

FACB Industries Incorporated Berhad
48850-K

annual report 2001





contents

Cover Rationale

"The world bears witness to the Group's solid presence in international markets. Extensive research and development, quality products, excellent customer service and competent professionals are our pillars of achievements".

| | |
|--------|--|
| pg. 02 | corporate information |
| pg. 03 | notice of meeting and book closure |
| pg. 04 | audit committee report |
| pg. 05 | other information |
| pg. 06 | directors' profiles |
| pg. 08 | chairman's statement |
| pg. 10 | president/chief executive officer's review |
| pg. 12 | review of operations |
| pg. 16 | 5 years group financial highlights |
| pg. 17 | financial statements |
| pg. 54 | analysis of shareholdings |
| pg. 55 | 30 largest shareholders |
| pg. 56 | list of properties |
| | proxy form |

corporate information

Board of Directors

YBhg Tan Sri Dato' Seri Megat Junid bin Megat Ayob
PSM, SPMP, SPDK, DPCM, DSAP, DSSA, DPMK, AMP, AMK
Chairman

YBhg Tan Sri Dr Chen Lip Keong
PSM, DIMP, DSSA, JMN
President and Chief Executive Officer

YBhg Dato' Sulaiman bin Sujak
DPMS, DIMP, JMN

YBhg Puan Sri Lee Chou Sarn

YBhg Dato' Dr Abdul Razak bin Abdul
DIMP

YBhg Dato' Nik Kamaruddin bin Ismail
DIMP, DJMK

YBhg Dato' Kalimullah bin Masheerul Hassan
DSPN

Chua Tiam Wee
AMS, PJK

Group Company Secretary

Lee Boo Tian
LS 007987

Audit Committee

YBhg Dato' Kalimullah bin Masheerul Hassan
Chairman, Independent Non-Executive Director

YBhg Tan Sri Dato' Seri Megat Junid bin Megat Ayob
Independent Non-Executive Director

YBhg Dato' Dr Abdul Razak bin Abdul
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

notice of meeting and book closure

NOTICE IS HEREBY GIVEN that the Twenty Second 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, 5 December 2001 at 10.00 a.m. for the following purposes:

Agenda

1. To receive and adopt the Audited Accounts for the year ended 30 June 2001 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 2001. **Resolution 2**
3. To approve Directors' fees of RM40,000 for the year ended 30 June 2001. (2000 : RM40,000). **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 81 of the Company's Articles of Association:
 - i. Dato' Sulaiman bin Sujak **Resolution 4**
 - ii. Dato' Dr Abdul Razak bin Abdul **Resolution 5**
5. To re-elect the following Director retiring pursuant to Article 88 of the Company's Articles of Association:
 - i. Dato' Kalimullah bin Masheerul Hassan **Resolution 6**
6. To re-appoint Messrs. Arthur Andersen & Co., as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
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, subject always to the approval of all the relevant regulatory bodies for such issue and allotment."

Resolution 8
8. To transact any other ordinary business of which due notice shall have been given.

Notes

1. Proxy

- (i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company but in accordance with Section 149(1)(b) of the Companies Act, 1965, a member of the Company shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
- (iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding this Meeting or at any adjournment thereof.

Notice Of Book Closure

NOTICE IS ALSO HEREBY GIVEN that Register of Members will be closed from 13 December 2001 to 14 December 2001 both days inclusive 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 21 December 2001 to shareholders whose names appear in the Records of Depositors on 12 December 2001.

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 2001 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
12 November 2001

2. Retirement of Directors

Details of attendance of Board Meetings held during the financial year ended 30 June 2001 for the below mentioned Directors seeking re-election and re-appointment are as follows:

- | | |
|---------------------------------------|---|
| Dato' Sulaiman bin Sujak | - Attended all Board Meetings held at the Registered Office on 20 July 2000, 7 February 2001 and 18 May 2001 at 2.35 p.m., 2.15 p.m. and 2.45 p.m. respectively |
| Dato' Dr Abdul Razak bin Abdul | - Attended two Board Meetings held at the Registered Office on 20 July 2000 and 7 February 2001 at 2.35 p.m. and 2.15 p.m. respectively |
| Dato' Kalimullah bin Masheerul Hassan | - Appointed on 2 July 2001 |

The particulars of the above Directors are set out on page 6 and 7 of the Annual Report.

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

The Ordinary Resolution No. 8 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, will expire at the next Annual General Meeting of the Company.

audit committee report

Composition

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

Dato' Kalimullah bin Masheerul Hassan (*appointed on 02.07.2001*)
Chairman, Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed (*resigned on 02.07.2001*)
Chairman, Independent Non-Executive Director

Tan Sri Dato' Seri Megat Junid bin Megat Ayob
Member, Independent Non-Executive Director

Dato' Dr Abdul Razak bin Abdul
Member, Executive Director

Terms Of Reference

Purpose

The primary objective of the Audit Committee (as a sub-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 members.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms 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 statements 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; and
- compliance with accounting standards and other legal requirements.

- to discuss problems and reservations 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 the 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.

Summary Of Activities

The Audit Committee met three times during the financial year ended 30 June 2001 and details of attendance are as follows:

| | |
|---|-----|
| ○ Datuk Wan Kassim bin Ahmed | 3/3 |
| ○ Tan Sri Dato' Seri Megat Junid bin Megat Ayob | 1/3 |
| ○ Dato' Dr Abdul Razak bin Abdul | 3/3 |

In discharging its functions and duties, the Audit Committee assessed the overall coverage of both internal and external audits. It also considered the results of their respective examinations and evaluations of the Group's operational and financial control systems including compliance procedures.

In particular, the Audit Committee reviewed and deliberated the following:

- the quarterly financial results announcements of the Group prior to the Board of Directors' approval;
- the periodic internal audit reports, ensuring that appropriate actions are taken by management;
- the revamped KLSE listing requirements, insofar as it concerns them.

1. Directors' Responsibility Statement

pursuant to Paragraph 15.27(a) of Chapter 15 of the Listing Requirements of Kuala Lumpur Stock Exchange

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.

05

2. Directors' Attendance At Board Meetings

During the financial year, the Board held 3 meetings. The attendance of Directors at the Board Meetings are as follows:

| Directors | Board Meeting | | |
|---|--|-------------------------------------|---------------------------------------|
| | @ 20.07.2000 | @ 07.02.2001 | @ 18.05.2001 |
| Tan Sri Dato' Seri Megat Junid bin Megat Ayob | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Tan Sri Dr Chen Lip Keong | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Dato' Sulaiman bin Sujak | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Puan Sri Lee Chou Sarn | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Dato' Dr Abdul Razak bin Abdul | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Dato' Nik Kamaruddin bin Ismail | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Datuk Wan Kassim bin Ahmed | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Chua Tiam Wee | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Attended <input checked="" type="checkbox"/> | | Not attended <input type="checkbox"/> |

3. Directors' Remuneration

The remuneration of Directors of FACB Industries Incorporated Berhad for the financial year is as follows:

| In RM | Executive | Non-Executive |
|-----------------------------|-----------|---------------|
| Fees | 21,831 | 11,831 |
| Salaries & Other Emoluments | 1,350,700 | – |
| Benefits In Kind | 62,575 | – |
| Total | 1,435,106 | 11,831 |

| Range of remuneration (In RM) | No. of Directors | |
|-------------------------------|------------------|---------------|
| | Executive | Non-Executive |
| Below 50,000 | – | 3 |
| 50,001 to 200,000 | – | – |
| 200,001 to 250,000 | 1 | – |
| 250,001 to 300,000 | 1 | – |
| 300,001 to 350,000 | 3 | – |

directors' profiles

06

Tan Sri Dato' Seri Megat Junid bin Megat Ayob #
(aged 59, Malaysian)

Chairman
(Independent Non-Executive Director)

Tan Sri Dato' Seri Megat Junid bin Megat Ayob was appointed to the Board and as Chairman on 18 February 2000.

Tan Sri Dato' Seri Megat Junid holds a Bachelor of Arts (Hons.) from University of Malaya. His prominent political career started in 1973 when he was elected UMNO Youth Chief of Alor Star. In 1975, he was appointed as Special Officer Two to YAB Dato' Seri Dr Mahathir bin Mohamad. In 1976, he was appointed as YAB Dato' Seri Dr Mahathir bin Mohamad's Political Secretary. He was then appointed as Deputy Minister of Primary Industries of Malaysia and subsequently Deputy Minister of Home Affairs. In 1997, he became Minister of Domestic Trade and Consumer Affairs where he held the position for more than two years.

Tan Sri Dato' Seri Megat Junid is also a Chairman/Director in Multi Vest Resources Berhad.

Tan Sri Dr Chen Lip Keong
(aged 54, 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 & Surgery in 1973 and served as a practicing doctor between 1973 to 1976 at the Kuala Lumpur General Hospital before he ventured into business. A successful businessman, Tan Sri Dr Chen is also the Founder cum Donor of the Lipkland Foundation Asia, a foundation specially devoted towards the stimulation of research and development in all fields of medicine.

Additionally, he is also a Director and the President and Chief Executive Officer of FACB Resorts Berhad and Petaling Tin Berhad besides being the Chief Executive Officer of government owned Composites Technology Research Malaysia Sdn Bhd.

Dato' Sulaiman bin Sujak
(aged 67, Malaysian)

(Non-Independent Non-Executive Director)

Dato' Sulaiman bin Sujak was appointed to the Board on 1 October 1988.

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

He is currently the Executive Director and Adviser of HSBC Bank Malaysia Berhad.

Puan Sri Lee Chou Sarn
(aged 54, Malaysian)

(Non-Independent Executive Director)

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

After graduating from the 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 51, Malaysian)

(Non-Independent Executive Director)

Dato' Dr Abdul Razak bin Abdul was appointed to the Board on 12 April 1994.

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 Bhd from 1991 to 1992 and 1997 to 2000.

Dato' Dr Abdul Razak is the Managing Director of Idris Hydraulic (Malaysia) Bhd. He also sits on the Board of Kemayan Corporation Bhd and MIT Holdings Bhd.

Dato' Nik Kamaruddin bin Ismail

(aged 48, Malaysian)

(Non-Independent Executive Director)

Dato' Nik Kamaruddin bin Ismail was appointed to the Board on 24 September 1997.

Dato' Nik worked for a period of 14 years (1973-1987) in 3M Corporation, a US-based company dealing in the electronics, electrical and telecommunication products, in the areas of marketing, manufacturing and management. He served as a Director of 3M Corporation from 1983 to 1987, being the first Malaysian appointed to its Board. He was also a Director of TV3 from 1987 to 1991.

He currently serves on the Boards of May Plastics Berhad and FACB Resorts Berhad, and the Board of Trustees of Yayasan Pemadam and Yayasan Kemiskinan Kelantan. He is also the Executive Chairman of FACB Capital Sdn Bhd, a wholly-owned subsidiary of FACB Resorts Berhad, since September 1993.

Dato' Kalimullah bin Masheerul Hassan #

(aged 43, Malaysian)

(Independent Non-Executive Director)

Dato' Kalimullah bin Masheerul Hassan was appointed to the Board on 2 July 2001.

