
US Dollar (USD)	3.80	3.80
Renminbi (RMB)	0.45	0.45
Singapore Dollar (S\$)	2.15	2.08
Australian Dollar (AUD)	2.14	1.92
Euro (EURO)	3.76	3.20
Japanese Yen (JPY)	0.03	0.03

### (g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.





## notes to the financial statements

for the year ended 30 June 2002

### (g) Property, Plant and Equipment and Depreciation (cont'd)

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the assets that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

The Group does not have a policy of regular revaluations of its assets. As permitted under the transitional provisions of International Accounting Standards No. 16 (Revised) : Property, Plant and Equipment as adopted by the Malaysian Accounting Standards Board, these assets are stated at their respective valuation less accumulated depreciation.

Leasehold land is depreciated over the remaining period of the lease ranging from 50 years to 99 years. The short term leasehold land of the Group has an unexpired lease period of 50 years. The long term leasehold land of the Group has an unexpired lease period of more than 50 years.

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the following estimated useful lives at the following annual rates:

Buildings	2%
Plant and machinery	9% - 18%
Office equipment, furniture, fittings, renovations and motor vehicles	10% - 20%

### (h) Land and Development Expenditure

Land and development expenditure consists of cost of land which is currently under active development and is expected to be completed within the normal operating cycle. Development expenditure incurred to date include borrowing costs and a proportion of estimated profit attributable to development work performed to date, less progress payments received and receivable.

Where foreseeable losses on development projects are anticipated, full provision for these losses is made in the financial statements.

### (i) Land Held for Development

Land held for development consists of land held for future development and where no significant development has been undertaken and is stated at cost. Cost includes cost of land and attributable development expenditure. Such assets are transferred to land and development expenditure when significant development work have been undertaken and are expected to be completed within the normal operating cycle.

### (j) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

Cost of raw materials, spare parts and consumables are determined on the weighted average basis.

Cost of finished goods and work-in-progress include the cost of raw materials, direct labour and appropriate production overheads which are determined on a first-in, first-out basis.



# notes to the financial statements

for the year ended 30 June 2002

**(k) Deferred Taxation**

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

**(l) Hire Purchase**

The cost of property, plant and equipment acquired under the hire purchase agreements are capitalised in the financial statements and are depreciated in accordance with the policy set out in (g) above. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statement over the period of the respective agreements using the sum-of-digits method.

**(m) Trade and Other Receivables**

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

**(n) Affiliated Company**

A company which has common directors with the Company is considered as an affiliated company.

**(o) Interest Capitalisation**

Interest relating to land held for development is capitalised during the period of active development and until they are ready for their intended purpose.

**(p) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at banks and deposits, net of outstanding bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(q) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

# notes to the financial statements

for the year ended 30 June 2002

## 3. PROPERTY, PLANT AND EQUIPMENT

Group

In RM	Leasehold land and buildings*	Plant and machinery	Office equipment, furniture, fittings, renovations and motor vehicles	Total
<b>Valuation/Cost</b>				
At 1 July 2001	57,346,768	68,334,908	7,612,694	133,294,370
Additions	–	3,764,675	231,237	3,995,912
Disposals	–	(365,293)	(154,734)	(520,027)
Write-offs	–	–	(34,718)	(34,718)
At 30 June 2002	57,346,768	71,734,290	7,654,479	136,735,537
Representing:				
At cost	11,206,768	71,734,290	7,654,479	90,595,537
At valuation	46,140,000	–	–	46,140,000
	57,346,768	71,734,290	7,654,479	136,735,537
<b>Accumulated depreciation</b>				
At 1 July 2001	9,117,651	47,312,113	6,078,642	62,508,406
Charge for the year	967,432	4,614,038	478,075	6,059,545
Disposals	–	(343,168)	(147,605)	(490,773)
Write-offs	–	–	(19,922)	(19,922)
At 30 June 2002	10,085,083	51,582,983	6,389,190	68,057,256
<b>Net book value</b>				
At 30 June 2002	47,261,685	20,151,307	1,265,289	68,678,281
At 30 June 2001	48,229,117	21,022,795	1,534,052	70,785,964
Depreciation charge for 2001	967,430	6,437,034	619,809	8,024,273

# notes to the financial statements

for the year ended 30 June 2002

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

\* Leasehold land and buildings

In RM	Long term leasehold land	Short term leasehold land	Buildings	Total
<b>Valuation/Cost</b>				
At 1 July 2001/30 June 2002	18,110,267	1,300,000	37,936,501	57,346,768
Representing:				
At cost	560,267	–	10,646,501	11,206,768
At valuation	17,550,000	1,300,000	27,290,000	46,140,000
	18,110,267	1,300,000	37,936,501	57,346,768
<b>Accumulated depreciation</b>				
At 1 July 2001	1,693,097	246,288	7,178,266	9,117,651
Charge for the year	182,932	25,770	758,730	967,432
At 30 June 2002	1,876,029	272,058	7,936,996	10,085,083
<b>Net book value</b>				
At 30 June 2002	16,234,238	1,027,942	29,999,505	47,261,685
At 30 June 2001	16,417,170	1,053,712	30,758,235	48,229,117
Depreciation charge for 2001	182,930	25,769	758,731	967,430

### Company

In RM	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
<b>Cost</b>					
At 1 July 2001	230,317	877,246	33,730	291,683	1,432,976
Additions	10,720	–	1,320	41,658	53,698
Write-offs	(22,520)	–	–	(7,898)	(30,418)
Transfer	(17,700)	–	–	–	(17,700)
At 30 June 2002	200,817	877,246	35,050	325,443	1,438,556

