LION ASIAPAC LIMITED

annual report 2001

contents

The year in review was a profitable one for the Group. The Group reported a sterling turnover of S$88.5 million, a 185% increase from the previous year's S$31.1 million. A dramatic turnaround in profit after taxation of S$7.9 million was achieved by the Group, compared to a loss of S$25.4 million last year. This was mainly supported by the strong performance of our motorcycle business and electronic component distribution business, further boosted by declining losses in marine food processing business. Last year's loss was mainly due to operating losses and exceptional losses attributable to the cessation of dry cargo container business.

Motorcycle

The motorcycle division remained a significant contributor to the profit of the Group. The Group's share of its results amounted to S$18.6 million of net profit before taxation. Despite a slowdown in domestic sales in China during the second half of FY 2001, strong domestic sales during the first half of FY 2001 has boosted the overall domestic sales volume for the whole financial year by 5%. Likewise, export sales increased almost four-folds as compared to the previous year. The favourable results were mainly due to our concerted effort and dedication to develop superior product design and quality, giving us a competitive edge in pricing and effective marketing.

To retain our position as a leading foreign player in China's land transportation market, the Group will continue to focus on improving quality, lowering cost and implementing aggressive marketing strategies. The motorcycle division is consolidating its position in the domestic market

chairman's statement

910,000 units sold

chairman's statement (cont'd)

in view of China's entry into the World Trade Organisation (WTO). With its strong R&D capabilities, efficient production process and strategic alliances with foreign business partners, it is also preparing to expand its exports in the global market, especially the East-Asian region.

Electronic Component Distribution

Despite the slowdown in the electronics industry, the Group's electronic component distribution division, Advent Electronics Pte Ltd ("Advent") also achieved strong profit growth. Advent is the key contributor to the Group's significant increase in turnover.

Allied Data's ADSL broadband modem distributed by Advent

In FY 2001, Advent registered a 383% increase in turnover to an impressive S$77.7 million as compared to S$16.1 million in FY 2000, its maiden year of operation.

Advent, which is in its second year of operations, owes its achievements to its business strategies which incorporated high value design projects as well as distributorship for prestigious manufacturers. In addition, the division has secured new agency lines such as Sony, Soundvision and Allied Data. These new distributorships coupled with the existing world class product lines will help Advent stay viable in a highly competitive business environment.

Marine Food Processing

The Group's marine food processing division under Sonlife International Pte Ltd ("Sonlife") improved its performance in FY 2001. Sonlife posted a 14% increase in turnover to S$8.8 million and a 58% reduction in loss before taxation to S$1.2 million.

Plans are in place to increase the output of its processing plant, improve product quality and further penetration into markets like North America, Europe, Japan, Middle East and Australia, so as to achieve a higher revenue.

Packing of processed seafood for shipment at plant in Yangon, Myanmar

Sonlife will continue to seek new suppliers of raw materials to expand its production for the new processing facilities in Myanmar. Furthermore, the plant in Indonesia is being upgraded gradually to increase production capacity and enhance operating efficiency.

Conclusion

Moving forward, the Group will work ceaselessly to strengthen its core businesses and to expand into new geographical markets. The Group will continue to concentrate its resources and build its capabilities to boost sales and production capacity. This will ensure the Group's high level performance in a very competitive market environment. Barring any unforeseen circumstances, the Group expects to remain profitable in the current year. However, repercussions of the terrorist attacks in USA in September 2001 have not been factored into this expectation.

At this point, I would like to acknowledge our valued customers, business associates, fellow directors and shareholders for their continued support, confidence and trust. I want to express my heartfelt appreciation to the management and staff for their commitment, dedication, understanding and hard work. We look forward to more fruitful and profitable years ahead.

Othman Wok

Chairman

OTHMAN WOK

Chairman of the Group and Audit Committee since March 1996.

SAM CHONG KEEN

Managing Director since February 1997.

Chief Executive Officer and Executive Vice-Chairman of Lion Teck Chiang Limited.

Director of Stamford Tyres Corporation Ltd.

Chairman, NTUC Denticare Co-operative.

CHENG YONG KWANG

Executive Director since February 1996.

Holds directorship in other Lion Group companies including Chocolate Products (Malaysia) Bhd.

Member of Board of Commissioner, PT Lion Metal Works.

LIN CHUNG DIEN

Director since March 1996.

Chairman and Chief Executive Officer of Bichain Trading Co Ltd.

Director of Amalgamated Containers Berhad.

YING YOKE KWAI

Director and Audit Committee member since March 1996.

CHENG THENG HOW

Director since February 1997.

Audit Committee member since September 2001.

