

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 January 2002.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the manufacture and sale of mosaic and homogenous ceramic tiles. The principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	<u>42,565</u>	<u>21,684</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final dividend of 3% less tax totalling RM9,460,863 in respect of the year ended 31 January 2001 on 23 July 2001;
- ii) a special dividend of 2.5% tax exempt totalling RM10,950,072 in respect of the year ended 31 January 2001 on 23 July 2001; and
- iii) an interim dividend of 2.5% less tax totalling RM7,884,052 in respect of the year ended 31 January 2002 on 5 November 2001.

The Directors recommended a final dividend of 3% less tax per share and 2.5% special tax exempt dividend per share, which have not been accounted for in the financial statements of the Group and Company as at 31 January 2002, in accordance with Malaysian Accounting Standards Board ("MASB") Standard 19 on Events After the Balance Sheet Date, whereby dividends declared or proposed after the balance sheet date, are not recognised as a liability at the balance sheet date.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Tan Sri Datuk Seri Panglima Lau Gek Poh (Chairman)
 Datuk Henry Chin Poy-Wu (Independent Non-Executive Director and assumed position of Deputy Chairman on 10.1.2002)
 David Park, AMN (appointed on 6.1.2002 and assumed position of Managing Director on 10.1.2002)
 Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak (Executive Director)
 Liew Chor Beng @ Lau Cho Beng (Non-Executive Director)
 Tuan Haji Nik Ariff bin Nik Hassan (Independent Non-Executive Director)
 Dato' Richard Ong Guan Seng (Independent Non-Executive Director)
 Edward Lee Ming Foo, JP (Executive Director)
 Lee Wee Yong (Executive Director)
 Tan Cheow Hian @ Tan Lek Keah (Executive Director)
 Sim Siew Meng (alternate to Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak)
 John Madsen, R (Managing Director, resigned on 7.1.2002)
 Chan Hua Eng (Vice Chairman, resigned on 6.1.2002)
 Fong Kok Keong (Non-Executive Director, resigned on 7.1.2002)

The holdings and deemed holdings in the ordinary shares and warrants of the Company and shares and options of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	← Number of ordinary shares/warrants →			
	At 1.2.2001	Bought/ granted	Sold/ exercised	At 31.1.2002
Shareholdings and warrants in which Directors have direct interests:				
Malaysian Mosaics Berhad				
Ordinary shares of RM1 each				
Tuan Haji Nik Ariff bin Nik Hassan	316,000	158,000*	-	474,000
Dato' Richard Ong Guan Seng	30,000	15,000*	-	45,000
Warrants				
Tuan Haji Nik Ariff bin Nik Hassan	60,000	30,000*	-	- #
Dato' Richard Ong Guan Seng	10,000	5,000*	-	- #
Gek Poh (Holdings) Sdn. Bhd.				
Ordinary shares of RM1 each				
Tan Sri Datuk Seri Panglima Lau Gek Poh	44	-	-	44
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	56	-	-	56
Preference shares of RM1 each				
Tan Sri Datuk Seri Panglima Lau Gek Poh	105,002	-	-	105,002
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	35,000	-	-	35,000

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

DIRECTORS OF THE COMPANY (continued)

	← Number of ordinary shares/warrants →			
	At 1.2.2001	Bought/ granted	Sold/ exercised	At 31.1.2002
Hap Seng Consolidated Berhad ("HSCB")				
Ordinary shares of RM1 each				
Tan Cheow Hian @ Tan Lek Keah	9,368	-	-	9,368
Shareholdings and warrants in which Directors have indirect interests:				
Malaysian Mosaics Berhad				
Ordinary shares of RM1 each				
Tan Sri Datuk Seri Panglima Lau Gek Poh	146,523,261 ⁽¹⁾	73,261,630*	-	235,570,891
	8,137,000 ⁽²⁾	4,068,500*	-	
	2,263,000 ⁽³⁾	1,131,500*	-	
	-	186,000 ⁽³⁾	-	
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	146,523,261 ⁽¹⁾	73,261,630*	-	223,365,391
	2,263,000 ⁽³⁾	1,131,500*	-	
	-	186,000 ⁽³⁾	-	
	146,523,261 ⁽⁴⁾	73,261,630*	-	
Liew Chor Beng @ Lau Cho Beng	8,137,000 ⁽⁵⁾	4,068,500*	-	235,570,891
	2,263,000 ⁽³⁾	1,131,500*	-	
	-	186,000 ⁽³⁾	-	
	2,485,000 ⁽⁶⁾	1,242,500*	-	
Tuan Haji Nik Ariff bin Nik Hassan				3,727,500
Malaysian Mosaics Berhad				
Warrants				
Tan Sri Datuk Seri Panglima Lau Gek Poh	29,203,000 ⁽¹⁾	14,601,537*	-	- #
	1,632,200 ⁽²⁾	816,100*	-	
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	29,203,000 ⁽¹⁾	14,601,537*	-	- #
Liew Chor Beng @ Lau Cho Beng	29,203,000 ⁽⁴⁾	14,601,537*	-	- #
	1,632,200 ⁽⁵⁾	816,100*	-	- #
Tuan Haji Nik Ariff bin Nik Hassan	604,000 ⁽⁶⁾	302,000*	-	- #
Hap Seng Consolidated Berhad				
Ordinary shares of RM1 each				
Tan Sri Datuk Seri Panglima Lau Gek Poh)				313,829,000
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak)	312,016,000 ⁽⁹⁾	-	-	
Liew Chor Beng @ Lau Cho Beng)	1,583,000 ⁽³⁾	230,000	-	
Tan Cheow Hian @ Tan Lek Keah	3,744 ⁽⁷⁾	-	-	3,744
Lee Wee Yong	10,000 ⁽⁸⁾	-	-	10,000

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

DIRECTORS OF THE COMPANY (continued)

- (1) Deemed interest by virtue of his substantial shareholding in Gek Poh (Holdings) Sdn. Bhd.
- (2) Held through his daughter, Liew Soong Cheng @ Lau Soong Cheng
- (3) Deemed interest by virtue of his indirect interest in Pembangunan Melati Sdn. Bhd., a wholly-owned subsidiary of Gek Poh (Holdings) Sdn. Bhd.
- (4) Held through his father, Tan Sri Datuk Seri Panglima Lau Gek Poh's deemed substantial interest in Gek Poh (Holdings) Sdn. Bhd.
- (5) Held through his sister, Liew Soong Cheng @ Lau Soong Cheng
- (6) Deemed interest by virtue of his direct interest in Koperasi Sri Nilam Berhad
- (7) Held through his spouse, Low Sin Chen
- (8) Held through his spouse, Tan Siew Fong
- (9) Deemed interest by virtue of their indirect substantial shareholding in Malaysian Mosaics Berhad

* Bonus issue

Warrants expired on 23 April 2001

None of the other Directors holding office at 31 January 2002 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Tan Sri Datuk Seri Panglima Lau Gek Poh who is over seventy years of age, retires from the Board at the forthcoming Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965. The Directors recommend that Tan Sri Datuk Seri Panglima Lau Gek Poh be re-appointed as Director and to hold office until the next Annual General Meeting.

Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, Edward Lee Ming Foo, JP, and Lee Wee Yong retire by rotation in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

David Park, AMN, who was appointed since the last Annual General Meeting, retires from the Board in accordance with Article 91 of the Company's Articles of Association and, being eligible, offers himself for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 33 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of warrants of the Company and the Employees' Share Option Scheme ("ESOS") of HSCB.

On 25 March 2002, HSCB granted an option to one of its Directors for the purchase of a parcel of residential landed property deemed to be in excess of HSCB's needs. The option was granted on the basis of the prevailing market value of RM5 million. The option is exercisable on or before 29 September 2002, and if exercised, would result in a gain to HSCB of approximately RM1.8 million. On the same date, HSCB also approved the disposal of a motor vehicle deemed to be in excess of HSCB's needs, to the same Director for a consideration of RM200,000. The disposal will give rise to a gain to HSCB of approximately RM200,000.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company's issued and paid up capital was increased to 438,002,899 ordinary shares of RM1 each pursuant to the bonus issue of 146,000,000 new ordinary shares of RM1 each allotted on 5 February 2001 and conversion of 2,899 warrants to ordinary shares. The new shares rank *pari passu* to the existing shares and will be entitled to the final dividends declared by the Company.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares or debentures of the Group and Company during the year apart from the issue of warrants of the Company and ESOS of HSCB as disclosed above.

WARRANTS OF THE COMPANY

On 24 October 1996, the Company issued RM150,000,000 nominal amount of 2% Redeemable Secured Bonds 1996/2001 together with 54,400,000 detachable warrants at an offer price of 76.4 sen per warrant.

Each warrant entitled its registered holder the right to subscribe for one new ordinary share not later than 5.00 p.m. on 23 April 2001 at an exercise price of RM3.36 per ordinary share.

Pursuant to the bonus issue allotted on 5 February 2001, the Company issued 27,200,000 additional warrants and the exercise price of warrants was adjusted to RM2.24 per ordinary share. Subsequent to 31 January 2001, 2,899 warrants were converted to ordinary shares.

As at 23 April 2001, 81,597,101 warrants remained unexercised and have therefore expired.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF HSCB

The salient features of HSCB's ESOS are as follows:

- a) The maximum amount of ordinary shares of RM1 each in HSCB which may be subscribed on the exercise of the ESOS shall not exceed in aggregate 10% of the issued share capital of HSCB at any point of time during the existence of the ESOS.
- b) Eligible employees of HSCB Group and full time executive directors of HSCB with at least one year of service shall be eligible to participate in the ESOS.
- c) The maximum allowable allotment that may be offered to eligible employees and full time executive directors under the ESOS ranges from 4,000 to 500,000 ordinary shares.
- d) The option price shall be the average of the mean market quotation of the shares as quoted and shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the 5 market days immediately preceding the date of the offer or the par value of the shares of HSCB, whichever is higher.
- e) An option shall be capable of being exercised during the option period starting from the second anniversary of the commencement of the Scheme and expiring at the end of five years from the commencement of the Scheme or for such shorter period as may be specifically stated in the offer. The Scheme commenced on 13 September 1997. In the previous year, the term of the Scheme was extended by five years, to expire on 12 September 2007.

Pursuant to the Scheme, which commenced on 13 September 1997, options to subscribe for 13,187,000 ordinary shares of RM1 each in HSCB had been granted as at 31 January 2002. Out of this total, an executive director of HSCB had been granted options to subscribe for 800,000 ordinary shares at RM2.25 per share.

During the year, 13,000 ordinary shares of RM1 each were issued at between RM1.69 and RM1.98 per share for cash, upon the exercise of options granted pursuant to the Scheme. As at 31 January 2002, options granted to subscribe for 12,717,000 ordinary shares of RM1 each remained unexercised. Subsequent to the balance sheet date, 20,000 ordinary shares of RM1 each were issued at RM2.04 per share for cash, upon the exercise of options granted pursuant to the Scheme.

The ESOS which will expire on 12 September 2002 has been extended to 12 September 2007 pursuant to the shareholders' approval at the Extraordinary General Meeting held on 4 December 2000.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

ULTIMATE HOLDING COMPANY

The Directors regard Gek Poh (Holdings) Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the exceptional items disclosed in Note 23 of the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 January 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

- i) On 22 December 2000, the Company proposed to undertake an issue of up to RM330 million nominal value of 10-year Irredeemable Convertible Secured Loan Stocks ("ICSLs") 2001/2011 with detachable coupon of 7.576% per annum and thereafter, a restricted offer for sale of up to RM330 million nominal value of Coupon-Detached ICSLS 2001/2011 to the shareholders and warrant holders of the Company on the basis of RM3.00 nominal value of Coupon-Detached ICSLS 2001/2011 for every five shares or Warrants 1996/2001 held in the Company after the Bonus Issue and an offer for sale of the Detached Coupon to fixed income investors that fall within Schedule 2 of the Securities Commission Act, 1993.

