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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting of Chocolate Products (Malaysia) Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 10 December 2001 at 2.30 pm for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 June 2001. **Resolution 1**
2. To approve the payment of a first and final dividend of 0.05 sen per ordinary share less 28% Malaysian Income Tax. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM88,000.00 (2000: RM33,400.00). **Resolution 3**
4. To re-elect Directors:
 - i) In accordance with Article 94 of the Company's Articles of Association, the following Directors who were appointed during the year, retire and being eligible, offer themselves for re-election:

Mr Heah Sieu Lay
Mr George Leong Chee Fook

Resolution 4
Resolution 5
 - ii) In accordance with Article 103 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election:

Y Bhg Tan Sri William H J Cheng
Y Bhg Dato' Ismail bin Said

Resolution 6
Resolution 7
5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 8**
6. Special Business

To consider and if thought fit, pass the following resolution as an ordinary resolution:

Ordinary Resolution – Authority to Directors to issue shares

“That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company.”

Resolution 9
7. To transact any other business for which due notice shall have been given.

DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares deposited into the depositor's securities account before 12.30 pm on 7 December 2001 in respect of shares exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 12.30 pm on 11 December 2001 in respect of ordinary transfers; and
- (c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2001 to shareholders on the Register of Members of the Company at the close of business on 11 December 2001.

By Order of the Board

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

Kuala Lumpur
15 November 2001

Notes:

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal.*

The instrument of proxy must be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the Meeting.

2. *Resolution 3 – Increase in Directors' fees*

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

3. *Resolution 9 – Authority to Directors to issue shares*

This authorisation will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

I. Directors standing for re-election at the Thirty-First Annual General Meeting of the Company

- Pursuant to Article 94 of the Company's Articles of Association
(Appointed during the year)

Mr Heah Sieu Lay
Mr George Leong Chee Fook

- Pursuant to Article 103 of the Company's Articles of Association
(Retirement by rotation)

Y Bhg Tan Sri William H J Cheng
Y Bhg Dato' Ismail bin Said

- Details of attendance at Board Meetings:

Director	Date of Appointment	No. of Meetings Attended
Mr Heah Sieu Lay	5 June 2001	1/1
Mr George Leong Chee Fook	5 June 2001	1/1
Y Bhg Tan Sri William H J Cheng	27 October 1989	6/6
Y Bhg Dato' Ismail bin Said	15 September 1995	6/6

- Further details of Directors standing for re-election are set out on pages 5 and 6 of this Annual Report.

II. Place, date and time of Board Meetings

During the financial year ended 30 June 2001, six (6) Board Meetings were held. All Board Meetings were held at Level 47, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur. The date and time of the Board Meetings held were as follows:

No.	Date of Meetings	Time
1)	29 August 2000	2.30 pm
2)	27 October 2000	10.15 am
3)	27 November 2000	11.00 am
4)	26 February 2001	3.30 pm
5)	24 May 2001	3.30 pm
6)	6 June 2001	11.30 am

CORPORATE INFORMATION

Board of Directors	: Y Bhg Tan Sri William H J Cheng (Chairman) Mr Heah Sieu Lay (Managing Director) Y Bhg Dato' Ismail bin Said Y Bhg Dato Murad Mohamed Hashim Mr Cheng Yong Kwang Mr George Leong Chee Fook
Secretaries	: Ms Wong Yoke Lin Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 03-21613166 Fax No: 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Suite 11.01, Level 11, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21648411, 03-21648412 Fax No : 03-21614535
Auditors	: PricewaterhouseCoopers 11 th Floor, Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur
Principal Bankers	: Alliance Merchant Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad Utama Merchant Bank Berhad
Stock Exchange Listing	: Kuala Lumpur Stock Exchange
Stockname	: CHOC
KLSE Stock No	: 2887
Reuters Code	: CHOC.KL
ISIN Code	: MYL2887OO007

PROFILE OF DIRECTORS

Y BHG TAN SRI WILLIAM H J CHENG

Non-Independent Executive Director

Aged 58, Tan Sri William H J Cheng, a Malaysian, has 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

Tan Sri William Cheng was appointed to the Board on 27 October 1989 and is the Chairman of the Company. He is also the Chairman of the Option Committee of the Company. His other directorships in public companies are as follows:

- Chairman of Posim Berhad, a public listed company.
- Chairman and Managing Director of Lion Corporation Berhad, a public listed company.
- Director of Amsteel Corporation Berhad, Amalgamated Containers Berhad and Angkasa Marketing Berhad, all public listed companies.
- Chairman and Managing Director of Silverstone Berhad, a public company.

Tan Sri William Cheng has an indirect shareholding of 232,254,501 ordinary shares of RM0.50 each in the Company. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company. He also has interest in certain companies which conduct similar business as the Company.

Tan Sri William Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2001.

Tan Sri William Cheng is the uncle of Mr Cheng Yong Kwang, a Director of the Company.

MR HEAH SIEU LAY

Non-Independent Executive Director

Aged 48, Mr Heah Sieu Lay, a Malaysian, received his Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic, London. He is an associate member of the Institute of Chartered Accountants in England and Wales.

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

Mr Heah was appointed to the Board on 5 June 2001 and is a member of the Company's Audit Committee. He is also a Director of Lion Land Berhad, a public listed company.

Since his appointment on 5 June 2001, he attended the remaining one (1) Board Meeting held during the financial year ended 30 June 2001.

Y BHG DATO' ISMAIL BIN SAID

Independent Non-Executive Director

Aged 52, Dato' Ismail bin Said, a Malaysian, received his Bachelor of Economics degree from the University of Malaya.

Dato' Ismail is the President of Institute Usahawan Bumiputera since 1988. He was a member of Parliament (1978-1995), the Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995) and the Chairman of Majlis Amanah Rakyat (1987-1990).

Dato' Ismail was appointed to the Board on 15 September 1995 and is the Chairman of the Company's Audit Committee. He is also a member of the Nomination Committee and Remuneration Committee of the Company. Currently, he is also a Director in Ahmad Zaki Resources Berhad, a public listed company.

He attended all of the six (6) Board Meetings held during the financial year ended 30 June 2001.

Y BHG DATO MURAD MOHAMED HASHIM

Non-Independent Non-Executive Director

Aged 68, Y Bhg Dato Murad Mohamed Hashim, a Malaysian, obtained his Bachelor of Arts degree in International Relations/Economics from the Boston University, Boston, United States of America and Masters of Business Administration Programme, Columbia University Graduate School of Business, New York, the United States of America.

Dato Murad was with ESSO Malaysia Berhad (“ESSO”) from 1958 to 1984. In 1984, he was appointed as the Senior Vice President and a member of the Board of National Petroleum Corporation of Malaysia (“Petronas”) by the Prime Minister of Malaysia and after completing his 5-year contract with Petronas, was subsequently re-appointed by the Prime Minister in 1989 to establish and head the Malaysian Palm Oil Promotion Council (“MPOPC”) to promote palm oil worldwide and to fight the anti-palm oil campaign initiated in the United States of America. In 1993, he retired as Chief Executive Officer of MPOPC. Dato Murad is a member of the Board of Trustees of World Wildlife Fund.

Dato Murad was appointed to the Board on 19 May 2000 and is the Chairman of the Company’s Remuneration Committee. Currently, he is also a Director of Mycom Berhad and Amalgamated Containers Berhad, both public listed companies.

He attended all of the six (6) Board Meetings held during the financial year ended 30 June 2001.

MR CHENG YONG KWANG

Non-Independent Non-Executive Director

Aged 45, Mr Cheng Yong Kwang, a Singaporean, is an associate of the Institute of Chartered Secretaries and Administrators, United Kingdom (“ICSA”) and obtained his fellowship from the ICSA in 1996. He received his diploma in Business Administration from the Sheffield Hallam University, United Kingdom.

Mr Cheng started his career in 1981 with the Lion Group and has held various senior positions in the Lion Group. He has more than 19 years of experience in finance and treasury operations both in the manufacturing and property development sectors. He is the Director of Lion Asiapac Limited, Singapore and an Appointed Commissioner of P T Lion Metal Works Tbk, Indonesia.

Mr Cheng was appointed to the Board on 11 July 1994 and is a member of the Nomination Committee, Remuneration Committee and Option Committee of the Company.

He is the nephew of Y Bhg Tan Sri William H J Cheng, the Chairman and a major shareholder of the Company. In addition, he is the brother of Y Bhg Datuk Cheng Yong Kim, a major shareholder of the Company. Mr Cheng has interest in certain companies which conduct similar business as the Company.

He attended five (5) of the six (6) Board Meetings held during the financial year ended 30 June 2001.

MR GEORGE LEONG CHEE FOOK

Independent Non-Executive Director

Aged 55, Mr George Leong Chee Fook, a Malaysian, received his Bachelor of Economics (Honours) degree from the University of Malaya.

Mr George Leong joined Malaysian Industrial Development Authority (“MIDA”) immediately after his graduation until December 2000 and was a Director of MIDA’s offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA’s headquarters.

Mr George Leong was appointed to the Board on 5 June 2001 and is the Chairman of the Company’s Nomination Committee. He is also a member of the Audit Committee of the Company.

Since his appointment on 5 June 2001, he attended the remaining one (1) Board Meeting held during the financial year ended 30 June 2001.

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

CORPORATE GOVERNANCE

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

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

1. DIRECTORS

The Board

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

The Board of Directors comprises six (6) Directors of whom four (4) are non-executive. The profile of the members of the Board are set out on pages 5 and 6 of this Annual Report. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. Represented on the Board are two (2) independent non-executive Directors who bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

Supply of Information

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

Re-election

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

Board Meetings

The Board meets on a quarterly basis with additional meetings convened as necessary. The Board met for a total of six (6) times during the financial year ended 30 June 2001.

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

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

The Board Committees

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

2. DIRECTORS’ REMUNERATION

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

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

(RM)	Fees	Salaries & Other Emoluments	Total
Executive Directors	17,000	–	17,000
Non-Executive Directors	71,000	–	71,000

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

Range of Remuneration (RM)	Executive	Non-Executive
15,000 & below	2	1
15,001 – 30,000	–	4

3. ACCOUNTABILITY AND AUDIT

To oversee the financial reporting and internal control of the Group, the Board has established an Audit Committee comprising three (3) Directors, the majority of whom are independent. The responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 9 and 10.

The Audit Committee met six (6) times during the financial year.

Financial Reporting

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

Internal Controls

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

Relationship with the Auditors

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

4. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

5. SHAREHOLDERS

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

Members

- Y Bhg Dato' Ismail bin Said
(Chairman, Independent Non-Executive Director) Appointed on 15 September 1995
- Mr George Leong Chee Fook
(Independent Non-Executive Director) Appointed on 5 June 2001
- Mr Heah Sieu Lay
(Non-Independent Executive Director) Appointed on 5 June 2001

The following Directors served on the Audit Committee during the financial year in the respective positions until their resignation on the dates set out below:

- Y Bhg Tan Sri Dato' Muhammad Yusuff bin
Muhammad Yunus
(Chairman, Independent Non-Executive Director) Resigned on 8 May 2001
- Y Bhg Dato Murad Mohamed Hashim
(Non-Independent Non-Executive Director) Resigned on 5 June 2001
- Mr Cheng Yong Kwang
(Non-Independent Non-Executive Director) Resigned on 5 June 2001

Y Bhg Dato Murad Mohamed Hashim and Mr Cheng Yong Kwang resigned to comply with the Listing Requirements of the Kuala Lumpur Stock Exchange.

Secretaries

The Joint-Secretaries of Chocolate Products (Malaysia) Berhad, Ms Wong Yoke Lin and Puan Yasmin Weili Tan bt Abdullah @ Tan Wee Li are also Joint-Secretaries of the Audit Committee.

AUTHORITY

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

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved
- To review the quarterly announcements to the Kuala Lumpur Stock Exchange and year end annual financial statements before submission to the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary)

- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems

MEETINGS

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

During the financial year under review, six (6) Audit Committee Meetings were held. Y Bhg Dato' Ismail bin Said attended all the meetings held in the financial year. Y Bhg Tan Sri Dato' Muhammad Yusuff bin Muhammad Yunus and Y Bhg Dato Murad Mohamed Hashim attended all the meetings until their resignation from the Audit Committee on 8 May 2001 and 5 June 2001 respectively whilst Mr Cheng Yong Kwang attended all except one (1) of the meetings held in the financial year prior to his resignation from the Audit Committee. Mr George Leong Chee Fook and Mr Heah Sieu Lay attended the remaining one (1) meeting of the Audit Committee held for the financial year under review subsequent to their appointment as members of the Audit Committee on 5 June 2001.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and annual financial statements of Chocolate Products (Malaysia) Berhad and its subsidiaries. The Audit Committee has met with the external auditors to discuss and consider the nature and scope of the audit, and significant changes and developments on accounting practices and standards issued by both the Malaysian Accounting Standards Board and International Accounting Standard Body. Also discussed was the management's response to the various issues and internal control weaknesses highlighted by the external auditors in the management report to the Board. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The various corporate proposals and the intention of the management to secure a Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") were deliberated upon and endorsed for approval by the Board.