# notes to the financial statements

for the year ended 30 June 2002

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company

In RM	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
<b>Accumulated depreciation</b>					
At 1 July 2001	113,239	828,245	4,613	143,411	1,089,508
Charge for the year	21,311	48,999	6,988	31,138	108,436
Write-offs	(12,010)	–	–	(4,213)	(16,223)
Transfer	(9,440)	–	–	–	(9,440)
At 30 June 2002	113,100	877,244	11,601	170,336	1,172,281
<b>Net book value</b>					
At 30 June 2002	87,717	2	23,449	155,107	266,275
At 30 June 2001	117,078	49,001	29,117	148,272	343,468
Depreciation charge for 2001	23,031	170,628	4,562	29,169	227,390

- (a) Certain property, plant and equipment of the Group with net book value of RM9,585,990 (2001 : RM11,095,449) have been charged to banks for loan facilities granted as disclosed in Notes 14 and 18.
- (b) The leasehold land and buildings of the Group were separately revalued by professional valuers on an open market basis using the comparison method of valuation in the following years:

In RM	Group
June 1982	250,120
November 1991	4,739,880
March 1992	41,150,000
	46,140,000

The net book value of the revalued land and buildings of the Group as at 30 June 2002 is RM38,196,509 (2001: RM38,897,913). Had the revalued land and buildings been carried at historical cost less accumulated depreciation, the net book value of the land and buildings that would have been included in the financial statements of the Group as at 30 June 2002 would be RM18,010,288 (2001 : RM19,018,366).

- (c) Included in property, plant and equipment of the Group and the Company in prior year were motor vehicles with net book value of RM78,517 and RM49,000 held under hire purchase arrangements.

# notes to the financial statements

for the year ended 30 June 2002

## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) Included in property, plant and equipment of the Group and the Company are the following costs of fully depreciated assets which are still in use:

In RM	Group		Company	
	2002	2001	2002	2001
Plant and machinery	<b>30,738,887</b>	20,719,629	–	–
Office equipment	<b>1,370,183</b>	1,239,703	–	–
Furniture and fittings	<b>129,593</b>	108,008	–	–
Renovations	<b>107,250</b>	107,250	–	–
Motor vehicles	<b>3,281,208</b>	2,573,747	<b>877,246</b>	289,246
	<b>35,627,121</b>	24,748,337	<b>877,246</b>	289,246

## 4. LAND HELD FOR DEVELOPMENT

In RM	Group	
	2002	2001
Leasehold land, at cost	<b>37,523,536</b>	37,523,536
Development expenditure	<b>4,353,675</b>	2,928,476
	<b>41,877,211</b>	40,452,012

Included in development expenditure are interest capitalised for the year of RM479,354 (2001: RM992,054).

This represents a portion of leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah which is being acquired by a subsidiary for development purposes. The land title has not been sub-divided as at the end of the financial year and is in the name of the vendor.

## 5. INVESTMENTS IN SUBSIDIARIES

In RM	Company	
	2002	2001
Unquoted shares:		
At cost	<b>17,456,101</b>	16,916,101
At directors' valuation	<b>15,919,537</b>	15,919,537
	<b>33,375,638</b>	32,835,638
Provision for diminution in value	<b>(100,000)</b>	(100,000)
	<b>33,275,638</b>	32,735,638

# notes to the financial statements

for the year ended 30 June 2002

## 5. INVESTMENTS IN SUBSIDIARIES (cont'd)

Unquoted shares in certain subsidiaries were valued in May 1992 by the directors based on the net tangible asset values of these subsidiaries as approved by the relevant authorities.

(a) Details of the subsidiaries, which are incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Equity Interests		Paid-up Capital		Principal Activities
	2002 %	2001 %	2002 RM	2001 RM	
Kanzen Tetsu Sdn. Bhd.	70	70	10,000,000	10,000,000	Manufacture and sale of stainless steel pipes and stainless steel pipe fittings
Held by Kanzen Tetsu Sdn. Bhd.					
Kanzen Kagu Sdn. Bhd.	70	70	1,000,000	1,000,000	Manufacture and sale of carbon steel pipes
Kanzen Marketing Sdn. Bhd.	70	70	2	2	Dormant
Restonic (M) Sdn. Bhd.	50+1*	50+1*	** 24,499,999	** 24,499,999	Investment holding
Held by Restonic (M) Sdn. Bhd.					
Dreamland Corporation (Malaysia) Sdn. Bhd.	50+1*	50+1*	4,000,000	4,000,000	Wholesale dealership of mattresses, furniture and related accessories
Dreamland Spring Manufacturing Sdn. Bhd.	50+1*	50+1*	3,300,000	3,300,000	Manufacture and wholesale dealership of mattresses
Eurocoir Products Sdn. Bhd.	50+1*	50+1*	2,000,000	2,000,000	Manufacture and sale of polyester fibre and polyester pillows and bolsters
Dream Products Sdn. Bhd.	50+1*	50+1*	243,100	243,100	Manufacture and sale of synthetic foam, bedding coordinates and related accessories