The application has yet to be made to the Securities Commission whilst the Bonus Issue has since been allotted to shareholders of the Company on 5 February 2001. However, the Directors of the Company will continue to review the proposals and will advise the shareholders of the Company of the status of the Proposals at a later date.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

SIGNIFICANT EVENTS *(continued)*

- ii) As disclosed in the Director's Report of the previous year, HSCB had announced to the Kuala Lumpur Stock Exchange on 4 August 1999, its acquisition of a 15% equity interest in T.C. Whang & Company (Private) Limited ("TCW"), a company incorporated in Singapore, for a consideration of S\$4,650,000. The transfer of the subject shares to HSCB was pending the completion of registrations in Singapore in respect of the disposal by TCW of certain assets, as agreed upon between the vendors and HSCB.

TCW is a substantial shareholder of Lam Soon Cannery Pte Ltd ("LSC"). In the previous financial year, a winding up petition was presented to the High Court in Singapore to wind up LSC. With the concurrence of HSCB, an out-of-court settlement was arrived at in respect of the said winding up petition pursuant to which TCW agreed to dispose of its entire interest in LSC. The Deed of Settlement was executed on 15 November 2000.

In view of the aforesaid disposal by TCW of its principal investment in LSC, HSCB had on 21 November 2000 entered into an Agreement with all the other shareholders of TCW ("TCW Shareholders") pursuant to which HSCB had agreed to dispose of its 15% equity interest in TCW to the TCW Shareholders, for the following elements of consideration:

- (a) cash consideration of S\$7.098 million; and
- (b) 29,444,411 ordinary shares representing 12.154% equity interest in Lam Soon (Hong Kong) Limited, a public listed company on the Hong Kong Stock Exchange, to HSCB at an ascribed value of S\$10.469 million.

The disposal of HSCB's interest in TCW was completed during the year, and HSCB received the final cash instalment of S\$5,217,000 subsequent to the balance sheet date.

In addition to the aforementioned elements of consideration, one of the TCW Shareholders had assigned to Forward Supreme Sdn. Bhd., the wholly-owned subsidiary of HSCB, various established trademarks in Malaysia. However, the validity of such assignment was the subject matter of a legal dispute in Malaysia and Singapore.

On 11 March 2002, the Singapore High Court ruled in favour of the Plaintiffs, Lam Soon Oil and Soap Manufacturing Sdn. Bhd. and Lam Soon (M) Berhad ("LSMB") against Forward Supreme Sdn. Bhd. (one of the Defendants of the legal dispute) to the effect that the legal ownership of the trademarks in Malaysia and Brunei was to be transferred to the LSMB.

The aforesaid judgement is not expected to have material financial impact on HSCB and the Group as there was no order for damages.

- iii) On 24 May 2000, HSCB entered into a conditional sale and purchase of shares agreement with The East Asiatic Company Limited A/S ("EACL") pursuant to which HSCB had agreed to acquire from EACL 23,752,800 ordinary shares of RM1 each in EAC Holdings (Malaysia) Sdn. Bhd. ("EACH") representing 60% of the issued and paid up share capital of EACH at a cash consideration of RM111 million ("EACL Agreement"). The agreement was conditional upon, inter alia, the approval to be obtained from the Foreign Investment Committee ("FIC").

Subsequently on 14 August 2000, HSCB entered into a separate conditional sale and purchase of shares agreement with Lembaga Tabung Angkatan Tentera ("LTAT") pursuant to which HSCB had agreed to purchase from LTAT the remaining 20% equity in EACH comprising 7,917,600 ordinary shares of RM1 each. Completion of this agreement was conditional upon, inter alia, completion of the EACL Agreement.

HSCB announced on 1 March 2001 that the EACL Agreement was effectively terminated on 28 February 2001 due to the failure to obtain an acceptable FIC Approval. With the termination of the EACL Agreement as aforesaid, the LTAT Agreement ceased to have any further effect due to the aforementioned inter-conditionality.

- iv) On 24 May 2000, HSCB entered into a sale and purchase of shares agreement ("Dumex Agreement") pursuant to which HSCB agreed to dispose of 6,000,000 ordinary shares of RM1 each representing 20% of the issued and paid up share capital in Dumex (Malaysia) Sdn. Bhd. to EACL at a cash consideration of RM72.6 million. The completion of the Dumex Agreement was inter-conditional with the completion of the EACL Agreement. However, the parties mutually agreed on 16 February 2001 to waive the said inter-conditional requirement in view of the failure to obtain an acceptable FIC Approval for the EACL Agreement, as stated above.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

SIGNIFICANT EVENTS *(continued)*

On 28 February 2001, the disposal was completed and this gave rise to an exceptional gain before minority interest to the Group of approximately RM49.8 million during the year.

- v) On 4 August 2000, HSCB entered into a sale and purchase agreement with Asia Pacific Breweries Limited for the sale of the business and transfer of its exclusive rights to use the brands, AOKE and KRONEN in Hainan, China from Hainan Euro-Asia Food Company Limited ("HEAF", formerly known as Hainan Euro-Asia Brewery Company Limited), a 70% owned subsidiary of the Group for approximately US\$12.2 million.

On 20 June 2001, HSCB completed its acquisition of the remaining 16,500,000 ordinary shares of RMB1.00 each in HEAF for a consideration of RMB27,014,060, which has resulted in HEAF becoming a wholly-owned subsidiary of HSCB.

On 31 July 2001, the production facility in Hainan was fully decommissioned, a condition precedent to the completion of the sale, and this gave rise to a gain before minority interest of approximately RM38.9 million to the Group.

- vi) On 20 November 2000, HSCB entered into two conditional agreements in Singapore to acquire the respective entire business undertakings and assets ("Business and Assets") of Vredelco Food Industries Pte. Ltd. ("VFI") and Vredelco Investments Pte. Ltd. ("VI"), both incorporated in Singapore, for an aggregate cash consideration of S\$5 million. Toward this purpose, HSCB had on 5 January 2001, acquired the entire equity interest comprising 2 ordinary shares of S\$1.00 each in Aceford Food Industry Pte. Ltd. ("Aceford") for a total cash consideration of S\$2, to acquire the Business and Assets.

On 15 May 2001, the acquisition of the Business and Assets of both VFI and VI via Aceford was completed upon receipt of approvals of relevant authorities in Singapore. On the same date, HSCB acquired additional 2,999,998 new ordinary shares of S\$1.00 each in Aceford for a cash consideration of the equivalent of RM6,500,998.

- vii) On 21 December 2000, HSCB entered into a conditional sale and purchase agreement with certain shareholders of Paos Holdings Berhad ("PAOS") to acquire 15,075,846 ordinary shares of RM1 each representing approximately 25.13% shareholding in PAOS for total consideration of RM49.7 million. PAOS is a company incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange.

On 8 February 2001, the acquisition of 25.13% shareholding in PAOS was completed, upon receipt of approvals from the relevant authorities.

- viii) On 2 October 2000, HSCB acquired 40,000 new ordinary shares of S\$1.00 each, representing 28.57% in Globalcom Information Services Pte. Ltd. ("Globalcom"), a company incorporated in Singapore, for a cash consideration of S\$2 million.

On 6 July 2001, upon completion of a restructuring exercise, HSCB's equity shareholding has increased from 28.57% to 40% at no additional cost.

- ix) On 20 June 2001, HSCB entered into a conditional sale and purchase agreement with Tanjung Bahagia Sdn. Bhd. ("TBSB") pursuant to which HSCB is to dispose a parcel of land in Tongod, Sabah ("Tongod Land") for a cash consideration of RM55,978,162 plus reimbursement of plantation expenses incurred by HSCB.

The disposal is expected to give rise to an exceptional gain before minority interest of approximately RM26.5 million to the Group. HSCB has received 10% of the consideration in cash, and pending the receipt of the balance and transfer of title, upon payment of stamp duty, all other conditions have been fulfilled. The result of this disposal will be recognised upon completion of the agreement.

- x) On 13 August 2001, HSCB entered into a conditional sale and purchase agreement with EAC Holdings (M) Sdn. Bhd. ("EACH") to acquire the property known as EAC House, in Petaling Jaya, for a cash consideration of RM24 million.

All the conditions pertaining to the acquisition have been fulfilled and the transaction has been accounted for in the current financial year. The balance of the purchase consideration was settled subsequent to year end and the transfer of legal title is in process.

DIRECTORS' REPORT *for* THE YEAR ENDED 31 JANUARY 2002

SIGNIFICANT EVENTS (continued)

- xi) On 25 October 2001, HSCB entered into a conditional sale and purchase agreement with certain shareholders of K.G. Pastry Manufacturing Sdn. Bhd. and Kawan Food Manufacturing Sdn. Bhd. to acquire:
- 900,000 ordinary share of RM1 each representing 60% of the issued and paid-up share capital of K.G. Pastry Manufacturing Sdn. Bhd.; and
 - 600,000 ordinary share of RM1 each representing 60% of the issued and paid-up share capital of Kawan Food Manufacturing Sdn. Bhd.,
- at an aggregate cash consideration of RM52.5 million.

The agreements are now subject of a dispute as referred to in Note 35 to the financial statements.

- xii) On 16 November 2001, Vox Emas Communications Sdn. Bhd. ("VEC") ceased to be HSCB's wholly-owned subsidiary upon a restructuring exercise which diluted HSCB's interest in VEC to 19%.

The dilution of HSCB's interest in VEC has no material effect on the financial statements of HSCB and the Group.

- xiii) Pursuant to the authority granted by the shareholders of HSCB to their directors at the Annual General Meeting held on 28 June 2001, HSCB repurchased during the year an additional 12,291,000 of its issued shares from the open market for a total cost of RM23,132,610. The repurchase was financed from HSCB's internal funds. The average cost paid for the additional share repurchased during the year was RM1.88 per share. The shares repurchased are held as treasury shares.

Inclusive of those shares repurchased as of the last financial year ended 31 January 2001, the total number of share repurchased as at 31 January 2002 amounted to 32,267,000, at a total cost of RM69,407,834. The average cost paid for the shares was RM2.15 per share.

During the year, HSCB had cancelled 13,000 of the shares repurchased. Therefore, the total number of repurchased shares cancelled up to 31 January 2002 is 470,000. As such, the remaining number of repurchased shares held after the cancellation as of 31 January 2002 is 31,797,000 shares.


Subsequent to year end, up to 29 March 2002, HSCB cancelled an additional 20,000 of the repurchased shares. Consequently, the remaining number of repurchased shares held as treasury shares as at 29 March 2002 was 31,777,000 shares at a total cost of RM68,297,893.