Dato' Kalimullah started his career in journalism in 1979 with the National Echo before joining The Star newspaper where he rose to Chief Reporter. He joined Reuters news agency and the New Straits Times before serving as Press Secretary to the then Deputy Prime Minister, Tun Ghaffar Baba. In 1990, Dato'

Kalimullah served as an Editorial Consultant for the Singapore Press Holdings Group before joining FACB Resorts Berhad as a General Manager. In 1997 he left for Samudera Baru Darul Aman Sdn Bhd as an Executive Director. In 1999, he joined TA Enterprise Berhad as a Consultant.

Dato' Kalimullah is a Director in FACB Resorts Berhad, MBf Holdings Berhad, MBf Capital Berhad, TA Enterprise Berhad and TA Securities Berhad.

Chua Tiam Wee

(aged 47, Malaysian)

(Non-Independent Executive Director)

Mr Chua Tiam Wee was appointed to the Board on 18 February 2000.

Mr Chua graduated from the 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 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 has been Kanzen Tetsu Sdn Bhd's Senior General Manager since 1996. 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. Conviction of offences

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

Member of the Audit Committee.



*Tan Sri Dato' Seri Megat Junid bin Megat Ayob
Chairman*

Dear Shareholders,

On behalf of the Board of Directors, it gives me pleasure to present to you the Annual Report of FACB Industries Incorporated Berhad for the financial year ended 30 June 2001.



*Commitment to systematic planning to
enhance product competitiveness.*



*The Dreamland Chiropractic 5000 mattress
in one of Dream Crafts Sdn Bhd's showroom.*



*Stringent quality control to ensure
customer satisfaction.*

The year under review was a challenging period for the Group due to regional and worldwide economic slowdown. Despite the general adverse economic conditions, I am pleased that the Group had been resilient and was able to weather them.

Financial Results

The Group's revenue fell slightly to RM203.8 million for the financial year ended 30 June 2001 from RM208.8 million recorded in the previous financial year. The Group registered a lower profit before tax of RM6.9 million during this financial year as compared to a profit before tax of RM30.4 million in the last financial year.

Dividend

The Board is pleased to recommend the payment of a final dividend of 2% less tax for the financial year ended 30 June 2001, subject to the approval of the shareholders at the Twenty Second Annual General Meeting.

Business Focus

The road ahead will see the Group encountering greater challenges in light of continuing global economic uncertainties. Amidst intense competition faced, both externally and domestically, we will constantly draw on our strength and experience to overcome market uncertainties and hold fast to our clear focus and direction.

To sustain profitability in the coming financial years, we will continue to put prime consideration on the needs of our customers and focus diligently on product quality through continuous research and development and state-of-the-art technology.

The Group will continue to be guided by prudent business strategies to achieve its ultimate aim of building value for shareholders.

Future Outlook

With the imminent entry of China into the World Trade Organisation, the hosting of the Beijing Olympic Games in 2008 and the full implementation of AFTA by 2003, I foresee both greater challenges and opportunities. More players are expected to enter the market to compete with our products. The Group backed by more than 15 years of experience in China will capitalise on the opportunities emerging in China.

The Group, notably its stainless steel division with its strong technical expertise, product quality and marketing network in the ASEAN countries, is expected to benefit from the full implementation of AFTA as it is the largest integrated manufacturer in this region.

The property development operations will broaden the Group's long term earnings base on top of the Group's current core business activities. The Government's broad based stimulus package for the housing industry, attractive rates offered by financial institutions, Bandar Sierra's strategic location and the division's well researched pricing strategies will provide further impetus to the success of the division.

Acknowledgement

On behalf of the Board, I would like to express our appreciation to YBhg Datuk Wan Kassim bin Ahmed, who had resigned, for his contribution during his tenure as Director of the Company. I would also take this opportunity to welcome YBhg Dato' Kalimullah bin Masheerul Hassan to the Board. I am confident that with YBhg Dato' Kalimullah's experience and knowledge, he will contribute to the growth and progress of the Group.

The Board of Directors also wishes to express its gratitude to the management and staff for their hard work and dedication, and our shareholders for their continued support and loyalty throughout the financial year. I am thankful for the tireless efforts of fellow members of the Board, in particular YBhg Tan Sri Dr Chen Lip Keong's leadership in steering the Group through an extremely challenging year.

Let us also record our profound thanks to various Government authorities and agencies, our local and overseas customers, suppliers, business associates and bankers for their invaluable support, guidance and advice.

With the consistent support from the above parties, we are optimistic that FACB Industries Incorporated Berhad is poised for greater heights.

Tan Sri Dato' Seri Megat Junid bin Megat Ayob

Chairman

16 October 2001



*Tan Sri Dr Chen Lip Keong
President/Chief Executive Officer*

Dear Shareholders,

I am pleased to report on our Group's performance and activities for the financial year ended 30 June 2001.

president/chief executive officer's review



Management's commitment towards excellent product quality and productivity.



Our Senior General Manager, Mr Chua Tiam Wee receiving the Selangor State Product Innovation Excellence Award 2000 from Menteri Besar of Selangor, YAB Dato' Seri Dr Mohamad Khir bin Toyo.



Reputable international quality certifications for our product conformity.

Financial Review

In a challenging financial year, the Group maintained its revenue and remained profitable. We have recorded a revenue of RM203.8 million for the financial year ended 30 June 2001 and a profit before tax of RM6.9 million. The Group's shareholders' funds rose by RM3.0 million to RM170.5 million from RM167.5 million registered in the previous financial year.

The Group achieves these commendable results despite the challenging economic conditions in the region.

Corporate Developments

There were no major corporate developments during the year.

Operational Review

The Group's core business, namely its Steel Operations, was affected by the downward trend in the international steel price, the local hot rolled raw material price and the general economic slowdown in its major markets such as USA, Europe and ASEAN. Notwithstanding the difficult business and economic conditions, the stainless steel plant continued to operate at almost full capacity. The division managed to strengthen its share in its traditional market. It also successfully penetrated into the Eastern European countries via Poland and gained inroads into the Latin American market such as Paraguay, Bolivia and Colombia.

Despite the economic slowdown and intensified competition among bedding manufacturers, the China Operations was able to improve its performance whereas the Bedding Operations managed to maintain its market share through various marketing strategies and initiatives implemented during the year. The China and the Bedding Operations were able to weather the competitions and challenges by capitalising on a solid foundation built over the years on their brand, quality and resource management.

The Group's performance in the next financial year to a certain extent will be dependent on the pace of recovery in both local and global economic conditions. Key factors such as movement in the international stainless steel price, direction on local carbon steel raw material price and marketing strategies of the Group will play a crucial role in determining the Group's performance.

Anticipating further challenges ahead, we consolidated our businesses and embarked on various cost cutting measures to increase efficiency and productivity. We have formulated new business ideas and incorporated them into our latest manufacturing excellence programmes and marketing strategies to boost our profitability.

Conclusion

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, the Government authorities for their advice, all the staff for their commitment, dedication and hard work and all our valued local and overseas customers, suppliers, business associates and bankers for their continuous support throughout the financial year.

We will strive hard to ensure continuous improvements in the quality of the Group's products and services. With the consistent support from the above parties, I am positive that FACB Industries Incorporated Berhad will rise above all challenges.

Tan Sri Dr Chen Lip Keong

President/Chief Executive Officer

16 October 2001



State-of-the-art technology producing quality stainless steel pipes and fittings to stay ahead of competitors.



Our slitter machine, one of the most advanced in the stainless steel industry.



Uncompromising standards..... all finished products are subjected to thorough inspection and stringent quality control before leaving factory.

steel operations

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 leading manufacturer of stainless steel pipes and fittings in the South East Asian region, and is a key player in the global market, exporting to more than 50 countries worldwide. It manufactures high value-added stainless steel pipes and fittings. In the pursuit of quality management, the division has been awarded numerous industry accolades for product excellence.

The stainless steel plant continued to operate at almost full capacity throughout the year, as the demand from both local and international markets remained resilient. Despite the slowdown in the USA economy, the division managed to strengthen its market share in various traditional markets such as UK, Belgium, France, Australia, Japan, Canada, Netherlands, Switzerland and South Africa. The division also penetrated into new export

markets such as Paraguay, Bolivia, Colombia and Eastern European countries via Poland. The division will continue to expand its market base by targeting more Eastern European countries in the near future.

In the local market, the division continued to strengthen its position as a market leader. It clinched prestigious projects such as Acidchem Project, Malaysia LNG Project, KLIA Monorail Project and Putrajaya and Cyberjaya on-going projects. In line with the Group's business expansion programme, the division also ventured into trading of complementary products and supplied stainless steel plates to Acidchem's Tank Farm Project as part of the division's trading activities.

During the year, the division successfully developed several new and innovative products to widen its product range and capture a larger market share. These products include special finished ornamental tubes, special x-ray pipes and fittings for ultra stringent applications, ISO specification pipes, eccentric reducers and various large diameter elbows and concentric reducers. In recognition of its product innovation achievement, Kanzen Tetsu Sdn



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



Austenitic and ferritic stainless steel pipes and tubes.



Ornamental tubes . . . welded stainless steel tubing used for application where appearance, corrosion resistance and mechanical properties are required.

Bhd is honoured to be awarded the Selangor State Product Innovation Excellence Award 2000 by the Selangor State Government in September 2000.

The division continues to place emphasis on quality and productivity improvements. It commissioned a new on-line square buffing machine and the latest state-of-the-art TPT tri-cathode forming machine during the year. The division has also developed and broadened the stream of its test, research and development as well as its expertise to further enhance its products to give them a top class finishing.

Carbon Steel

This division is one of the leading manufacturers of carbon steel pipes in Malaysia. It manufactures pipes of various sizes, consisting of welded tubes and pipes, square and rectangular hollow sections and light-gauge lip channels.

The division encountered a difficult financial year. Its performance was affected by an erosion in profit margins mainly due to a high and erratic price of local carbon steel raw material and competition from cheaper imported

carbon steel pipes from neighbouring countries. The high export rebate price from a local hot rolled carbon steel producer also made the division's products extremely uncompetitive to export.

The division reacted promptly by implementing various effective cost-down programmes in order to sustain its market share and mitigate adverse financial impact to its bottomline. The division also ventured into trading activities as part of its product diversification plan to improve its performance.

Human Resource

The development of human resource is vital in the Steel Operations' pursuit of excellence and its aim to enhance competitiveness in the steel industry. The Group provides comprehensive training and development programmes in order to upgrade the employees' knowledge and skills and at the same time foster team spirit. Besides sending the staff for external courses, conferences and exhibitions, the Group conducts in-house training for the staff in areas of technical, management as well as personal development.



Consolidating our strength in China through the Dreamland (China) Group.



Creating brand image and customer awareness in major cities in China.



State-of-the-art quilting equipment producing our high quality products.

china operations

China Operations

After more than 15 years of market presence in nine major cities in China, the Group's products are one of the leading bedding brands and household names in China. The Group's other operations in China include the manufacturing of steel wire and the power plant.

The consistent and strong yearly Gross Domestic Product growth rate of more than 7% for the last 20 years in China means higher disposable income and demand for consumer products like bedding and home furnishing. The housing reforms under which the consumers are encouraged to own private homes have further intensified the demand for these products. However, the rapid proliferation of backyard manufacturers led to an oversupply situation with aggressive pricing strategies which further exacerbated the competitiveness in the market.