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

INTERNAL AUDIT

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

NOMINATION COMMITTEE

Chairman	:	Mr George Leong Chee Fook (Independent Non-Executive Director)
Members	:	Y Bhg Dato' Ismail bin Said (Independent Non-Executive Director) Mr Cheng Yong Kwang (Non-Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board, candidates for directorships in Chocolate Products (Malaysia) Berhad To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder To recommend to the Board, directors to fill the seats on Board Committees To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

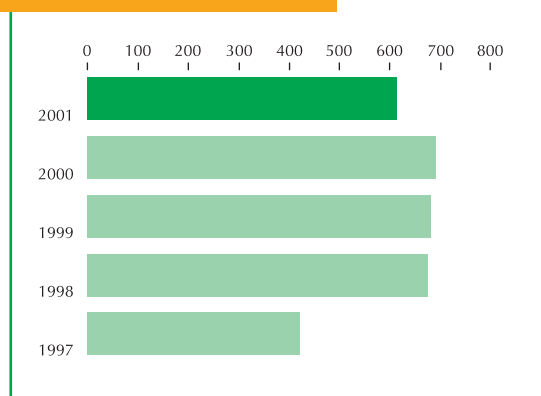
REMUNERATION COMMITTEE

Chairman	:	Y Bhg Dato Murad Mohamed Hashim (Non-Independent Non-Executive Director)
Members	:	Y Bhg Dato' Ismail bin Said (Independent Non-Executive Director) Mr Cheng Yong Kwang (Non-Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

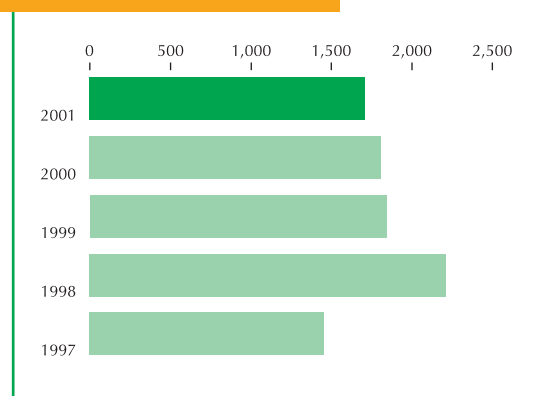
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	419,617	675,153	683,468	691,698	614,372
Profit/(loss) before taxation	17,796	(32,017)	(10,506)	(39,430)	21,063
Profit/(loss) after taxation	13,727	(33,995)	(12,292)	(54,047)	3,154
Dividends:					
Rate (%)	3.0	0.5	0.1	0.1	0.1
Amount (net of tax)	3,658	627	125	125	125
Total assets employed	1,459,515	2,213,634	1,842,877	1,815,709	1,712,947
Shareholders' funds	478,294	763,076	636,533	603,256	602,173
Net tangible assets	447,417	710,619	586,524	562,148	560,292
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	128	204	168	161	161
Earnings/(loss) per share	0.9	(13.4)	(4.8)	(18.9)	(1.0)

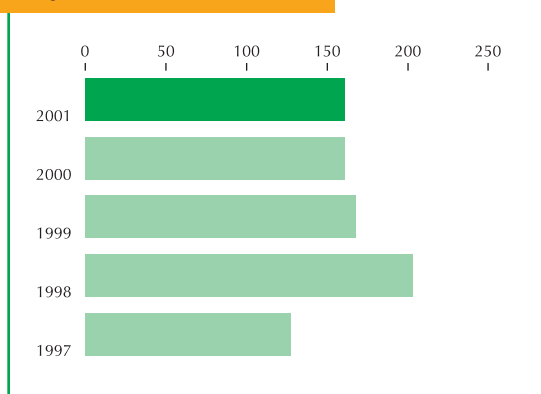
Revenue RM Million



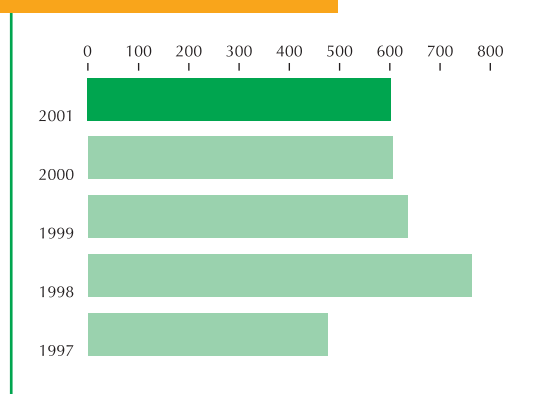
Total Assets Employed RM Million



Net Tangible Assets Per Share Sen



Shareholders' Funds RM Million



THE GROUP'S BUSINESSES



Beer processing line at the Group's brewery in China
Bahagian pemerosesan bir di kilang bir milik Kumpulan di China



Beer bottling line
Bahagian pembotolan



Range of beer produced for the domestic market in China
Rangkaian bir yang dikeluarkan untuk pasaran tempatan di China



Never ending excitement at Subang Parade
Kerian yang berpanjangan di Subang Parade



Mahkota Parade, offering fun and enjoyment for everyone
Mahkota Parade menawarkan pelbagai jenis hiburan dan kerian untuk setiap orang



PENYATA PENERUS

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Chocolate Products (Malaysia) Berhad bagi tahun kewangan berakhir 30 Jun 2001.

PRESTASI KEWANGAN

Pelupusan perniagaan coklat dan konfeksi serta prestasi operasi pengilangan bir di China yang memberangsangkan telah menghasilkan keputusan prestasi Kumpulan yang lebih baik. Bahagian hartanah yang mencatat prestasi memuaskan untuk setahun lagi telah menyumbang kepada keputusan Kumpulan yang memberangsangkan.

Kumpulan telah melunaskan kerugian tukaran matawang yang tertunggak dan peruntukan penyusutan nilai aset dalam perniagaan coklat dan konfeksi pada tahun lepas.

Tanpa perniagaan coklat dan konfeksi, perolehan yang dicapai oleh Kumpulan adalah lebih rendah berjumlah RM614 juta berbanding dengan RM692 juta pada tahun lepas. Keuntungan operasi meningkat dengan memuaskan daripada RM32 juta pada tahun lepas kepada RM55 juta pada tahun semasa. Selepas mengambilkira kos-kos kewangan dan keputusan di dalam syarikat bersekutu yang dikongsi bersama, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM21 juta berbanding dengan kerugian sebelum cukai berjumlah RM39 juta.

PERKEMBANGAN KORPORAT

- a) Pada tahun kewangan yang lepas, Lembaga Pengarah Syarikat dan Amsteel Corporation Berhad ("Amsteel"), syarikat pemegang utama telah merumuskan Skim Penyusunan Semula Seluruh Kumpulan ("Cadangan SPSSK") yang melibatkan penyusunan semula hutang Kumpulan dan Syarikat serta merasionalisasikan struktur Kumpulan dengan mengenalpasti perniagaan-perniagaan teras dan melupuskan perniagaan-perniagaan bukan teras. Amsteel seterusnya telah mengumumkan pindaan terma-terma Cadangan SPSSK ("Pindaan Cadangan SPSSK").

Pada tahun ini, hutang-hutang Syarikat dan syarikat-syarikat subsidiari yang berkenaan telah disusun semula menerusi langkah penyusunan semula hutang entiti. Perjanjian penyusunan semula hutang-hutang Kumpulan dengan pihak-pihak bank terbabit telah berkuatkuasa dalam bulan Disember 2000. Oleh yang demikian, skim penyusunan semula hutang Kumpulan tidak terbabit dengan Pindaan Cadangan SPSSK yang diumumkan oleh Amsteel.

- b) Pada 17 November 2000, Consitrade (M) Sdn Bhd, subsidiari milik penuh Syarikat telah memeterai perjanjian dengan Kilang Bir Taixing di China untuk mengambilalih baki 45% kepentingan ekuiti dalam Jiangsu DEBier Brewery Co Ltd, termasuk pinjaman pemegang saham untuk balasan berjumlah Rmb50 juta (anggaran kira-kira RM22.8 juta). Cadangan pengambilalihan ini adalah tertakluk kepada kelulusan daripada pihak Suruhanjaya Perdagangan Antarabangsa dan Kerjasama Ekonomi Jiangsu serta lain-lain pihak berkuasa berkenaan, jika perlu.

TINJAUAN OPERASI

Bahagian Hartanah

Dengan usaha Kerajaan yang berterusan untuk menggalakkan perbelanjaan pengguna serta aktiviti-aktiviti promosi dan pemasaran yang agresif oleh dua buah pusat membeli-belah, Subang Parade dan Mahkota Parade telah berjaya mencatatkan prestasi memberangsangkan untuk setahun lagi. Keuntungan operasi melonjak kepada RM32 juta berbanding dengan RM24 juta pada tahun lepas. Dengan sokongan kakitangan yang dedikasi dan berpengalaman, kedua-dua pusat membeli-belah ini berupaya mengekalkan kadar penghunian yang tinggi kira-kira 90%, walaupun berhadapan dengan persaingan sengit daripada kompleks-kompleks membeli-belah baru di kawasan berhampiran. Pelbagai aktiviti promosi yang menarik telah dilangsungkan di kedua-dua pusat membeli-belah berkenaan di sepanjang tahun. Aktiviti-aktiviti tersebut termasuk persembahan artis-artis terkenal dari dalam dan luar negara, pertandingan dan pesta untuk segenap lapisan penonton serta usaha pemasaran dengan kerjasama firma-firma terkenal.

Bahagian Bir

Operasi bahagian bir di China terus merupakan penyumbang utama kepada prestasi keseluruhan Kumpulan.

Menerusi kecairan pelaburan Kumpulan dalam Ningbo Lion Brewery Co Ltd kepada status syarikat bersekutu, keputusan operasinya telah diambilkira secara ekuiti. Pada dasar setara, jumlah perolehan bir bertambah kepada RM648 juta berbanding dengan RM583 juta yang dicatatkan pada tahun lepas. Seiringan dengan peningkatan dalam perolehan, keuntungan operasi meningkat kepada RM46 juta berbanding dengan RM37 juta pada tahun lepas.

Kesemua operasi pengilangan bir di China mencatat prestasi yang memuaskan walaupun bersaing dalam suasana operasi yang sengit. Operasi pengilangan bir di Wenzhou sekali lagi mencatatkan prestasi yang

memberangsangkan dengan perolehan dan keuntungan yang lebih tinggi. Dalam tahun tinjauan, bahagian bir berhadapan dengan persaingan sengit ekoran potongan harga yang berleluasa dalam pasaran oleh para pesaing tempatan dan juga pengusaha-pengusaha yang baru menerokai pasaran bir di China. Dengan 95% jualan bir di China yang terdiri daripada bir berjenama tempatan, operasi usahasama kita berupaya mengekalkan kedudukan utama di beberapa wilayah menerusi usaha-usaha pemasaran dan promosi yang intensif.

Pasaran yang luas di China pada masa ini, dianggarkan kira-kira RM16 bilion dan dijangka akan berkembang dengan pesat dalam jangkamasa sederhana. Ini secara tidak langsung telah menarik sebahagian besar pengilang bir antarabangsa untuk menerokai pasaran, dengan membawa masuk teknologi terkini pengeluaran bir premium bermutu tinggi serta kepakaran dalam pemasaran antarabangsa dan posisi jenama. Taraf hidup populasi China yang meningkat dijangka akan mengubah citarasa dan pilihan pengguna. Sehubungan dengan ini, hubungan teknikal kita dengan pengilang bir yang besar dan terkenal dari Jerman untuk pemindahan teknologi yang diperlukan akan membolehkan operasi-operasi pengilangan bir berada dalam kedudukan bersedia untuk menghadapi cabaran yang akan datang.

Bahagian Coklat dan Konfeksi

Pelupusan perniagaan coklat dan konfeksi telah disempurnakan pada 29 Ogos 2000.

DIVIDEN

Lembaga Pengarah mengesyorkan dividen kasar pertama dan akhir sebanyak 0.05 sen (2000 : 0.05 sen) sesaham, ditolak cukai pendapatan untuk kelulusan pemegang saham di Mesyuarat Agung Tahunan yang akan datang. Jumlah dividen bersih berbayar jika diluluskan akan berjumlah RM0.1 juta (2000 : RM0.1 juta).

PROSPEK

Kelembapan ekonomi sejagat dijangka tidak akan memberi kesan ketara kepada prestasi Kumpulan. Dengan selesainya penyusunan semula entiti, kedudukan kewangan Kumpulan akan lebih kukuh untuk menumpu kepada perniagaan-perniagaannya. Justeru itu, tertakluk kepada perkara-perkara yang tidak diduga, Lembaga Pengarah menjangkakan keuntungan Kumpulan dapat dikekalkan.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya mengalu-alukan pelantikan Encik Heah Sieu Lay dan Encik George Leong Chee Fook ke Lembaga Pengarah. Saya juga ingin merakamkan penghargaan ikhlas kepada Y Bhg Tan Sri Dato' Muhammad Yusuff bin Muhammad Yunus yang telah meletakkan jawatan daripada Lembaga pada tahun ini, atas sumbangan-sumbangan beliau yang tidak ternilai di sepanjang perkhidmatan beliau sebagai Pengarah Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan ucapan terima kasih dan penghargaan ikhlas kepada pihak pengurusan dan kesemua kakitangan atas usaha gigih, dedikasi dan iltizam anda sekalian kepada kejayaan Kumpulan.

Saya juga ingin mengucapkan ribuan terima kasih kepada para pelanggan, pemiaya, sekutu perniagaan, pihak berkuasa kerajaan dan pemegang saham atas sokongan dan keyakinan mereka yang berterusan.

TAN SRI WILLIAM H J CHENG

Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Chocolate Products (Malaysia) Berhad for the financial year ended 30 June 2001.

FINANCIAL PERFORMANCE

The divestment of our chocolate and confectionery business and the continued strong performance of our brewery operations in the People's Republic of China ("China") had resulted in a turnaround in the performance of the Group. Our property division also contributed favourably to the Group's results by recording another year of impressive performance.

The Group had also fully amortised its deferred exchange losses and provided for diminution in assets value of its chocolate and confectionery business in the previous financial year.

In the absence of the chocolate and confectionery business, revenue achieved by the Group was lower at RM614 million as against RM692 million last year. Operating profit rose substantially from RM32 million last year to RM55 million in the current year. After accounting for finance costs and share of results of its associated company, the Group recorded a profit before tax of RM21 million as compared to a loss before tax of RM39 million.

CORPORATE DEVELOPMENTS

- a) In the previous financial year, the Board of Directors of the Company and Amsteel Corporation Berhad ("Amsteel"), the ultimate holding company, formulated a Group Wide Restructuring Scheme ("Proposed GWRS") which involved the restructuring of the Group's and the Company's debts and rationalisation of the Group structure whereby core businesses would be redefined and non-core businesses would be divested. Amsteel subsequently announced the revised terms of the Proposed GWRS ("Revised Proposed GWRS").

During the year, the applicable debts of the Company and its affected subsidiary companies have been restructured by way of an entity debt restructuring exercise. The debt restructuring agreements pertaining to the Group's debts with its lenders were executed in December 2000. As a result, the debt restructuring scheme for the Group will not form part of the Revised Proposed GWRS as announced by Amsteel.

- b) On 17 November 2000, Consitrade (M) Sdn Bhd, a wholly-owned subsidiary of the Company, entered into an agreement with Taixing Brewery Factory in China for the acquisition of the remaining 45% equity interest in Jiangsu DEbier Brewery Co Ltd inclusive of shareholder's loan for a consideration of Rmb50 million (equivalent to approximately RM22.8 million). The proposed acquisition is subject to approvals being obtained from Jiangsu Commission of Foreign Trade and Economic Cooperation and any other relevant authorities, if required.