The directors of HSCB are committed to enhancing the value of HSCB to its shareholders and believe that the repurchase plan can be applied in the best interests of HSCB and its shareholders.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



David Park, AMN



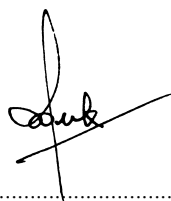
Edward Lee Ming Foo, JP

Petaling Jaya,
2 April 2002

STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169(15) *of* THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 81 to 125, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 January 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



.....
David Park, AMN



.....
Edward Lee Ming Foo, Jr

Petaling Jaya,
2 April 2002

STATUTORY DECLARATION PURSUANT TO
SECTION 169(16) of THE COMPANIES ACT, 1965

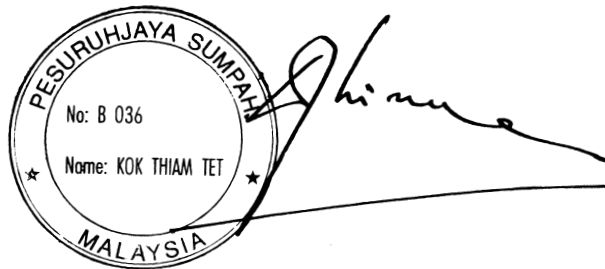
I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Malaysian Mosaics Berhad, do solemnly and sincerely declare that the financial statements set out on pages 81 to 125, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in Selangor Darul Ehsan on 2 April 2002.



.....
Lee Wee Yong

Before me:



**12B TINGKAT 2
JALAN 52/18
46200 PETALING JAYA**

REPORT OF THE AUDITORS TO THE MEMBERS
of MALAYSIAN MOSAICS BERHAD

We have audited the financial statements set out on pages 81 to 125. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up 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 state of affairs of the Group and of the Company at 31 January 2002 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 4 to the financial statements and we have considered their financial statements 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Note 23, where the departure in the previous year from the provisions of the Malaysian Accounting Standard Board ("MASB") Standard 11, Consolidated Financial Statements and Investment in Subsidiaries, on the recognition of the minority interests' share of the gain on the disposals of subsidiaries to its subsidiary, Hap Seng Consolidated Berhad ("HSCB") in the consolidated income statement was disclosed.

REPORT OF THE AUDITORS TO THE MEMBERS
of MALAYSIAN MOSAICS BERHAD

The Directors were of the view, with which we concurred, that the recognition of the minority interests' share of the gain amounting to RM30,198,000 on the disposal of subsidiaries to HSCB in the previous year's consolidated income statement would give a true and fair view of the transactions due to the following reasons:

- i) The disposals of subsidiaries to HSCB were approved by the minority shareholders of the Company at an Extraordinary General Meeting ("EGM") of the Company held on 4 December 2000 where its ultimate holding company, Gek Poh (Holdings) Sdn. Bhd., together with persons connected to it, abstained from voting in respect of their direct and indirect shareholdings in the Company; and
- ii) The acquisitions of the subsidiaries by HSCB were approved by the minority shareholders of HSCB at an EGM of HSCB held on 4 December 2000 where the Company, together with persons connected to it, abstained from voting in respect of their direct and indirect shareholdings in HSCB.



KPMG
Firm Number: AF 0758
Chartered Accountants



Jimmy Leow Min Fong
Partner
Approval Number: 595/3/04(J/PH)

Kuala Lumpur,
2 April 2002

BALANCE SHEETS *at* 31 JANUARY 2002

	Note	Group		Company	
		2002	2001	2002	2001
		RM'000	RM'000	RM'000	(As restated) RM'000
Property, plant and equipment	2	981,765	968,564	151,537	161,933
Investment properties	3	62,382	77,055	-	-
Investments in subsidiaries	4	-	-	663,789	662,789
Investments in associates	5	166,819	162,304	-	-
Other investments	6	53,893	30,935	134	134
Land held for development	7	62,140	78,301	-	-
Goodwill on consolidation	8	5,236	6,208	-	-
Long term receivables	9	103,178	16,069	-	-
		<u>1,435,413</u>	<u>1,339,436</u>	<u>815,460</u>	<u>824,856</u>
Current assets					
Inventories	10	183,735	187,598	39,635	49,114
Properties under development	11	73,432	38,732	-	-
Trade and other receivables	9	220,164	196,575	35,859	44,376
Related companies' balances	12	5,392	7,991	232,440	216,711
Cash and cash equivalents	13	79,208	344,292	752	1,646
		<u>561,931</u>	<u>775,188</u>	<u>308,686</u>	<u>311,847</u>
Current liabilities					
Trade and other payables	14	177,605	217,037	17,560	19,525
Related companies' balances	12	359	1,066	386,436	272,667
Borrowings	15	197,433	161,206	84,206	51,841
2% Redeemable secured bonds	16	-	150,000	-	150,000
Taxation		1,648	19,291	-	-
		<u>377,045</u>	<u>548,600</u>	<u>488,202</u>	<u>494,033</u>
Net current assets / (liabilities)		<u>184,886</u>	<u>226,588</u>	<u>(179,516)</u>	<u>(182,186)</u>
		<u>1,620,299</u>	<u>1,566,024</u>	<u>635,944</u>	<u>642,670</u>
Financed by:					
Capital and reserves					
Share capital	17	438,003	292,000	438,003	292,000
Reserves	18	317,876	449,860	190,879	343,707
		<u>755,879</u>	<u>741,860</u>	<u>628,882</u>	<u>635,707</u>
Minority shareholders' interests	19	833,237	807,804	-	-
Long term and deferred liabilities					
Deferred liabilities	20	31,183	16,360	7,062	6,963
		<u>1,620,299</u>	<u>1,566,024</u>	<u>635,944</u>	<u>642,670</u>

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2002.

The notes set out on pages 87 to 125 form an integral part of, and, should be read in conjunction with, these financial statements.

INCOME STATEMENTS *for* THE YEAR ENDED 31 JANUARY 2002

	Note	Group		Company	
		2002	2001	2002	2001
		RM'000	RM'000	RM'000	(As restated) RM'000
Revenue	21	753,570	667,360	158,893	174,854
Operating profit	21	67,278	93,831	44,070	53,983
Financing costs	22	(7,674)	(31,666)	(23,990)	(29,873)
Interest income		9,019	15,851	5,670	4,019
Exceptional items	23	64,085	179,656	-	81,607
Share of profit of associates		5,351	23,013	-	-
Profit before taxation		138,059	280,685	25,750	109,736
Tax expense	24	(33,804)	(33,088)	(4,066)	1,197
Profit after taxation		104,255	247,597	21,684	110,933
Less: Minority interests	25	(61,690)	(199,828)	-	-
Net profit for the year		42,565	47,769	21,684	110,933
Basic earnings per ordinary share (sen)	26	9.7	10.9		
Diluted earnings per ordinary share (sen)	26	N/A	10.9		
Dividends per ordinary share - gross (sen)	27	8.0	8.0	8.0	8.0

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The notes set out on pages 87 to 125 form an integral part of, and, should be read in conjunction with, these financial statements.

STATEMENT of CHANGES IN EQUITY
for THE YEAR ENDED 31 JANUARY 2002

Group	Note	Share capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Total RM'000
At 1 February 2000					
As previously reported		292,000	158,473	252,109	702,582
Early compliance with MASB Standard 19	18	-	-	6,307	6,307
Restated balance		292,000	158,473	258,416	708,889
Translation differences		-	(3,521)	-	(3,521)
Exercise of ESOS		-	286	-	286
Net profit for the year		-	-	47,769	47,769
Dividends	27				
Final for the year ended 31 January 2000		-	-	(6,307)	(6,307)
Interim for the year ended 31 January 2001		-	-	(5,256)	(5,256)
		-	-	(11,563)	(11,563)
At 31 January 2001 and 1 February 2001		292,000	155,238	294,622	741,860
At 1 February 2001					
As previously reported		292,000	155,238	274,211	721,449
Early compliance with MASB Standard 19	18	-	-	20,411	20,411
Restated balance		292,000	155,238	294,622	741,860
Net profit for the year		-	-	42,565	42,565
Dividends	27				
Final for the year ended 31 January 2001		-	-	(20,411)	(20,411)
Interim for the year ended 31 January 2002		-	-	(7,884)	(7,884)
		-	-	(28,295)	(28,295)
Exercise of ESOS		-	5	-	5
Translation differences		-	(42)	-	(42)
Issue of bonus shares		146,000	(143,700)	(2,300)	-
Conversion of warrants		3	3	-	6
Bonus issue expense		-	(220)	-	(220)
At 31 January 2002		438,003	11,284	306,592	755,879
		Note 17	Note 18	Note 18	

The notes set out on pages 87 to 125 form an integral part of, and, should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for THE YEAR ENDED 31 JANUARY 2002

<i>Company</i>	Note	Share capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Total RM'000
At 1 February 2000					
As previously reported		292,000	145,414	118,077	555,491
Change in accounting policy	18	-	-	(25,461)	(25,461)
Early compliance with MASB Standard 19	18	-	-	6,307	6,307
		<hr/>	<hr/>	<hr/>	<hr/>
Restated balance		292,000	145,414	98,923	536,337
Net profit for the year		-	-	110,933	110,933
Dividends	27				
Final for the year ended 31 January 2000		-	-	(6,307)	(6,307)
Interim for the year ended 31 January 2001		-	-	(5,256)	(5,256)
		<hr/>	<hr/>	<hr/>	<hr/>
		-	-	(11,563)	(11,563)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2001 and 1 February 2001		292,000	145,414	198,293	635,707
At 1 February 2001					
As previously reported		292,000	145,414	204,384	641,798
Change in accounting policy	18	-	-	(26,502)	(26,502)
Early compliance with MASB Standard 19	18	-	-	20,411	20,411
		<hr/>	<hr/>	<hr/>	<hr/>
Restated balance		292,000	145,414	198,293	635,707
Net profit for the year		-	-	21,684	21,684
Dividends	27				
Final for the year ended 31 January 2001		-	-	(20,411)	(20,411)
Interim for the year ended 31 January 2002		-	-	(7,884)	(7,884)
		<hr/>	<hr/>	<hr/>	<hr/>
		-	-	(28,295)	(28,295)
Issue of bonus shares		146,000	(143,700)	(2,300)	-
Conversion of warrants		3	3	-	6
Bonus issue expenses		-	(220)	-	(220)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2002		438,003	1,497	189,382	628,882
		<hr/>	<hr/>	<hr/>	<hr/>
		Note 17	Note 18	Note 18	

The notes set out on pages 87 to 125 form an integral part of, and, should be read in conjunction with, these financial statements.