In spite of this, the China Operations recorded an improved performance with profits contributed mainly by Shanghai Dreamland, Tianjin Dreamland and Jiangyin Power Plant. This was achieved as a result of the implementation of timely and responsive strategies to meet customers' changing demands. Among strategies adopted were the introduction of new and innovative products and the upgrading of human resources. During the financial year, the division's operations in Tianjin and

Dalian have successfully exported their mattress and furniture products to Japan and Australia market. The division will continue to develop the export market by taking advantage of the lower cost of production in China.

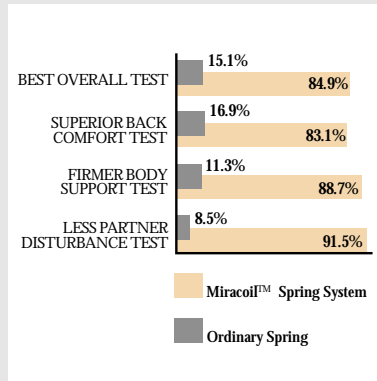
To meet the challenges in the market place, the operations will continue to consolidate its common strength and project an image of a strong and reliable Bedding Group producing international quality mattress through brand name, high quality products, aggressive marketing efforts and excellent after sales service.

China, the world's single largest market place with its imminent entry into World Trade Organisation and the hosting of the Beijing Olympic Games in 2008, is tipped to be the next major economic power. These significant events are expected to further stimulate China's economic growth and bring opportunities. At the same time, the China Operations foresees potential threats of more international players entering into the China market to compete with the division's products and services.

FACBII, one of the first Malaysian companies to set up an investment in China in 1984, has an unassailable lead in the bedding industry. The Group will capitalize on its experience and continue to explore opportunities emerging in China.



Extensive research and development enhances Dreamland's ability to manufacture the highest quality spring mattresses and bedding components.



An independent research conducted by Taylor Nelson Sofres shows that 84.9% of Malaysians prefer Miracoil Spring System to an ordinary spring system.



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

bedding operations

15

Bedding Operations

A pioneer in the spring mattress technology, the Bedding Operations "Dreamland" has more than 20 years of experience in the industry. It offers an extensive range of high quality mattress designed for firm and optimal support while providing comfort at the same time.

During the financial year, the bedding industry was affected by the reduction in consumer spending. Nevertheless, the Bedding Operations continued to perform credibly. This achievement was made possible through aggressive and creative campaigns to stimulate sales. Sales to mass merchants have been on an upward trend and Dreamland brand is now the preferred brand in bedding accessories in Malaysia.

In addition to the above, consumer response to the Dreamland Chiropractic mattress was most encouraging with sales doubling the previous year. The Dreamland Chiropractic series is supported by the Miracoil Spring System. This series is designed, approved and recommended as a "sleep system" which provides correct support for bad backs and is fully endorsed by qualified practising chiropractors.

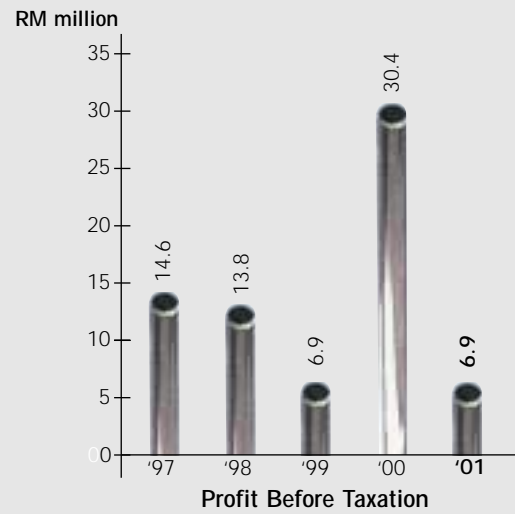
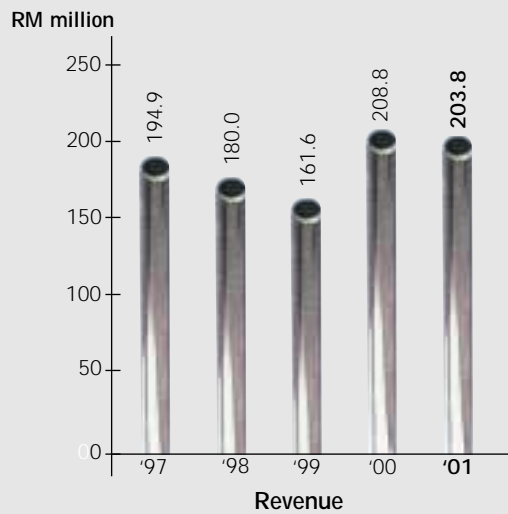
Whilst the global economic slowdown has affected the division's export business and its sales to Ikea,

Dreamland's project business in Malaysia during the year recorded an improvement. It secured major projects such as the First World Hotel in Genting and the Petronas University in Tronoh, Perak. Dreamland was also successful in securing Amway's business for both the Malaysian and Bruneian markets with satisfactory sales generated during the year.

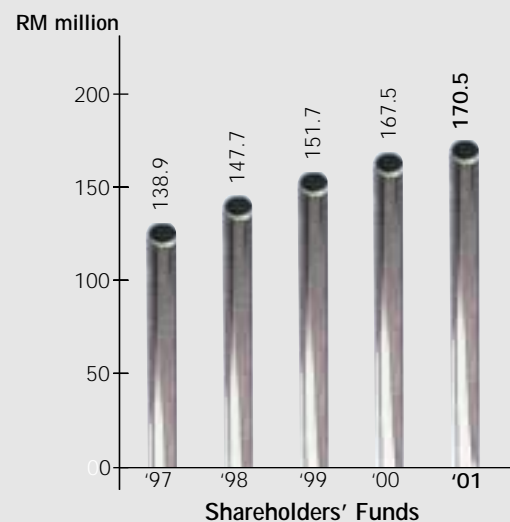
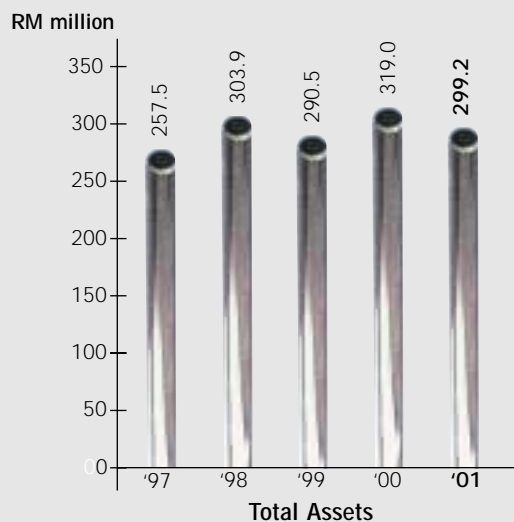
Apart from the sales, the Bedding Operations implemented various initiatives to reduce its operating cost, such as streamlining its factories' manufacturing process to improve its operational efficiency and productivity. Other steps taken include cost savings via renegotiations with major raw material suppliers.

To ensure the Bedding Operations continues with its leadership position in the market, it recently acquired a new state-of-the-art thermal bond polyester fibre line and low profile spring machines to meet market demands. Investment in research and development remains a critical area for the Bedding Operations to continuously introduce new and innovative products such as new bedding accessories and mattresses in order to expand market share both domestically and in Singapore.

5 years group financial highlights



| In RM'000 | 2001 | 2000 | 1999 | 1998 | 1997 |
|-------------------------------|---------|---------|---------|---------|---------|
| Revenue | 203,798 | 208,786 | 161,590 | 179,962 | 194,909 |
| Profit before taxation | 6,852 | 30,369 | 6,920 | 13,823 | 14,612 |
| Total assets | 299,205 | 319,019 | 290,499 | 303,946 | 257,478 |
| Shareholders' funds | 170,524 | 167,539 | 151,714 | 147,729 | 138,853 |
| In sen | | | | | |
| Net earnings per share | 4.94 | 20.74 | 6.06 | 10.70 | 8.90 |
| Net tangible assets per share | 2.00 | 1.96 | 1.78 | 1.73 | 1.63 |
| In percentage | | | | | |
| Dividend rate - Gross | 2.00 | 3.00 | 1.00 | 3.00 | 10.00 |
| - Net | 1.44 | 2.16 | 1.00 | 2.16 | 7.00 |





financial statements

17

| | |
|--------|---|
| pg. 18 | directors' report |
| pg. 21 | statement by directors |
| pg. 21 | statutory declaration |
| pg. 22 | auditors' report |
| pg. 23 | consolidated balance sheet |
| pg. 24 | consolidated income statement |
| pg. 25 | consolidated statement of changes in equity |
| pg. 26 | consolidated cash flow statement |
| pg. 28 | balance sheet |
| pg. 29 | income statement |
| pg. 30 | statement of changes in equity |
| pg. 31 | cash flow statement |
| pg. 32 | notes to the financial statements |

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 2001.

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 36 to the financial statements.

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

RESULTS

| In RM | Group | Company |
|-------------------------|-----------|-----------|
| Profit after taxation | 5,060,203 | 3,489,697 |
| Minority interests | (849,317) | – |
| Net profit for the year | 4,210,886 | 3,489,697 |

DIVIDENDS

On 21 December 2000, the Company paid a final dividend of 3% less 28% taxation amounting to RM1,839,510 in respect of the financial year ended 30 June 2000.

The directors recommend a final dividend of 2% less 28% taxation amounting to RM1,226,340 in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than 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 there were no known bad debts 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 require any amount to be written off as bad debts or render the amount of provision for 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.

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.

19

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.

DIRECTORS

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

Y. Bhg. Tan Sri Dato' Seri Megat Junid bin Megat Ayob
Y. Bhg. Tan Sri Dr Chen Lip Keong
Y. Bhg. Dato' Sulaiman bin Sujak
Y. Bhg. Puan Sri Lee Chou Sarn
Y. Bhg. Dato' Dr Abdul Razak bin Abdul
Y. Bhg. Dato' Nik Kamaruddin bin Ismail
Chua Tiam Wee
Y. Bhg. Dato' Kalimullah bin Masheerul Hassan (*appointed on 2 July 2001*)
Y. Bhg. Datuk Wan Kassim bin Ahmed (*resigned on 2 July 2001*)

In accordance with Article 81 of the Company's Articles of Association, Y. Bhg. Dato' Sulaiman bin Sujak and Y. Bhg. Dato' Dr Abdul Razak bin Abdul retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 88 of the Company's Articles of Association, Y. Bhg. Dato' Kalimullah bin Masheerul Hassan retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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 26 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' INTEREST

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:

| | 1 July 2000 | <u>Number of Ordinary Shares of RM1 Each</u> | | 30 June 2001 |
|-----------------------------------|-------------|--|------|-------------------|
| | | Bought | Sold | |
| Indirect interest | | | | |
| Y. Bhg. Tan Sri Dr Chen Lip Keong | 17,430,493 | – | – | 17,430,493 |
| Y. Bhg. Puan Sri Lee Chou Sarn | 17,430,493 | – | – | 17,430,493 |

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

Other than as stated above, the directors in office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

NUMBER OF EMPLOYEES AND REGISTERED OFFICE

The number of employees in the Group and Company at the end of the financial year were 895 (2000 : 1,018) and 19 (2000 : 16) respectively. The registered office of the Company is located at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

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

DATO' DR ABDUL RAZAK BIN ABDUL

CHUA TIAM WEE

Kuala Lumpur

Dated: 16 October 2001

statement by directors

We, **DATO' DR ABDUL RAZAK BIN ABDUL** and **CHUA TIAM WEE**, 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 23 to 53 give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2001 and of their results and their cash flows for the year then ended, and have been properly drawn up in accordance with 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

21

CHUA TIAM WEE

Kuala Lumpur
Dated: 16 October 2001

statutory declaration

I, **LEONG CHOONG WAH**, the officer primarily responsible for the financial management of **FACB INDUSTRIES INCORPORATED BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 23 to 53 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 **LEONG CHOONG WAH**)
at Kuala Lumpur in Wilayah Persekutuan)
on 16 October 2001) **LEONG CHOONG WAH**

Before me:

TEE KIAN @ TEE SING, PPN, No: W193
Commissioner for Oaths

auditors' report

To the Shareholders of

FACB INDUSTRIES INCORPORATED BERHAD

We have audited the financial statements set out on pages 23 to 53. 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.