REVIEW OF OPERATIONS

Property Division

The continuing efforts of the Government in boosting consumer spending and the aggressive marketing and promotional activities carried out at our two shopping centres, Subang Parade and Mahkota Parade, has enabled the division to record another year of commendable performance. Operating profit was significantly higher at RM32 million as against RM24 million last year. Backed by a strong team of dedicated and experienced staff, the two shopping centres were able to maintain their high occupancy rate of about 90%, despite intense competition from new shopping malls within their vicinity. A wide range of exciting promotional activities were carried out at these two premier shopping centres throughout the year. These activities included performances by well known local and international artistes, carnivals and contests catering for a wide range of audience and also joint marketing efforts with reputable firms.

Brewery Division

Our brewery division operating in China continued to be the key contributor towards the Group's overall performance.

With the dilution of the Group's investment in Ningbo Lion Brewery Co Ltd to an associate status, the results of its operations had been equity accounted for. On a like to like basis, total brewery revenue was higher at RM648 million as against RM583 million recorded last year. In tandem with the improvement in revenue, operating profit rose to RM46 million as against RM37 million last year.

All our brewery operations in China performed satisfactorily despite the highly competitive operating environment. Our brewery operation in Wenzhou again reported another set of impressive performance with higher revenue and profit. The year under review saw

intense price undercutting by the local competitors and also new foreign brewers entering the China beer market. With local brands accounting for 95% of all China beer sales, our joint-venture operations were able to maintain their leading position in the various provinces through intensive marketing and promotional initiatives.

The vast China beer market which is currently estimated to be about RM16 billion is expected to grow rapidly over the medium term. This has invariably attracted a large number of sizeable foreign brewers to enter the market, bringing along with them the latest technology in the production of high quality premium beer and expertise in international marketing and brand positioning. The growing affluence of the China population is expected to further shift consumer taste and preference. In this respect, our technical tie-up with a large reputable German brewer to provide the relevant technology transfer will stand the brewery operations in good stead to face the challenges ahead.

Chocolate and Confectionery Division

The disposal of our chocolate and confectionery business was completed on 29 August 2000.

DIVIDEND

The Board recommends a first and final gross dividend of 0.05 sen (2000 : 0.05 sen) per share, less tax for approval of the shareholders at the forthcoming Annual General Meeting. The total dividend payable for the financial year, if approved, will amount to RM0.1 million (2000 : RM0.1 million).

PROSPECTS

The global economic slowdown is not expected to significantly impact on the performance of the Group. With the completion of its own entity restructuring, the Group will be in a stronger financial position to focus on its core businesses. Hence, barring unforeseen circumstances, the Board of Directors expects its profitability to be maintained.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to the newly appointed Directors, Mr Heah Sieu Lay and Mr George Leong Chee Fook. I would also like to record my sincere appreciation to Y Bhg Tan Sri Dato' Muhammad Yusuff bin Muhammad Yunus who resigned from the Board during the year, for his invaluable contributions during his tenure of service as Director of the Company.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere thanks and appreciation to the management and all employees for their hard work, dedication and commitment to the Group's success.

I would also like to thank all our valuable customers, financiers, business associates, government authorities and shareholders for their continued support and confidence.

TAN SRI WILLIAM H J CHENG
Chairman



主席报告

我谨代表董事部,欣然提呈本集团截至 2001 年 6 月 30 日为止的财政年度的常年报告和经审核财务报告。

财务表现

在脱售巧克力与甜品的业务,以及我们在中国的酿酒业业务继续有特出的表现下,整个集团的表现好转。在这一年,我们的产业部再一次创造佳绩,对整个集团的业绩作出贡献。

在上一个财政年度,本集团已完全将其所蒙受的外汇损失以及其巧克力与甜品业的财产价值缩减,作了全面勾销。

由于终止了巧克力及甜品业务,本集团的营业额减少到 6 亿 1 千 400 万零吉,上一个财政年度是 6 亿 9 千 200 万零吉。营业利润从去年的 3 千 200 万零吉激增至 5 千 500 万零吉。在扣除财务成本和摊占联号的业绩之后,本集团的税前利润是 2 千 100 万零吉,上一个年度则是亏损 3 千 900 万零吉。

企业发展

a) 在上一个财政年度,公司董事会和最终控股公司,合钢实业有限公司(“合钢实业”)草拟集团重组计划(“重组计划”),包括重组集团和公司的债务,以及把集团的结构合理化,从而重新鉴定核心业务,以及脱售非核心业务。合钢实业较后宣布经修订集团重组计划(“修订重组计划”)。

在本财政年度,本公司与有关子公司的债务已经重组。这项债务重组合同已在 2000 年 12 月签署。结果本集团的债务重组计划,并非合钢实业所宣布的修订重组计划的一部分。

b) 在 2000 年 11 月 17 日,本公司独资拥有的子公司 Consitrade(M)Sdn Bhd,和中国国营泰兴啤酒厂达成协议,收购在江苏华狮啤酒有限公司剩余的 45% 股权,包括股东贷款在内,总额是人民币 5 千万元(约 2 千 280 万零吉)。建议中的收购,必须获得江苏省对外贸易与经济合作委员会或是任何有关当局批准。

业务检讨

产业部

政府继续鼓励消费,以及我们的两个购物中心即梳梳百利和皇冠百利积极展开促销活动,使到这个部门再一次有良好的业绩。营业利润大增,从上一个年度的 2 千 400 万零吉增加到本年度的 3 千 200 万零吉。这两个购物中心在大批忠诚和经验丰富的职员努力下,维持高达约 90% 的租用率,尽管它们面对周围新购物中心的激烈竞争。这两个首要购物中心,一整年都在进行广泛的促销活动。这些活动包括本国和国际著名艺人献艺,嘉年华会及各种竞赛,吸引了大批观众。它们也和著名公司展开联合促销活动。

酿酒部

我们在中国的酿酒部,继续是本集团总体表现的主要贡献者。本集团已减少在宁波金狮酿酒厂的投资而把它的地位降为联号。如果宁波金狮子公司地位不变,酿酒部

总营业额从上一年的 5 亿 8 千 300 万零吉增加到本年度的 6 亿 4 千 800 万零吉。随着营业额增加,营业利润也增加到 4 千 600 万零吉;上一年度是 3 千 700 万零吉。

尽管面对高度竞争的营业环境,我们在中国所有酿酒厂的业务表现良好。我们在温州的酿酒厂,再一次有优越的表现,营业额和利润都增加。在这一年内,中国国内的酿酒厂以及进入中国啤酒市场的外来酿酒厂,进行激烈的削价竞争。随着当地品牌占中国全国啤酒售量的 95%,我们在中国的合资业务,通过紧密的促销活动,在几个省份都保持领先地位。

中国的庞大啤酒市场,目前估计营业额为一年 160 亿零吉,预料在中期内会迅速增长。这无可避免的吸引了许多大规模的外国酿酒公司进入市场,也带来最新工艺以生产高品质啤酒,国际市场销售及品牌定位的专门知识。中国人口日益富庶,预料会进一步转移消费口味和选择。在这方面,我们与一家著名的德国酿酒厂进行科技上的挂钩,提供了适当的工艺转移;这使我们的酿酒业处于良好状态,足以面对未来的挑战。

巧克力与甜品部

我们已在 2000 年 8 月 29 日完成脱售巧克力和甜品业务。

股息

董事部欣然建议,派发一次过终期股息每股 0.05 仙(2000 年度为每股 0.05 仙)扣除所得税。这项建议必须获得行将召开的股东常年大会批准才能生效。如果获得批准,本财政年度分发的股息总额是 10 万零吉(2000 年度为 10 万零吉)。

展望

全球经济衰退预料不会对本集团的表现产生重大影响。本集团已完成本身的债务重组,将能够处在强稳的财务地位,以集中在核心业务。因此,除非出现预想不到的情况,董事部深信,本集团将会保持盈利。

董事部

我谨代表董事部,热烈欢迎我们新委任的董事,连寿礼以及梁子福先生。Y Bhg Tan Sri Dato' Muhammad Yusuff bin Muhammad Yunus 已于本年度辞去董事一职,我也借此机会感谢他任职期间对公司的贡献。

鸣谢

我谨代表董事部,忠诚感谢及赞扬管理层及所有职员勤奋工作和献身精神,使集团取得成功。我也要感谢所有客户,银行,商业伙伴,政府机构及股东,继续支持我们及给予信心。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2001

For The Financial Year Ended 30 June 2001

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiary companies are shown in Note 33 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except as disclosed in Note 5 to the financial statements.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation	3,154	612
Minority interests	(6,646)	—
Net (loss)/profit attributable to shareholders	<u>(3,492)</u>	<u>612</u>

DIVIDENDS

The dividends paid by the Company since 30 June 2000 were as follows:

In respect of the financial year ended 30 June 2000 as proposed in the Directors' report of that financial year:

	RM'000
First and final dividend of 0.05 sen per share, less 28% income tax, paid on 30 December 2000	<u>125</u>

For the financial year ended 30 June 2001, the Directors recommend the payment of a first and final dividend of 0.05 sen per share, less 28% income tax, amounting to RM125,425, subject to approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Tan Sri William H J Cheng	
Dato' Ismail bin Said	
Cheng Yong Kwang	
Dato Murad Mohamed Hashim	
Heah Sieu Lay	(appointed on 5.6.2001)
George Leong Chee Fook	(appointed on 5.6.2001)
Tan Sri Dato' Muhammad Yusuff bin Muhammad Yunus	(resigned on 8.5.2001)

In accordance with Article 94 of the Company's Articles of Association, Heah Sieu Lay and George Leong Chee Fook who were appointed during the year retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 103 of the Company's Articles of Association, Tan Sri William H J Cheng and Dato' Ismail bin Said retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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 a benefit (other than the Directors' remuneration disclosed in Note 9 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 except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

The Director's interests in shares in the Company at the end of the financial year were as follows:

Indirect interest	Nominal value per ordinary share	As at 1.7.2000	Number of shares		As at 30.6.2001
			Acquired	Disposed	
Tan Sri William H J Cheng					
Chocolate Products (Malaysia) Berhad	RM0.50	233,545,501	—	(1,120,000)	232,425,501

DIRECTORS' INTERESTS (Continued)

The Directors' interests in shares in related companies at the end of the financial year were as follows:

	Nominal value per ordinary share	As at 1.7.2000	Number of shares		As at 30.6.2001
Direct interest			Acquired	Disposed	
Tan Sri William H J Cheng					
Angkasa Marketing Berhad	RM1.00	20,000	—	—	20,000
Lion Land Berhad	RM1.00	1,680	—	—	1,680
Dato Murad Mohamed Hashim					
LLB Strategic Holdings Berhad	RM1.00	450,000	—	—	450,000
Indirect interest					
Tan Sri William H J Cheng					
Amsteel Corporation Berhad	RM0.50	491,702,886	498,000	(20,689,000)	471,511,886
Akurjaya Sdn Bhd	RM1.00	63,500,000	—	—	63,500,000
Ambang Maju Sdn Bhd	RM1.00	70,000	—	—	70,000
Amsteel Securities (M) Sdn Bhd	RM1.00	155,000,000	—	—	155,000,000
Angkasa Marketing Berhad	RM1.00	87,892,150	—	—	87,892,150
Avenel Sdn Bhd	RM1.00	100,000,000	—	—	100,000,000
Ayer Keroh Resort Sdn Bhd	RM1.00	20,000,000	—	—	20,000,000
Bungawang Sdn Berhad	RM1.00	25,000	—	—	25,000
Crystavel Sdn Bhd	RM1.00	998	—	—	998
Davids Warehousing Sdn Bhd (under voluntary liquidation)	RM1.00	4,080,000	—	—	4,080,000
Dwiwater Sdn Bhd	RM1.00	5,252	—	—	5,252
Excellent Strategy Sdn Bhd	RM1.00	18,000,000	—	(18,000,000)	—
Hiap Joo Chong Realty Sdn Bhd	RM1.00	1,000,000	—	—	1,000,000
Kobayashi Optical Sdn Bhd	RM1.00	700,000	—	—	700,000
Lion Gateway Parade Sdn Bhd	RM1.00	255,000	—	(255,000)	—
Lion Land Berhad	RM1.00	346,447,285	—	(3,364,000)	343,083,285
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	—	—	1,000,000
Lion Mutiara Parade Sdn Bhd	RM1.00	6,000,000	—	—	6,000,000
Lion Plantations Sdn Bhd	RM1.00	8,000,000	—	—	8,000,000
Lion Seremban Parade Sdn Bhd	RM1.00	7,000	—	—	7,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	—	—	690,000
LLB Damai Holdings Sdn Bhd	RM1.00	3,300,000	1,015,385	—	4,315,385
LLB Strategic Holdings Berhad	RM1.00	4,050,000	—	—	4,050,000
Marvenel Sdn Bhd	RM1.00	100	—	—	100
Ototek Sdn Bhd	RM1.00	1,050,000	—	—	1,050,000
Posim Berhad	RM1.00	179,664,471	232,000	(1,408,300)	178,488,171
Sabah Forest Industries Sdn Bhd					
- Ordinary shares Class ‘A’	RM1.00	752,532,412	—	—	752,532,412
- Ordinary shares Class ‘B’	RM0.10	7,525,324,120	—	—	7,525,324,120
Salient Care Sdn Bhd	RM1.00	1,400,000	—	—	1,400,000
Secom (Malaysia) Sdn Bhd	RM1.00	5,100,000	—	—	5,100,000
Secomex Manufacturing (M) Sdn Bhd	RM1.00	255,000	—	—	255,000
Silverstone Berhad	RM1.00	149,903,535	161,070	(161,070)	149,903,535
Soga Sdn Bhd	RM1.00	4,332,078	—	—	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	—	—	99,750

DIRECTORS' INTERESTS (Continued)