General Manager of Angkasa Hong Leong Pte Ltd.

board of directors

S$77.7 million turnover

Motorcycle

The motorcycle division is expecting more challenges and competition in the Chinese market in the coming years, especially with China's entry into WTO. As such, the Group is adopting a long-term strategy to enhance its after sales service and expand its sales network. It will also restructure and improve its product mix, and expedite new product research and development. After the initial years of rapid expansion, the Group is consolidating its domestic market position and striving for a stable growth rate.

During FY 2001, the Group's share of the results of the motorcycle business reported a decrease in profit before taxation by 20% to S$18.6 million in FY 2001, compared to S$23.2 million in FY 2000. This was due to a decline in domestic sales in China during the second half of FY 2001, as over-capacity, coupled with intense competition amongst local producers resulted in an oversupply of products and depressed selling prices.

Nevertheless, the Group witnessed an overall increase in domestic sales by 5%. Similarly, a remarkable growth was achieved by our export business, particularly in the Southeast Asian region, as export sales grew four-folds from 33,000 units last year to about 152,000 units.

To remain competitive in the motorcycle industry, the Group will also focus on technological developments to enhance performance and quality standards. During the year, the Group has forged an agreement with Yamaha, Japan , which would provide technical advice in order to enhance our existing design capabilities. Two new models are specially designed for the European market, which we hope would capture the targeted customers in Europe.

Furthermore, the Group has ventured into spare parts business for its Qianjiang and other brands of motorcycles. This move is aimed at strengthening customer support service by providing greater availability of spare parts for our motorcycles.

The Group will also continue to capitalise on its capabilities to expand its exports in the global market, especially in the East-Asian region. With strong R&D set-up, internationally recognised production standards and strategic alliances with foreign business partners, the Group is laying the groundwork to enhance its export base.

In tandem with the Group's long term strategy for its automotive business in China where it has a proven track record, the Group is endeavouring to diversify its portfolio of principal products. During the year, the Group has proposed to acquire Angkasa Transport Equipment Sdn Bhd,

S$8.8 million turnover

business review (cont'd)

which holds a 25% stake in the established light truck manufacturer, Heifei Jianghuai Automotive Co Ltd, and a 16% stake in Shanghai-listed Anhui Jianghuai Automotive Chassis Co Ltd which manufactures automotive chassis and gearbox. This acquisition, if approved by shareholders and regulatory authorities, will augment the Group's existing profitable business in China's automotive industry.

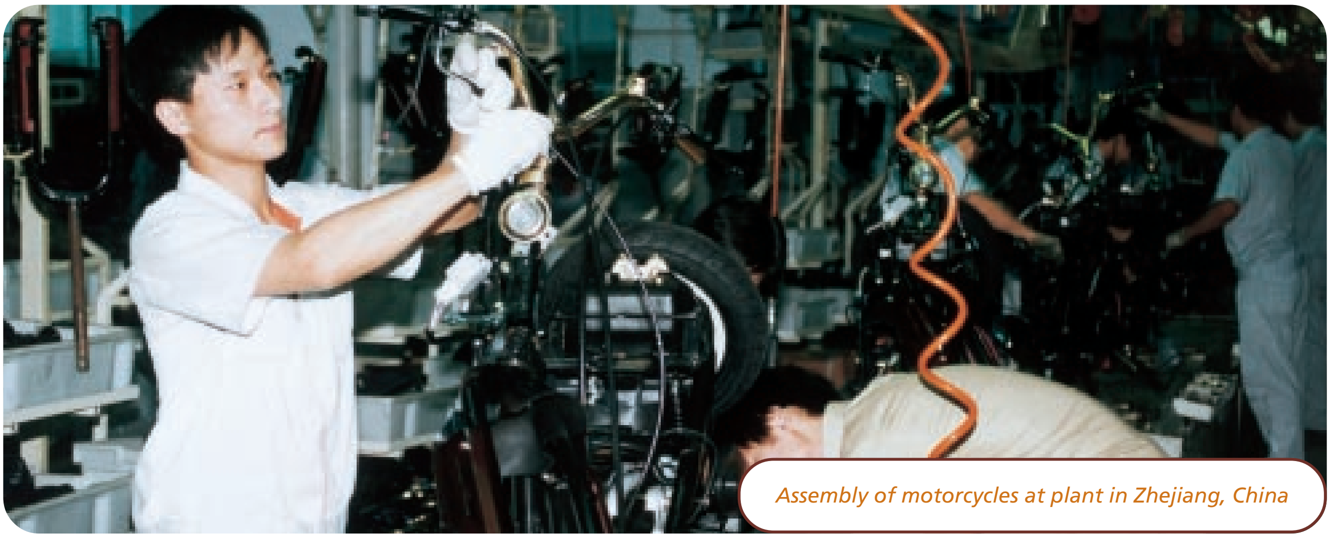
Electronic Component Distribution

Despite a slowdown in the global electronics industry, the electronic component distribution division under Advent Electronics Pte Ltd ("Advent") recorded a sterling performance during FY 2001 and was a key contributor to the Group's strong topline. Profit before taxation increased to S$1.8 million compared with the start-up profit of S$0.03 million in FY 2000. Turnover increased four-fold to S$77.7 million from S$16.1 million in FY 2000.