CASH FLOW STATEMENTS

for THE YEAR ENDED 31 JANUARY 2002

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	138,059	280,685	25,750	109,736
Adjustments for:				
Amortisation of goodwill	972	1,369	-	-
Depreciation	34,822	31,821	12,558	12,360
Dividend income	(1,163)	(38,144)	(42,123)	(52,322)
Expenditure carried forward amortised	-	1,838	-	1,795
Expenditure carried forward written off	-	1,082	-	1,082
Gain on disposal of an associate	(49,779)	(239,181)	-	-
Gain on disposal of investment properties	(55)	(1,342)	-	-
Gain on disposal of other equity interest	(22,411)	-	-	-
Gain on disposal of business in a subsidiary	(38,957)	-	-	-
Minority interests' share of gain on disposal of subsidiaries to HSCB	-	(30,198)	-	-
Gain on disposal of subsidiaries to HSCB	-	-	-	(98,583)
Gain on disposal of property, plant and equipment	(999)	(282)	(503)	(1,563)
Impairment loss on property, plant and equipment	7,000	-	-	-
Interest expenses	7,674	31,666	23,990	29,873
Interest income	(9,019)	(15,851)	(5,670)	(4,019)
Loss on disposal of property, plant and equipment	-	4,154	-	64
Property, plant and equipment written off	430	6,503	15	3
Allowance for diminution in value of other investments	-	14,313	-	-
Allowance for diminution in value of investment in a subsidiary	-	-	-	2,000
Allowance for diminution in value of investment in associates	18,370	-	-	-
Allowance in respect of amounts due from a subsidiary	-	-	-	8,000
Allowance for retirement benefits	332	166	332	166
Share of results of associates	(5,351)	(23,013)	-	-
Write down of property, plant and equipment in a subsidiary	7,704	28,543	-	-
Write down of investment properties	13,984	2,409	-	-
Write down of land held for development	-	1,288	-	-
Operating profit before working capital changes	101,613	57,826	14,349	8,592
Changes in working capital:				
Inventories	3,863	7,426	9,479	9,356
Properties under development	(18,438)	446	-	-
Receivables	(106,333)	(459)	(2,475)	(53,307)
Payables	(16,556)	12,149	111,804	124,098
Cash (used in)/generated from operations	(35,851)	77,388	133,157	88,739
Income tax paid	(41,447)	(31,409)	-	-
Income tax refunded	-	14,677	-	14,677
Interest paid	(3,537)	(9,031)	(482)	(396)
Interest received	768	636	53	-
Retirement benefits paid	(233)	(25)	(233)	(25)
Real property gains tax paid	(148)	-	(66)	-
Net cash (used in)/generated from operating activities	(80,448)	52,236	132,429	102,995

CASH FLOW STATEMENTS

for THE YEAR ENDED 31 JANUARY 2002

(continued)

	Group		Company	
	2002	2001	2002	2001 (As restated)
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Dividends received from associates	8,128	28,176	-	-
Dividends received from subsidiaries	-	-	33,386	45,794
Dividends received from other investment	1,163	2,750	-	-
Expenditure on land held for development	(101)	(2,742)	-	-
Expenditure on investment properties	(36)	-	-	-
Interest paid	-	(7,123)	-	(7,123)
Interest received	8,251	15,140	-	-
Proceeds from disposal of property, plant and equipment	3,929	1,852	2,219	1,650
Proceeds from disposal of business in a subsidiary	46,360	-	-	-
Proceeds from disposal of investments	4,486	15	-	15
Proceeds from disposal of investment properties	780	8,353	-	-
Proceeds from disposal of shares in an associate	72,537	571,011	-	-
Proceeds from disposal of shares in subsidiaries	-	-	-	193,524
Purchase of investments	(449)	(5,645)	-	-
Purchase of property, plant and equipment	(66,087)	(61,594)	(3,893)	(6,560)
Purchase of shares in an associate	(49,711)	(4,392)	-	-
Purchase of shares in a subsidiary	(12,383)	-	(1,000)	(550)
Net cash generated from investing activities	16,867	545,801	30,712	226,750
Cash flows from financing activities				
Dividends paid to minority interests	(31,305)	(33,317)	-	-
Dividends paid	(28,295)	(11,563)	(28,295)	(11,563)
Interest paid	(4,137)	(15,512)	(23,508)	(22,354)
Interest received	-	75	5,617	4,019
Payment of bank borrowings	(7,444)	(286,723)	-	(262,116)
Payment of bonds	(150,000)	-	(150,000)	-
Proceeds from borrowings	60,362	2,474	27,751	-
Proceeds from issue of shares to minority interests	22	1,477	-	-
Shares repurchased by a subsidiary at cost	(23,133)	(17,014)	-	-
Expenses incurred on bonus issues	(220)	-	(220)	-
Proceeds from conversion of warrants into ordinary shares	6	-	6	-
Net cash used in financing activities	(184,144)	(360,103)	(168,649)	(292,014)
Net (decrease)/increase in cash and cash equivalents	(247,725)	237,934	(5,508)	37,731
Adjustment on exchange differences	(668)	(9,104)	-	-
Cash and cash equivalents at beginning of year	309,192	80,362	94	(37,637)
Cash and cash equivalents at end of year	60,799	309,192	(5,414)	94

Cash and cash equivalents

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

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	64,394	329,086	-	-
Cash and bank balances	14,814	15,206	752	1,646
Bank overdrafts	(18,409)	(35,100)	(6,166)	(1,552)
	60,799	309,192	(5,414)	94

The notes set out on pages 87 to 125 form an integral part of, and, should be read in conjunction with, these financial statements.

NOTES *to* THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years, except for the early adoption of the Malaysian Accounting Standards Board (“MASB”) Standard 19, Events After the Balance Sheet Date whereby the comparative figures have been restated to reflect the impact of the non-recognition of dividends proposed after the balance sheet date.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia except in the previous year for the non-compliance with MASB Standard 11, Consolidated Financial Statements and Investment in Subsidiaries, on the recognition of the minority interests’ share of the gain on disposals of subsidiaries to its subsidiary, Hap Seng Consolidated Berhad (“HSCB”), in the consolidated income statement as disclosed in Note 23 to the financial statements. The reasons for the non-compliance are disclosed in Note 23 to the financial statements.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries’ net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries’ net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group’s interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(d) Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost or valuation less accumulated depreciation.

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

NOTES to THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases which range from fifty six (56) to nine hundred and ninety nine (999) years while buildings are depreciated on a straight-line basis over the shorter of four (4) to fifty (50) years. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Plant and machinery	5% - 25%
Office equipment, furniture, fixtures and fittings	10% - 33 1/3%
Motor vehicles	20% - 25%

(f) New planting expenditure

Expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under land cost and is not amortised. In this context, new planting expenditure is defined as the total cost incurred from land clearing to point of maturity.

Upon maturity, all subsequent maintenance expenditure is charged to the income statement.

(g) Replanting expenditure

Replanting expenditure is charged to the income statement in the period in which the expenditure is incurred.

(h) Investments

i) *Investment properties*

Investment properties are stated at cost. The carrying amounts of investment properties are reviewed at each balance sheet date. A write down in value of the investment properties is charged to the income statement when the Directors are of the opinion that there is a diminution in value, which is other than temporary.

ii) *Other investment*

Other investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(i) Goodwill

Goodwill arising from the acquisition of a subsidiary, Hap Seng Properties Development Sdn. Bhd. which is involved in property development, is amortised over twenty five (25) years or the period of development by reference to the post-acquisition profit earned during the period compared to the total estimated post-acquisition profit, whichever is the shorter period.

Goodwill and reserves arising on consolidation in relation to the acquisition of other subsidiaries is amortised/recognised in the income statement over twenty five (25) years. An impairment loss is also recognised when the Directors are of the view that there is a diminution in its value which is other than temporary.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally as follows:

Landed properties	- specific identification method
Agricultural produce	- weighted average cost method
Raw materials and consumables	- weighted average cost method except for first-in first-out method used in the trailer fabrication industry
Work-in-progress	
- trailers	- first-in first-out method
- others	- weighted average cost method
Finished goods and goods held for resale	
- Trading inventories (vehicles and trucks)	- specific identification method
- Trading inventories except vehicles and trucks	- weighted average cost method
- Manufactured inventories	- weighted average cost method

NOTES to THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventories (continued)

Completed properties held for resale include cost of land, development expenditure and cost of financing capitalised during development.

Cost of agricultural produce stocks includes estate production cost, processing and transport charges where applicable.

Cost of work in progress and finished goods produced by the Group include costs of direct materials, labour and a proportion of production overheads.

(k) Trade and other receivables

Trade and other receivables are carried at anticipated realisable value. Specific allowance is made for debts which have been identified as bad or doubtful. In addition, general allowance is made to cover possible losses which are not specifically identified.

(l) Properties under development

Properties under development comprising land and development costs are stated at cost plus attributable profit less foreseeable losses, net of progress billings. Development costs includes interest expense on loans and advances utilised to finance ongoing development.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indication the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

Deferred taxation is not provided on the surplus arising from the revaluation of property, plant and equipment as it is not the intention of the Directors to dispose of these property, plant and equipment. The deferred tax thereon is not material to the financial statements.

(o) Retirement benefits

The Company operates a defined contribution scheme for eligible employees based on a certain percentage of their basic salary, which is charged to the income statement.

(p) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

NOTES to THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign currency (continued)

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Group's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

1RMB	RM0.46	(2001 : 1RMB	RM0.46)
1USD	RM3.80	(2001 : 1USD	RM3.80)
1HKD	RM0.49	(2001 : 1HKD	RM0.49)
1SGD	RM2.05		

(q) Repurchase of shares

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is recognised as cost and set off against equity.

When shares repurchased are cancelled, the nominal value of the shares repurchased is cancelled by a debit to share capital and an equivalent amount is transferred to capital redemption reserve. The consideration, including any acquisition cost and premium or discount arising from the shares repurchased, is adjusted to share premium or any other suitable reserve.

(r) Land held for development

Land held for development comprising freehold and long term leasehold land are stated at cost of acquisition including all related costs incurred subsequent to the acquisition on activities necessary to prepare the land for its intended use. A write down in value of the properties is charged to the income statement when the Directors are of the opinion that there is diminution in value other than temporary, based on professional valuation undertaken on the open market basis.

The cost of land held for development is transferred to properties under development when significant development work is to be undertaken and is expected to be completed within the normal operating cycle. Accordingly, the land and development expenditure consists of those parcels of freehold and leasehold land together with related development expenditure held for future development projects.

(s) Revenue

i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Property development

Profit from property development consist of profit from sale of completed and uncompleted properties. Profit from properties under development is recognised using the percentage of completion method. When foreseeable losses are anticipated, full provisions for these losses is made in the financial statements.

iii) Investment properties and completed properties held for resale

Revenue from sale of investment properties and completed properties held for resale are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

NOTES to THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue (continued)

iv) Rental income

Rental income is derived from letting out of properties and recognised as it accrues.

v) Hire purchase and finance lease

Income on hire purchase and finance lease is recognised on the “Rule of 78” method. Where the repayment of an account is in arrears for three months and more, the uncollected interest from that account is suspended until it is realised on a cash basis.

vi) Dividend income

During the year, the Company changed its accounting policy with respect to the recognition of dividend income from subsidiaries. Dividend income is recognised when the right to receive payment is established.

In the previous years, proposed dividends from subsidiaries subject to approval by shareholders of the subsidiaries were recognised as income on an accrual basis.

The effect of the above change in accounting policy has been adjusted as prior year adjustments.

vii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(t) Financing costs

All interests and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note 1(u) are expensed as incurred.

(u) Capitalisation of borrowing costs

Borrowing costs incurred on capital work-in-progress, properties under development and plantation development are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The actual borrowing costs incurred on borrowings made specifically for the purpose of financing a specific capital work-in-progress and property under development will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

(v) Exceptional items

Exceptional items are those derive from events or transactions which are non-operating in nature, and which individually or, if of a similar nature, in aggregate, need to be disclosed by virtue of their size or incidence.