# notes to the financial statements

for the year ended 30 June 2002

## 5. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Company	Equity Interests		Paid-up Capital		Principal Activities
	2002 %	2001 %	2002 RM	2001 RM	
Dream Crafts Sdn. Bhd.	<b>50+1*</b>	50+1*	<b>100,000</b>	100,000	Marketing and sales promotion of furniture, mattresses and related accessories
Sleepmaker Sdn. Bhd.	<b>50+1*</b>	50+1*	<b>20</b>	20	Marketing and distributing of mattresses
@ Dreamland (Singapore) Pte. Ltd.	<b>50+1*</b>	50+1*	<b>S\$200,000</b>	S\$200,000	Dormant
Dreamland Spring Sdn. Bhd.	<b>100</b>	100	<b>5,000</b>	5,000	Investment holding
Held by Dreamland Spring Sdn. Bhd.					
*** Dreamland Qingdao Pte. Ltd.	<b>51</b>	51	<b>USD600,000</b>	USD600,000	Manufacture and marketing of the Dreamland range of mattresses
Held by Dreamland Qingdao Pte. Ltd.					
*** Qingdao Jinshanchuan Steel Tube Products Co. Ltd.	<b>26.01</b>	–	<b>RMB500,000</b>	–	Manufacture of metal furniture and furniture component parts
*** Dreamland Xian Pte. Ltd.	<b>52</b>	52	<b>USD837,600</b>	USD837,600	Manufacture and marketing of the Dreamland range of mattresses
*** Nantong Dreamland Steel Products Co. Ltd.	<b>55</b>	55	<b>RMB3,500,000</b>	RMB3,500,000	Manufacture and sale of steel wire products
Kanzen Ventures Sdn. Bhd.	<b>100</b>	100	<b>2</b>	2	Investment holding
Held by Kanzen Ventures Sdn. Bhd.					
Kanzen Energy Ventures Sdn. Bhd.	<b>55</b>	55	<b>5,000,000</b>	5,000,000	Investment holding



# notes to the financial statements

for the year ended 30 June 2002

## 5. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of Company	Equity Interests		Paid-up Capital		Principal Activities
	2002 %	2001 %	2002 RM	2001 RM	
Kanzen Management Sdn. Bhd.	100	100	100,000	100,000	Providing management and secretarial services
Beribu Ukiran Sdn. Bhd.	60	60	1,000,000	100,000	Property development
Dream Tours Sdn. Bhd.	100	100	1,000,000	1,000,000	Dormant
Kanzen Shindo Sdn. Bhd.	70	70	10	10	Dormant
Kanzen Chuzoo Sdn. Bhd.	100	100	2	2	Dormant
Kanzen Properties Sdn. Bhd.	100	100	2	2	Dormant
Creation Holdings Berhad	100	100	2	2	Dormant
Estasi Stainlessware Sdn. Bhd.	100	100	2	2	Dormant
Kanzen Hartanah Sdn. Bhd.	100	100	2	2	Dormant
Kanzen Land Sdn. Bhd.	100	100	2	2	Dormant

(b) All the subsidiaries have a financial year end of 30 June except for subsidiaries incorporated in The People's Republic of China, of which the financial year end is at 31 December.

(c) The financial statements of the subsidiaries incorporated in The People's Republic of China namely Dreamland Qingdao Pte. Ltd., Qingdao Jinshanchuan Steel Tube Products Co. Ltd., Dreamland Xian Pte. Ltd. and Nantong Dreamland Steel Products Co. Ltd. are consolidated based on the audited financial statements for the financial year ended 31 December 2001 and management financial statements for the six months ended 30 June 2002.

\* The equity interests of the Company is 50% plus one share. These companies are not audited by Arthur Andersen & Co.

\*\* The paid-up capital of Restonic (M) Sdn. Bhd. comprises:

In RM

Ordinary "A" shares	12,250,000
Ordinary "B" shares	5,249,999
Preference shares	7,000,000
	<b>24,499,999</b>

The Ordinary "A" shares and Ordinary "B" shares carry the same rights with respect to each other in the equity share capital of the company.

# notes to the financial statements

for the year ended 30 June 2002

## 5. INVESTMENTS IN SUBSIDIARIES (cont'd)

The preference shares at a fixed non-cumulative rate of 0.001% per annum are irredeemable and rank for preferential dividend in priority to all other classes of shares in the capital of the company and can participate in any distribution of dividends by the company and in the event of the company being wound up, participate in the distribution of capital. The preference shares do not entitle the holders to vote at any general meeting of the company.

\*\*\* Incorporated in The People's Republic of China; not audited by Arthur Andersen & Co.

@ Incorporated in Singapore.

## 6. INVESTMENTS IN ASSOCIATED COMPANIES

In RM	2002	Group 2001
Unquoted shares, at cost	<b>8,849,713</b>	8,849,713
Group's share of post acquisition reserves	<b>911,756</b>	1,313,538
	<b>9,761,469</b>	10,163,251
Represented by:		
Share of net tangible assets	<b>9,761,469</b>	10,163,251

The associated companies, all of which are incorporated in The People's Republic of China, are as follows:

Name of Company	Effective Interests 2002 %	2001 %	Paid-up Capital USD	Principal Activities
Dreamland Tianjin Pte. Ltd.	<b>40</b>	40	1,280,497 )	Manufacture and
Dreamland Shanghai Pte. Ltd.	<b>40</b>	40	800,000 )	marketing of spring
Dreamland Dalian Pte. Ltd.	<b>40</b>	40	860,000 )	mattresses, metal
Dreamland Lianyungang Pte. Ltd.	<b>40</b>	40	700,000 )	furniture and wooden
Dreamland Jiujiang Pte. Ltd.	<b>41.6</b>	41.6	350,000 )	furniture.
Jiangyin Bingjiang Power Supply Co. Ltd.	<b>16.5</b>	16.5	5,911,000	Supply of electricity and steam.

The Group equity accounted for its share of post acquisition reserves of the associated companies based on audited financial statements for the financial year ended 31 December 2001 and management financial statements for the six months ended 30 June 2002.

The Group has excluded its share of loss after taxation of an associated company amounting to RM61,347 (2001 : RM117,361) from the financial statements following the discontinuation of the equity accounting of the results of the associated company as the carrying amount of this investment has reached nil.