22

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 2001 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;
- (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 36 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 Company's financial statements 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

Public Accountants

WONG KANG HWEE

No. 1116/01/02(J)

Partner of the Firm

Dated: 16 October 2001

consolidated balance sheet

as at 30 June 2001

| In RM | Note | 2001 | 2000 |
|---|------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | | 1,712,093 | 1,447,628 |
| Deposits with licensed financial institutions and short term investment | 3 | 41,603,930 | 34,540,459 |
| Trade debtors | 4 | 42,149,796 | 50,537,730 |
| Other debtors | | 5,435,863 | 5,367,902 |
| Stocks | 5 | 77,635,293 | 90,403,179 |
| Land and development expenditure | 6 | 8,417,211 | – |
| Due from associated companies | | 784,037 | 756,174 |
| Due from affiliated companies | | 5,322 | 117,213 |
| | | 177,743,545 | 183,170,285 |
| CURRENT LIABILITIES | | | |
| Short term borrowings | 8 | 4,563,363 | 4,643,069 |
| Trade creditors | 9 | 33,401,375 | 46,493,204 |
| Other creditors | 10 | 36,027,888 | 29,770,992 |
| Taxation | | 3,710,352 | 5,420,600 |
| Proposed dividends | | 1,226,340 | 1,839,510 |
| | | 78,929,318 | 88,167,375 |
| NET CURRENT ASSETS | | 98,814,227 | 95,002,910 |
| INVESTMENTS IN ASSOCIATED COMPANIES | 12 | 10,163,251 | 10,376,626 |
| OTHER INVESTMENTS | 13 | 60,200 | 60,200 |
| PROPERTY, PLANT AND EQUIPMENT | 14 | 70,785,964 | 78,268,230 |
| LAND HELD FOR DEVELOPMENT | 15 | 40,452,012 | 46,899,626 |
| INTANGIBLE ASSETS | 16 | – | 244,415 |
| LONG TERM OBLIGATION | 17 | (2,830,000) | (16,980,000) |
| TERM LOANS | 18 | (5,689,171) | (6,309,270) |
| HIRE PURCHASE CREDITORS | 19 | – | (88,456) |
| DEFERRED TAXATION | 20 | (1,774,215) | (1,781,585) |
| MINORITY INTERESTS | | (39,458,448) | (38,153,422) |
| | | 170,523,820 | 167,539,274 |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 21 | 85,162,500 | 85,162,500 |
| Reserves | | 85,361,320 | 82,376,774 |
| | | 170,523,820 | 167,539,274 |

consolidated income statement

for the year ended 30 June 2001

| In RM | Note | 2001 | 2000 |
|--|------|----------------------|---------------|
| Revenue | 22 | 203,797,622 | 208,786,244 |
| Cost of sales | 23 | (177,668,155) | (154,377,766) |
| Gross profit | | 26,129,467 | 54,408,478 |
| Other operating income | 24 | 4,292,258 | 3,450,596 |
| Distribution costs | 25 | (7,638,883) | (6,953,025) |
| Administrative expenses | 26 | (10,542,239) | (12,325,805) |
| Other operating expenses | 27 | (4,727,585) | (7,582,475) |
| Profit from operations | | 7,513,018 | 30,997,769 |
| Finance costs | 28 | (2,118,100) | (1,880,368) |
| Share of profits of associated companies | | 1,456,800 | 1,251,916 |
| Profit before taxation | | 6,851,718 | 30,369,317 |
| Taxation | 29 | (1,791,515) | (5,969,768) |
| Profit after taxation | | 5,060,203 | 24,399,549 |
| Minority interests | | (849,317) | (6,735,514) |
| Net profit for the year | | 4,210,886 | 17,664,035 |
| Earnings per share | 31 | 4.94 sen | 20.74 sen |

The accompanying notes are an integral part of this statement.

consolidated statement of changes in equity

for the year ended 30 June 2001

| In RM | Non-distributable | | | | Distributable | |
|---|-------------------|-------------------|---------------------|---------------------------|--------------------|--------------------|
| | Share capital | Share premium | Translation reserve | Reserves of subsidiaries* | Retained profits | Total |
| At 1 July 1999 | 85,162,500 | 28,989,335 | 970,681 | 93,217 | 36,497,956 | 151,713,689 |
| Currency translation difference | – | – | 1,060 | – | – | 1,060 |
| Net gain not recognised in the income statement | – | – | 1,060 | – | – | 1,060 |
| Transfer | – | – | – | 10,381 | (10,381) | – |
| Net profit for the year | – | – | – | – | 17,664,035 | 17,664,035 |
| Dividends (Note 30) | – | – | – | – | (1,839,510) | (1,839,510) |
| At 30 June 2000 | 85,162,500 | 28,989,335 | 971,741 | 103,598 | 52,312,100 | 167,539,274 |
| 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 30) | – | – | – | – | (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 |

* 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 2001

26

| In RM | 2001 | 2000 |
|--|--------------|--------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 6,851,718 | 30,369,317 |
| Adjustments for: | | |
| Write back of provision for impairment in value of property, plant and equipment | – | (1,139,699) |
| Write back of provision for doubtful debts | (1,239,817) | – |
| Reversal of stocks write-down | (885,359) | – |
| Share of profits of associated companies | (1,456,800) | (1,251,916) |
| Provision for doubtful debts | 403,407 | 787,517 |
| Stocks write-down | 578,891 | 1,590,831 |
| Amortisation of intangible assets | – | 25,132 |
| Depreciation | 8,024,273 | 8,157,348 |
| Interest expenses | 2,118,100 | 1,880,368 |
| Interest income | (1,337,408) | (1,441,800) |
| Intangible assets written off | 244,415 | – |
| Property, plant and equipment written off | 20,517 | 29,741 |
| Net gain on disposal of property, plant and equipment | (29,124) | (215,950) |
| Operating profit before working capital changes | 13,292,813 | 38,790,889 |
| Decrease/(increase) in debtors | 9,888,633 | (9,945,366) |
| Decrease/(increase) in stocks | 13,074,354 | (34,571,738) |
| Decrease/(increase) in amount due from affiliated companies | 111,891 | (23,847) |
| (Decrease)/increase in creditors | (11,675,355) | 18,242,074 |
| Cash generated from operations | 24,692,336 | 12,492,012 |
| Taxes paid | (3,940,249) | (1,969,505) |
| Interest paid | (2,086,620) | (1,836,173) |
| Net cash generated from operating activities | 18,665,467 | 8,686,334 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Expenses incurred for land held for development | (1,969,597) | (746,586) |
| Purchase of property, plant and equipment | (1,725,847) | (3,627,867) |
| Purchase of short term investment | (4,000,000) | – |
| Increase in intangible assets | – | (19,225) |
| Proceeds from disposal of property, plant and equipment | 1,192,447 | 443,799 |
| Repayment of long term obligation | (9,188,616) | (5,660,000) |
| Interest received | 1,390,134 | 1,470,173 |
| Dividends received from associated companies | 1,725,577 | 563,757 |
| Net cash used in investing activities | (12,575,902) | (7,575,949) |

In RM

2001

2000

CASH FLOW FROM FINANCING ACTIVITIES

| | | |
|---|--------------------|-------------|
| Dividends paid | (1,839,510) | (851,625) |
| Drawdown of term loans | 2,283,297 | 2,101,953 |
| Repayment of term loans | (2,375,751) | (2,256,899) |
| Drawdown of short term borrowings | – | 500,000 |
| Repayment of short term borrowings | – | (400,000) |
| Repayment of hire purchase creditors | (177,158) | (424,153) |
| Dividends paid to minority shareholders by subsidiaries | (45,156) | (1,906) |
| Net cash used in financing activities | (2,154,278) | (1,332,630) |
| Net increase/(decrease) in cash and cash equivalents | 3,935,287 | (222,245) |
| Cash and cash equivalents at beginning of the year | 34,319,771 | 34,542,016 |
| Cash and cash equivalents at end of the year | 38,255,058 | 34,319,771 |

Cash and cash equivalents comprise:

| | | |
|---|--------------------|-------------|
| Cash and bank balances | 1,712,093 | 1,447,628 |
| Deposits with licensed financial institutions | 37,603,930 | 34,540,459 |
| Bank overdraft | (1,060,965) | (1,668,316) |
| | 38,255,058 | 34,319,771 |

Cash and cash equivalents at the end of the year include deposits of RM29,114,000 (2000 : RM29,114,000) placed with financial institutions which are not freely remissible to the Group as disclosed in Note 3 to the financial statements.

balance sheet

as at 30 June 2001

| In RM | Note | 2001 | 2000 |
|---|------|--------------------|-------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | | 23,587 | 6,877 |
| Deposits with licensed financial institutions and short term investment | 3 | 29,470,139 | 32,637,626 |
| Other debtors | | 1,120,149 | 423,738 |
| Due from subsidiaries | 7 | 76,352,607 | 73,338,591 |
| | | 106,966,482 | 106,406,832 |
| CURRENT LIABILITIES | | | |
| Other creditors | 10 | 371,073 | 506,606 |
| Taxation | | – | 1,081,274 |
| Proposed dividends | | 1,226,340 | 1,839,510 |
| | | 1,597,413 | 3,427,390 |
| NET CURRENT ASSETS | | 105,369,069 | 102,979,442 |
| INVESTMENTS IN SUBSIDIARIES | 11 | 32,735,638 | 32,735,638 |
| OTHER INVESTMENTS | 13 | 60,200 | 60,200 |
| PROPERTY, PLANT AND EQUIPMENT | 14 | 343,468 | 537,738 |
| HIRE PURCHASE CREDITORS | 19 | – | (59,500) |
| DEFERRED TAXATION | 20 | (45,000) | (53,500) |
| | | 138,463,375 | 136,200,018 |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 21 | 85,162,500 | 85,162,500 |
| Reserves | | 53,300,875 | 51,037,518 |
| | | 138,463,375 | 136,200,018 |