NOTES to THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

<i>Group</i>	Land and buildings RM'000	Long term estate land and estate development RM'000	Plant and machinery RM'000	Office equipment, furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Capital work- in-progress RM'000	Total RM'000
<i>Cost/Valuation</i>							
At 1 February 2001	300,766	505,301	277,445	23,473	11,853	55,421	1,174,259
Additions	33,208	5,344	15,228	3,500	1,648	7,159	66,087
Disposals	(3,273)	-	(2,019)	(2,201)	(1,975)	(502)	(9,970)
Write-off	(761)	(24)	(12,525)	(38)	-	(225)	(13,573)
Transfers	27,482	(1)	11,261	-	-	(38,742)	-
At 31 January 2002	357,422	510,620	289,390	24,734	11,526	23,111	1,216,803
Representing items at:							
Cost	353,401	286,886	289,390	24,734	11,526	23,111	989,048
Directors' valuation - 1981	4,021	-	-	-	-	-	4,021
- 1995	-	223,734	-	-	-	-	223,734
At 31 January 2002	357,422	510,620	289,390	24,734	11,526	23,111	1,216,803
<i>Depreciation</i>							
At 1 February 2001	62,771	8,076	111,118	15,488	8,242	-	205,695
Charge for the year	7,435	1,505	21,957	2,502	1,423	-	34,822
Disposals	(1,572)	-	(1,997)	(1,844)	(1,627)	-	(7,040)
Impairment loss for the year	7,000	-	-	-	-	-	7,000
Write-off	(606)	-	(4,813)	(20)	-	-	(5,439)
Transfers	(27)	-	27	-	-	-	-
At 31 January 2002	75,001	9,581	126,292	16,126	8,038	-	235,038
<i>Net book value</i>							
At 31 January 2002	282,421	501,039	163,098	8,608	3,488	23,111	981,765
At 31 January 2001	237,995	497,225	166,327	7,985	3,611	55,421	968,564
Depreciation charge for the year ended 31 January 2001	6,145	1,227	20,846	2,149	1,454	-	31,821

NOTES to THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>Company</i>	Freehold land	Buildings	Plant and machinery	Office equipment, furniture, fixtures and fittings	Motor vehicles	Capital work-in progress	Total
<i>Cost/Valuation</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 February 2001	6,917	49,502	143,102	12,865	7,075	508	219,969
Additions	-	202	1,324	1,241	717	409	3,893
Disposals	(18)	-	(22)	(36)	(821)	(502)	(1,399)
Write-off	-	-	-	(26)	-	-	(26)
Transfers to a subsidiary	-	(579)	-	(616)	(749)	-	(1,944)
At 31 January 2002	6,899	49,125	144,404	13,428	6,222	415	220,493
Representing items at:							
Cost	5,560	46,443	144,404	13,428	6,222	415	216,472
Directors' valuation - 1981	1,339	2,682	-	-	-	-	4,021
At 31 January 2002	6,899	49,125	144,404	13,428	6,222	415	220,493
<i>Depreciation</i>							
At 1 February 2001	-	4,106	42,525	6,911	4,494	-	58,036
Charge for the year	-	1,006	9,016	1,663	873	-	12,558
Disposals	-	-	(22)	(35)	(768)	-	(825)
Write-off	-	-	-	(11)	-	-	(11)
Transfers to a subsidiary	-	(11)	-	(337)	(454)	-	(802)
At 31 January 2002	-	5,101	51,519	8,191	4,145	-	68,956
<i>Net book value</i>							
At 31 January 2002	6,899	44,024	92,885	5,237	2,077	415	151,537
At 31 January 2001	6,917	45,396	100,577	5,954	2,581	508	161,933
Depreciation charge for the year ended 31 January 2001	-	1,013	8,761	1,666	920	-	12,360

NOTES to THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Net book values of land and buildings of the Group comprise:

	Group	
	2002 RM'000	2001 RM'000
Freehold land	6,899	6,917
Long term leasehold land	41,860	42,320
Short term leasehold land	8,781	9,326
Buildings	62,016	63,891
Freehold land and buildings	7,412	7,450
Long term leasehold land and buildings	155,453	108,091
	282,421	237,995

Revaluation

Certain land, buildings, long term estate land and estate development are stated at Directors' valuation based on professional valuations on the open market basis.

It is the Group's policy to state its property, plant and equipment at cost. Revaluation of certain property, plant and equipment were carried out primarily for the purpose of reflecting the fair value of these assets as part of certain corporate exercises undertaken by the Group in the past. It was not intended to effect a change on the accounting policy to one of the revaluation of assets. Surpluses arising from revaluation are dealt with in the revaluation reserve account.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No. 16 (Revised), Property, Plant and Equipment, the valuation of these assets have not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Had the land, buildings, long term estate land and estate development been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Freehold land	883	883	883	883
Buildings	461	496	461	496
Long term estate land and estate development	206,489	207,378	-	-
	207,833	208,757	1,344	1,379

NOTES to THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTIES

	Group	
	2002 RM'000	2001 RM'000
<i>At cost</i>		
Long term leasehold land	44,998	45,453
Buildings	33,777	34,011
	78,775	79,464
 <i>Less : Accumulated impairment</i>		
At 1 February 2001/2000	(2,409)	-
Write down during the year	(13,984)	(2,409)
At 31 January 2002/2001	(16,393)	(2,409)
	62,382	77,055

The carrying values of the investment properties were reviewed by the Directors and the values of certain properties were written down, which in the opinion of the Directors were considered to be other than temporary in nature, based on professional valuations undertaken on the open market basis.

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 RM'000	2001 RM'000
<i>At cost</i>		
Quoted shares	623,424	623,424
Unquoted shares	42,365	41,365
	665,789	664,789
 <i>Less : Accumulated allowance for diminution in value</i>		
At 1 February 2001/2000	(2,000)	-
Allowance made during the year	-	(2,000)
At 31 January 2002/2001	(2,000)	(2,000)
	663,789	662,789
 Market value of quoted shares	 686,435	 642,753

NOTES to THE FINANCIAL STATEMENTS

4. INVESTMENT IN SUBSIDIARIES (continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of Malaysian Mosaics Berhad are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held	
			2002 %	2001 %
Unquoted				
Atlantic Overseas Sdn. Bhd.	Property development	Malaysia	100	100
Agritim Corporation Sdn. Bhd.	Cultivation and sale of oil palm	Malaysia	100	100
Bestearn Sdn. Bhd.	Property investment	Malaysia	100	100
Hap Seng Properties Development Sdn. Bhd. and its subsidiaries	Property development and investment holding	Malaysia	100	100
Hap Seng Commercial Development Sdn. Bhd.	Property development	Malaysia	100	100
Yan Min Enterprise Sdn. Bhd.	Property development	Malaysia	100	100
MML Marketing Sdn. Bhd.	Trading and distribution of mosaic and homogenous ceramic tiles	Malaysia	100	100
Quoted				
Hap Seng Consolidated Berhad ("HSCB")#	Investment holding	Malaysia	52.8	51.7

The details of subsidiaries of HSCB are as follows:

Unquoted				
Jeroco Plantations Sdn. Bhd.	Cultivation and processing of oil palm	Malaysia	66	66
Hap Seng Agrotech Sdn. Bhd.	Provision of plantation advisory services	Malaysia	100	100
Aceford Food Industry Sdn. Bhd. (formerly known as Jeroco Agrotech Management Sdn. Bhd.)	Trading of edible oils and food products	Malaysia	100	100
The River Estates Sdn. Berhad and its subsidiaries #	Cultivation and processing of oil palm	Malaysia	100	100
Ladang Kawa Sdn. Bhd.	Cultivation of oil palm	Malaysia	100	100
Tampilit Sdn. Bhd.#	Cultivation of oil palm	Malaysia	100	100
Wecan Enterprise Sdn. Bhd.#	Cultivation of oil palm	Malaysia	100	100
Euro Progress Sdn. Bhd.#	Property development	Malaysia	100	100
Forward Supreme Sdn. Bhd.#	Dormant	Malaysia	100	100
Oriental Horticulture (Malaysia) Sdn. Bhd.#	Dormant	Malaysia	70	70
Vox Emas Communications Sdn. Bhd.#	Dormant	Malaysia	-	100

NOTES to THE FINANCIAL STATEMENTS

4. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Principal activities	Country of incorporation	Percentage of equity held	
			2002 %	2001 %
Unquoted				
Sasco Sdn. Bhd. and its subsidiaries	Trading and distribution of fertilizers and agro-chemicals	Malaysia	100	100
Dewana Sdn. Bhd.	Manufacture and sale of agro-chemicals	Malaysia	70	70
Hap Seng (Oil & Transport) Sdn. Bhd.	Trading in petroleum products	Malaysia	100	100
Si Khiong Industries Sdn. Bhd. and its subsidiaries	Trading in motor vehicles and spares parts, and servicing of motor vehicles and investment holding	Malaysia	100	100
MMB Credit Corporation Sdn. Bhd.	Leasing, hire purchase financing and licensed money lending	Malaysia	100	100
SKI Segar Sdn. Bhd.	Trading in motor vehicles	Malaysia	70	70
Saruja Sdn. Bhd.	Investment holding	Malaysia	100	100
Syarikat Pengangkutan Bunga Raya (Tawau) Sdn. Bhd.	Property investment	Malaysia	100	100
Zarah Sdn. Bhd.	Fabrication and sale of commercial trailers	Malaysia	100	100
Euro-Asia Strategic Holdings Sdn. Bhd.#	Dormant	Malaysia	100	100
Euro-Asia Agrochemical Sdn. Bhd.#	Dormant	Malaysia	100	100
Euro-Asia Food Limited #	Investment holding	Hong Kong	100	100
Aceford Food Industry Pte Ltd # and its subsidiaries	Packaging, marketing and wholesale trading of edible oils and food products	Singapore	100	100
Wintercorn Edible Products Pte. Ltd.#	Packing and marketing of edible oils and food products	Singapore	100	-
Wintercorn Edible Products Pty. Ltd. #	Wholesale trading of edible oil products	Australia	100	-
Brewinvest (Bermuda) Limited##	Investment holding	Bermuda	100	100
Euro-Asia Food (Bermuda) Limited##	Dormant	Bermuda	100	100

NOTES to THE FINANCIAL STATEMENTS

4. INVESTMENT IN SUBSIDIARIES (continued)

Name of company	Principal activities	Country of incorporation	Percentage of equity held	
			2002 %	2001 %
Unquoted				
Education Foundation Limited ##	Dormant	Bermuda	100	100
Euro-Asia Food & Beverage (Bermuda) Limited## and its subsidiaries	Investment holding	Bermuda	100	100
Euro-Asia Brand Holding Company Sdn. Bhd.#	Dormant	Malaysia	100	100
Euro-Asia Brewery Accessories Sdn. Bhd.#	Dormant	Malaysia	100	100
Drei-Kronen 1308 Euro-Asia (Bermuda) Limited##	Production and distribution of beer and other beverages	Bermuda	50	50
Euro-Asia (South) BVI Investment Limited## and its subsidiaries	Investment holding	British Virgin Islands	100	100
Hainan Euro-Asia Food Company Limited (formerly known as Hainan Euro-Asia Brewery Company Limited)#	Dormant	China	100	70
Hainan Euro-Asia Properties Company Limited#	Property holding	China	100	100

Audited by other firms of auditors
Auditors not required to be appointed.

NOTES to THE FINANCIAL STATEMENTS

5. INVESTMENT IN ASSOCIATES

	Group	
	2002 RM'000	2001 RM'000
<i>At cost</i>		
Quoted shares	49,711	-
Unquoted shares	130,315	138,513
Share of post-acquisition reserves	5,163	23,791
	185,189	162,304
<i>Less : Allowance for diminution in value</i>		
- quoted investment	(13,978)	-
- unquoted investment	(4,392)	-
	166,819	162,304
<i>Represented by:</i>		
Group's share of net assets	155,517	162,304
Goodwill on acquisition	11,302	-
	166,819	162,304
 <i>Market value of quoted shares</i>	 38,745	 -

The significant associates of the Group are held by HSCB and are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held	
			2002 %	2001 %
Quoted				
Paos Holdings Berhad	Investment holding	Malaysia	25.1	-
Unquoted				
Vintage Heights Sdn. Bhd.	Cultivation of oil palm and property development	Malaysia	20.0	20.0
EAC Holdings (Malaysia) Sdn. Bhd.	Import and distribution of photographic equipment, material handling, packaging and food processing equipment, industrial equipment, electrical supplies and consumer products	Malaysia	20.0	20.0
Dumex (Malaysia) Sdn. Bhd.	Manufacturing and distribution of nutritional products	Malaysia	-	20.0
Globalcom Information Services Pte. Ltd.	Provision of telecommunication services	Singapore	40.0	28.6

NOTES to THE FINANCIAL STATEMENTS

6. OTHER INVESTMENTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<i>At cost</i>				
Quoted shares (outside Malaysia)	60,507	37,614	-	-
<i>Less : Accumulated allowance for diminution in value</i>				
At 1 February 2001/2000	(14,313)	-	-	-
Allowance during the year	-	(14,313)	-	-
At 31 January 2002/2001	(14,313)	(14,313)	-	-
	46,194	23,301	-	-
Unquoted shares	7,565	7,500	-	-
Other investment	134	134	134	134
	<u>53,893</u>	<u>30,935</u>	<u>134</u>	<u>134</u>
Market value of quoted shares	<u>52,539</u>	<u>23,301</u>	<u>-</u>	<u>-</u>

100

7. LAND HELD FOR DEVELOPMENT

	Group	
	2002 RM'000	2001 RM'000
<i>At cost</i>		
Freehold land	46,773	46,773
Long term leasehold land	11,951	16,608
Land development expenditure	3,416	16,208
	<u>62,140</u>	<u>79,589</u>
Less: Write down during the year	-	(1,288)
	<u>62,140</u>	<u>78,301</u>

The carrying value of the land held for development was reviewed by the Directors and the value was written down, which in the opinion of the Directors was considered to be other than temporary in nature, based on professional valuation undertaken on the open market basis.