Indirect interest	Nominal value per ordinary share	As at 1.7.2000	Number of shares		As at 30.6.2001
			Acquired	Disposed	
Visionwell Sdn Bhd	RM1.00	16,000,000	—	—	16,000,000
Brewood Investment Pte Ltd	SGD1.00	100	—	—	100
Chocolate Investment Pte Ltd	SGD1.00	4,500,000	—	—	4,500,000
Cornelian Star (S) Pte Ltd	SGD1.00	100	—	—	100
Croydon Investment Pte Ltd	SGD1.00	100	—	—	100
Dawson Investment Pte Ltd	SGD1.00	100	—	—	100
Farringdon Investment Pte Ltd	SGD1.00	100	—	—	100
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	—	—	4,500,000
Limerick Investment Pte Ltd	SGD1.00	100	—	—	100
Lion Asia Investment Pte Ltd	SGD1.00	27,225,000	—	—	27,225,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	—	—	1,000,000
Lion Jianmin Pte Ltd	SGD1.00	1,000	—	—	1,000
Lion Rubber Industries Pte Ltd	SGD1.00	10,000,000	—	—	10,000,000
Masoni Investment Pte Ltd	SGD1.00	9,500,000	—	—	9,500,000
Parkson Glomart Pte Ltd	SGD1.00	1,000,000	—	—	1,000,000
Parkson Investment Pte Ltd	SGD1.00	10,000,000	—	—	10,000,000
Parkson Management Pte Ltd	SGD1.00	4,500,000	—	—	4,500,000
Parkson Supplies Pte Ltd	SGD1.00	100	—	—	100
Parkson Venture Pte Ltd	SGD1.00	14,800,000	—	—	14,800,000
Silverstone Tyre (S) Pte Ltd	SGD1.00	31,750,100	—	—	31,750,100
Willet Investment Pte Ltd	SGD1.00	45,954,450	—	—	45,954,450
P T Amsteel Securities Indonesia	Rp1,000	9,350,000	—	—	9,350,000
P T Kebunaria	Rp1,000,000	14,000	—	—	14,000
Hamba Research & Development Co Ltd	NT\$10.00	980,000	—	—	980,000
Direct interest	Nominal value per preference share	As at 1.7.2000	Number of shares		As at 30.6.2001
			Acquired	Disposed	
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	—	—	400,000
Lion Mutiara Parade Sdn Bhd	RM0.01	8,400,000	—	—	8,400,000
Hy-Line Berhad	RM1,000	2,526	—	(21)	2,505
Direct interest	Nominal value per deferred share	As at 1.7.2000	Number of shares		As at 30.6.2001
			Acquired	Disposed	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	—	—	146,000,000

DIRECTORS' INTERESTS (Continued)

Investment in the People's Republic of China	Currency	As at 1.7.2000	Acquired	Disposed	As at 30.6.2001
Beijing Future Century E-business Co Ltd	Rmb	–	600,000	–	600,000
Beijing Parkson Light Industry Development Co Ltd	USD	12,700,000	–	–	12,700,000
Beijing Trostel Property Development Co Ltd	USD	6,650,000	–	–	6,650,000
Beijing Vochelle Foodstuff Co Ltd	USD	3,080,000	–	–	3,080,000
Chongqing Wang Yu Parkson Plaza Co Ltd	Rmb	14,000,000	–	–	14,000,000
Dalian Tianhe Parkson Shopping Center Co Ltd	Rmb	60,000,000	–	–	60,000,000
Dong Feng Lion Tyre Co Ltd	Rmb	247,638,417	–	–	247,638,417
Hebei Weiyuan Heilen Bio-Chemical Co Ltd	USD	2,313,982	–	–	2,313,982
Huangshi Heilen Pharmaceutical Co Ltd (under liquidation)	Rmb	45,416,040	–	–	45,416,040
Hubei Jinlongquan Brewery Co Ltd	USD	17,988,000	–	–	17,988,000
Hubei Jinlong Shenshui Brewery Co Ltd	Rmb	10,000,000	–	–	10,000,000
Hubei Lion Brewery Co Ltd	USD	17,993,990	–	–	17,993,990
Hunan DEbier Brewery Co Ltd	Rmb	132,000,000	–	–	132,000,000
Jiangsu DEbier Brewery Co Ltd	USD	6,587,927	37,074	–	6,625,001
Jilin Motor City Park Hotel Co Ltd	Rmb	60,000,000	–	–	60,000,000
Lion Brewing Group Co Ltd	USD	12,677,000	–	–	12,677,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	15,000,000	–	–	15,000,000
Nanjing Jingyi Casting Co Ltd	USD	6,750,000	–	–	6,750,000
Pingyang Lion Beer Co Ltd	USD	2,585,000	–	–	2,585,000
Shandong DEbier Brewery Co Ltd	Rmb	36,000,000	–	–	36,000,000
Shanghai Hengda Parkson Department Store Co Ltd (under liquidation)	USD	2,410,118	–	–	2,410,118
Shanghai Lion Food Industry Co Ltd	USD	14,068,200	–	–	14,068,200
Shanghai Lion Plastic Industrial Co Ltd	USD	3,690,000	–	–	3,690,000
Sichuan Hezheng Parkson Plaza Co Ltd	USD	4,168,645	–	–	4,168,645
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd	USD	10,878,944	–	–	10,878,944
Wuhan Fortune Motor Co Ltd	USD	6,000,000	–	–	6,000,000
Wuxi Puhua Electroplating Co Ltd	USD	1,225,000	–	–	1,225,000
Wuxi Sanyang Parkson Plaza Co Ltd	USD	10,839,396	–	–	10,839,396
Wuxi Top Absorber Co Ltd	USD	6,600,000	–	–	6,600,000
Xian Lucky King Parkson Plaza Co Ltd	Rmb	16,579,917	–	–	16,579,917
Yangzhou Parkson Plaza Co Ltd	USD	4,281,843	–	–	4,281,843
Zhu Zhou DEbier Brewery Co Ltd	Rmb	65,158,427	–	–	65,158,427

Other than as disclosed above, the Directors of the Company do not have any other interest in the shares of the Company or its related companies.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The ESOS was implemented on 31 May 2000 and will expire on 30 May 2005.

The main features of the ESOS are:

- (a) Eligible employees are those who had been confirmed as executive employees of the Group with not less than twelve months service immediately before the offer;
- (b) The options granted may be exercised in full or in any lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares;
- (c) The subscription price for each ordinary share under the ESOS shall be the higher of a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer or the par value of the shares;
- (d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS or such shorter period as may be specifically stated in the offer; and
- (e) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

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

The movements during the financial year in the number of options over the shares of the Company pursuant to the ESOS are as follows:

Granted on	Subscription price per share	Balance as at 1.7.2000	Granted	Exercised	Lapsed	Balance as at 30.6.2001
19.6.2000	RM0.648	3,863,000	–	–	(3,471,000)	392,000

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Continued)

- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

In the opinion of the Directors, 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.

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

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

OTHER STATUTORY INFORMATION

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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 5 and 8 to the financial statements; and
- (b) 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 to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made except as disclosed in Note 37 to the financial statements.

HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, as the holding and ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 30 October 2001

TAN SRI WILLIAM H J CHENG
CHAIRMAN

CHENG YONG KWANG
DIRECTOR

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue					
- continuing operations		606,630	637,691	2,267	2,760
- discontinued operations	5	7,742	54,007	3,397	17,890
		614,372	691,698	5,664	20,650
Other operating income	7	18,140	14,789	23,075	75,284
Changes in inventories of work in progress and finished goods		(5,105)	(26,962)	(242)	(188)
Raw materials and consumables used		(296,994)	(323,442)	(2,352)	(12,013)
Land and development expenditure		(3,042)	(4,050)	–	–
Staff costs		(55,637)	(65,394)	(785)	(1,716)
Depreciation and amortisation expenses		(64,862)	(75,457)	(272)	(1,632)
Selling, marketing and promotional expenses		(87,262)	(96,119)	–	–
Other operating expenses		(59,049)	(55,177)	(3,872)	(3,083)
Provision for losses on investments	8	(6,000)	(27,882)	(6,000)	(66,016)
Profit from operations	5, 9	54,561	32,004	15,216	11,286
Finance costs	10	(39,431)	(71,434)	(14,604)	(9,193)
Share of results of associated company		5,933	–	–	–
Profit/(loss) from ordinary activities before taxation		21,063	(39,430)	612	2,093
Taxation	11	(17,909)	(14,617)	–	(1,859)
Profit/(loss) from ordinary activities after taxation		3,154	(54,047)	612	234
Minority interests		(6,646)	(11,721)	–	–
Net (loss)/profit attributable to shareholders		(3,492)	(65,768)	612	234
Loss per share (sen)	12	(1.0)	(18.9)		
Dividend per share (sen)	29	0.05	0.05	0.05	0.05

The notes on pages 36 to 61 form part of these financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2001

		GROUP		COMPANY	
	Note	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
NON CURRENT ASSETS					
Property, plant and equipment	13	724,595	823,177	–	24,111
Investment properties	14	441,291	445,645	–	–
Investments in subsidiary companies	15	–	–	90,100	90,100
Investment in associated company	16	51,013	–	–	–
Other unquoted investments, at cost		–	321	–	–
Intangible assets	17	41,881	41,108	–	–
		1,258,780	1,310,251	90,100	114,211
CURRENT ASSETS					
Inventories	18	110,447	106,043	–	1,782
Land and development expenditure	19	–	16,472	–	–
Receivables	20	241,366	259,342	551,124	498,042
Deposits, cash and bank balances	21	102,354	123,601	9,207	1,923
		454,167	505,458	560,331	501,747
LESS: CURRENT LIABILITIES					
Payables	22	402,920	422,264	63,894	50,846
Short term borrowings	23	132,836	230,200	–	94,649
Provision for retrenchment benefits	24	–	5,053	–	695
Provision for taxation		33,465	29,416	213	213
Proposed dividend		125	125	125	125
		569,346	687,058	64,232	146,528
NET CURRENT (LIABILITIES)/ASSETS					
		(115,179)	(181,600)	496,099	355,219
		1,143,601	1,128,651	586,199	469,430
Financed by:					
Share capital	25	174,202	174,202	174,202	174,202
Reserves	26	427,971	429,054	295,661	295,174
Shareholders' funds		602,173	603,256	469,863	469,376
NON CURRENT LIABILITIES					
Minority interests		238,872	307,806	–	–
Term loans	27	299,864	214,897	116,336	54
Deferred taxation	28	2,692	2,692	–	–
		541,428	525,395	116,336	54
		1,143,601	1,128,651	586,199	469,430
Net tangible assets per share (RM)		1.61	1.61		

The notes on pages 36 to 61 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

							Reserves	
							Non-distributable	
	Note	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Revaluation reserves RM'000	Capital reserves RM'000	Accumulated losses RM'000	Total RM'000
2001								
At beginning of financial year		174,202	330,603	127,063	113,078	9,164	(150,854)	603,256
Translation difference on net equity of foreign subsidiary companies		-	-	2,534	-	-	-	2,534
Revaluation:								
- realised on disposal of investment properties		-	-	-	(539)	-	539	-
Appropriation from income statement to capital reserves		-	-	-	-	7,214	(7,214)	-
Net loss for the financial year		-	-	-	-	-	(3,492)	(3,492)
Dividend for the financial year	29	-	-	-	-	-	(125)	(125)
At end of financial year		174,202	330,603	129,597	112,539	16,378	(161,146)	602,173

							Reserves	
							Non-distributable	
	Note	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Revaluation reserves RM'000	Capital reserves RM'000	Accumulated losses RM'000	Total RM'000
2000								
At beginning of financial year		174,202	330,603	94,447	117,342	7,242	(87,303)	636,533
Translation difference on net equity of foreign subsidiary companies		–	–	756	–	–	–	756
Deferred exchange losses written off		–	–	31,860	–	–	–	31,860
Revaluation:								
- realised on disposal of investment properties		–	–	–	(4,264)	–	4,264	–
Appropriation from income statement to capital reserves		–	–	–	–	1,922	(1,922)	–
Net loss for the financial year		–	–	–	–	–	(65,768)	(65,768)
Dividend for the financial year	29	–	–	–	–	–	(125)	(125)
At end of financial year		174,202	330,603	127,063	113,078	9,164	(150,854)	603,256

The notes on pages 36 to 61 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

			Reserves		
			Non-distributable		
	Note	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000
2001					
At beginning of financial year		174,202	330,603	(35,429)	469,376
Net profit for the financial year		–	–	612	612
Dividend for the financial year	29	–	–	(125)	(125)
At end of financial year		174,202	330,603	(34,942)	469,863
2000					
At beginning of financial year		174,202	330,603	(35,538)	469,267
Net profit for the financial year		–	–	234	234
Dividend for the financial year	29	–	–	(125)	(125)
At end of financial year		174,202	330,603	(35,429)	469,376

The notes on pages 36 to 61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	2001 RM'000	2000 RM'000
NET CASH FLOW FROM OPERATING ACTIVITIES	A	39,693	147,482
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of chocolate and confectionery division	5	39,085	–
Proceeds from disposal of property, plant and equipment		3,503	156
Proceeds from disposal of investment properties		6,309	28,655
Proceeds from disposal of investments		–	284
Purchase of property, plant and equipment		(51,276)	(74,558)
Purchase of proprietary technology and patents		(2,022)	(952)
Net advances/repayments from/(to) related companies		2,740	(1,549)
Additional investment in a subsidiary company		(7,342)	–
Acquisition of a subsidiary company	B	(5,176)	–
Dilution of interest in a subsidiary company	C	(4,025)	–
Net cash flow used in investing activities		(18,204)	(47,964)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(125)	(125)
Repayment of short term borrowings		(17,142)	(24,174)
Repayment of long term loans		(27,921)	(39,879)
Proceeds from short term borrowings and long term loans drawdown		34,096	26,542
Payment of hire purchase instalments		(18)	(38)
Deposits earmarked for loan repayment		5,600	(16,700)
Capital contribution from minority interests		–	19,733
Net cash flow used in financing activities		(5,510)	(34,641)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	D	15,979	64,877

The notes on pages 36 to 61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001 (Continued)

	2001 RM'000	2000 RM'000
A NET CASH FLOW FROM OPERATING ACTIVITIES		
Loss after taxation and minority interests	(3,492)	(65,768)
Adjustments for:		
Taxation	17,909	14,617
Minority interests	6,646	11,721
Depreciation of property, plant and equipment	59,670	70,173
Property, plant and equipment written off/written down	3,074	25,338
Gain on disposal of property, plant and equipment and investment properties	(1,977)	(812)
Reversal of overprovision for diminution in value of property, plant and equipment	(3,782)	–
Amortisation of goodwill on consolidation	177	95
Amortisation of pre-operating and pre-production expenditure	803	2,148
Amortisation of proprietary technology and patents	4,212	3,041
Provision for doubtful debts	8,382	6,406
Provision for retirement benefits	–	14
Reversal of provision for retirement benefits	–	(1,828)
Provision for retrenchment benefits	–	5,053
Provision for obsolete inventories	6	4,375
Inventories written off	–	4,512
Goodwill on consolidation written off	–	242
Pre-operating expenditure written off	–	4,463
Unrealised exchange losses	–	31,860
Interest expense	39,431	39,574
Interest income	(8,170)	(9,240)
Share of results of associated company	(5,933)	–
	116,956	145,984
(Increase)/decrease in working capital:		
Inventories	(17,472)	7,832
Land and development expenditure	16,472	4,050
Receivables	(9,352)	28,341
Payables	(15,338)	(4,636)
	91,266	181,571
Interest paid	(34,615)	(28,083)
Interest received	2,527	1,479
Retrenchment benefits paid	(5,053)	(5)
Tax paid - net	(14,432)	(7,480)
Net cash flow from operating activities	39,693	147,482

The notes on pages 36 to 61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001 (Continued)

	2001 RM'000	2000 RM'000
B ACQUISITION OF A SUBSIDIARY COMPANY *		
The fair value of assets and liabilities of the subsidiary company acquired were as follows:		
Property, plant and equipment	30,097	—
Inventories	4,535	—
Receivables	1,311	—
Cash and bank balances	272	—
Payables	(11,276)	—
Short term borrowings	(4,545)	—
Taxation	(2,232)	—
Cost of acquisition	18,162	—
Cost of acquisition payable in next financial year	(12,714)	—
	5,448	—
Less: Cash and bank balances in subsidiary company acquired	(272)	—
Net cash outflow from acquisition of a subsidiary company	5,176	—

* Lion Brewing Group Co Ltd (formerly known as Wenzhou Double Deer Brewing Group Co Ltd) and Pingyang Lion Beer Co Ltd, being subsidiary companies of the Group, entered into a Share Transfer Agreement with JinKeDa Group to acquire the entire equity interest in Zhejiang YanDangShan Lion Brewery Co Ltd for a cash consideration of approximately RM18.2 million to manufacture beer.