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

income statement

for the year ended 30 June 2001

| In RM | Note | 2001 | 2000 |
|--------------------------|------|--------------------|-------------|
| Revenue | 22 | 260,000 | 180,000 |
| Other operating income | 24 | 6,959,812 | 6,808,955 |
| Administrative expenses | 26 | (1,905,595) | (1,562,431) |
| Other operating expenses | 27 | (847,578) | (1,236,694) |
| Profit from operations | | 4,466,639 | 4,189,830 |
| Finance costs | 28 | (43,759) | (74,438) |
| Profit before taxation | | 4,422,880 | 4,115,392 |
| Taxation | 29 | (933,183) | (1,300,000) |
| Net profit for the year | | 3,489,697 | 2,815,392 |

statement of changes in equity

for the year ended 30 June 2001

| In RM | Non-distributable | | | Distributable | |
|-------------------------|-------------------|-------------------|---------------------|--------------------|--------------------|
| | Share capital | Share premium | Revaluation reserve | Retained profits | Total |
| At 1 July 1999 | 85,162,500 | 28,989,335 | 4,424,349 | 16,647,952 | 135,224,136 |
| Net profit for the year | – | – | – | 2,815,392 | 2,815,392 |
| Dividends (Note 30) | – | – | – | (1,839,510) | (1,839,510) |
| At 30 June 2000 | 85,162,500 | 28,989,335 | 4,424,349 | 17,623,834 | 136,200,018 |
| 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 30) | – | – | – | (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 |

The accompanying notes are an integral part of this statement.

cash flow statement

for the year ended 30 June 2001

| In RM | 2001 | 2000 |
|---|-------------|-------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 4,422,880 | 4,115,392 |
| Adjustments for: | | |
| Depreciation | 227,390 | 266,925 |
| Gain on disposal of property, plant and equipment | – | (128,500) |
| Provision for doubtful debts | – | 200,000 |
| Provision for diminution in value of investment | – | 100,000 |
| Interest income | (6,953,001) | (6,671,723) |
| Interest expenses | 43,759 | 74,438 |
| Operating loss before working capital changes | (2,258,972) | (2,043,468) |
| Decrease in debtors | 1,547,262 | 11,156 |
| (Decrease)/increase in creditors | (46,861) | 89,182 |
| Increase in amount due from subsidiaries | (3,014,016) | (75,433) |
| Cash used in operations | (3,772,587) | (2,018,563) |
| Taxes paid | (2,801,387) | (1,959,241) |
| Interest paid | (43,759) | (74,438) |
| Net cash used in operating activities | (6,617,733) | (4,052,242) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (33,120) | (610) |
| Proceeds from disposal of property, plant and equipment | – | 356,000 |
| Interest received | 5,487,758 | 5,546,158 |
| Net cash generated from investing activities | 5,454,638 | 5,901,548 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Repayment of hire purchase creditors | (148,172) | (395,167) |
| Dividends paid | (1,839,510) | (851,625) |
| Net cash used in financing activities | (1,987,682) | (1,246,792) |
| Net (decrease)/increase in cash and cash equivalents | (3,150,777) | 602,514 |
| Cash and cash equivalents at beginning of the year | 32,644,503 | 32,041,989 |
| Cash and cash equivalents at end of the year | 29,493,726 | 32,644,503 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 23,587 | 6,877 |
| Deposits with licensed financial institutions | 29,470,139 | 32,637,626 |
| | 29,493,726 | 32,644,503 |

Cash and cash equivalents at the end of the year include deposits of RM29,114,000 (2000 : RM29,114,000) placed with financial institutions which are not freely remissible to the Company as disclosed in Note 3 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 2001

1. 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 36 to the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and the Company are prepared in accordance with applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

The 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 management of the companies. The subsidiaries are consolidated on the acquisition method of accounting where the results of subsidiaries acquired or disposed during the financial year are included from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases.

Companies acquired or disposed during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Intragroup transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

(c) Investments and Income from Investments

(i) Investments in subsidiaries and other investments are stated at cost or directors' valuation less provision for any permanent diminution in value.

(ii) An associated company is a company in which a long term equity interest of between 20% and 50% is held by the Group and where it exercises significant influence through management participation.

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 and reserves.

Investments in associated companies are stated at cost less provision for any permanent diminution in value.

(iii) Dividend income from investments are recognised on a receivable basis.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment loss.

Leasehold land is depreciated over the remaining period of the lease. Depreciation of other property, plant and equipment is provided on a straight line basis over the following estimated useful lives:

| | |
|--|--|
| Long term leasehold land | Over the terms of leases of above 50 years |
| Short term leasehold land | Over the terms of leases of less than 50 years |
| Buildings | 2% |
| Plant and machinery | 9% - 18% |
| Office equipment, furniture, fittings, renovations and motor vehicles | 10% - 20% |

Construction work-in-progress is not depreciated.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised on depreciation had the write-down or write-off not incurred.

(e) Intangible Assets

Intangible assets comprise preliminary and pre-operating expenses. During the financial year, the directors have adopted a policy to write-off the intangible assets to comply with the provisions of the Malaysian Accounting Standards Board Standard No. 1 (MASB 1). The effect of this change has resulted in the write-off of intangible assets in the current year of RM244,415.

(f) Stocks

Stocks are stated at the lower of cost 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.

(g) 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 including 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.

(h) Land Held for Development

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

(i) Currency Conversion and Translation

Transactions in foreign currencies during the year 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. 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 balance sheet, 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 exchange rates ruling at balance sheet date used for each unit of foreign currency to Ringgit Malaysia are as follows:

| | 2001 | 2000 |
|------------------------|------|------|
| US Dollar (USD) | 3.80 | 3.80 |
| Renminbi (RMB) | 0.45 | 0.45 |
| Singapore Dollar (S\$) | 2.08 | 2.20 |

(j) Affiliated Company

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

(k) 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.

(l) 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 in the foreseeable future.

(m) Debtors

Known bad debts are written off and specific provisions are made for all debts which are considered doubtful.

(n) 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 (d) 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 digit method.

(o) Revenue Recognition

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

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and deposits, net of outstanding bank overdrafts.

3. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS AND SHORT TERM INVESTMENT

| In RM | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| Deposits with licensed financial institutions: | | | | |
| Banks | 20,254,994 | 10,564,724 | 12,121,203 | 8,661,891 |
| Finance companies | 17,348,936 | 23,975,735 | 17,348,936 | 23,975,735 |
| | 37,603,930 | 34,540,459 | 29,470,139 | 32,637,626 |
| Short term investment | 4,000,000 | – | – | – |
| | 41,603,930 | 34,540,459 | 29,470,139 | 32,637,626 |

The short term investment relates to placements with an insurance company, with maturity period not exceeding 17 May 2002.

Included in deposits of the Group and the Company is an amount of RM29,114,000 (2000 : RM29,114,000) being balance of unutilised rights issue proceeds placed with financial institutions which are reserved for long term investments to be identified.

4. TRADE DEBTORS

| In RM | Group | |
|------------------------------|-------------|-------------|
| | 2001 | 2000 |
| Trade debtors | 45,037,445 | 54,315,834 |
| Provision for doubtful debts | (2,887,649) | (3,778,104) |
| | 42,149,796 | 50,537,730 |

5. STOCKS

| In RM | Group | |
|-----------------------------|------------|------------|
| | 2001 | 2000 |
| Raw materials | 29,177,188 | 50,000,195 |
| Work-in-progress | 13,898,132 | 12,619,684 |
| Finished goods | 34,200,550 | 27,314,370 |
| Spare parts and consumables | 359,423 | 468,930 |
| | 77,635,293 | 90,403,179 |

Included in the above carrying amount of the Group are stocks amounting to RM7,413,035 (2000 : Nil) which are stated at their net realisable amounts.

6. LAND AND DEVELOPMENT EXPENDITURE

| In RM | 2001 | Group 2000 |
|--------------------------|-----------|---------------|
| Leasehold land - at cost | 7,756,464 | – |
| Development expenditure | 660,747 | – |
| | 8,417,211 | – |

7. DUE FROM SUBSIDIARIES

| In RM | 2001 | Company 2000 |
|------------------------------|------------|-----------------|
| Due from subsidiaries | 76,552,607 | 73,538,591 |
| Provision for doubtful debts | (200,000) | (200,000) |
| | 76,352,607 | 73,338,591 |

8. SHORT TERM BORROWINGS

| In RM | 2001 | Group 2000 |
|---|-----------|---------------|
| Secured | | |
| Term loans due within twelve months (Note 18) | 3,002,398 | 2,474,753 |
| Unsecured | | |
| Bank overdraft | 1,060,965 | 1,668,316 |
| Time loan | 500,000 | 500,000 |
| | 1,560,965 | 2,168,316 |
| | 4,563,363 | 4,643,069 |

Bank overdraft of a subsidiary amounting to RM635,697 (2000 : RM967,757) is guaranteed by the Company and subject to a negative pledge on the property, plant and equipment of the subsidiary.

The borrowings bear interest ranging between 4.00% to 10.00% (2000 : 3.85% to 10.00%) per annum.

9. TRADE CREDITORS

| In RM | 2001 | Group 2000 |
|-----------------|------------|---------------|
| Trade creditors | 9,205,375 | 10,815,204 |
| Bills payable | 24,196,000 | 35,678,000 |
| | 33,401,375 | 46,493,204 |

The bills payable bear interest ranging from 3.20% to 4.60% (2000 : 3.25% to 7.25%) per annum.

10. OTHER CREDITORS

Included in other creditors are:

| In RM | 2001 | Group 2000 | 2001 | Company 2000 |
|---|-------------------|---------------|---------------|-----------------|
| Hire purchase creditors (Note 19) | 88,456 | 177,158 | 59,500 | 148,172 |
| Due to a company with common directors* | 10,943,183 | 7,792,000 | – | – |
| Due to vendor for acquisition of land held for development (Note 17) | 16,281,384 | 11,320,000 | – | – |

* 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.

37

11. INVESTMENTS IN SUBSIDIARIES

| In RM | 2001 | Company 2000 |
|-----------------------------------|-------------------|-----------------|
| Unquoted shares: | | |
| At cost | 16,916,101 | 16,916,101 |
| At directors' valuation | 15,919,537 | 15,919,537 |
| | 32,835,638 | 32,835,638 |
| Provision for diminution in value | (100,000) | (100,000) |
| | 32,735,638 | 32,735,638 |

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.

The details of subsidiaries are described in Note 36 to the financial statements.

12. INVESTMENTS IN ASSOCIATED COMPANIES

| In RM | 2001 | Group 2000 |
|--|-------------------|---------------|
| Unquoted shares, at cost | 8,849,713 | 8,849,713 |
| Group's share of post acquisition reserves | 1,313,538 | 1,526,913 |
| | 10,163,251 | 10,376,626 |
| Represented by: | | |
| Share of net tangible assets | 10,163,251 | 10,376,626 |

The details of associated companies are described in Note 37 to the financial statements.

13. OTHER INVESTMENTS

| In RM | Group and Company | |
|-------------------------------|-------------------|--------|
| | 2001 | 2000 |
| 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 | 1,340 | 1,700 |

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.