# notes to the financial statements

for the year ended 30 June 2002

## 7. OTHER INVESTMENTS

In RM	Group and Company 2002	2001
At cost		
Unquoted shares, in Malaysia	56,500	56,500
Quoted shares, in Malaysia	3,700	3,700
	60,200	60,200
Market value of quoted shares	1,170	1,340

Provision for diminution in value of investment has not been made as the directors are of the opinion that the diminution is temporary in nature.

## 8. LAND AND DEVELOPMENT EXPENDITURE

In RM	Group 2002	2001
Leasehold land - at cost	7,756,464	7,756,464
Development expenditure	660,747	660,747
	8,417,211	8,417,211

## 9. INVENTORIES

In RM	Group 2002	2001
At cost:		
Raw materials	30,944,733	29,177,188
Work-in-progress	12,466,205	13,898,132
Finished goods	22,052,797	27,267,863
Spare parts and consumables	325,081	359,423
	65,788,816	70,702,606
At net realisable value:		
Finished goods	4,796,394	6,932,687
	70,585,210	77,635,293

During the year, the Group reversed RM14,004 (2001 : RM885,359), being part of inventories written down in prior year that was subsequently not required.

# notes to the financial statements

for the year ended 30 June 2002

## 10. TRADE RECEIVABLES

In RM	2002	Group 2001
Trade receivables	<b>54,714,136</b>	45,037,445
Provision for doubtful debts	<b>(2,702,096)</b>	(2,887,649)
	<b>52,012,040</b>	42,149,796

## 11. OTHER RECEIVABLES

In RM	2002	Group 2001	Company 2002	Company 2001
Tax recoverable	<b>1,613,039</b>	1,059,841	<b>1,241,756</b>	778,430
Deposits	<b>11,326,062</b>	367,475	<b>11,092,250</b>	105,775
Prepayments	<b>1,207,238</b>	1,316,787	<b>218,951</b>	18,163
Sundry receivables	<b>3,722,399</b>	2,695,360	<b>109,851</b>	217,781
Provision for doubtful debts	<b>(3,600)</b>	(3,600)	–	–
	<b>17,865,138</b>	5,435,863	<b>12,662,808</b>	1,120,149

Included in deposits of the Group and the Company is an amount of RM11,000,000 (2001 : Nil) being purchase consideration for the acquisition of the remaining 30% equity interest in Kanzen Tetsu Sdn. Bhd..

Included in prepayments of the Group and the Company is auditors' remuneration amounting to RM74,000 (2001 : Nil).

## 12. DUE FROM SUBSIDIARIES

In RM	2002	Company 2001
Due from subsidiaries		
- Interest-free	<b>12,179,361</b>	12,390,949
- Interest-bearing	<b>51,574,526</b>	64,161,658
Provision for doubtful debts	<b>(200,000)</b>	(200,000)
	<b>63,553,887</b>	76,352,607

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. The amounts bear interest ranging between 2.50% to 4.00% (2001 : 9.50%) per annum.

# notes to the financial statements

for the year ended 30 June 2002

## 13. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS AND SHORT TERM INVESTMENT

In RM	Group 2002	2001	Company 2002	2001
Deposits with licensed financial institutions:				
Banks	17,524,457	20,254,994	13,848,432	12,121,203
Finance companies	15,692,406	17,348,936	15,692,406	17,348,936
	33,216,863	37,603,930	29,540,838	29,470,139
Short term investment	–	4,000,000	–	–
	33,216,863	41,603,930	29,540,838	29,470,139

The short term investment relating to placements with an insurance company matured during the financial year.

Included in deposits of the Group and the Company is an amount of RM29,114,000 (2001 : RM29,114,000) being balance of unutilised rights issue proceeds placed with financial institutions which are reserved for long term investments to be identified.

## 14. SHORT TERM BORROWINGS

In RM	Group 2002	2001	Company 2002	2001
<b>Secured</b>				
Term loans due within twelve months (Note 18)	3,155,171	3,002,398	–	–
Hire purchase payables (Note 21)	–	88,456	–	59,500
	3,155,171	3,090,854	–	59,500
<b>Unsecured</b>				
Bank overdrafts	712,051	1,060,965	–	–
Time loan	200,000	500,000	–	–
Bankers' acceptances	25,327,000	24,196,000	–	–
	26,239,051	25,756,965	–	–
	29,394,222	28,847,819	–	59,500

Bank overdrafts and bankers' acceptances of subsidiaries amounting to RM659,562 (2001 : RM635,697) and RM25,327,000 (2001 : RM23,796,000) respectively are guaranteed by the Company and subject to a negative pledge on the property, plant and equipment of the subsidiaries as disclosed in Note 3(a).

The borrowings bear interest ranging between 3.80% to 8.50% (2001 : 4.00% to 10.00%) per annum.

The bankers' acceptances bear interest ranging between 3.10% to 3.50% (2001 : 3.20% to 4.60%) per annum.

# notes to the financial statements

for the year ended 30 June 2002

## 15. OTHER PAYABLES

In RM	2002	Group 2001	2002	Company 2001
Due to a company with common directors*	<b>8,745,490</b>	10,943,183	–	–
Due to vendor for acquisition of land held for development (Note 17)	<b>7,924,000</b>	–	–	–
Sundry payables	<b>4,368,836</b>	4,230,107	<b>155,689</b>	77,391
Accruals	<b>7,349,724</b>	4,484,758	<b>391,232</b>	234,182
	<b>28,388,050</b>	19,658,048	<b>546,921</b>	311,573

\* This is in respect of the joint-venture company's share of contribution pursuant to the sale and purchase agreement referred to in Note 17.