The effect of the above acquisition on the financial results of the Group during the financial year have not been disclosed separately as it is not material to the Group.

The notes on pages 36 to 61 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001 (Continued)

	2001 RM'000	2000 RM'000
C DILUTION OF INTEREST IN A SUBSIDIARY COMPANY #		
The fair value of assets and liabilities of the subsidiary company were as follows:		
Property, plant and equipment	(70,205)	—
Investments	(321)	—
Inventories	(17,641)	—
Receivables	(51,779)	—
Cash and bank balances	(4,025)	—
Payables	49,570	—
Taxation	163	—
Minority interest	48,425	—
	(45,813)	—
Reclassified as investment in associated company	45,813	—
	—	—
Less: Cash and bank balances in subsidiary company	(4,025)	—
Net cash flow from dilution of interest in a subsidiary company	(4,025)	—

- # On 14 July 2000, the Zhejiang Provincial Commission on Foreign Trade and Economic Corporation approved a conditional supplementary agreement entered into between Consitrade (M) Sdn Bhd ("Consitrade"), a wholly owned subsidiary company, and Zhejiang Zhedong Beer Co Ltd ("Zhejiang"), for the dilution of its 55% equity interest in Ningbo Lion Brewery Co Ltd ("Ningbo") by 10.29% to 44.71% with the option for Consitrade to purchase the aforesaid 10.29% equity interest from Zhejiang.

Following the change in the equity interest, Ningbo ceased to be a subsidiary company and became an associated company.

D ANALYSIS OF CASH AND CASH EQUIVALENTS

At beginning of financial year	58,448	(6,476)
Net increase in cash and cash equivalents during the financial year	15,979	64,877
Effect of currency translation	33	47
At end of financial year	74,460	58,448
Represented by:		
Deposits, cash and bank balances	102,354	123,601
Bank overdrafts	(16,794)	(48,453)
	85,560	75,148
Less: Deposits earmarked for loan repayment	(11,100)	(16,700)
	74,460	58,448

The notes on pages 36 to 61 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after taxation	612	234
Adjustments for:		
Depreciation of property, plant and equipment	272	1,632
Taxation	–	1,859
Property, plant and equipment written off/written down	–	7,341
Provision for diminution in value of investments in subsidiary companies	–	7,713
Provision for obsolete inventories	–	540
Provision for doubtful debts	6,000	50,341
Provision for retrenchment and retirement benefits - net	–	635
Interest expense	14,604	9,193
Interest income	(11,504)	(6,724)
Dividend income	(2,060)	(1,538)
Gain on disposal of property, plant and equipment	–	(4)
Gain on disposal of a subsidiary company	–	(66,700)
Reversal of overprovision for diminution in value of property, plant and equipment	(2,276)	–
Waiver of debts	(8,000)	–
	(2,352)	4,522
Decrease/(increase) in working capital:		
Inventories	1,782	215
Receivables	22,909	(2,905)
Payables	2,596	4,986
	24,935	6,818
Interest paid	(13,679)	(1,289)
Retrenchment benefits paid	(695)	–
Interest received	111	–
Tax refund	–	846
Net cash flow from operating activities	10,672	6,375

The notes on pages 36 to 61 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001 (Continued)

	2001 RM'000	2000 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of chocolate and confectionery division	26,115	–
Proceeds from disposal of property, plant and equipment	–	54
Purchase of property, plant and equipment	–	(91)
Dividend received	1,483	1,107
Net advances/repayments to related companies	(1,445)	(8,734)
Net cash flow from/(used in) investing activities	26,153	(7,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term borrowings	–	288
Repayment of short term borrowings	(13,406)	(553)
Repayment of long term loans	(54)	(117)
Dividend paid	(125)	(125)
Payment of hire purchase instalments	–	(38)
Deposits earmarked for loan repayment	(7,800)	–
Net cash flow used in financing activities	(21,385)	(545)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	15,440	(1,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(14,033)	(12,199)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	1,407	(14,033)
Represented by:		
Deposits, cash and bank balances	9,207	1,923
Bank overdrafts	–	(15,956)
Less: Deposits earmarked for loan repayment	9,207 (7,800)	(14,033) –
	1,407	(14,033)

The notes on pages 36 to 61 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its subsidiary companies are shown in Note 33 to the financial statements.

The number of employees in the Group and the Company as at 30 June 2001 was 7,158 (2000: 7,529) employees and 7 (2000: 75) employees respectively.

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

The addresses of the registered office and principal place of business of the Company are:

Registered office

Level 46, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Principal place of business

Lot F36, First Floor, Subang Parade
5, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya

2 GOING CONCERN

The Group incurred a loss after taxation and minority interests of RM3,492,000 during the financial year ended 30 June 2001. At that date, current liabilities of the Group exceeded current assets by RM115,179,000. As disclosed in Note 36(c) to the financial statements, the Group and the Company have entered into debt restructuring agreements with their lenders.

In addition, the Board of Directors has implemented an entity restructuring scheme which involves the rationalisation of the Group structure whereby core businesses are being redefined and non-core businesses are being divested.

The Directors are of the opinion that the restructuring scheme referred to above will be successfully implemented. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as going concerns.

3 BASIS OF ACCOUNTING

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the individual policy statements in Note 4 to the financial statements.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Separate disclosure is made of minority interests.

(b) Associated companies

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of associated companies for the period. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill on acquisition, where applicable.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with the Group.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the net assets of subsidiary companies at the date of acquisition. Goodwill is amortised systematically over the period of time during which the benefits are expected to accrue but not exceeding 20 years.

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

(d) Investments

Investments in subsidiary companies, associated company and other investments are stated at cost less provision for any permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the period in which the diminution is identified.

(e) Investment properties

Investment properties consist of freehold and leasehold properties are stated at valuation. It is the Group policy to appraise the investment properties periodically and at least once in every five years by independent professional valuers based on market value. In respect of each individual property, any surplus arising therefrom will be taken to the revaluation reserve. A deficit is charged to the income statement to the extent that it is in excess of amount outstanding in the revaluation reserve. On subsequent sale of the property, the reserve is realised through retained earnings.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

All property, plant and equipment are stated at cost. Freehold land and construction in progress are not depreciated. Leasehold land is amortised over the periods of the respective leases. Other property, plant and equipment is depreciated over their estimated useful lives on the straight line basis at the following annual rates:

Buildings	2% - 8%
Plant and machinery	2% - 15%
Motor vehicles	13% - 20%
Office equipment, furniture and fittings	10% - 20%

(g) Inventories

Inventories comprising raw materials, consumables stores, work-in-progress, finished goods and developed industrial land held for re-sale, are stated at the lower of cost and net realisable value.

Cost of raw materials, consumable stores, work-in-progress and finished goods is determined using the weighted average basis. For work-in-progress and finished goods, cost represents materials, direct labour and an appropriate proportion of production overheads.

Cost of developed industrial land comprises proportionate cost of land and related development expenditure.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(h) Land and development expenditure

Land and development expenditure consist of land held for development, related development costs common to projects and portion of profit attributable to development work performed to date, less applicable progress billings.

Income from development projects is recognised on the percentage of completion method. Foreseeable losses on contracts are provided for in full. All expenditure incurred on uncompleted projects are capitalised and are included in the balance sheets as development expenditure.

(i) Intangible assets

Intangible assets are not revalued.

The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

- (i) Pre-operating expenses is written off in the year it is incurred. Pre-production expenditure are capitalised and amortised using the straight line method over their estimated useful lives not exceeding 10 years upon commencement of commercial operations/production.
- (ii) Proprietary technology and patents are capitalised and amortised using the straight line method over their estimated useful lives of between 10 and 50 years.

(j) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on review of material outstanding amounts at the period end.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(l) Deferred taxation

Provision is made using the liability method for taxation deferred by timing differences. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

(m) Revenue recognition

Revenue from sale of goods are recognised upon delivery of products and customer acceptance, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue relating to long term development projects are accounted for under the percentage of completion method; the stage of completion is measured by reference to the development costs incurred to date to estimated total development costs for each project.

Revenue from sale of industrial land is recognised upon the signing of the sale and purchase agreements.

Rental and interest income are recognised on the accruals basis.

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

(n) Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the transaction dates or at contracted rates, where applicable. At balance sheet date, monetary assets and liabilities resulting from foreign currency transactions are translated into Ringgit Malaysia at exchange rates ruling at that date or at contracted rates, where applicable. Exchange differences arising therefrom are dealt with through the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

(ii) Translation of foreign currency operations

In the Group accounts, assets and liabilities of overseas subsidiaries are translated into Ringgit Malaysia at the exchange rates ruling at the balance sheet date. Results of operations of those foreign entities are translated at average rates for the financial year that best approximates the exchange rates at the dates of the transactions. Exchange differences are dealt with through the Exchange Fluctuation Reserves.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currencies (Continued)

The principal closing rates used in translation of foreign currencies amounts were as follows:

Foreign currencies	30.6.2001 RM	30.6.2000 RM
1 USD (United States of America)	3.80	3.80
1 SGD (Singapore)	2.08	2.18
1 Rmb (People's Republic of China)	0.46	0.46

(o) Retrenchment benefits

Provision is made in respect of cost of retrenchment benefits payable to employees based on percentages of their last drawn basic salaries and the number of completed years of service.

5 DISCONTINUED OPERATIONS

On 6 January 2000, the Group entered into sale and purchase agreements for the disposal of its malted cocoa beverage, chocolate, confectionery and trading businesses, related industrial buildings, land and trademarks. As a result, the related assets held for disposal have been written down to their realisable values and provision for retrenchment benefits has been made in the previous financial year.

The disposal was completed on 29 August 2000. Consequently,

- (i) the Group has ceased its operations in the manufacture and sale of malted cocoa beverage, chocolate and confectionery; and
- (ii) the subsidiary companies, Chocolate Products Trading Sdn Bhd, Chocolate Products Manufacturing Sdn Bhd and CPB Enterprise Sdn Bhd (formerly known as Darry's Confectionery Sdn Bhd) have ceased operations and are now dormant.

The effect of the disposal of the chocolate and confectionery division on the results of the Group and the Company for the period to the date of disposal were as follows:

	GROUP		COMPANY	
	2 months ended 29.8.2000 RM'000	Year ended 30.6.2000 RM'000	2 months ended 29.8.2000 RM'000	Year ended 30.6.2000 RM'000
Revenue	7,742	54,007	3,397	17,890
Operating costs	(19,511)	(62,251)	(3,944)	(18,131)
Provisions arising from disposal of the chocolate and confectionery division	–	(27,882)	–	(7,962)
Loss from operations *	(11,769)	(36,126)	(547)	(8,203)
Finance costs	(1,444)	(4,666)	–	–
Loss before taxation	(13,213)	(40,792)	(547)	(8,203)
Taxation	–	–	–	–
Loss after taxation	(13,213)	(40,792)	(547)	(8,203)

5 DISCONTINUED OPERATIONS (Continued)

The profit/(loss) from continuing and discontinued operations of the Group and of the Company is analysed as follows:

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
- continuing operations	66,330	68,130	15,763	19,489
- discontinued operations *	(11,769)	(36,126)	(547)	(8,203)
Profit from operations	<u>54,561</u>	<u>32,004</u>	<u>15,216</u>	<u>11,286</u>

The effect of the disposal of the chocolate and confectionery division on the financial position of the Group and the Company during the financial year were as follows:

	GROUP At date of disposal RM'000	COMPANY At date of disposal RM'000
Property, plant, equipment and trademarks disposed	(35,303)	(23,839)
Reversal of overprovision for diminution in value of property, plant and equipment	(3,782)	(2,276)
Net proceeds from the disposal	<u>39,085</u>	<u>26,115</u>
Gain/(loss) on disposal	<u>-</u>	<u>-</u>

6 REVENUE

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Sale of goods	560,950	637,110	3,397	17,890
Sale of industrial land	5,653	5,177	-	-
Rental and related income	47,769	49,411	207	1,222
Dividend income from unquoted investments in subsidiary companies	-	-	2,060	1,538
	<u>614,372</u>	<u>691,698</u>	<u>5,664</u>	<u>20,650</u>

7 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest income on:				
- amounts owing from subsidiary companies	-	-	7,167	6,719
- amounts owing from related companies	6,362	7,617	4,026	-
- others	1,808	1,623	311	5
	<u>8,170</u>	<u>9,240</u>	<u>11,504</u>	<u>6,724</u>
Reversal of overprovision for diminution in value of property, plant and equipment	3,782	-	2,276	-
Gain on disposal of a subsidiary company to another subsidiary company	-	-	-	66,700
Waiver of amounts owing to a subsidiary company	-	-	8,000	-
Other income	6,188	5,549	1,295	1,860
	<u>18,140</u>	<u>14,789</u>	<u>23,075</u>	<u>75,284</u>