38

14. PROPERTY, PLANT AND EQUIPMENT

| Group | | | | | |
|---------------------------------|-------------------------------------|----------------------|---|--------------------------------------|-------------|
| In RM | Leasehold land and buildings* | Plant & machinery | Office equipment, furniture, fittings, renovations and motor vehicles | Construction work-in- progress | Total |
| Valuation/Cost | | | | | |
| At 1 July 2000 | 57,346,768 | 66,712,720 | 7,240,557 | 1,573,920 | 132,873,965 |
| Additions | – | 1,187,968 | 537,879 | – | 1,725,847 |
| Disposals | – | (1,139,700) | (136,066) | – | (1,275,766) |
| Write-offs | – | – | (29,676) | – | (29,676) |
| Reclassification | – | 1,573,920 | – | (1,573,920) | – |
| At 30 June 2001 | 57,346,768 | 68,334,908 | 7,612,694 | – | 133,294,370 |
| Representing: | | | | | |
| At cost | 11,206,768 | 68,334,908 | 7,612,694 | – | 87,154,370 |
| At valuation | 46,140,000 | – | – | – | 46,140,000 |
| | 57,346,768 | 68,334,908 | 7,612,694 | – | 133,294,370 |
| Accumulated depreciation | | | | | |
| At 1 July 2000 | 8,150,221 | 40,875,079 | 5,580,435 | – | 54,605,735 |
| Charge for the year | 967,430 | 6,437,034 | 619,809 | – | 8,024,273 |
| Disposals | – | – | (112,443) | – | (112,443) |
| Write-offs | – | – | (9,159) | – | (9,159) |
| At 30 June 2001 | 9,117,651 | 47,312,113 | 6,078,642 | – | 62,508,406 |

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group

| In RM | Leasehold land and buildings* | Plant & machinery | Office equipment, furniture, fittings, renovations and motor vehicles | Construction work-in- progress | Total |
|------------------------------|-------------------------------------|----------------------|---|--------------------------------------|-------------------|
| Net book value | | | | | |
| At 30 June 2001 | 48,229,117 | 21,022,795 | 1,534,052 | - | 70,785,964 |
| At 30 June 2000 | 49,196,547 | 25,837,641 | 1,660,122 | 1,573,920 | 78,268,230 |
| Depreciation charge for 2000 | 964,794 | 6,370,128 | 822,426 | - | 8,157,348 |

* Leasehold land and buildings

| In RM | Long term leasehold land | Short term leasehold land | Buildings | Total |
|---------------------------------|--------------------------------|---------------------------------|-------------------|-------------------|
| Valuation/Cost | | | | |
| At 1 July 2000 | 18,110,267 | 1,300,000 | 37,936,501 | 57,346,768 |
| Additions | - | - | - | - |
| At 30 June 2001 | 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 |
| Accumulated depreciation | | | | |
| At 1 July 2000 | 1,510,167 | 220,519 | 6,419,535 | 8,150,221 |
| Additions | 182,930 | 25,769 | 758,731 | 967,430 |
| At 30 June 2001 | 1,693,097 | 246,288 | 7,178,266 | 9,117,651 |
| Net book value | | | | |
| At 30 June 2001 | 16,417,170 | 1,053,712 | 30,758,235 | 48,229,117 |
| At 30 June 2000 | 16,600,100 | 1,079,481 | 31,516,966 | 49,196,547 |
| Depreciation charge for 2000 | 180,292 | 25,771 | 758,731 | 964,794 |

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company

| In RM | Furniture and fittings | Motor vehicles | Office equipment | Renovation | Total |
|---------------------------------|------------------------------|-------------------|---------------------|------------|-----------|
| Cost | | | | | |
| At 1 July 2000 | 230,317 | 877,246 | 610 | 291,683 | 1,399,856 |
| Additions | – | – | 33,120 | – | 33,120 |
| At 30 June 2001 | 230,317 | 877,246 | 33,730 | 291,683 | 1,432,976 |
| Accumulated depreciation | | | | | |
| At 1 July 2000 | 90,208 | 657,617 | 51 | 114,242 | 862,118 |
| Charge for the year | 23,031 | 170,628 | 4,562 | 29,169 | 227,390 |
| At 30 June 2001 | 113,239 | 828,245 | 4,613 | 143,411 | 1,089,508 |
| Net book value | | | | | |
| At 30 June 2001 | 117,078 | 49,001 | 29,117 | 148,272 | 343,468 |
| At 30 June 2000 | 140,109 | 219,629 | 559 | 177,441 | 537,738 |
| Depreciation charge for 2000 | 23,057 | 214,649 | 51 | 29,168 | 266,925 |

- (a) Certain property, plant and equipment of the Group with net book value of RM11,095,449 (2000 : RM11,983,457) have been charged to banks for loan facilities granted as disclosed in Note 18 to the financial statements.
- (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 directors have not adopted a policy of regular revaluations of these 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.

The net book value of the revalued land and buildings of the Group as at 30 June 2001 is RM38,897,913 (2000 : RM39,646,828). 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 2001 would be RM19,018,366 (2000 : RM19,403,193).

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (c) Included in property, plant and equipment of the Group and the Company are motor vehicles with net book value of RM78,517 (2000 : RM281,346) and RM49,000 (2000 : RM219,629) held under hire purchase arrangements.
- (d) Included in property, plant and equipment of the Group are the following costs of fully depreciated assets which are still in use:

| In RM | 2001 | 2000 |
|------------------------|------------|-----------|
| Plant and machinery | 20,719,629 | 1,281,277 |
| Office equipment | 1,239,703 | 680,002 |
| Furniture and fittings | 108,008 | 92,757 |
| Renovations | 107,250 | 91,450 |
| Motor vehicles | 2,573,747 | 2,153,995 |
| | 24,748,337 | 4,299,481 |

41

15. LAND HELD FOR DEVELOPMENT

| In RM | 2001 | Group 2000 |
|-------------------------|------------|---------------|
| Leasehold land, at cost | 37,523,536 | 45,280,000 |
| Development expenditure | 2,928,476 | 1,619,626 |
| | 40,452,012 | 46,899,626 |

Included in development expenditure are interest capitalised for the year of RM992,054 (2000 : RM746,026).

This represents a portion of leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah which was 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 still in the name of the vendor.

16. INTANGIBLE ASSETS

| In RM | 2001 | Group 2000 |
|---------------------------------|-----------|---------------|
| At cost | | |
| Preliminary expenses | 42,966 | 42,966 |
| Pre-operating expenses | 514,029 | 514,029 |
| Deferred expenses | 55,668 | 55,668 |
| | 612,663 | 612,663 |
| Accumulated amortisation | (368,248) | (368,248) |
| Written off to income statement | (244,415) | – |
| | – | 244,415 |

Included in the previous year's pre-operating expenses was auditors' remuneration of RM7,400.

17. LONG TERM OBLIGATION

Long term obligation is in respect of the acquisition of land held for development, referred to in Note 15, 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 | 2001 | Group 2000 |
|---|---------------------|---------------|
| Within 24 months from the date of approval of Development Plan ("Approval date") | 2,131,384 | 11,320,000 |
| Within 36 months from the Approval date | 14,150,000 | 14,150,000 |
| Not later than 48 months from the Approval date | 2,830,000 | 2,830,000 |
| | 19,111,384 | 28,300,000 |
| Payable within 12 months included under other creditors (Note 10) | (16,281,384) | (11,320,000) |
| | 2,830,000 | 16,980,000 |

18. TERM LOANS

| In RM | 2001 | Group 2000 |
|---|--------------------|---------------|
| Secured* | | |
| 6.50% term loan repayable by 48 equal monthly instalments commencing October 1996 | – | 22,841 |
| 7.00% term loan repayable by 48 equal monthly instalments commencing October 1996 | – | 33,570 |
| 9.75% term loan repayable by 48 equal monthly instalments commencing October 1996 | – | 23,824 |
| 6.50% term loan repayable by 20 equal quarterly instalments commencing May 1999 | 1,300,000 | 1,500,000 |
| 7.75% to 9.50% term loan repayable by 20 equal quarterly instalments commencing May 1999 | 1,632,023 | 2,498,213 |
| 7.75% to 10.00% term loan repayable by 16 equal quarterly instalments commencing November 1999 | 1,371,790 | 1,981,474 |
| 7.75% to 10.00% term loan repayable by 20 equal quarterly instalments commencing June 2000 | 491,168 | 622,148 |
| 7.02% term loan repayable on 25 December 2000 | – | 90,000 |
| 7.75% term loan repayable by 48 equal monthly instalments commencing March 2001 | 1,613,291 | 1,651,953 |
| 7.02% term loan repayable on 20 March 2001 | – | 135,000 |
| 7.02% term loan repayable on 15 May 2001 | – | 225,000 |
| 7.75% term loan repayable by 48 equal monthly instalments commencing November 2001 | 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 | – |
| | 8,691,569 | 8,784,023 |
| Repayments due within twelve months included under short term borrowings (Note 8) | (3,002,398) | (2,474,753) |
| | 5,689,171 | 6,309,270 |

* Secured against certain property, plant and equipment of the Group.

19. HIRE PURCHASE CREDITORS

Future minimum payments are as follows:

| In RM | Group | | Company | |
|------------------------------------|-----------------|----------|-----------------|----------|
| | 2001 | 2000 | 2001 | 2000 |
| Payable within one year | 114,703 | 229,323 | 77,350 | 191,931 |
| Payable between one and five years | – | 114,703 | – | 77,350 |
| | 114,703 | 344,026 | 77,350 | 269,281 |
| Less : Finance charges | (26,247) | (78,412) | (17,850) | (61,609) |
| | 88,456 | 265,614 | 59,500 | 207,672 |

Representing hire purchase:

| | | | | |
|--------------------------------|---------------|---------|---------------|---------|
| Due within 12 months (Note 10) | 88,456 | 177,158 | 59,500 | 148,172 |
| Due after 12 months | – | 88,456 | – | 59,500 |
| | 88,456 | 265,614 | 59,500 | 207,672 |

43

20. DEFERRED TAXATION

| In RM | Group | | Company | |
|---|------------------|-----------|----------------|--------|
| | 2001 | 2000 | 2001 | 2000 |
| (a) At 1 July | 1,781,585 | 1,153,865 | 53,500 | 53,500 |
| Transfer (to)/from income statement (Note 29) | (7,370) | 627,720 | (8,500) | – |
| At 30 June | 1,774,215 | 1,781,585 | 45,000 | 53,500 |

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

| In RM | Group | | Company | |
|-------------------------------------|------------------|-----------|----------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| Depreciation and capital allowances | 6,336,482 | 5,615,804 | 160,714 | 191,071 |
| Provisions | – | 747,000 | – | – |
| | 6,336,482 | 6,362,804 | 160,714 | 191,071 |

Deferred taxation amounting to RM972,000 (2000 : 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.