## 16. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2002	2001	Amount 2002 RM	2001 RM
Authorised:				
At beginning/end of the year	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Issued and fully paid:				
At beginning/end of the year	<b>85,162,500</b>	85,162,500	<b>85,162,500</b>	85,162,500

## 17. LONG TERM OBLIGATION

Long term obligation is in respect of the acquisition of land held for development, referred to in Note 4, from a company in which certain directors of the Company have interest. The obligation is payable in accordance with the terms and conditions of the sale and purchase agreement as follows:

In RM	2002	Group 2001
Within 24 months from the date of approval of Development Plan, 27 September 2000 ("Approval date")	<b>7,924,000</b>	2,131,384
Within 36 months from the Approval date	<b>14,150,000</b>	14,150,000
Not later than 48 months from the Approval date	<b>2,830,000</b>	2,830,000
	<b>24,904,000</b>	19,111,384
Payable within 12 months included under other payables (Note 15)	<b>(7,924,000)</b>	–
	<b>16,980,000</b>	19,111,384

# notes to the financial statements

for the year ended 30 June 2002

## 18. LONG TERM BORROWINGS

In RM	2002	Group 2001
<b>Secured*</b>		
6.50% term loan repayable by 20 equal quarterly instalments commencing May 1999	<b>700,000</b>	1,100,000
6.95% to 8.50% term loan repayable by 20 equal quarterly instalments commencing May 1999	<b>1,165,833</b>	1,832,023
6.95% to 8.50% term loan repayable by 16 equal quarterly instalments commencing November 1999	<b>762,106</b>	1,371,790
6.95% to 8.50% term loan repayable by 20 equal quarterly instalments commencing June 2000	<b>360,191</b>	491,168
7.75% term loan repayable by 48 equal monthly instalments commencing March 2001	<b>1,173,302</b>	1,613,291
7.75% term loan repayable by 48 equal monthly instalments commencing November 2001	<b>1,527,745</b>	1,833,297
7.02% term loan repayable on 22 March 2002	–	225,000
7.02% term loan repayable on 10 April 2002	–	225,000
6.37% term loan repayable on 13 November 2002	<b>450,000</b>	–
	<b>6,139,177</b>	8,691,569
Repayments due within twelve months included under short term borrowings (Note 14)	<b>(3,155,171)</b>	(3,002,398)
	<b>2,984,006</b>	5,689,171

\* Secured against certain property, plant and equipment of the Group as disclosed in Note 3(a).

## 19. DEFERRED TAXATION

In RM	2002	Group 2001	Company 2002	2001
(a) At 1 July 2001/2000	<b>1,774,215</b>	1,781,585	<b>45,000</b>	53,500
Transfer from/(to) income statement (Note 26)	<b>58,705</b>	(7,370)	<b>(36,000)</b>	(8,500)
At 30 June 2002/2001	<b>1,832,920</b>	1,774,215	<b>9,000</b>	45,000

# notes to the financial statements

for the year ended 30 June 2002

## 19. DEFERRED TAXATION (cont'd)

(b) Deferred taxation is in respect of the following timing differences:

In RM	2002	Group 2001	2002	Company 2001
Depreciation and capital allowances	6,733,289	6,336,482	32,143	160,714
Provisions	(187,146)	–	–	–
	6,546,143	6,336,482	32,143	160,714

(c) Deferred taxation amounting to RM972,000 (2001 : RM972,000) is not provided on the surplus arising from the revaluation of long term leasehold land and buildings as it is not the intention of the directors to dispose of these properties.

## 20. INTANGIBLE ASSETS

In RM	2002	Group 2001
At cost		
Preliminary expenses	–	42,966
Pre-operating expenses	–	514,029
Deferred expenses	–	55,668
	–	612,663
Accumulated amortisation	–	(368,248)
Written off to income statement	–	(244,415)
	–	–

## 21. HIRE PURCHASE PAYABLES

In RM	2002	Group 2001	2002	Company 2001
Future minimum payments:				
Payable within one year	–	114,703	–	77,350
Payable between one and five years	–	–	–	–
	–	114,703	–	77,350
Less : Finance charges	–	(26,247)	–	(17,850)
	–	88,456	–	59,500
Representing hire purchase:				
Due within 12 months (Note 14)	–	88,456	–	59,500
Due after 12 months	–	–	–	–
	–	88,456	–	59,500



# notes to the financial statements

for the year ended 30 June 2002

## 22. REVENUE

Revenue of the Group and the Company consists of the following:

In RM	2002	Group 2001	2002	Company 2001
Sales of goods net of discounts, sales tax and returns	<b>185,493,329</b>	203,797,622	–	–
Management fees	–	–	<b>180,000</b>	180,000
Internal audit fee	–	–	<b>80,000</b>	80,000
	<b>185,493,329</b>	203,797,622	<b>260,000</b>	260,000

## 23. COST OF SALES

Cost of sales represents cost of inventories sold.