8 PROVISION FOR LOSSES ON INVESTMENTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Provision for doubtful debts arising from the planned restructuring scheme (Note 36(c)) on amounts owing by related companies	(6,000)	–	(6,000)	–
Provision for doubtful debts on amounts owing by subsidiary companies	–	–	–	(50,341)
Provisions arising from the planned disposal of chocolate and confectionery division:				
Diminution in assets value				
- property, plant and equipment	–	(20,145)	–	(7,341)
- inventories	–	(4,512)	–	–
Retrenchment benefits (net)	–	(3,225)	–	(621)
Provision for diminution in value of investments in subsidiary companies	–	–	–	(7,713)
Total	<u>(6,000)</u>	<u>(27,882)</u>	<u>(6,000)</u>	<u>(66,016)</u>

9 PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
The following items have been charged/ (credited) in arriving at profit from operations:				
Directors' fees	88	33	88	33
Auditors' remuneration	409	322	8	31
Property, plant and equipment:				
- depreciation	59,670	70,173	272	1,632
- loss on disposal	–	22	–	–
- write off	3,074	5,193	–	–
Rental of land and buildings	313	4,333	–	51
Amortisation of goodwill on consolidation	177	95	–	–
Amortisation of proprietary technology and patents	4,212	3,041	–	–
Amortisation of pre-production expenditure	803	2,148	–	–
Provision for doubtful debts	2,382	6,406	–	–
Provision for obsolete inventories	6	4,375	–	540
Goodwill on consolidation written off	–	242	–	–
Pre-operating expenditure written off	–	4,463	–	–
Gain on disposal of property, plant and equipment	(22)	(27)	–	(4)
Gain on disposal of investment properties	(1,955)	(807)	–	–
	<u>(1,955)</u>	<u>(807)</u>	<u>–</u>	<u>–</u>

10 FINANCE COSTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest expense on:				
- amounts owing to holding and related companies	(4,688)	(3,485)	(4,573)	(1,286)
- bank borrowings	(34,743)	(36,089)	(10,031)	(7,907)
	(39,431)	(39,574)	(14,604)	(9,193)
Deferred exchange losses on foreign currency borrowings written off	–	(31,860)	–	–
	(39,431)	(71,434)	(14,604)	(9,193)

11 TAXATION

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
The taxation amount for the financial year comprises:				
Company and subsidiary companies				
Arising in Malaysia:				
Current taxation				
- current year tax charge	(3,996)	(2,944)	–	(57)
- under provision in prior years	(1,690)	(1,844)	–	(1,802)
Deferred taxation	–	676	–	–
	(5,686)	(4,112)	–	(1,859)
Arising outside Malaysia:				
Current year tax charge	(10,679)	(10,505)	–	–
	(16,365)	(14,617)	–	(1,859)
Associated company				
Arising outside Malaysia:				
Current year tax charge	(1,544)	–	–	–
Total	(17,909)	(14,617)	–	(1,859)

The taxation charge of the Group is in respect of certain profitable subsidiary companies in the property and beverage divisions.

The Company has no taxation charge for the current year mainly due to the utilisation of brought forward tax losses. Tax savings arising from the utilisation of brought forward tax losses in the current year amounted to approximately RM1,190,000. The potential tax benefit of tax losses available for carry forward to the Company as at 30 June 2001 is disclosed in Note 28 to the financial statements.

12 LOSS PER SHARE

The loss per share is calculated by dividing the Group's loss after taxation and minority interests of RM3,492,000 (2000: RM65,768,000) by the number of ordinary shares of the Company in issue during the financial year of 348.4 million (2000: 348.4 million).

The fully diluted loss per share is not disclosed in view of the unissued ordinary shares granted to employees pursuant to the Company's ESOS which have no dilutive effect as the exercise price is above the average market value of the Company's shares.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Construction in progress RM'000	Total RM'000
NET BOOK VALUE AT 1 JULY 1999	18,602	258,968	437,728	15,316	13,518	97,913	842,045
Exchange differences	–	723	1,167	42	26	278	2,236
Additions	81	5,975	32,095	1,130	2,433	32,844	74,558
Reclassification	–	(3,407)	83,883	(33)	3,799	(84,242)	–
Disposals/written off/written down	(485)	(1,638)	(21,505)	(844)	(1,010)	(7)	(25,489)
Depreciation charge	(460)	(8,782)	(55,422)	(2,406)	(3,103)	–	(70,173)
NET BOOK VALUE AT 30 JUNE 2000	17,738	251,839	477,946	13,205	15,663	46,786	823,177
Exchange differences	–	106	176	5	5	17	309
Acquisition of a subsidiary company	–	8,948	20,037	342	153	617	30,097
Dilution of interest in a subsidiary company to that of an associated company	–	(9,910)	(50,045)	(1,720)	(550)	(7,980)	(70,205)
Additions	–	4,087	9,004	3,041	3,393	31,751	51,276
Reclassification	–	3,281	33,516	206	(23)	(36,980)	–
Disposals/written off/written down	(11,950)	(226)	(36,737)	(268)	(1,208)	–	(50,389)
Depreciation charge	(206)	(10,213)	(44,419)	(2,019)	(2,813)	–	(59,670)
NET BOOK VALUE AT 30 JUNE 2001	5,582	247,912	409,478	12,792	14,620	34,211	724,595
At 30 June 2000							
Cost	19,135	291,840	664,353	20,170	30,971	46,786	1,073,255
Valuation	2,500	–	–	–	–	–	2,500
Accumulated depreciation	(3,897)	(40,001)	(186,407)	(6,965)	(15,308)	–	(252,578)
Net book value	17,738	251,839	477,946	13,205	15,663	46,786	823,177
At 30 June 2001							
Cost	6,823	297,637	603,967	19,953	26,198	34,211	988,789
Valuation	–	–	–	–	–	–	–
Accumulated depreciation	(1,241)	(49,725)	(194,489)	(7,161)	(11,578)	–	(264,194)
Net book value	5,582	247,912	409,478	12,792	14,620	34,211	724,595

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Construction in progress RM'000	Total RM'000
NET BOOK VALUE AT 1 JULY 1999	12,710	–	19,450	80	803	–	33,043
Additions	81	–	10	–	–	–	91
Disposals/written off/written down	(485)	–	(6,588)	(57)	(261)	–	(7,391)
Depreciation charge	(305)	–	(1,234)	(13)	(80)	–	(1,632)
NET BOOK VALUE AT 30 JUNE 2000	12,001	–	11,638	10	462	–	24,111
Disposals/written off/written down	(11,950)	–	(11,432)	(8)	(449)	–	(23,839)
Depreciation charge	(51)	–	(206)	(2)	(13)	–	(272)
NET BOOK VALUE AT 30 JUNE 2001	–	–	–	–	–	–	–
AT 30 June 2000							
Cost	12,314	–	18,097	146	886	–	31,443
Valuation	2,500	–	–	–	–	–	2,500
Accumulated depreciation	(2,813)	–	(6,459)	(136)	(424)	–	(9,832)
Net book value	12,001	–	11,638	10	462	–	24,111
At 30 June 2001							
Cost	–	–	–	–	–	–	–
Valuation	–	–	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–	–	–
Net book value	–	–	–	–	–	–	–

- (a) The titles to certain short term leasehold land have not been transferred to the subsidiary companies as at 30 June 2001.
- (b) Properties, plant and equipment of certain subsidiaries amounting to RM93.5 million (2000: RM81.5 million) have been charged as security for term loan facilities obtained by the Group (Notes 23 and 27).

14 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Land and buildings, at valuation:				
At beginning of financial year	445,645	473,705	–	–
Disposals	(4,354)	(28,060)	–	–
At end of financial year	<u>441,291</u>	<u>445,645</u>	<u>–</u>	<u>–</u>
Comprising:				
- freehold	274,378	274,378	–	–
- long term leasehold	166,913	171,267	–	–
Total	<u>441,291</u>	<u>445,645</u>	<u>–</u>	<u>–</u>

The investment properties consist of commercial shopping complexes.

The properties have been charged as security for syndicated term loan and overdraft facilities obtained by subsidiary companies (Notes 23 and 27).

The title to the long term leasehold land has not been transferred to the subsidiary company as at 30 June 2001.

The investment properties were revalued in 1999 by the Directors based on valuations carried out by a firm of professional valuers using the open market value basis.

15 INVESTMENTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2001 RM'000	2000 RM'000
Unquoted shares, at cost	111,154	111,154
Less: Provision for diminution in value	(21,054)	(21,054)
	<u>90,100</u>	<u>90,100</u>

The subsidiary companies are listed in Note 33 to the financial statements.

The above investments in subsidiary companies have been pledged as security for term loan facilities obtained by the Group (Note 27).

16 INVESTMENT IN ASSOCIATED COMPANY

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted investment, at cost	46,624	–	–	–
Share of results	4,389	–	–	–
	<u>51,013</u>	<u>–</u>	<u>–</u>	<u>–</u>
Share of net assets	<u>51,013</u>	<u>–</u>	<u>–</u>	<u>–</u>

The associated company is as follows:

Name of company	Country of incorporation	Principal activities	Equity interest 2001 2000	
Ningbo Lion Brewery Co Ltd	People's Republic of China	Beer brewing	44.71%	–

The investment in associated company arose as a result of the dilution in interest of a subsidiary company during the financial year (see Note C in Consolidated Cash Flow Statement).

17 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Goodwill on consolidation	5,848	2,168	–	–
Accumulated amortisation	(828)	(651)	–	–
Write off	–	(242)	–	–
	<u>5,020</u>	<u>1,275</u>	<u>–</u>	<u>–</u>
Pre-operating and pre-production expenditure	18,421	22,884	–	–
Proprietary technology and patents	45,653	43,610	–	–
Accumulated amortisation	(27,213)	(22,198)	–	–
Write off of pre-operating expenditure	–	(4,463)	–	–
	<u>36,861</u>	<u>39,833</u>	<u>–</u>	<u>–</u>
Total	<u>41,881</u>	<u>41,108</u>	<u>–</u>	<u>–</u>

18 INVENTORIES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost:				
Industrial land	13,497	–	–	–
Raw materials	64,763	46,821	–	–
Work-in-progress	16,971	24,104	–	167
Finished goods	4,825	20,731	–	75
Consumable stores	10,147	6,324	–	–
At net realisable value:				
Raw materials	–	4,298	–	1,184
Finished goods	244	470	–	–
Consumable stores	–	3,295	–	356
Total	110,447	106,043	–	1,782

The industrial land of a subsidiary company has been charged as security for term loan facilities obtained by the Group (Note 27). The title to the industrial land has not been transferred to the subsidiary company as at 30 June 2001.

19 LAND AND DEVELOPMENT EXPENDITURE

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost:				
Long term leasehold land	39,000	39,000	–	–
Other related costs	1,475	1,410	–	–
	40,475	40,410	–	–
Attributable profit	21,830	19,705	–	–
	62,305	60,115	–	–
Less: Progress billings	(48,347)	(43,643)	–	–
	13,958	16,472	–	–
Developed land transferred to inventories	(13,958)	–	–	–
	–	16,472	–	–

20 RECEIVABLES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade receivables	61,938	61,333	–	621
Less: Provision for doubtful debts	(7,678)	(10,471)	–	–
	54,260	50,862	–	621
Amounts owing by subsidiary companies	–	–	516,462	550,594
Less: Provision for doubtful debts	–	–	(57,142)	(57,142)
	–	–	459,320	493,452
Amounts owing by related companies	93,859	87,089	91,333	–
Less: Provision for doubtful debts	(6,000)	–	(6,000)	–
	87,859	87,089	85,333	–
Amount owing by associated company	5,883	–	–	–
Other receivables, deposits and prepayments	93,364	121,391	6,471	3,969
Total	241,366	259,342	551,124	498,042

The receivables of the Group and of the Company amounting to RM18.8 million and RM6.5 million respectively have been pledged as security, by way of floating charge, for term loan facilities obtained by the Group (Note 27).

The amounts owing by subsidiary companies are unsecured, have no fixed terms of repayment and interest is charged at rates ranging from 0.1% to 9.5% (2000: 1.0% to 8.0%) per annum.

The amounts owing by associated company is unsecured, interest free and have no fixed terms of repayment.

The amounts owing by related companies are unsecured, have no fixed terms of repayment and interest is charged at rates ranging from 8.0% to 8.5% (2000: 8.1% to 10.3%) per annum. The recoverability of the amounts owing by related companies is dependent on the successful implementation of a scheme involving the restructuring of the related companies' debts and rationalisation of the related group structure.

21 DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits with licensed banks	24,983	23,647	8,915	329
Deposits with licensed finance companies	14,200	10,051	–	–
Cash and bank balances:				
- Malaysia	3,066	14,168	292	1,594
- Overseas	60,105	75,735	–	–
Total	102,354	123,601	9,207	1,923

Included in overseas cash and bank balances are cash and bank balances of the subsidiary companies in the People's Republic of China which are subject to the exchange control restrictions of that country.

Included in deposits with licensed banks of the Group and of the Company are deposits amounting to RM11.1 million (2000: RM16.7 million) and RM7.8 million (2000: RM Nil) respectively, which have been earmarked for the purposes of loan repayment.

22 PAYABLES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade payables	61,065	58,103	–	512
Other payables and accruals	290,186	315,984	2,197	15,023
Amount owing to holding company	33,859	30,438	33,859	11,519
Amounts owing to subsidiary companies	–	–	14,064	19,562
Amounts owing to related companies	17,810	17,739	13,774	4,230
Total	402,920	422,264	63,894	50,846

Included in other payables and accruals are taxes payable (other than corporate tax) of the subsidiary companies in the People's Republic of China amounting to RM110.3 million (2000: RM103.5 million).

The amounts owing to holding company and related companies are unsecured, have no fixed terms of repayment and interest is charged at rates ranging from 8.5% to 10.0% (2000: 9.6% to 10.0%) per annum.

The amounts owing to subsidiary companies are unsecured, interest free and have no fixed terms of repayments.