NOTES to THE FINANCIAL STATEMENTS

8. GOODWILL ON CONSOLIDATION

	Group	
<i>Cost</i>	2002 RM'000	2001 RM'000
Goodwill arising on consolidation		
At 1 February 2001/2000	26,634	39,305
Realisation arising on the disposal of subsidiaries to HSCB	-	(12,671)
At 31 January 2002/2001	26,634	26,634
Reserve arising on consolidation		
At 1 February 2001/2000	(2,257)	(3,660)
Realisation arising on the disposal of subsidiaries to HSCB	-	1,403
At 31 January 2002/2001	(2,257)	(2,257)
Total	24,377	24,377
<i>Less: Accumulated amortisation</i>		
At 1 February 2001/2000	(18,169)	(22,916)
Amortisation charge for the year	(972)	(1,369)
Realisation arising on disposal of subsidiaries to HSCB	-	6,116
At 31 January 2002/2001	(19,141)	(18,169)
<i>Net book value</i>	5,236	6,208

NOTES to THE FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001 (As restated)
	RM'000	RM'000	RM'000	RM'000
Trade receivables	132,546	97,135	11,038	25,165
Loan receivables	100,292	4,035	-	-
Associates	127	149	-	-
Hire purchase receivables	3,299	12,487	-	-
Lease receivables	8,278	10,228	-	-
Other receivables, deposits and prepayments	91,123	100,340	25,321	20,711
	<u>335,665</u>	<u>224,374</u>	<u>36,359</u>	<u>45,876</u>
Less: Unearned interest	(1,309)	(2,083)	-	-
Less: Allowance for doubtful debts	(11,014)	(9,647)	(500)	(1,500)
	<u>323,342</u>	<u>212,644</u>	<u>35,859</u>	<u>44,376</u>
Amount receivable within one year included in current assets	(220,164)	(196,575)	(35,859)	(44,376)
Amount receivable after one year included in long term receivables	<u>103,178</u>	<u>16,069</u>	<u>-</u>	<u>-</u>
Included in other receivables, deposits and prepayments are:				
Tax recoverable	25,514	21,157	24,498	19,761
Outstanding balance receivable in respect of the disposal of interest in T.C. Whang & Company (Private) Limited ("TCW") a company incorporated in Republic of Singapore by HSCB	11,289	-	-	-
Deposit paid by HSCB for the acquisition of K.G. Pastry Manufacturing Sdn. Bhd. and Kawan Food Manufacturing Sdn. Bhd.	5,250	-	-	-
Consideration for acquisition of 15% shareholding in TCW, a company incorporated in Republic of Singapore by HSCB	-	10,416	-	-
Advance by HSCB to secure the interests in certain proprietary assets in TCW	-	38,853	-	-

The amount due from associates is in respect of reimbursable expenses and are unsecured, interest free and have no fixed terms of repayment.

Included in the loan receivables is an amount due from an associate of HSCB amounting to RM85 million (2001: Nil). The loan was granted to the associate by a subsidiary of HSCB, which is principally involved in leasing, hire purchase financing and licensed money lending. This amount is secured, interest bearing and repayable within 84 months from the date of full disbursement of the entire facility of RM90 million.

NOTES to THE FINANCIAL STATEMENTS

10. INVENTORIES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Completed properties held for resale	56,955	62,977	-	-
Raw materials and consumables	32,358	38,243	19,550	19,643
Work-in-progress	3,050	3,728	1,515	1,401
Agricultural produce	3,871	10,440	-	-
Manufactured inventories	18,570	28,070	18,570	28,070
Trading inventories	68,931	44,140	-	-
	<u>183,735</u>	<u>187,598</u>	<u>39,635</u>	<u>49,114</u>

The following inventories are stated at net realisable value:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Completed properties held for resale	29,954	31,711	-	-
Raw materials and consumables	4,884	4,738	-	-
Agricultural produce	17	336	-	-
Manufactured inventories	3,878	2,908	3,878	2,908
Trading inventories	295	591	-	-
	<u>39,028</u>	<u>40,284</u>	<u>3,878</u>	<u>2,908</u>

11. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002 RM'000	2001 RM'000
Land and development expenditure, at cost	148,549	95,594
Add: Attributable profits	22,467	9,710
	<u>171,016</u>	<u>105,304</u>
Less: Progress billings	(97,584)	(66,572)
Current portion	<u>73,432</u>	<u>38,732</u>
Additions to development costs during the year include:		
Interest expense	<u>1,599</u>	<u>1,398</u>

Interest is capitalised in properties under development at rates ranging from 2.4% to 6.8% (2001: 6.5% to 8.8%) per annum.

Properties under development in respect of which significant development work has been undertaken and which is expected to be completed within the normal operating cycle of two to three years is considered as current asset.

NOTES to THE FINANCIAL STATEMENTS

12. RELATED COMPANIES' BALANCES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount due from				
Subsidiaries				
- interest bearing	-	-	221,603	223,661
- non-interest bearing	-	-	18,837	1,050
Other related companies				
- non-interest bearing	5,392	7,991	-	-
	5,392	7,991	240,440	224,711
Less: Allowance for doubtful debts	-	-	(8,000)	(8,000)
	5,392	7,991	232,440	216,711
Amount due to				
Ultimate holding company				
- interest bearing	8	486	8	486
Subsidiaries				
- interest bearing	-	-	386,319	272,104
- non-interest bearing	-	-	20	31
Other related companies				
- non-interest bearing	351	580	89	46
	359	1,066	386,436	272,667

The ultimate holding company is Gek Poh (Holdings) Sdn. Bhd., a company incorporated in Malaysia.

The above interest bearing balances are advances and those which are non-interest bearing are trade in nature. The above balances are unsecured.

Included in amount due to subsidiaries (interest bearing) is an amount due to HSCB of RM380 million, which has a tenure of five years. The interest on the advance range from 6.4% to 6.7% per annum or such other rate which HSCB reserves the right to impose from time to time based on Maybank's prevailing base lending rate. The interest is payable on a quarterly basis. The advance together with the interest accrued is repayable on demand upon receipt of notice in writing within a period of not less than six months.

Interests on the remaining interest bearing balances with subsidiaries are based on the recovery of the total borrowing costs incurred. Interest charged to and by the ultimate holding company range from 4.45% to 4.57% (2001 : 4.53% to 7.59%) per annum.

The above balances, except for the advance from HSCB, have no fixed terms of repayment.

NOTES to THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits with licensed banks	64,394	329,086	-	-
Cash and bank balances	14,814	15,206	752	1,646
	<u>79,208</u>	<u>344,292</u>	<u>752</u>	<u>1,646</u>

Included in cash and cash equivalents of the Group is an amount of RM642,000 (2001 : RM8,038,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) Regulations 1991.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	39,135	51,532	5,148	7,184
Other payables and accrued expenses	138,470	165,505	12,412	12,341
	<u>177,605</u>	<u>217,037</u>	<u>17,560</u>	<u>19,525</u>

Group

Included in other payables and accrued expenses of the current year are the balance of purchase consideration for the acquisition of a property amounting to RM21.6 million, provisions for material litigation and director's retirement gratuity amounting to RM17.7 million and provision for warranties of RM7.5 million.

Included in other payables and accrued expenses in the previous year were advance receipts of approximately RM10 million on sale of produce on behalf of a subsidiary, provisions for costs relating to a discontinued business of a subsidiary amounting to approximately RM12.5 million, accruals in respect of plantation related capital and development expenditure of RM25 million and provision for warranties of RM10.2 million.

Provision for costs relating to the discontinued business of a subsidiary amounting to RM12.3 million (Note 23) was written back during the current financial year as such liabilities did not materialise.

15. BORROWINGS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current				
Overdrafts - unsecured	18,409	35,100	6,166	1,552
Bankers acceptances - unsecured	119,024	84,106	18,040	10,289
Revolving credits - unsecured	60,000	42,000	60,000	40,000
	<u>197,433</u>	<u>161,206</u>	<u>84,206</u>	<u>51,841</u>

Terms and debt repayment schedule

The bank borrowings of the Group and Company are subject to interest ranging from 3.29% to 8.05% (2001 : 3.49% to 8.50%) per annum. Bankers acceptances and revolving credits are either settled or rolled over on their due dates.

NOTES to THE FINANCIAL STATEMENTS

16. 2% REDEEMABLE SECURED BONDS

Group and Company

On 24 October 1996, the Company issued RM150,000,000 nominal amount of 2% Redeemable Secured Bonds with 54,400,000 detachable warrants on the basis of 1 warrant for every 5 existing ordinary shares of the Company. The Bonds were to be redeemed by 23 October 2001.

Each warrant entitled its registered holder the right to subscribe for one new ordinary share not later than 5.00 p.m. on 23 April 2001 at an exercise price of RM3.36 per ordinary share. As at 31 January 2001, none of the 54,400,000 warrants had been converted to ordinary shares.

Pursuant to the bonus issue allotted on 5 February 2001, the number and exercise price of the warrants which were not exercised into new shares on or before 31 January 2001 ("Entitlement Date") were adjusted in accordance with the provisions of the Deed Poll dated 14 October 1996 (amended by the Supplemental Deed Poll dated 12 May 1997). Accordingly, 27,200,000 additional warrant were issued. Subsequent to 31 January 2001, 2,899 warrants were converted to ordinary shares.

As at 23 April 2001, 81,597,101 warrants remained unexercised and have therefore expired and on 23 October 2001, the 2% Redeemable Secured Bonds were repaid.

17. SHARE CAPITAL

	Group and Company	
	2002 RM'000	2001 RM'000
Ordinary shares of RM1.00 each		
Authorised	1,000,000	1,000,000
Issued and fully paid		
At 1 February 2001/2000	292,000	292,000
Bonus issue	146,000	-
Conversion of warrants	3	-
At 31 January 2002/2001	438,003	292,000

During the financial year, the Company's issued and paid up capital was increased to 438,002,899 ordinary shares of RM1 each pursuant to the bonus issue of 146,000,000 new ordinary shares of RM1 each allotted on 5 February 2001 and conversion of 2,899 warrants to ordinary shares. The new shares rank pari passu to the existing shares.