## 24. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

In RM	2002	Group 2001	2002	Company 2001
Staff costs	<b>22,060,673</b>	20,530,178	<b>1,263,530</b>	1,254,903
Directors of the Company*				
- Fees	<b>93,000</b>	40,000	<b>93,000</b>	40,000
- Overprovision of fees in prior year	–	(18,169)	–	(18,169)
- Salaries and other emoluments	<b>1,316,308</b>	1,350,700	<b>550,652</b>	516,552
Management fees payable to an affiliated company of a subsidiary	<b>156,708</b>	146,745	–	–
Auditors' remuneration	<b>123,375</b>	136,375	<b>12,000</b>	12,000
Depreciation	<b>6,059,545</b>	8,024,273	<b>108,436</b>	227,390
Provision for/(write back of) doubtful debts	<b>176,909</b>	(836,410)	–	–
Bad debts recovered	<b>(52,526)</b>	–	–	–
Bad debts written off	<b>1,583</b>	–	–	–
Rental expenses	<b>1,253,914</b>	1,332,820	<b>148,205</b>	252,456
Property, plant and equipment written off	<b>14,796</b>	20,517	<b>14,195</b>	–
Intangible assets written off	–	244,415	–	–
Write down/(reversal) of inventories	<b>161,996</b>	(306,468)	–	–
Secretarial fees paid to a subsidiary	–	–	<b>24,000</b>	24,000
Realised loss/(gain) on foreign exchange	<b>26,712</b>	(102,142)	–	–
Gain on disposal of property, plant and equipment	<b>(504,429)</b>	(29,124)	–	–
Excess on liquidation of a subsidiary	<b>(43,502)</b>	(430,826)	–	–

# notes to the financial statements

for the year ended 30 June 2002

## 24. PROFIT FROM OPERATIONS (cont'd)

In RM	2002	Group 2001	2002	Company 2001
Interest income				
- Subsidiaries	-	-	(1,992,718)	(5,788,348)
- Others	(1,387,162)	(1,337,408)	(1,099,403)	(1,164,653)
Rental income	(9,855)	(19,710)	-	-
Unrealised gain on foreign exchange	(4,511)	-	-	-

\* The estimated monetary value of other benefits, not included in the above received by the directors of the Company and other directors of subsidiaries were RM48,408 and RM8,508 (2001 : RM62,575 and RM8,800).

## 25. FINANCE COSTS

In RM	2002	Group 2001	2002	Company 2001
Bank loans and overdraft interest	1,250,701	2,065,935	-	-
Hire purchase interest	26,247	52,165	17,850	43,759
	1,276,948	2,118,100	17,850	43,759

## 26. TAXATION

In RM	2002	Group 2001	2002	Company 2001
Current year provision	1,810,696	1,840,400	270,000	1,300,000
Share of taxation in associated companies	366,474	353,860	-	-
	2,177,170	2,194,260	270,000	1,300,000
Transfer to/(from) deferred taxation (Note 19)	58,705	(7,370)	(36,000)	(8,500)
	2,235,875	2,186,890	234,000	1,291,500
Overprovision in prior years	(46,756)	(395,375)	-	(358,317)
	2,189,119	1,791,515	234,000	933,183

The effective tax rate of the Group is higher than the statutory tax rate due to the absence of Group relief for losses suffered by certain subsidiaries.

The effective tax rate of the Company is higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.



## notes to the financial statements

for the year ended 30 June 2002

### 26. TAXATION (cont'd)

As at 30 June 2002, the Company has tax exempt profits available for distribution of approximately RM10,109,000 (2001 : RM10,109,000), subject to the agreement with the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividend out of its entire retained profit as at 30 June 2002.

### 27. DIVIDENDS

	Amount		Dividend Per Share	
	2002 RM	2001 RM	2002 Sen	2001 Sen
Ordinary final dividends of 2% less 28% taxation	–	1,226,340	–	1.44

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2002 of 2% on 85,162,500 ordinary shares less 28% taxation amounting to a total dividend of RM1,226,340 (1.44 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2003.

### 28. EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group profit after taxation and minority interests of RM2,468,356 (2001 : RM4,210,886) by the number of shares in issue during the year of 85,162,500 (2001 : 85,162,500).

### 29. PIONEER STATUS

- (a) In March 1990, the subsidiary, Kanzen Tetsu Sdn. Bhd., was granted pioneer status under the Promotion of Investments Act, 1986 for the production of stainless steel pipes and stainless steel pipe fittings for a period of five years commencing from the date of production on 1 April 1992. The pioneer status period of the subsidiary expired on 31 March 1997. As at 30 June 2002, the subsidiary has tax exempt profits available for distribution of approximately RM28,645,000 (2001 : RM28,645,000) subject to agreement with Inland Revenue Board.
- (b) In August 1991, the subsidiary, Kanzen Shindo Sdn. Bhd., was granted pioneer status under the Promotion of Investments Act, 1986 for the production of brass rods and brass forged products for a period of five years commencing from the date of production. As at 30 June 2002, the subsidiary has not commenced operations. Accordingly, the pioneer status granted is subject to review by the relevant authority.
- (c) In August 1991, the subsidiary, Kanzen Chuzoo Sdn. Bhd., was granted pioneer status under the Promotion of Investments Act, 1986 for the production of stainless steel castings for a period of five years commencing from the date of production. As at 30 June 2002, the subsidiary has not commenced operations. Accordingly, the pioneer status granted is subject to review by the relevant authority.

# notes to the financial statements

for the year ended 30 June 2002

## 30. COMMITMENTS

### (a) Capital commitments

In RM	2002	Group 2001
Approved but not contracted for	<b>9,299,000</b>	6,031,000
Contracted but not provided for	<b>131,615</b>	1,270,000
	<b>9,430,615</b>	7,301,000

### (b) The outstanding short term foreign exchange forward contracts to hedge purchases and sales in foreign currencies are as follows:

In RM	2002	Group 2001
(i) Committed purchases in foreign currencies:		
US Dollar	–	17,797,713
Singapore Dollar	<b>123,385</b>	79,582
Euro	<b>90,692</b>	–
(ii) Committed sales in foreign currencies:		
US Dollar	<b>4,700,368</b>	–
Singapore Dollar	<b>3,114,313</b>	3,167,071
Euro	<b>1,207,377</b>	615,716
Japanese Yen	<b>181,384</b>	337,575