Advent represents Soundvision which provides system solutions for consumer products

Only in its second year of operation, Advent's robust performance was attributable to its niche value-added role by focussing on turnkey projects and providing total solutions from supply chain to manufacturing for design-and-marketing companies in USA. Its business strategy to focus on high-value design projects, coupled with distributorship contracts from prestigious manufacturers have helped Advent enhance its performance and propel it to excel further.

Today, Advent represents a wide range of international electronics manufacturers such as International Rectifier, Texas Instruments, STMicroelectronics, National Semiconductor and Voice Signal Technologies. To stay viable and competitive, Advent has also secured new agency lines such as Sony, a market leader in digital video technology; Soundvision, specialising in companion chip to digital video; and Allied Data, manufacturer of ADSL broadband modems used in internet and video transmission. The strategic partnerships will help strengthen Advent's position in this industry. Despite a commendable list of principals, Advent has an on-going responsibility to actively increase suppliers and product range to meet clients' needs and demands.



Assembly of motorcycles at plant in Zhejiang, China

Marine Food Processing

In FY 2001, Sonlife International Pte Ltd ("Sonlife"), the Group's marine food processing division, recorded a 14% increase in turnover to S$8.8 million and was able to reduce its loss before taxation by 58% to S$1.2 million.

The improved performance was the fruit of Sonlife's relentless efforts to achieve a turnaround in results. This included stringent cost cutting measures and reduced overheads aimed at improving margins, and the winding-up of non-core businesses such as the distribution of metal and mineral products, food and beverages. Plans are also in place to increase output of its processing plants, improve product quality and further penetrate into foreign markets so as to achieve higher revenue.

The higher output from the new plant in Yangon, Myanmar, which was fully operational in August 2000, has contributed significantly to the increase in sales revenue. Incorporating high-end freezing technology, this plant processes higher value added products which are exported to North American, European, Japanese and Middle-East markets.

For the coming years, Sonlife will focus its resources on developing the core business of marine food processing which will offer significant growth and profit potential. Sonlife will continue to intensify its operations and carry on strengthening relationships with its major customers. Barring unforeseen circumstances, the Group is confident that the outlook for Sonlife will remain strong and expects its performance to improve further.

Board of Directors
Othman Wok, Chairman
Sam Chong Keen, Managing Director
Cheng Yong Kwang, Executive Director
Lin Chung Dien
Ying Yoke Kwai
Cheng Theng How

Audit Committee
Othman Wok, Chairman
Ying Yoke Kwai
Cheng Theng How

Company Secretaries
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Toh Sim Cheng, ACIS