NOTES to THE FINANCIAL STATEMENTS

18. RESERVES

Group	Note	← Non-distributable →			← Distributable →		Total RM'000	
		Share premium RM'000	Revaluation reserve RM'000	Capital reserve* RM'000	Translation reserve RM'000	Capital reserve RM'000		Retained profits RM'000
At 1 February 2000								
As previously reported		144,047	1,367	7,000	6,059	278	251,831	410,582
Early compliance with MASB Standard 19		-	-	-	-	-	6,307	6,307
<hr/>								
Restated balance		144,047	1,367	7,000	6,059	278	258,138	416,889
Translation differences		-	-	-	(3,521)	-	-	(3,521)
Exercise of ESOS		286	-	-	-	-	-	286
Net profit for the year		-	-	-	-	-	47,769	47,769
Dividends	27							
Final for the year ended 31 January 2000		-	-	-	-	-	(6,307)	(6,307)
Interim for the year ended 31 January 2001		-	-	-	-	-	(5,256)	(5,256)
		-	-	-	-	-	(11,563)	(11,563)
<hr/>								
At 31 January 2001 and 1 February 2001		144,333	1,367	7,000	2,538	278	294,344	449,860
<hr/>								
At 1 February 2001								
As previously reported		144,333	1,367	7,000	2,538	278	273,933	429,449
Early compliance with MASB Standard 19		-	-	-	-	-	20,411	20,411
<hr/>								
Restated balance		144,333	1,367	7,000	2,538	278	294,344	449,860
Net profit for the year		-	-	-	-	-	42,565	42,565
Dividends	27							
Final for the year ended 31 January 2001		-	-	-	-	-	(20,411)	(20,411)
Interim for the year ended 31 January 2002		-	-	-	-	-	(7,884)	(7,884)
		-	-	-	-	-	(28,295)	(28,295)
Exercise of ESOS		5	-	-	-	-	-	5
Translation differences		-	-	-	(42)	-	-	(42)
Issue of bonus shares		(143,700)	-	-	-	-	(2,300)	(146,000)
Conversion of warrants		3	-	-	-	-	-	3
Bonus issue expenses		(220)	-	-	-	-	-	(220)
<hr/>								
At 31 January 2002		421	1,367	7,000	2,496	278	306,314	317,876

* The non-distributable capital reserve arose on the capitalisation of bonus shares out of the retained profits of a subsidiary.

NOTES to THE FINANCIAL STATEMENTS

18. RESERVES (continued)

Company	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Revaluation reserves RM'000	Retained profits RM'000	
At 1 February 2000					
As previously reported		144,047	1,367	118,077	263,491
Change in accounting policy		-	-	(25,461)	(25,461)
Early compliance with MASB Standard 19		-	-	6,307	6,307
<hr/>					
Restated balance		144,047	1,367	98,923	244,337
Net profit for the year		-	-	110,933	110,933
Dividends	27				
Final for the year ended 31 January 2000		-	-	(6,307)	(6,307)
Interim for the year ended 31 January 2001		-	-	(5,256)	(5,256)
		-	-	(11,563)	(11,563)
<hr/>					
At 31 January 2001 and 1 February 2001		144,047	1,367	198,293	343,707
<hr/>					
At 1 February 2001					
As previously reported		144,047	1,367	204,384	349,798
Change in accounting policy		-	-	(26,502)	(26,502)
Early compliance with MASB Standard 19		-	-	20,411	20,411
<hr/>					
Restated balance		144,047	1,367	198,293	343,707
Net profit for the year		-	-	21,684	21,684
Dividends	27				
Final for the year ended 31 January 2001		-	-	(20,411)	(20,411)
Interim for the year ended 31 January 2002		-	-	(7,884)	(7,884)
		-	-	(28,295)	(28,295)
Issue of bonus shares		(143,700)	-	(2,300)	(146,000)
Conversion of warrants		3	-	-	3
Bonus issue expenses		(220)	-	-	(220)
<hr/>					
At 31 January 2002		130	1,367	189,382	190,879

Restatement of retained profits

The retained profits of the Company have been restated as follows:

	As previously stated RM'000	Prior year adjustments RM'000	Early compliance with MASB Standard 19 RM'000	As restated RM'000
Statement of changes in equity				
Retained profits at 1 February 2000	118,077	(25,461)	6,307	98,923
Net profit for the year ended 31 January 2001	111,974	(1,041)	-	110,933
Dividends for year ended 31 January 2001	(25,667)	-	14,104	(11,563)
Retained profits at 31 January 2001/1 February 2001	204,384	(26,502)	20,411	198,293
		Note 18 (a)	Note 18 (b)	

NOTES to THE FINANCIAL STATEMENTS

18. RESERVES (continued)

(a) Prior year adjustments

During the year, the Company changed its accounting policy with respect to the recognition of dividend income from subsidiaries. In the previous years, proposed dividends from subsidiaries subject to approval by the shareholders of the subsidiaries were recognised as income on an accrual basis. The Company has changed this accounting policy to recognise dividend income when the right to receive payment is established.

	Note	RM'000
<i>(i) Effect on retained profits as at 1 February 2000</i>		
Proposed dividend by a subsidiary for year ended 31 January 2000 and approved by shareholders of the subsidiary after balance sheet date		(25,461)
<i>(ii) Effect on net profit for year ended 31 January 2001</i>		
Proposed dividend by a subsidiary for year ended 31 January 2000 and approved by shareholders of the subsidiary after balance sheet date		25,461
Proposed dividend by a subsidiary for year ended 31 January 2001 and approved by shareholders of the subsidiary after balance sheet date		(25,523)
		(62)
Impact of change in accounting policy on taxation		(979)
		(1,041)
<i>(iii) Effect of prior year adjustments on retained profits as at 31 January 2001 / 1 February 2001</i>	<i>(i) + (ii)</i>	(26,502)

(b) Early compliance with MASB Standard 19

The Group and Company have opted for early compliance with MASB Standard 19 on Events After the Balance Sheet Date in respect of dividends proposed or declared after the balance sheet date and accordingly dividends proposed after the balance sheet date were not recognised at the balance sheet date. Consequently, the retained profits has been restated to reflect this.

	Note	RM'000
<i>(i) Effect on retained profits as at 1 February 2000</i>		
Reversal of 3% final proposed dividend less tax for year ended 31 January 2000		6,307
<i>(ii) Effect on dividends for the year ended 31 January 2001</i>		
Payment of 3% final dividend less tax for year ended 31 January 2000		(6,307)
Reversal of final proposed dividend for year ended 31 January 2001		
- 3% final proposed dividend less tax		9,461
- 2.5% special tax exempt dividend		10,950
		14,104
<i>(iii) Effect of early compliance with MASB Standard 19 on retained profits as at 31 January 2001 / 1 February 2001</i>	<i>(i) + (ii)</i>	20,411

Deferred tax in respect of the revaluation of property, plant and equipment of the Group and Company of RM1,158,000 (2001 : RM1,118,000) and RM134,000 (2001 : RM132,000) respectively have not been provided for as the properties are held for long term use.

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM68,108,000 (2001 : RM74,445,000) of its distributable reserves at 31 January 2002, if paid out as dividends.

NOTES to THE FINANCIAL STATEMENTS

19. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

20. DEFERRED LIABILITIES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits relating to lease receivables	1,050	809	-	-
Deferred taxation	28,608	14,125	5,556	5,556
Retirement benefits	1,525	1,426	1,506	1,407
	<u>31,183</u>	<u>16,360</u>	<u>7,062</u>	<u>6,963</u>

Subject to agreement by the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:

	Group	
	2002 RM'000	2001 RM'000
Unutilised tax losses	17,654	14,792
Other timing differences	<u>16</u>	<u>(5,097)</u>

21. OPERATING PROFIT

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue				(As restated)
- goods and services	641,503	577,879	116,770	122,532
- property development	93,150	67,442	-	-
- completed and investment properties	8,179	12,110	-	-
- property rental	7,088	7,291	-	-
- hire purchase and leasing	3,650	2,638	-	-
- dividends received - gross	-	-	31,202	33,601
- tax exempt	-	-	10,921	18,721
	<u>753,570</u>	<u>667,360</u>	<u>158,893</u>	<u>174,854</u>
Cost of sales				
- goods and services	(517,473)	(429,204)	(95,067)	(90,320)
- property development	(72,255)	(57,547)	-	-
- completed and investment properties	(5,796)	(9,814)	-	-
- property rental	(919)	(971)	-	-
	<u>(596,443)</u>	<u>(497,536)</u>	<u>(95,067)</u>	<u>(90,320)</u>

NOTES to THE FINANCIAL STATEMENTS

21. OPERATING PROFIT (continued)

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Gross profit	157,127	169,824	63,826	84,534
Distribution costs	(37,562)	(34,438)	(12,227)	(22,797)
Administration expenses	(65,916)	(67,098)	(8,041)	(9,271)
Other operating expenses	(7,495)	(16,495)	-	-
Other operating income	21,124	42,038	512	1,517
Operating profit	67,278	93,831	44,070	53,983
Operating profit is arrived at after charging:				
Allowance for doubtful debts	2,878	72	-	-
Amortisation of goodwill (Note 8)	972	1,369	-	-
Auditors' remuneration				
- Holding company auditors	252	240	55	55
- Other auditors	180	169	-	-
Bad debts written off	45	8	-	-
Depreciation (Note 2)	34,822	31,821	12,558	12,360
Directors' remuneration				
- fees				
- directors of the Company	501	456	501	456
- other directors	356	337	-	-
- other emoluments				
- directors of the Company	2,427	2,279	2,427	2,279
- other directors				
- current year	7,472	5,291	-	-
- in respect of prior years	2,945	-	-	-
Provision for retirement gratuity for the managing director of HSCB*	5,600	-	-	-
Expenditure carried forward amortised	-	1,838	-	1,795
Hire of plant	3,552	2,158	-	-
Land and building rental	3,157	1,331	566	604
Loss on disposal of property, plant and equipment	-	4,154	-	64
Inventories written down	2,214	5,864	1,017	5,842
Property, plant and equipment written off	430	6,503	15	3
Retirement benefits charged	332	166	332	166
Realised loss on foreign exchange	-	11	-	11
Replanting expenditure	8,415	9,689	-	-
Staff costs	78,832	85,091	21,558	22,500
and after crediting:				
Gain on disposal of investment properties	55	1,342	-	-
Gain on disposal of property, plant and equipment	999	282	503	1,563
Gross dividends received from				
- subsidiaries				
- quoted in Malaysia	-	-	42,123	39,002
- unquoted	-	-	-	13,320
- others				
- unquoted	1,163	2,750	-	-
Allowance for doubtful debts written back	1,000	778	1,000	-
Rental income from properties	2,119	1,149	2	-
Realised gain on foreign exchange	133	50	133	-
Reversal on inventories written down	-	567	-	-

* The managing director has since resigned from the HSCB Board on 25 March 2002.

- i) The average number of employees of the Group and Company (including Directors) at the end of the year was 6,899 (2001 : 7,355) and 922 (2001 : 942) respectively.
- ii) The estimated monetary value of Directors' benefits-in-kind in respect of the Group and Company is RM343,000 (2001 : RM168,000) and RM85,000 (2001 : RM62,000) respectively.