23 SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Secured:				
Bank overdrafts	16,794	28,142	–	10,985
Revolving credits	–	43,621	–	43,621
Short term loans	28,281	29,035	–	–
Term loans - portion repayable within one year (Note 27)	30,197	21,344	–	–
Unsecured:				
Bank overdrafts	–	20,311	–	4,971
Revolving credits	–	37,479	–	27,479
Bankers' acceptances	13,368	17,464	–	4,686
Short term loans	43,278	25,078	–	1,622
Term loans - portion repayable within one year (Note 27)	918	7,726	–	1,285
Total	132,836	230,200	–	94,649

The short term borrowings are secured against certain land and buildings (Note 13) and investment properties (Note 14) of the Group.

The interest charged on the short term borrowings ranged from 6.7% to 9.5% (2000: 4.1% to 11.6%) per annum.

Pursuant to the Master Restructuring Agreement entered into between the Company, its affected subsidiary companies and lenders in December 2000, the short term borrowings of the Company and affected subsidiary companies have been restructured as long term loans (Note 27).

24 PROVISION FOR RETRENCHMENT BENEFITS

	GROUP RM'000	COMPANY RM'000
At 1 July 1999	—	—
Provision made during the year	5,053	695
At 30 June 2000	5,053	695
Utilised during the year	(5,053)	(695)
At 30 June 2001	—	—

The provision for retrenchment benefits was made in the previous year in view of the Group's disposal of the chocolate and confectionery division (Note 5).

25 SHARE CAPITAL

	GROUP AND COMPANY 2001 RM'000	2000 RM'000
Authorised: 1,000,000,000 ordinary shares of 50 sen each	500,000	500,000
Issued and fully paid: 348,403,501 ordinary shares of 50 sen each	174,202	174,202

The main features of the Company's Employee Share Option Scheme ("ESOS") are as follows:

- Eligible employees are those who had been confirmed as executive employees of the Group with not less than twelve months service immediately before the offer;
- The options granted may be exercised in full or in any lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares;
- The subscription price for each ordinary share under the ESOS shall be the higher of a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer or the par value of the shares;
- The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS or such shorter period as may be specifically stated in the offer; and
- The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

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

25 SHARE CAPITAL (Continued)

The movements during the financial year in the number of options over the shares of the Company pursuant to the ESOS are as follows:

	GROUP AND COMPANY	
	2001 '000	2000 '000
At beginning of financial year	3,863	–
Granted	–	3,863
Exercised	–	–
Lapsed	(3,471)	–
At end of financial year	392	3,863

As at 30 June 2001, there were 392,000 unissued ordinary shares under options granted pursuant to the ESOS at an exercise price of RM0.648 each.

26 RESERVES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Non-distributable:				
Share premium	330,603	330,603	330,603	330,603
Exchange fluctuation reserves	129,597	127,063	–	–
Revaluation reserves	112,539	113,078	–	–
Capital reserves	16,378	9,164	–	–
	589,117	579,908	330,603	330,603
Accumulated losses	(161,146)	(150,854)	(34,942)	(35,429)
Total	427,971	429,054	295,661	295,174

The capital reserves are maintained by the Group's subsidiary companies in the People's Republic of China in accordance with the accounting regulations in that country and are not available for payment of dividend.

27 TERM LOANS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Secured:				
Term loans	312,669	234,743	116,336	–
Less: Portion repayable within one year (Note 23)	(30,197)	(21,344)	–	–
	<u>282,472</u>	<u>213,399</u>	<u>116,336</u>	<u>–</u>
Unsecured:				
Term loans	18,310	9,224	–	1,339
Less: Portion repayable within one year (Note 23)	(918)	(7,726)	–	(1,285)
	<u>17,392</u>	<u>1,498</u>	<u>–</u>	<u>54</u>
Total	<u>299,864</u>	<u>214,897</u>	<u>116,336</u>	<u>54</u>
The term loans (non-current) are repayable as follows:				
- between one to two years	78,990	38,948	29,946	54
- between two to five years	105,179	105,736	17,060	–
- after five years	115,695	70,213	69,330	–
	<u>299,864</u>	<u>214,897</u>	<u>116,336</u>	<u>54</u>

Pursuant to the debt restructuring agreements entered into between the Company, its affected subsidiary companies and lenders in December 2000, certain bank borrowings and facilities of the Group have been restructured. As a result, the term loans of the Company are secured by way of:

- fixed and floating charge over the Company and certain of its subsidiary companies' present and future assets;
- debenture comprising first fixed charge over a subsidiary company's leasehold properties;
- charge over the investment properties of subsidiary companies; and
- undertaking from certain subsidiary companies to upstream and pay all dividends received from the beverage division, after settlement of their bank borrowings, to the Company.

The facility also contain covenants which require the Company to limit the bank borrowings to shareholders' funds ratio.

Syndicated term loans and overdraft facilities obtained by subsidiary companies are secured by way of:

- first party first fixed charge over the investment properties of the subsidiary companies;
- assignment over the rental proceeds from the investment properties of the subsidiary companies; and
- debenture comprising first fixed and floating charge over a subsidiary company's present and future assets.

The secured long term loans of the other subsidiary companies are secured against certain land and buildings (Note 13) of the Group. Interest charged on the secured term loans ranged from 5.9% to 9.3% (2000: 5.9% to 10.0%) per annum.

Interest charged on the unsecured term loans ranged from 6.7% to 9.2% (2000: 6.5% to 9.7%) per annum.

28 DEFERRED TAXATION

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At beginning of financial year	2,692	3,368	–	–
Transfer to income statement	–	(676)	–	–
At end of financial year	<u>2,692</u>	<u>2,692</u>	<u>–</u>	<u>–</u>

Deferred tax provided for in the financial statements represents the tax effects of revaluation of investment properties.

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deferred tax not provided for in the financial statements:				
- tax effects of revaluation of investment properties held for long term	<u>5,627</u>	<u>5,751</u>	<u>–</u>	<u>–</u>
Tax losses carried forward:				
- estimated potential tax benefit of losses for which no credit has been taken in the net income of current year or prior periods	<u>34,526</u>	<u>21,598</u>	<u>4,771</u>	<u>5,960</u>

The unabsorbed tax losses carried forward are subject to agreement by the tax authorities.

29 DIVIDEND

	GROUP AND COMPANY	
	2001 RM'000	2000 RM'000
Proposed first and final dividend of 0.05 sen (2000: 0.05 sen) per share, less 28% income tax	<u>125</u>	<u>125</u>

30 HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, as the holding and ultimate holding company.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The transactions were carried out on terms and conditions no more favourable to the related party than those extended to unrelated parties unless otherwise stated.

	Nature	GROUP 2001 RM'000
Ultimate holding company		
Amsteel Corporation Berhad	Interest expense	3,368
Related companies		
Parkson Corporation Sdn Bhd	Rental income	5,813
Ayer Keroh Resort Sdn Bhd	Interest income	3,417
Lion Klang Parade Bhd	Interest income	1,118
Lion Ipoh Parade Sdn Bhd	Interest income	896
JOPP Builders Sdn Bhd	Interest income	737
Amsteel Capital Holdings Sdn Bhd	Interest expense	932
Angkasa Marketing Berhad	Interest expense	253
Related party		
Hubei Jinlongquan (Group) Co Ltd	Trade purchase of raw materials and consumables	32,536

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

Hubei Jinlongquan (Group) Co Ltd is a joint-venture partner which holds a 40% equity stake in certain subsidiary companies of the Group.

Balances with holding and related companies as at the end of the financial year are disclosed in Notes 20 and 22 to the financial statements.

32 CONTINGENT LIABILITIES - UNSECURED

Contingent liabilities of the Company in respect of guarantees given to financial institutions for credit facilities granted to the Group amounted to RM109.7 million (2000: RM168.7 million).

33 LIST OF SUBSIDIARY COMPANIES

Name of company	Country of incorporation	Principal activities	Equity interest	
			2001	2000
<u>Subsidiary companies</u>				
Chocolate Products Manufacturing Sdn Bhd	Malaysia	Manufacture of chocolates and other cocoa based products. Ceased operations during the year	100%	100%
Chocolate Products Trading Sdn Bhd	Malaysia	Sale of proprietary chocolates, malted cocoa beverage and snacks. Ceased operations during the year	100%	100%
Lion Mahkota Parade Sdn Bhd	Malaysia	Property management and operation of foodcourt	99.99%	99.99%
Megavest Sdn Bhd	Malaysia	Property and housing development	100%	100%
Lion Subang Parade Sdn Bhd	Malaysia	Property management	100%	100%
Urban Resources Sdn Bhd	Malaysia	Property development	100%	100%
Chocolate Products (S) Pte Ltd *	Singapore	Investment holding	100%	100%
CPB Far East Limited (formerly known as Chocolate Vochelle (Far East) Ltd) *	Hong Kong	Dormant	100%	100%
CP Properties Sdn Bhd	Malaysia	Dormant	100%	100%
Force Ten Sdn Bhd	Malaysia	Dormant	100%	100%
Graimpi Sdn Bhd	Malaysia	Investment holding	100%	100%
Le Chocolatier Boutique (M) Sdn Bhd	Malaysia	Dormant	100%	100%
Chocolate Investment Pte Ltd (formerly known as Vochelle Investment Pte Ltd) *	Singapore	Investment holding	60%	60%

33 LIST OF SUBSIDIARY COMPANIES (Continued)

Name of company	Country of incorporation	Principal activities	Equity interest 2001	2000
<u>Subsidiaries of Lion Subang Parade Sdn Bhd</u>				
Chocolate Products Management Sdn Bhd	Malaysia	Investment holding and operation of foodcourt	100%	100%
Bingkisan Jaya Sdn Bhd *	Malaysia	Dormant	100%	100%
Hypervest Sdn Bhd *	Malaysia	Dormant	100%	100%
Indobaru Sdn Bhd *	Malaysia	Dormant	100%	100%
Jatitrade Sdn Bhd *	Malaysia	Dormant	100%	100%
Pattervest Sdn Bhd *	Malaysia	Dormant	100%	100%
<u>Subsidiaries of Chocolate Products Management Sdn Bhd</u>				
Consitrade (M) Sdn Bhd	Malaysia	Investment holding	100%	100%
Grand Tours & Travel Service Sdn Bhd	Malaysia	Dormant	100%	100%
<u>Subsidiaries of Consitrade (M) Sdn Bhd</u>				
Zhu Zhou DEbier Brewery Co Ltd	People’s Republic of China	Beer brewing and mineral water bottling	68.5%	55%
Hubei Lion Brewery Co Ltd	People’s Republic of China	Beer brewing	60%	60%
Hubei Jinlongquan Brewery Co Ltd	People’s Republic of China	Beer brewing	60%	60%
Shandong DEbier Brewery Co Ltd	People’s Republic of China	Beer brewing	60%	60%
Hunan DEbier Brewery Co Ltd	People’s Republic of China	Beer brewing	55%	55%
Jiangsu DEbier Brewery Co Ltd	People’s Republic of China	Beer brewing	55%	55%
Pingyang Lion Beer Co Ltd	People’s Republic of China	Beer brewing	55%	55%
Shanghai DEbier Management Consulting Co Ltd *	People’s Republic of China	Management consulting services	100%	100%
Ningbo Lion Brewery Co Ltd	People’s Republic of China	Beer brewing	–	55%

33 LIST OF SUBSIDIARY COMPANIES (Continued)

Name of company	Country of incorporation	Principal activities	Equity interest	
			2001	2000
<u>Subsidiaries of Chocolate Products Manufacturing Sdn Bhd</u>				
CPB Enterprise Sdn Bhd (formerly known as Darry's Confectionery Sdn Bhd)	Malaysia	Manufacture of confectioneries. Ceased operations during the year	100%	100%
CPB Investment AG (formerly known as Chocolats Vochelle AG) *	Switzerland	Investment holding	100%	100%
<u>Subsidiary of CPB Enterprise Sdn Bhd</u>				
United Brands Trading Sdn Bhd	Malaysia	Dormant	100%	100%
<u>Subsidiary of Chocolate Investment Pte Ltd</u>				
Beijing Vochelle Foodstuff Co Ltd *	People's Republic of China	Ceased operations	70%	70%
<u>Subsidiary of Graimpi Sdn Bhd</u>				
DEbier Sdn Bhd	Malaysia	Investment holding	100%	100%
<u>Subsidiaries of DEbier Sdn Bhd</u>				
Lion Brewing Group Co Ltd (formerly known as Wenzhou Double Deer Brewing Group Co Ltd)	People's Republic of China	Beer brewing	55%	55%
Pavlova Investment Pte Ltd *	Singapore	Investment holding	100%	100%
Gemmo Pte Ltd *	Singapore	Investment holding	100%	—
<u>Subsidiaries of Lion Brewing Group Co Ltd</u>				
Wenzhou Double Deer Beer Marketing Co Ltd	People's Republic of China	Sale and marketing of beer and other beverage	75% 25%#	75% 25%#
Zhejiang YanDangShan Lion Brewery Co Ltd	People's Republic of China	Beer brewing	90% 10%#	90% 10%#
Wenzhou Double Deer Brewery Research Institute Co Ltd	People's Republic of China	Provide technical assistance and undertake research and development works	90% 10%#	— —
Wenzhou Double Deer Material Sourcing Co Ltd	People's Republic of China	Source raw materials for beer brewing, machinery and parts	90% 10%#	— —
Wenzhou Double Deer Corporate Management and Consulting Co Ltd	People's Republic of China	Consulting services	90% 10%#	— —

33 LIST OF SUBSIDIARY COMPANIES (Continued)

Name of company	Country of incorporation	Principal activities	Equity interest	
			2001	2000
<u>Subsidiary of Gemmo Pte Ltd</u>				
Gesto Pte Ltd *	Singapore	Dormant	100%	–
<u>Subsidiary of Hubei Jinlongquan Brewery Co Ltd</u>				
Hubei Jinlong Shenshui Brewery Co Ltd	People’s Republic of China	Beer brewing	55.56%	55.56%

* Not audited by PricewaterhouseCoopers, Malaysia.

Holding in equity by Pingyang Lion Beer Co Ltd, a subsidiary company in which the Group has a 55% equity interest.