21. SHARE CAPITAL

| In RM | Group and Company | |
|------------------------------|-------------------|-------------|
| | 2001 | 2000 |
| Ordinary shares of RM1 each: | | |
| Authorised | 200,000,000 | 200,000,000 |
| Issued and fully paid | 85,162,500 | 85,162,500 |

22. REVENUE

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

| In RM | Group | | Company | |
|---|-------------|-------------|---------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| Sales of goods net of discounts, sales tax and returns | 203,797,622 | 208,786,244 | – | – |
| Management fees | – | – | 180,000 | 180,000 |
| Internal audit fee | – | – | 80,000 | – |
| | 203,797,622 | 208,786,244 | 260,000 | 180,000 |

23. COST OF SALES

Included in cost of sales are:

| In RM | Group | |
|-----------------|------------|------------|
| | 2001 | 2000 |
| Staff costs | 10,788,349 | 10,675,296 |
| Depreciation | 6,783,849 | 6,714,532 |
| Rental expenses | 190,061 | 166,577 |

24. OTHER OPERATING INCOME

Included in other operating income are:

| In RM | Group | | Company | |
|--|------------------|-----------|------------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| Bad debts recovered | – | 32,400 | – | – |
| Excess on liquidation of a subsidiary | 430,826 | – | – | – |
| Realised gain on foreign exchange | 110,146 | 64,061 | – | – |
| Gain on disposal of property, plant and equipment | 30,925 | 215,950 | – | 128,500 |
| Interest income | | | | |
| - subsidiaries | – | – | 5,788,348 | 5,456,642 |
| - others | 1,337,408 | 1,441,800 | 1,164,653 | 1,215,081 |
| Rental income | 19,710 | 19,710 | – | – |
| Write back of provision for doubtful debts | 1,239,817 | – | – | – |
| Write back of provision for impairment in value of property, plant and equipment | – | 1,139,699 | – | – |
| Reversal of stocks write-down | 885,359 | – | – | – |

25. DISTRIBUTION COSTS

Included in distribution costs are:

| In RM | Group | |
|------------------------------|------------------|-----------|
| | 2001 | 2000 |
| Depreciation | 17,444 | 21,640 |
| Provision for doubtful debts | 397,583 | 47,850 |
| Rental expenses | 421,883 | 475,577 |
| Staff costs | 2,513,912 | 2,332,891 |

26. ADMINISTRATIVE EXPENSES

Included in administrative expenses are:

| In RM | Group | | Company | |
|---|------------------|-----------|------------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| Directors of the Company | | | | |
| – Fees | 40,000 | 40,000 | 40,000 | 40,000 |
| – (Over)/underprovision of fees in prior year | (18,169) | 10,500 | (18,169) | 10,500 |
| – Salaries and other emoluments | 1,350,700 | 1,179,402 | 516,552 | 475,368 |
| Other directors of the subsidiaries | | | | |
| – Salaries and other emoluments | 12,396 | 36,592 | – | – |
| Management fees payable to an affiliated company of a subsidiary | 146,745 | 157,177 | – | – |
| Staff costs | 7,227,917 | 8,521,809 | 1,254,903 | 877,560 |

* 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 RM62,575 and RM8,800 (2000 : RM68,867 and RM733).

27. OTHER OPERATING EXPENSES

Included in other operating expenses are:

| In RM | Group | | Company | |
|---|------------------|-----------|----------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| Auditors' remuneration | 136,375 | 114,550 | 12,000 | 11,000 |
| Amortisation of intangible assets | – | 25,132 | – | – |
| Depreciation | 1,222,980 | 1,421,176 | 227,390 | 266,925 |
| Property, plant and equipment written off | 20,517 | 29,741 | – | – |
| Intangible assets written off | 244,415 | – | – | – |
| Provision for doubtful debts | 5,824 | 739,667 | – | 200,000 |
| Provision for diminution in value of investment | – | – | – | 100,000 |
| Stocks write-down | 578,891 | 1,590,831 | – | – |
| Secretarial fees paid to a subsidiary | – | – | 24,000 | 6,000 |
| Realised loss on foreign exchange | 8,004 | 28,982 | – | – |
| Rental of premises | 720,876 | 797,208 | 252,456 | 258,728 |
| Loss on disposal of property, plant and equipment | 1,801 | – | – | – |

28. FINANCE COSTS

| In RM | Group | | Company | |
|-----------------------------------|------------------|-----------|---------------|--------|
| | 2001 | 2000 | 2001 | 2000 |
| Bank loans and overdraft interest | 2,065,935 | 1,797,524 | – | – |
| Hire purchase interest | 52,165 | 82,844 | 43,759 | 74,438 |
| | 2,118,100 | 1,880,368 | 43,759 | 74,438 |

29. TAXATION

| In RM | Group | | Company | |
|--|------------------|-----------|------------------|-----------|
| | 2001 | 2000 | 2001 | 2000 |
| Current year provision | 1,840,400 | 4,999,900 | 1,300,000 | 1,300,000 |
| Share of taxation in associated companies | 353,860 | 342,148 | – | – |
| | 2,194,260 | 5,342,048 | 1,300,000 | 1,300,000 |
| Transfer (from)/to deferred taxation (Note 20) | (7,370) | 627,720 | (8,500) | – |
| | 2,186,890 | 5,969,768 | 1,291,500 | 1,300,000 |
| Overprovision in prior years | (395,375) | – | (358,317) | – |
| | 1,791,515 | 5,969,768 | 933,183 | 1,300,000 |

29. TAXATION (cont'd)

The effective tax rate of the Group is lower than the statutory rate due principally to tax savings arising from utilisation of unutilised reinvestment and capital allowances brought forward by subsidiaries and overprovision in prior years.

The effective tax rate of the Company is lower than the statutory rate due principally to the overprovision in prior years.

As at 30 June 2001, the Company has tax exempt profits available for distribution of approximately RM10,109,000 (2000 : 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 2001.

30. DIVIDENDS

| | Group and Company | | Dividend Per Share | |
|---|-------------------|-----------|--------------------|------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | sen | sen |
| Proposed final dividends of 2% less 28% taxation (2000 : 3% less 28% taxation) in respect of financial year ended 30 June | 1,226,340 | 1,839,510 | 1.44 | 2.16 |

31. EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group profit after taxation and minority interests of RM4,210,886 (2000 : RM17,664,035) by the weighted average number of shares in issue during the year of 85,162,500 (2000 : 85,162,500).

32. PIONEER STATUS

- 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 2001, the subsidiary has tax exempt profits available for distribution of approximately RM28,645,000 (2000 : RM28,645,000) subject to agreement with Inland Revenue Board.
- 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 2001, the subsidiary has not commenced operations. Accordingly, the pioneer status granted is subject to review by the relevant authority.
- 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 2001, the subsidiary has not commenced operations. Accordingly, the pioneer status granted is subject to review by the relevant authority.

33. CAPITAL COMMITMENTS

| In RM | 2001 | Group 2000 |
|---------------------------------|-----------|---------------|
| Approved but not contracted for | 6,031,000 | 5,607,000 |
| Contracted but not provided for | 1,270,000 | 131,215 |
| | 7,301,000 | 5,738,215 |

34. CONTINGENT LIABILITIES (unsecured)

| In RM | 2001 | Company 2000 |
|--|------------|-----------------|
| Contingent liabilities in respect of corporate guarantees extended in support of banking facilities of subsidiaries | 39,513,000 | 80,154,000 |

35. SEGMENTAL REPORTING

| In RM | Revenue 2001 | Revenue 2000 | Profit/(loss) before taxation 2001 | Profit/(loss) before taxation 2000 | Total assets employed 2001 | Total assets employed 2000 |
|--|-----------------|-----------------|--|--|----------------------------------|----------------------------------|
| (a) Analysis By Geographical Location | | | | | | |
| Malaysia | 199,313,652 | 204,051,611 | 8,261,120 | 30,205,693 | 410,874,546 | 426,648,752 |
| The People's Republic of China | 6,899,447 | 5,897,499 | (32,043) | (398,252) | 10,442,116 | 10,198,380 |
| | 206,213,099 | 209,949,110 | 8,229,077 | 29,807,441 | 421,316,662 | 436,847,132 |
| Group's share of associated companies results | – | – | 1,456,800 | 1,251,916 | – | – |
| | 206,213,099 | 209,949,110 | 9,685,877 | 31,059,357 | 421,316,662 | 436,847,132 |
| Consolidation adjustments | (2,415,477) | (1,162,866) | (2,834,159) | (690,040) | (122,111,690) | (117,827,750) |
| | 203,797,622 | 208,786,244 | 6,851,718 | 30,369,317 | 299,204,972 | 319,019,382 |

35. SEGMENTAL REPORTING (cont'd)

| In RM | Revenue | | Profit/(loss) before taxation | | Total assets employed | |
|---|--------------------|-------------|-------------------------------|------------|-----------------------|---------------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| (b) Analysis By Activity | | | | | | |
| Investment holding and management | 2,415,477 | 1,162,866 | 5,988,356 | 4,785,207 | 213,224,355 | 213,965,906 |
| Manufacturing and trading | 203,797,622 | 208,786,244 | 2,240,721 | 25,022,234 | 208,092,307 | 222,881,226 |
| | 206,213,099 | 209,949,110 | 8,229,077 | 29,807,441 | 421,316,662 | 436,847,132 |
| Group's share of associated companies results | – | – | 1,456,800 | 1,251,916 | – | – |
| | 206,213,099 | 209,949,110 | 9,685,877 | 31,059,357 | 421,316,662 | 436,847,132 |
| Consolidation adjustments | (2,415,477) | (1,162,866) | (2,834,159) | (690,040) | (122,111,690) | (117,827,750) |
| | 203,797,622 | 208,786,244 | 6,851,718 | 30,369,317 | 299,204,972 | 319,019,382 |

49

36. SUBSIDIARIES

The subsidiaries, all of which are incorporated in Malaysia except as otherwise indicated, are:

| Name of Company | Equity Interests | | Paid-up Capital | | Principal Activities |
|--|------------------|---------|-----------------------|-----------------------|---|
| | 2001 | 2000 | 2001 | 2000 | |
| Kanzen Tetsu Sdn. Bhd. | 70% | 70% | RM10,000,000 | RM10,000,000 | Manufacture and sale of stainless steel pipes and stainless steel pipe fittings |
| Held by Kanzen Tetsu Sdn. Bhd. | | | | | |
| Kanzen Kagu Sdn. Bhd. | 70% | 70% | RM1,000,000 | RM1,000,000 | Manufacture and sale of carbon steel pipes |
| Kanzen Marketing Sdn. Bhd. | 70% | 70% | RM2 | RM2 | Dormant |
| Restonic (M) Sdn. Bhd. | 50% +1* | 50% +1* | **RM24,499,999 | **RM24,499,999 | Investment holding |
| Held by Restonic (M) Sdn. Bhd. | | | | | |
| Dreamland Corporation (Malaysia) Sdn. Bhd. | 50% +1* | 50% +1* | RM4,000,000 | RM4,000,000 | Wholesale dealership of mattresses, furniture and related accessories |

36. SUBSIDIARIES (cont'd)

| Name of Company | Equity Interests | | Paid-up Capital | | Principal Activities |
|---|------------------|------------|-----------------|--------------|--|
| | 2001 | 2000 | 2001 | 2000 | |
| Held by Restonic (M) Sdn. Bhd. | | | | | |
| Dreamland Spring Manufacturing Sdn. Bhd. | 50% +1* | 50% +1* | RM3,300,000 | RM3,300,000 | Manufacture and wholesale dealership of mattresses |
| Eurocoir Products Sdn. Bhd. | 50% +1* | 50% +1* | RM2,000,000 | RM2,000,000 | Manufacture and sale of polyester fibre and polyester pillows and bolsters |
| Dream Products Sdn. Bhd. | 50% +1* | 50% +1* | RM243,100 | RM243,100 | Manufacture and sale of synthetic foam, bedding coordinates and related accessories |
| Dream Crafts Sdn. Bhd. | 50% +1* | 50% +1* | RM100,000 | RM100,000 | Marketing and sales promotion of furniture, mattresses and related accessories |
| Sleepmaker Sdn. Bhd. | 50% +1* | 50% +1* | RM20 | RM20 | Marketing and distributing of mattresses |
| @ Dreamland (Singapore) Pte. Ltd. | 50% +1* | 50% +1* | S\$200,000 | S\$200,000 | Marketing and sales promotion of furniture, mattresses and related accessories |
| Dreamland Spring Sdn. Bhd. | 100% | 100% | RM5,000 | RM5,000 | Investment holding |
| Held by Dreamland Spring Sdn. Bhd. | | | | | |
| *** Dreamland Qingdao Pte. Ltd. | 51% | 51% | USD600,000 | USD600,000 |) Manufacture and) marketing of the) Dreamland range) of mattresses) |
| *** Dreamland Xian Pte. Ltd. | 52% | 52% | USD837,600 | USD837,600 | |
| *** Nantong Dreamland Steel Products Co. Ltd. | 55% | 55% | RMB3,500,000 | RMB3,500,000 | Manufacture and sale of steel wire products |
| Kanzen Ventures Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Investment holding |