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corporate directory

Financial Year Ended June 30, 2001

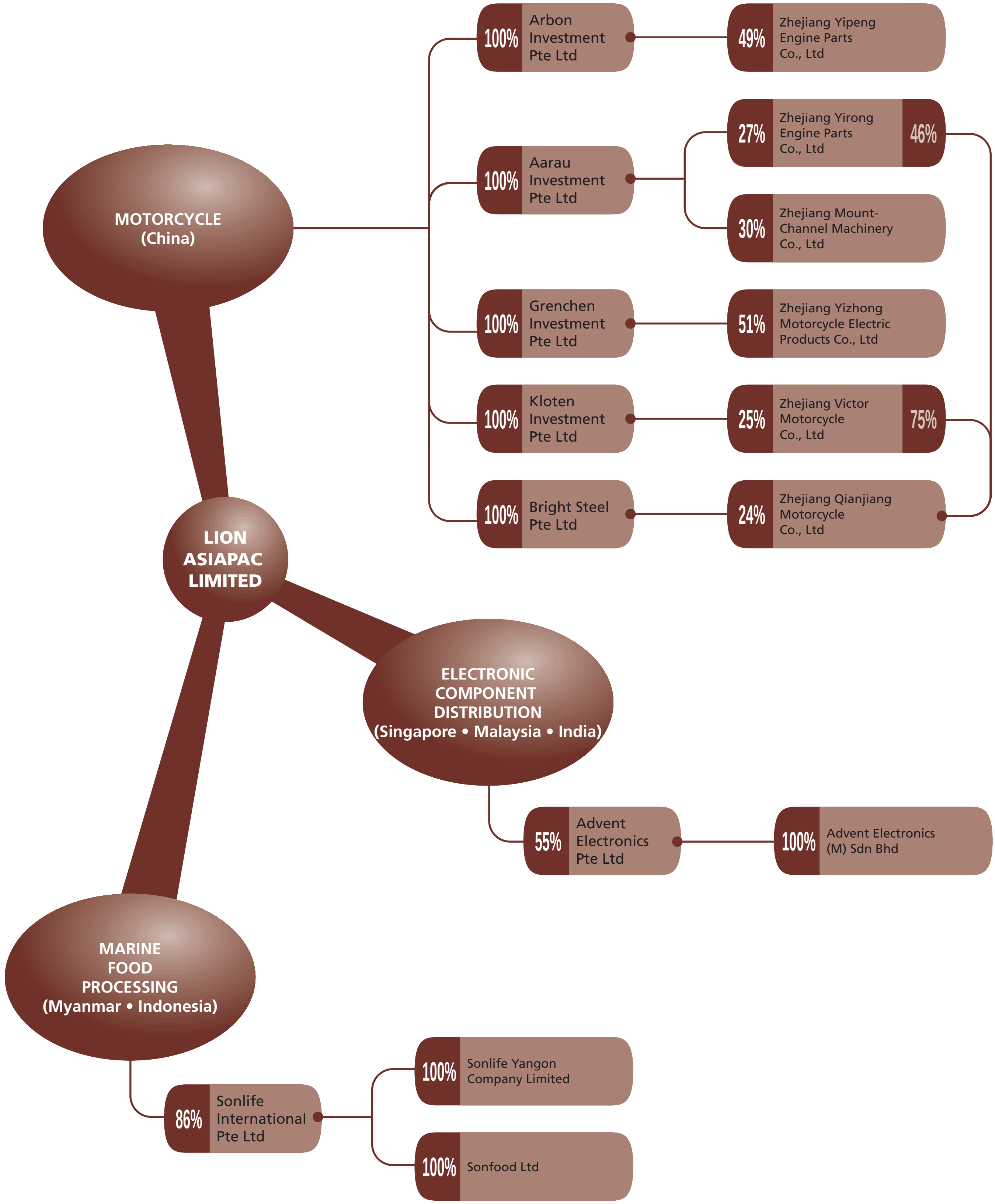
Announcement of Half-year Results	March 5, 2001
Announcement of Full-year Results	September 4, 2001
Annual General Meeting	November 15, 2001

Financial Year Ending June 30, 2002

Proposed Announcement of Half-year Results	March, 2002
Proposed Announcement of Full-year Results	September, 2002

financial calendar

business structure



	2001 S$'000	2000 S$'000
Turnover		
Dry Cargo Containers	2,029	7,263
Motorcycles	n.a.	n.a.
Electronic Component Distribution	77,669	16,068
Marine Food Processing	8,837	7,769
Unallocated Costs	n.a.	n.a.
Group Total	88,535	31,100
Profit/(Loss) before taxation		
(net of attributable costs)		
Dry Cargo Containers	2,468	(34,122)
Motorcycles	14,059	18,743
Electronic Component Distribution	1,791	32
Marine Food Processing	(1,215)	(2,923)
Unallocated Costs	(2,441)	(1,126)
Group Total	14,662	(19,396)

	As at June 30, 2001 (cents)	*As at June 30, 2000* (cents)
Earnings per share (after tax and based on existing issued share capital)	3.18	(10.28)
Net tangible assets backing per ordinary share	39.13	35.38
Par value per share	25.00	25.00

financial highlights

financial highlights (cont'd)

Balance Sheet

	As at June 30, 2001 S$'000	As at June 30, 2000 S$'000
Fixed Assets	12,800	20,051
Preliminary Expense	—	133
Associated Companies	126,618	111,451
Investment	—	—
Amount due from a shareholder of an associated company	8,528	8,100
Deferred Taxation	—	(4)
Subsidiary Companies	—	—
Current Assets	40,904	30,413
Current Liabilities	(31,049)	(68,415)
Long Term Liability	(59,880)	(13,610)
Total	**97,921**	**88,119**
Represented by:		
Share Capital	61,903	61,871
Capital Reserves	36,792	33,958
Revenue Reserves	(5,225)	(11,569)
Reserve on Consolidation	3,421	3,421
Minority Interests	1,030	438
Shareholders' Funds	**97,921**	**88,119**

financial reports

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