## 31. CONTINGENT LIABILITIES (UNSECURED)

In RM	2002	Company 2001
Contingent liabilities in respect of corporate guarantees extended in support of banking facilities of subsidiaries	<b>47,046,000</b>	39,513,000

## 32. SIGNIFICANT EVENTS

- (a) On 11 October 2001, the Company announced the incorporation of Qingdao Jinshanchuan Steel Tube Products Co. Ltd. ("QJSTP") in The People's Republic of China. QJSTP's business activities include the manufacturing of metal furniture and furniture component parts. QJSTP is 51% owned by Dreamland Qingdao Pte. Ltd. ("DQ"), a 51% owned subsidiary of Dreamland Spring Sdn. Bhd. which is a wholly owned subsidiary of the Company. Subsequently on 31 July 2002, the Company announced that DQ disposed of its interest in QJSTP for a total cash consideration of Chinese Renminbi of 255,000 to Qingdao Jinyu Wooden Product Co. Ltd..
- (b) On 23 April 2002, the Company entered into a Share Sale Agreement with IOI Corporation Berhad for the proposed acquisition of the remaining 3,000,000 ordinary shares of RM1.00 each in Kanzen Tetsu Sdn. Bhd. ("KTSB") for a cash consideration of RM11 million. With the completion of the acquisition on 30 August 2002, the Company now holds 100% equity interest in KTSB.

# notes to the financial statements

for the year ended 30 June 2002

## 32. SIGNIFICANT EVENTS (cont'd)

(c) On 5 June 2002, the Company announced the following corporate proposals:

- Proposed Renounceable Rights Issue of 212,906,250 new ordinary shares of RM1.00 each in the Company ("Rights Shares") together with 170,325,000 free detachable warrants ("Warrants") at an issue price to be determined later, on the basis of five Rights Shares together with four Warrants for every two existing shares held in the Company on the book closure date to be determined and announced later ("Proposed Rights Issue with Warrants");
- Proposed Bonus Issue of 42,581,250 new ordinary shares of RM1.00 each in the Company ("Bonus Shares") to be credited as fully paid-up on the basis of one Bonus Share for every five Rights Shares subscribed under the Proposed Rights Issue with Warrants ("Proposed Bonus Issue"); and
- Proposed establishment of Employees' Share Option Scheme ("ESOS") ("Proposed ESOS").

The corporate proposals are currently pending approval from the relevant authorities.

(d) On 21 June 2002, the Company determined a minimum level of subscription for the Proposed Rights Issue with Warrants to raise a minimum proceed of RM160,906,250.

## 33. COMPARATIVE FIGURES

The following balance sheet comparative figures have been reclassified to conform with current year's presentation:

In RM	Group		Company	
	As Restated	As Previously Stated	As Restated	As Previously Stated
Short term borrowings	28,847,819	4,563,363	59,500	–
Trade payables	9,205,375	33,401,375	–	–
Other payables	19,658,048	36,027,888	311,573	371,073
Long term obligation	19,111,384	2,830,000	–	–

## 34. SEGMENTAL REPORTING

In RM	Revenue		Profit/(loss) before taxation		Total assets employed	
	2002	2001	2002	2001	2002	2001
(a) Analysis By Geographical Location						
Malaysia	182,419,075	199,313,652	8,197,612	8,261,120	408,167,004	410,874,546
The People's Republic of China	5,606,109	6,899,447	(351,682)	(32,043)	9,559,990	10,442,116
	188,025,184	206,213,099	7,845,930	8,229,077	417,726,994	421,316,662
Group's share of associated companies results	–	–	1,412,870	1,456,800	–	–
	188,025,184	206,213,099	9,258,800	9,685,877	417,726,994	421,316,662
Consolidation adjustments	(2,531,855)	(2,415,477)	(2,317,842)	(2,834,159)	(111,597,228)	(122,111,690)
	185,493,329	203,797,622	6,940,958	6,851,718	306,129,766	299,204,972

# notes to the financial statements

for the year ended 30 June 2002

## 34. SEGMENTAL REPORTING (cont'd)

In RM	Revenue 2002	2001	Profit/(loss) before taxation 2002	2001	Total assets employed 2002	2001
(b) Analysis By Activity						
Investment holding and management	2,531,855	2,415,477	2,244,858	5,988,356	216,371,599	213,224,355
Manufacturing and trading	185,493,329	203,797,622	5,601,072	2,240,721	201,355,395	208,092,307
	188,025,184	206,213,099	7,845,930	8,229,077	417,726,994	421,316,662
Group's share of associated companies results	-	-	1,412,870	1,456,800	-	-
	188,025,184	206,213,099	9,258,800	9,685,877	417,726,994	421,316,662
Consolidation adjustments	(2,531,855)	(2,415,477)	(2,317,842)	(2,834,159)	(111,597,228)	(122,111,690)
	185,493,329	203,797,622	6,940,958	6,851,718	306,129,766	299,204,972

## 35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than those disclosed in the notes to the financial statements above, the significant related party transactions for the Group and the Company are as follows:

In RM	2002	2001
Group		
Management fees paid to an affiliated company of a subsidiary, Pacific Brand Household Products Pty. Limited	156,708	146,745
Computer charges paid to an affiliated company of a subsidiary, Pacific Brand Household Products Pty. Limited	91,200	90,000
Company		
Secretarial fees paid to a wholly owned subsidiary, Kanzen Management Sdn. Bhd.	24,000	24,000

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 36. CURRENCY

All amounts are stated in Ringgit Malaysia except as otherwise indicated.