34 SEGMENTAL INFORMATION - GROUP

(a) Analysis by activity

	Revenue RM'000	Profit/(loss) before taxation RM'000	Total assets employed RM'000
2001			
Chocolate and confectionery products	7,742	(18,235)	114,687
Beverage	553,208	32,501	1,057,898
Properties	53,422	32,125	489,349
	614,372	46,391	1,661,934
Finance costs - net		(31,261)	—
Associated company		5,933	51,013
		21,063	1,712,947
2000			
Chocolate and confectionery products	54,007	(38,362)	94,681
Beverage	583,103	36,835	1,143,438
Properties	54,588	24,291	577,590
	691,698	22,764	1,815,709
Finance costs - net		(62,194)	
		(39,430)	

34 SEGMENTAL INFORMATION - GROUP (Continued)

(b) Analysis by geographical location

	Revenue RM'000	Profit/(loss) before taxation RM'000	Total assets employed RM'000
2001			
Malaysia	62,207	18,850	598,657
People's Republic of China	552,165	27,541	1,063,277
	<u>614,372</u>	<u>46,391</u>	<u>1,661,934</u>
Finance costs - net		(31,261)	–
Associated company		5,933	51,013
		<u>21,063</u>	<u>1,712,947</u>
2000			
Malaysia	111,160	(4,000)	676,852
People's Republic of China	580,538	26,764	1,138,857
	<u>691,698</u>	<u>22,764</u>	<u>1,815,709</u>
Finance costs - net		(62,194)	
		<u>(39,430)</u>	

35 CAPITAL COMMITMENTS

	GROUP	
	2001 RM'000	2000 RM'000
Approved and contracted for:		
- acquisition of unquoted investments	<u>12,714</u>	<u>29,200</u>

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The disposal of the Group's chocolate and confectionery business was completed on 29 August 2000 (Note 5).
- (b) On 17 November 2000, Consitrade (M) Sdn Bhd, a wholly-owned subsidiary of the Company, entered into an agreement with Taixing Brewery Factory in the People's Republic of China for the acquisition of the remaining 45% equity interest in Jiangsu DEbier Brewery Co Ltd inclusive of shareholder's loan for a consideration of Rmb50 million (equivalent to approximately RM22.8 million) ("Proposed Acquisition"). The Proposed Acquisition is subject to the approvals being obtained from Jiangsu Commission of Foreign Trade and Economic Cooperation and any other relevant authorities, if required.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Continued)

- (c) In the previous financial year, the Board of Directors of the Company and the ultimate holding company formulated a Group Wide Restructuring Scheme ("Proposed GWRS") which involved the restructuring of the Group's and the Company's debts and rationalisation of the Group structure whereby core businesses would be redefined and non-core businesses would be divested. Subsequent to the current financial year end, an announcement was made by the ultimate holding company on the revised terms of the Proposed GWRS.

During the current financial year, the applicable debts of the Company and its related subsidiary companies have been restructured by way of an entity debt restructuring exercise. The debt restructuring agreements pertaining to the Group's debts with its lenders were executed in December 2000 (Note 27). As a result, the debt restructuring scheme for the Group will not form part of the revised Proposed GWRS under the ultimate holding company.

37 SUBSEQUENT EVENT

As disclosed in Note C in the Consolidated Cash Flow Statement, Consitrade (M) Sdn Bhd ("Consitrade"), a wholly owned subsidiary company, has entered into an agreement for the dilution of its equity interest in Ningbo Lion Brewery Co Ltd ("Ningbo") with an option to purchase the diluted equity interest. Management is in the process of negotiating for the acquisition of the diluted equity interest in Ningbo.

38 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current financial year's presentation.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Tan Sri William H J Cheng** and **Cheng Yong Kwang**, two of the Directors of Chocolate Products (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 26 to 61 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2001 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 30 October 2001

TAN SRI WILLIAM H J CHENG
CHAIRMAN

CHENG YONG KWANG
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Tan Sri William H J Cheng**, the Director primarily responsible for the financial management of Chocolate Products (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 61 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SRI WILLIAM H J CHENG

Subscribed and solemnly declared by the abovenamed Tan Sri William H J Cheng before me at Kuala Lumpur in Malaysia on 30 October 2001

W-217
P SETHURAMAN
COMMISSIONER FOR OATHS

Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF CHOCOLATE PRODUCTS (MALAYSIA) BERHAD

We have audited the financial statements set out on pages 26 to 61. 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 auditing standards 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 Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2001 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Notes 2 and 36(c) to the financial statements which explain the financial position of the Group and the Company and that the Directors have implemented a scheme involving the restructuring of the Group's and the Company's debts and rationalisation of the Group structure. In addition, we draw attention to Note 20 to the financial statements which explain the recoverability of related companies' debts and that the related companies will be implementing a scheme involving the restructuring of their debts. The validity of preparing the financial statements on the going concern basis depends upon the successful implementation of the above restructuring schemes.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 33 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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 those purposes.

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Public Accountants

LEE TUCK HENG
(No. 2092/09/02 (J))
Partner of the firm

Kuala Lumpur
30 October 2001

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2001

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	College (9)	5.6	1992
5 Jalan SS 16/1 Subang Jaya Selangor	Freehold	5.20 hectares	Land and building	Office and shopping complex (13)	274.4	April 1999
PT 487-489 Bandar Hilir Melaka Tengah Daerah Melaka Tengah Melaka	Leasehold 25.7.2090 and 19.10.2091	5.30 hectares	Land and building	Office and shopping complex (8)	166.9	April 1999
234, Wu Tian Street Wenzhou City Zhejiang, China	Leasehold 28.2.2045	7.58 hectares	Industrial land and building	Office, factory and warehouse (7-13)	46.2	January 1995
89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	10.63 hectares	Industrial land and building	Office, factory and warehouse (5)	35.1	December 1995
89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	22.52 hectares	Industrial land and building	Office, factory and warehouse (6-23)	28.7	December 1995
28, Hongqi North Road Zhuzhou City Hunan, China	Leasehold 31.12.2045	4.42 hectares	Industrial land and building	Office, factory and warehouse (4-13)	13.9	December 1995
96, Shaoshan Road Changsha City Hunan, China	Leasehold 13.12.2044	4.08 hectares	Industrial land and building	Office, factory and warehouse (4-13)	42.8	December 1994
Quan Fang Tou Kunyang Village Pingyang City Zhejiang, China	Leasehold 30.4.2046	4.49 hectares	Industrial land and building	Office, factory and warehouse (13)	14.7	March 1996
10, Li Shan Road Yi Yuan District Shangdong, China	Leasehold 31.12.2046	3.60 hectares	Industrial land and building	Office, factory and warehouse (13)	20.3	1 January 1997
19, Huanxi Road Diao Pu Village Tai Xing City Jiangsu, China	Leasehold 30.6.2046	9.00 hectares	Industrial land and building	Office, factory and warehouse (6)	32.8	1 July 1996

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
10 Wangziher Lin Changsha Hunan, China	Leasehold 7.4.2050	6.36 hectares	Industrial land and building	Office, factory and warehouse (2)	0.9	1999
198, Zhan Road Siaw Kang City Hubei, China	Leasehold 31.12.2046	5.20 hectares	Industrial land and building	Office, factory and warehouse (3-5)	3.7	1997
124, Jingshui Road Da Jing Town Yue Qing City Zhejiang, China	Leasehold 12.2.2043	1.15 hectares	Industrial land and building	Office, factory and warehouse (3-18)	8.8	2000

ANALYSIS OF SHAREHOLDINGS

AS AT 19 OCTOBER 2001

Share Capital

Authorised Share Capital	–	RM500,000,000.00
Issued and Paid-up Capital	–	RM174,201,750.50
Class of Shares	–	Ordinary shares of RM0.50 each
Voting Rights	–	One (1) vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 1,000	812	4.51	256,070	0.07
1,001 to 10,000	15,530	86.33	46,953,331	13.48
10,001 to 100,000	1,576	8.76	39,876,999	11.45
100,001 to less than 5% of issued shares	68	0.38	133,003,878	38.17
5% and above of issued shares	4	0.02	128,313,223	36.83
	<u>17,990</u>	<u>100.00</u>	<u>348,403,501</u>	<u>100.00</u>

Substantial Shareholders

	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1 Tan Sri William H J Cheng	–	–	232,254,501	66.66
2 Lion Realty Pte Ltd	–	–	232,254,501	66.66
3 Datuk Cheng Yong Kim	–	–	232,254,501	66.66
4 Lancaster Trading Company Limited	–	–	222,489,945	63.86
5 Utara Enterprise Sdn Bhd	–	–	222,489,945	63.86
6 William Cheng Sdn Bhd	–	–	222,489,945	63.86
7 Lion Holdings Sdn Bhd	1,934,000	0.56	220,555,945	63.30
8 Happyvest (M) Sdn Bhd	–	–	220,555,945	63.30
9 Amanvest (M) Sdn Bhd	–	–	220,555,945	63.30
10 Mirzan bin Mahathir	–	–	220,555,945	63.30
11 Peringkat Prestasi (M) Sdn Bhd	–	–	220,555,945	63.30
12 Umatrac Enterprises Sdn Bhd	6,704,000	1.92	213,851,945	61.38
13 Lembaga Tabung Angkatan Tentera	13,200,771	3.79	220,555,945	63.30
14 Lion Corporation Berhad	13,283,000	3.81	207,272,945	59.49
15 Amsteel Corporation Berhad	518,222	0.15	220,037,723	63.16
16 Lion Development (Penang) Sdn Bhd	1,097,889	0.32	104,159,223	29.90
17 Ayer Keroh Resort Sdn Bhd	95,492,556	27.41	–	–
18 Horizon Towers Sdn Bhd	–	–	95,492,556	27.41
19 Ambang Jaya Sdn Bhd	73,501,000	21.10	–	–
20 Parkson Corporation Sdn Bhd	30,993,667	8.90	–	–
21 Datuk Lim Kheng Kim	28,695,945	8.24	–	–
22 Timuriang Sdn Bhd	–	–	220,555,945	63.30

Director's interest in shares in the Company and its related companies

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

The Company	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Tan Sri William H J Cheng	–	–	232,254,501	66.66

Related Companies				
Tan Sri William H J Cheng				
Amsteel Corporation Berhad	–	–	470,561,886	37.36
Posim Berhad	–	–	178,234,171	87.71
Lion Land Berhad	1,680	–	342,318,285	57.69
Silverstone Berhad	–	–	149,742,465	73.45
Hy-Line Berhad	–	–	*2,484	N/A

* Preference shares

** Negligible

Thirty Largest Registered Shareholders	No. of Shares	% of Shares
1. HDM Nominees (Tempatan) Sdn Bhd DBS Bank Labuan Branch for Ayer Keroh Resort Sdn Bhd	43,000,000	12.34
2. Ayer Keroh Resort Sdn Bhd	36,618,556	10.51
3. Parkson Corporation Sdn Bhd	30,993,667	8.90
4. Ambang Jaya Sdn Bhd	17,701,000	5.08
5. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Ambang Jaya Sdn Bhd (MB 39A)	17,000,000	4.88
6. PAB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ambang Jaya Sdn Bhd	15,300,000	4.39
7. Lion Corporation Berhad	15,283,000	4.39
8. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Ayer Keroh Resort Sdn Bhd (MB 39A)	15,000,000	4.31
9. Lembaga Tabung Angkatan Tentera	13,200,771	3.79
10. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Ambang Jaya Sdn Bhd	10,000,000	2.87
11. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Ambang Jaya Sdn Bhd (Lion Asia Inv)	8,500,000	2.44
12. Amsteel Equity Nominees (Tempatan) Sdn Bhd Amsteel Securities (M) Sdn Bhd for Umatrac Enterprises Sdn Bhd	6,704,000	1.92
13. HDM Nominees (Tempatan) Sdn Bhd DBS Bank Labuan Branch for Ambang Jaya Sdn Bhd	5,000,000	1.44
14. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	4,666,000	1.34
15. Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S. A. for Osterreichische Volksbanken AG	2,900,000	0.83
16. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Lion Holdings Sdn Bhd	1,970,000	0.57
17. Menteri Kewangan Malaysia	1,352,547	0.39
18. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (LPSB 981086)	1,000,000	0.29
19. Arab-Malaysian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (BK 7/427-B)	1,000,000	0.29
20. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Ching Ching (REM 650)	897,000	0.26
21. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Securities (M) Sdn Bhd (651001)	874,000	0.25
22. Ong Har Hong	869,000	0.25
23. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd (01-00016-000)	829,000	0.24
24. Chew Boon Seng	788,000	0.23
25. The Central Depository (Pte) Limited	738,289	0.21
26. Mohamed Tamrin Bin Munir	584,000	0.17
27. Amsteel Corporation berhad	518,222	0.15
28. Botly Nominees (Asing) Sdn Bhd Fleet Investments Management Limited	500,000	0.14
29. BHLB Trustee Berhad TA Comet Fund	477,000	0.14
30. Straits Nominees (Asing) Sdn Bhd GK Goh SPL for Low Boon Meng (9A/133041)	323,000	0.09

MATERIAL CONTRACT

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

A share transfer agreement dated 28 February 2000 amongst Lion Brewing Group Co Ltd ("Lion Brewing"), Pingyang Lion Beer Co Ltd ("Pingyang") and JinKeDa Group to acquire the entire equity interest in Zhejiang YanDangShan Lion Brewery Co Ltd for a cash consideration of Rmb39.56 million. JinKeDa Group is the joint-venture partner holding 45% equity interest each in Lion Brewing and Pingyang. The acquisition was completed in July 2000.

OTHER INFORMATION

Non-audit Fees

The amount of non-audit fees paid or payable to external auditors for the financial year was RM20,000.

Variation in Results

The audited consolidated results of the Group for the financial year ended 30 June 2001 differed from the fourth quarter unaudited consolidated results announced on 29 August 2001 ("Announcement").

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

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

Earnings/(Loss)(Year-to-date)		RM'000
As per the Announcement		2,303
Taking into account the provision now ascertained pursuant to the Revised Proposed GWRS:		
- Provision for doubtful debts on amount owing by related companies		(6,000)
Loss after adjustment	(a)	(3,697)
Loss as per Audited Financial Statements	(b)	(3,492)
Variance – RM'000	(c) = (b) – (a)	205
– %	(c)/(a)	5.5%

FORM OF PROXY

I/We
 of
 being a member/members of CHOCOLATE PRODUCTS (MALAYSIA) BERHAD, hereby appoint

 of
 or failing whom
 of

as my/our proxy to vote for me/us and on my/our behalf, at the Thirty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Monday, 10 December 2001 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Heah Sieu Lay		
5. To re-elect as Director, Mr George Leong Chee Fook		
6. To re-elect Y Bhg Tan Sri William H J Cheng		
7. To re-elect Y Bhg Dato' Ismail bin Said		
8. To re-appoint Auditors		
9. Authority to issue shares		

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

As witness my/our hand this day of 2001

No of Shares:

Signed:

In the presence of:

Representation at Meeting

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal.

The instrument of proxy must be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the Meeting.