36. SUBSIDIARIES (cont'd)

| Name of Company | Equity Interests | | Paid-up Capital | | Principal Activities |
|--|------------------|------|-----------------|-------------|---|
| | 2001 | 2000 | 2001 | 2000 | |
| Held by Kanzen Ventures Sdn. Bhd. | | | | | |
| Kanzen Energy Ventures Sdn. Bhd. | 55% | 55% | RM5,000,000 | RM5,000,000 | Investment holding |
| *** Nantong Kanzen Steel Wire Co. Ltd. | – | 55% | – | USD850,000 | Liquidated |
| Kanzen Management Sdn. Bhd. | 100% | 100% | RM100,000 | RM100,000 | Providing management and secretarial services |
| Beribu Ukiran Sdn. Bhd. | 60% | 60% | RM100,000 | RM100,000 | Property development |
| Dream Tours Sdn. Bhd. | 100% | 100% | RM1,000,000 | RM1,000,000 | Dormant |
| Kanzen Shindo Sdn. Bhd. | 70% | 70% | RM10 | RM10 | Dormant |
| Kanzen Chuzoo Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Dormant |
| Kanzen Properties Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Dormant |
| Creation Holdings Berhad | 100% | 100% | RM2 | RM2 | Dormant |
| Estasi Stainlessware Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Dormant |
| Kanzen Hartanah Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Dormant |
| Kanzen Land Sdn. Bhd. | 100% | 100% | RM2 | RM2 | Dormant |

- (a) There were no significant changes in the subsidiaries' principal activities during the financial year.
- (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., 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 2000 and management financial statements for the six months ended 30 June 2001.

36. SUBSIDIARIES (cont'd)

* 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 |
| | 24,499,999 |

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.

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.

37. ASSOCIATED COMPANIES

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

| Name of Company | Effective Interests | | Paid-up Capital USD | Principal Activities |
|---|---------------------|-------|------------------------|------------------------------------|
| | 2001 | 2000 | | |
| Dreamland Tianjin Pte. Ltd. | 40% | 40% | 1,280,497 |) Manufacture and |
| Dreamland Shanghai Pte. Ltd. | 40% | 40% | 800,000 |) marketing of spring |
| Dreamland Dalian Pte. Ltd. | 40% | 40% | 860,000 |) mattresses, metal |
| Dreamland Lianyungang Pte. Ltd. | 40% | 40% | 700,000 |) furniture and |
| Dreamland Jiujiang Pte. Ltd. | 41.6% | 41.6% | 350,000 |) wooden furniture |
| Jiangyin Bingjiang Power Supply Co. Ltd. | 16.5% | 16.5% | 5,911,000 | Supply of electricity and steam |

The Group equity accounted for its share of post acquisition reserves of all the associated companies based on audited financial statements for the financial year ended 31 December 2000 and management financial statements for the six months ended 30 June 2001.

38. 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 | 2001 | 2000 |
|---|---------|---------|
| Group | | |
| Management fees paid to an affiliated company of a subsidiary, Pacific Dunlop Limited | 146,745 | 157,177 |
| Computer charges paid to an affiliated company of a subsidiary, Pacific Dunlop Limited | 90,000 | 90,678 |
| Company | | |
| Secretarial fees paid to a subsidiary | 24,000 | 6,000 |

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.

39. CURRENCY

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

analysis of shareholdings

as at 8 October 2001

| | | |
|--------------------------|---|--|
| 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 |

Distribution of Shareholders

| Size of Holdings | No. of Shareholders | No. of Shares | % |
|------------------------|---------------------|-------------------|----------------|
| 1 - 999 | 121 | 43,535 | 0.051 |
| 1,000 - 10,000 | 7,089 | 18,811,226 | 22.089 |
| 10,001 - 100,000 | 409 | 10,029,310 | 11.777 |
| 100,001 - less than 5% | 25 | 17,986,000 | 21.119 |
| 5% and above | 4 | 38,292,429 | 44.964 |
| Total | 7,648 | 85,162,500 | 100.000 |

54

Analysis of Shareholdings

| Type of Shareholders | Bumiputra Shareholding | % | Non-Bumiputra Shareholding | % | Foreign Shareholding | % |
|----------------------------|---------------------------|---------------|-------------------------------|---------------|-------------------------|---------------|
| Individual: | | | | | | |
| Bumiputra | 820,779 | 0.964 | – | – | – | – |
| Chinese | – | – | 25,515,352 | 29.961 | – | – |
| Indian | – | – | 314,437 | 0.369 | – | – |
| Others | – | – | 71,187 | 0.083 | 466,449 | 0.548 |
| Nominees | 1,744,000 | 2.048 | 24,983,978 | 29.337 | 12,979,389 | 15.240 |
| Bank/Financial Institution | 13,179,610 | 15.476 | 2,127,000 | 2.498 | – | – |
| Company/Corporate Bodies | 256,500 | 0.301 | 2,516,392 | 2.955 | – | – |
| Government Agency | 73,427 | 0.086 | – | – | – | – |
| Other Companies | 114,000 | 0.134 | – | – | – | – |
| Total | 16,188,316 | 19.009 | 55,528,346 | 65.203 | 13,445,838 | 15.788 |

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 Beneficial interest via nominee companies.

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

30 largest shareholders

as at 8 October 2001

| 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 | 14.684 |
| 2. Permodalan Nasional Berhad | 12,487,547 | 14.663 |
| 3. HSBC Nominees (Asing) Sdn Bhd <i>Qualifier Name: BCV for Blue Velvet Property Inc</i> | 8,374,389 | 9.833 |
| 4. SFB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: Pledged Securities Account for Tan Sri Dr Chen Lip Keong</i> | 4,925,000 | 5.783 |
| 5. HSBC Nominees (Asing) Sdn Bhd <i>Qualifier Name: BOB HK for Asian Emerging Countries Fund</i> | 2,613,000 | 3.068 |
| 6. SFB Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: Pledged Securities Account for Song Meng Kong</i> | 2,500,000 | 2.936 |
| 7. JB Securities Sdn Bhd <i>Qualifier Name: IVT (C11)</i> | 2,117,000 | 2.486 |
| 8. Sumurwang Capital Sdn Bhd | 1,855,000 | 2.178 |
| 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 | 2.048 |
| 10. Chan Peng Leong | 1,585,000 | 1.861 |
| 11. HDM Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: Pledged Securities Account for Song Meng Kong (Memo)</i> | 1,159,000 | 1.361 |
| 12. Bank Simpanan Nasional | 658,000 | 0.773 |
| 13. Goh Leong Chuan | 524,000 | 0.615 |
| 14. JB Nominees (Asing) Sdn Bhd <i>Qualifier Name: Magnum (Guernsey) Limited</i> | 393,000 | 0.462 |
| 15. Sak Moy @ Sak Swee Len | 324,000 | 0.380 |
| 16. HDM Nominees (Asing) Sdn Bhd <i>Qualifier Name: GS Asian Countries Fund</i> | 306,000 | 0.359 |
| 17. Lee Kow Chai @ Lee Peng Saw | 205,000 | 0.241 |
| 18. Arab-Malaysian Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: MIMB Aberdeen Asset Mgmt Sdn Bhd for Pertubuhan Keselamatan Sosial</i> | 200,000 | 0.235 |
| 19. Yeoh Kean Hua | 195,000 | 0.229 |
| 20. ABN Amro Nominees (Asing) Sdn Bhd <i>Qualifier Name: AAB Singapore BR for Oriental Orchid Limited</i> | 193,000 | 0.227 |
| 21. Teo Kwee Hock | 187,000 | 0.220 |
| 22. Lim Khuan Eng | 181,000 | 0.213 |
| 23. Chan Kit Yu | 180,000 | 0.211 |
| 24. UOBM Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: Pledged Securities Account for Lau Tuang Nguang (Mal)</i> | 173,000 | 0.203 |
| 25. BHLB Trustee Berhad <i>Qualifier Name: TA Comet Fund</i> | 157,000 | 0.184 |
| 26. Amanah Raya Berhad <i>Qualifier Name: Kumpulan Modal Bumiputera Yang Kesepuluh</i> | 150,000 | 0.176 |
| 27. Citicorp Nominees (Asing) Sdn Bhd <i>Qualifier Name: MLPFS for Chin Yit Kong</i> | 139,000 | 0.163 |
| 28. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Qualifier Name: Pledged Securities Account for Ong Aun Kung (100187)</i> | 128,000 | 0.150 |
| 29. Lim Kang Hoo | 120,000 | 0.141 |
| 30. Chu Saik In | 100,000 | 0.117 |
| Total | 56,378,429 | 66.200 |

list of properties

as at 30 June 2001

56

| Location | Description | Area | Approximate age | Existing use | Tenure | Net book value In RM'000 |
|--|------------------------------|----------------------|-----------------|---------------------------------------|--|-----------------------------|
| K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 4047M ² | 23 years | Factory Premises | Leasehold for 60 years expiring in 2038 | 1,043 |
| Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 6070M ² | 21 years | Factory Premises | Leasehold for 60 years expiring in 2040 | 1,333 |
| Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 4046M ² | 21 years | Factory Premises | Leasehold for 60 years expiring in 2040 | 521 |
| PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim | Land & Building | 6070M ² | 15 years | Sales Office & Factory Premises | Leasehold for 60 years expiring in 2046 | 1,125 |
| Lot 4 Persiaran Perusahaan Seksyen 23 Bandar Shah Alam 40000 Shah Alam Selangor Darul Ehsan | Land & Building | 81520M ² | 11 years | Factory & Office Premises | Leasehold for 99 years expiring in 2098 | 44,207 |
| Country Lease No. 015414972 Mile 13 Tuaran Road District of Kota Kinabalu Sabah | Land held for development | 516541M ² | – | Under development | Leasehold for 999 years expiring in 2905 | 45,280 |

FACB Industries Incorporated Berhad (48850-K)

(Incorporated in Malaysia)

Number of Shares

CDS Account No.

proxy form

I/We _____

of _____

being a member of the abovementioned Company, hereby appoint _____

of _____

or failing him/her _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Second 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, 5 December 2001 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

| Resolution | For | Against |
|------------|-----|---------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |

As witness my/our hand this _____ day of _____ 2001

Witness signature _____

Signature/Seal of shareholder _____

Witness name _____

Notes:

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company but in accordance with Section 149(1)(b) of the Companies Act, 1965, a member of the Company shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding this Meeting or at any adjournment thereof.

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

first fold here

second fold here