# shareholding statistics

as at 3 October 2002

## ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM200,000,000.00 divided into 200,000,000 ordinary shares of RM1.00 each
Issued & Fully Paid-Up	:	RM85,162,500 divided into 85,162,500 ordinary shares of RM1.00 each
Class of Share	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 vote per share

Size of Holdings	No. of Shareholders	No. of Shares	%
1 – 999	122	41,385	0.05
1,000 – 10,000	6,948	18,483,376	21.71
10,001 – 100,000	424	10,671,310	12.53
100,001 – less than 5%	25	17,674,000	20.75
5% and above	4	38,292,429	44.96
<b>Total</b>	<b>7,523</b>	<b>85,162,500</b>	<b>100.00</b>

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	%
1. HSBC Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : BCV for Tan Sri Dr Chen Lip Keong</i>	12,505,493	14.68
2. Permodalan Nasional Berhad	12,487,547	14.66
3. HSBC Nominees (Asing) Sdn Bhd <i>Qualifier Name : BCV for Blue Velvet Property Inc</i>	8,374,389	9.83
4. SFB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Pledged Securities Account for Tan Sri Dr Chen Lip Keong</i>	4,925,000	5.78
5. HSBC Nominees (Asing) Sdn Bhd <i>Qualifier Name : BOB HK for Asian Emerging Countries Fund</i>	2,613,000	3.07
6. SFB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Pledged Securities Account for Song Meng Kong</i>	2,500,000	2.94
7. A.A. Anthony Securities Sdn Bhd <i>Qualifier Name : IVT (C11)</i>	2,117,000	2.49
8. Sumurwang Capital Sdn Bhd	1,855,000	2.18
9. JB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Multi-Purpose Credit Sdn Bhd for Abdul Rahman Abu Bakar Holdings Sdn Bhd</i>	1,744,000	2.05
10. Chan Peng Leong	1,590,000	1.87
11. HDM Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Pledged Securities Account for Song Meng Kong</i>	1,159,000	1.36
12. Goh Leong Chuan	524,000	0.62
13. HDM Nominees (Asing) Sdn Bhd <i>Qualifier Name : GS Asian Countries Fund</i>	487,000	0.57
14. JB Nominees (Asing) Sdn Bhd <i>Qualifier Name : Magnum (Guernsey) Limited</i>	393,000	0.46
15. Sak Moy @ Sak Swee Len	324,000	0.38

# shareholding statistics

as at 3 October 2002

Name of Shareholders	No. of Shares	%
16. Yeoh Kean Hua	253,000	0.30
17. Bank Simpanan Nasional	235,000	0.28
18. Lee Kow Chai @ Lee Peng Saw	207,000	0.24
19. AMMB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : MIDF Aberdeen Asset Management Sdn Bhd for Pertubuhan Keselamatan Sosial</i>	200,000	0.23
20. HSBC Nominees (Asing) Sdn Bhd <i>Qualifier Name : AAB SG BR for Oriental Orchid Limited</i>	193,000	0.23
21. Lim Khuan Eng	181,000	0.21
22. Chan Kit Yu	180,000	0.21
23. UOBM Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Pledged Securities Account for Lau Tuang Nguang</i>	173,000	0.20
24. Citicorp Nominees (Asing) Sdn Bhd <i>Qualifier Name : MLPFS for Chin Yit Kong</i>	139,000	0.16
25. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Qualifier Name : Pledged Securities Account for Ong Aun Kung</i>	128,000	0.15
26. Lew Tin Yang @ Leu Ting Yeang	126,000	0.15
27. Teo Kwee Hock	122,000	0.14
28. Lim Kang Hoo	120,000	0.14
29. Lee Ying Cheong	111,000	0.13
30. Chu Saik In	100,000	0.12
<b>Total</b>	<b>56,066,429</b>	<b>65.83</b>

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct no. of ordinary shares held	%	Indirect no. of ordinary shares held	%
First Allied Holdings Sdn Bhd	*a 17,430,493	20.47	–	–
Tan Sri Dr Chen Lip Keong	–	–	*b 17,430,493	20.47
Puan Sri Lee Chou Sarn	–	–	*b 17,430,493	20.47
Permodalan Nasional Berhad	12,487,547	14.66	–	–
Blue Velvet Property Corp	*a 8,374,389	9.83	–	–

### Notes:

\*a Held via nominee companies

\*b Deemed interested by virtue of their shareholdings in First Allied Holdings Sdn Bhd



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# proxy form

FACB INDUSTRIES INCORPORATED BERHAD (48850-K)  
(Incorporated in Malaysia)

Number of Shares

CDS Account No.

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of FACB INDUSTRIES INCORPORATED BERHAD hereby appoint \_\_\_\_\_  
of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty Third Annual General Meeting of the Company to be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 4 December 2002 at 10.00 a.m. and at any adjournment thereof.

Ordinary Resolutions		For	Against
No. 1	Adoption of audited financial statements and reports		
No. 2	Approval of final dividend		
No. 3	Approval of Directors' fees		
No. 4	Re-election of Tan Sri Dr Chen Lip Keong as Director		
No. 5	Re-election of Mr Leong Choong Wah as Director		
No. 6	Re-election of Datuk Wan Kassim bin Ahmed as Director		
No. 7	Re-election of Tuan Haji Harun bin Haji Faudzar as Director		
No. 8	Appointment of Messrs Moore Stephens as Auditors		
No. 9	Authority pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2002

\_\_\_\_\_  
Signature / Seal of Shareholder

## NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

fold this flap for sealing

stamp

**The Company Secretary**  
FACB Industries Incorporated Berhad (48850-K)  
MNI Twins, Tower 1  
Level 13, 11 Jalan Pinang  
50450 Kuala Lumpur

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