NOTES to THE FINANCIAL STATEMENTS

22. FINANCING COSTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Bank borrowings	7,674	31,666	4,610	23,031
Related company interest	-	-	19,380	6,842
	<u>7,674</u>	<u>31,666</u>	<u>23,990</u>	<u>29,873</u>

23. EXCEPTIONAL ITEMS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gain on disposal of an associate *	49,779	239,181	-	-
Gain on disposal of business in a subsidiary	38,957	-	-	-
Gain on disposal of other equity interest	22,411	-	-	-
Minority interests' share of gain on disposal of subsidiaries**	-	30,198	-	-
Gain on disposal of subsidiaries**	-	-	-	98,583
Reversal of loss relating to a discontinued business of a subsidiary	12,316	-	-	-
Write down of completed properties held for resale	-	(9,286)	-	-
Write down of investment properties (Note 3)	(13,984)	(2,409)	-	-
Write down of land held for development	-	(1,288)	-	-
Impairment loss on property, plant and equipment (Note 2)	(7,000)	-	-	-
Cost of technical transfer	-	(3,894)	-	(3,894)
Expenses in respect of proposed issue of Irredeemable Convertible Secured Loan Stocks 2001/2011	-	(2,000)	-	(2,000)
Expenditure carried forward written off	-	(1,082)	-	(1,082)
Allowance for diminution in value of other investments (Note 6)	-	(14,313)	-	-
Allowance for diminution in value of unquoted investment in an associate	(4,392)	-	-	-
Allowance for diminution in value of quoted investment in an associate	(13,978)	-	-	-
Allowance for diminution in value of investment in a subsidiary	-	-	-	(2,000)
Allowance for doubtful recovery of dividend received on an investment previously accrued	(4,800)	-	-	-
Allowance in respect of amounts due from a subsidiary	-	-	-	(8,000)
Allowance for deposit paid for acquisition of investment	(5,250)	-	-	-
Write down of assets in a subsidiary				
- property, plant and equipment	(7,704)	(28,543)	-	-
- others	(1,550)	(6,972)	-	-
Loss relating to a discontinued business of a subsidiary	-	(12,516)	-	-
Legal and other related costs relating to defending the Group's interests in its investments	-	(7,420)	-	-
Pre-operating expenses written off	(720)	-	-	-
	<u>64,085</u>	<u>179,656</u>	<u>-</u>	<u>81,607</u>

NOTES to THE FINANCIAL STATEMENTS

23. EXCEPTIONAL ITEMS (continued)

* In the current year, the gain on disposal of an associate relates to the gain on disposal of Dumex (Malaysia) Sdn. Bhd. by HSCB of RM49.779 million.

In the previous year, the gain on disposal of an associate relates to the gain on disposal of Carlsberg Brewery Malaysia Berhad by HSCB net of the Company's goodwill on acquisition of RM155.3 million.

** On 31 January 2001, the Company completed the disposal to HSCB of:

- a) the entire issued and fully paid up share capital of Si Khiong Industries Sdn. Bhd. comprising 12,000,000 ordinary shares of RM1.00 each at a cash consideration of RM105 million; and
- b) the entire issued and fully paid up share capital of Sasco Sdn. Bhd. comprising 30,000,000 ordinary shares of RM0.50 each at a cash consideration of RM68 million.

In the previous year, the Group recognised the minority interests' share of gain on disposals of the abovementioned subsidiaries to its subsidiary, HSCB which is a departure from the provisions of the Malaysian Accounting Standard Board ("MASB") Standard 11, Consolidated Financial Statements and Investments in Subsidiaries. In accordance with the provisions of MASB Standard 11, the gain on disposals of the abovementioned subsidiaries to its subsidiary, HSCB, should be eliminated in full.

The Directors nevertheless considered that the treatment adopted by the Group was more appropriate as it reflected a true and fair view of the transactions due to the following:

- i) the disposals of subsidiaries to its subsidiary, HSCB, were approved by the minority shareholders of the Company at an Extraordinary General Meeting ("EGM") of the Company held on 4 December 2000 where its ultimate holding company, Gek Poh (Holdings) Sdn. Bhd., together with persons connected with it, abstained from voting in respect of their direct and indirect shareholdings in the Company; and
- ii) the acquisitions of the subsidiaries by HSCB were approved by the minority shareholders of HSCB at an EGM of HSCB held on 4 December 2000 where the Company, together with persons connected with it, abstained from voting in respect of their direct and indirect shareholdings in HSCB.

24. TAX EXPENSE

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Current tax expense				(As restated)
- current taxation	16,769	26,360	4,066	5,500
- overprovision in tax expenses	-	-	-	(1,100)
- impact of change in accounting policy on taxation	-	-	-	(979)
- Under/(over)provision in prior years	833	(2,626)	-	(4,618)
	17,602	23,734	4,066	(1,197)
Deferred tax expense				
- current taxation	14,483	4,014	-	-
Tax expense on share of profit of associates	1,719	5,340	-	-
	33,804	33,088	4,066	(1,197)

Group

The effective tax rates for the current and previous year are lower than the statutory tax rate mainly due to certain non-taxable gains and the utilisation of unabsorbed agricultural allowances brought forward by certain subsidiaries.

NOTES to THE FINANCIAL STATEMENTS

24. TAX EXPENSE (continued)

Company

The effective tax rate for the current year is lower than the statutory tax rate mainly due to tax exempt dividend income.

The effective tax rate for the previous year was lower than the statutory tax rate mainly due to non-taxable capital gains and the tax exempt dividend income.

25. MINORITY INTERESTS

Included in the minority interests in the previous year was its share of exceptional gain on disposal of an associate, Carlsberg Brewery Malaysia Berhad of RM196,846,000.

26. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to shareholders of RM42.6 million (2001 : RM47.8 million) and the weighted average number of ordinary shares outstanding during the year of 438 million (2001 : 438 million) ordinary shares of RM1 each.

Weighted average number of ordinary shares

	2002 '000	2001 '000
Issued ordinary shares at beginning of the year	292,000	292,000
Effect of bonus issue shares allotted in February 2001	146,000	146,000*
Effect of warrants	3	-
Weighted average number of ordinary shares	438,003	438,000

* The previous year's earnings per ordinary share has been restated based on the net profit attributable to ordinary shareholders of RM47.8 million and the weighted average number of ordinary shares outstanding during the year of 438 million ordinary shares after taking into consideration the bonus issue of 146 million ordinary shares (Note 17) on the assumption that it was issued prior to 31 January 2001.

Diluted earnings per ordinary share

There is no diluted earnings per ordinary share in the current year as the unexercised warrants had expired on 23 April 2001.

In the previous year, the fully diluted earnings per ordinary share after taking into account full exercise of warrants was anti-dilutive as the exercise price was higher than the market value of the Company's share. Thus, the basic and fully diluted earnings per ordinary share were the same.

NOTES *to* THE FINANCIAL STATEMENTS

27. DIVIDENDS

i) *Paid and proposed dividend for the financial year ended 31 January 2002*

Dividends per ordinary share as disclosed in the income statement is computed as follows:

	Group and Company	
	2002	2001
Interim paid:		
2.5% per share less tax (2001 : 2.5% per share less tax)	2.5 sen	2.5 sen
Proposed:		
3% per share less tax (2001 : 3% per share less tax)	3.0 sen	3.0 sen
2.5% special tax exempt per share (2001 : 2.5% special tax exempt per share)	2.5 sen	2.5 sen
	8.0 sen	8.0 sen

The proposed final dividend of 3% less tax and 2.5% special tax exempt dividend per share have not been accounted for in the financial statements of the Group and Company as at 31 January 2002 in accordance with MASB Standard 19.

ii) *Dividends accounted for in the financial statements*

	Group and Company	
	2002	2001
	RM'000	RM'000
Final proposed of the previous year:		
3% per share less tax (2001 : 3% per share less tax)	9,461	6,307
2.5% special tax exempt per share (2001 : Nil)	10,950	-
	20,411	6,307
Interim paid:		
2.5% per share less tax (2001 : 2.5% per share less tax)	7,884	5,256
	28,295	11,563

NOTES to THE FINANCIAL STATEMENTS

28. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business. No segmental reporting by geographical segments have been provided as the Group is primarily involved in business operations in Malaysia. Inter-segment pricing is determined on a negotiated basis.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Manufacturing RM'000	Trading and finance RM'000	Agricultural RM'000	Property development RM'000	Investment holdings RM'000	Eliminations RM'000	Consolidated RM'000
2002							
Revenue from external customers	130,507	370,369	144,277	108,417	-	-	753,570
Inter-segment revenue	66,775	243	-	951	-	(67,969)	-
Total revenue	197,282	370,612	144,277	109,368	-	(67,969)	753,570
Operating profit	7,020	16,614	40,756	18,563	(13,311)	(2,364)	67,278
Financing costs							(7,674)
Interest income					9,019		9,019
Exceptional items							64,085
Share of profit of associates	5,594	(3,245)	-	3,002	-	-	5,351
Profit before taxation							138,059
Segment assets	253,660	323,801	783,294	297,648	172,122	-	1,830,525
Investment in associates	38,745	19,171	-	108,903	-	-	166,819
Total assets							1,997,344
2001							
Revenue from external customers	131,712	287,675	161,130	86,843	-	-	667,360
Inter-segment revenue	5,516	39,921	-	1,061	-	(46,498)	-
Total revenue	137,228	327,596	161,130	87,904	-	(46,498)	667,360
Operating profit	2,471	14,841	59,132	10,968	10,313	(3,894)	93,831
Financing costs							(31,666)
Interest income					15,851		15,851
Exceptional items							179,656
Share of profit of associates	16,983	1,571	-	4,459	-	-	23,013
Profit before taxation							280,685
Segment assets	299,253	185,853	767,878	300,991	398,345	-	1,952,320
Investment in associates	21,253	31,286	-	109,765	-	-	162,304
Total assets							2,114,624

NOTES to THE FINANCIAL STATEMENTS

29. DISCONTINUED OPERATIONS

Group

In the previous year, HSCB ceased its brewing and distribution of beer business with the cessation of the business operations of a subsidiary in China and the disposal of an associate involved in that business. This activity was included in the manufacturing segment of the Group.

For accounting purposes, the effective date of discontinuance was 30 June 2000. The production facility of the subsidiary in China was fully decommissioned on 31 July 2001 as a condition precedent to the completion of the sale which was entered into by HSCB on 4 August 2000 as disclosed in Note 34(v). The gain arising from the disposal of the brewery business of the subsidiary in China is disclosed in Note 23 to the financial statements.

30. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2002 RM'000	2001 RM'000
Guarantees to and contingencies relating to borrowings of subsidiaries in respect of balances outstanding as at 31 January	4,840	106,112

31. COMMITMENTS

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, plant and equipment/investments				
Authorised but not contracted for	20,044	54,278	-	2,500
Contracted but not provided for in the financial statements	11,465	606	-	-
	31,509	54,884	-	2,500

32. LEASE COMMITMENTS

Total future lease payments under non-cancellable operating leases are as follows:

	Group	
	2002 RM'000	2001 RM'000
Due within one year	478	-
Due after one year but not more than five years	1,914	-
Due after five years	6,018	-
	8,410	-

NOTES to THE FINANCIAL STATEMENTS

33. RELATED PARTIES

Controlling related party relationships are as follows:

- i) The holding company; and
- ii) Its subsidiaries as disclosed in Note 4.

Significant transactions and balances with other related parties are as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<i>Transactions - Revenue / (Expense)</i>				
Foundation connected to				
Tan Sri Datuk Seri Panglima Lau Gek Poh, Tuan Haji Ariff Nik Hassan and Sim Siew Meng, Directors of the Company:				
Lau Gek Poh Foundation*				
Donation	(750)	(3,500)	-	(500)
Foundation and company connected to				
Edward Lee Ming Foo, a Director of the Company:				
Lau Gek Poh Foundation*				
Donation	(750)	(3,500)	-	(500)
Corporated International Consultant Sdn. Bhd.				
Project consultancy fee payable	(4,200)	(2,172)	-	-
Foundation connected to Liew Chor Beng @ Lau Cho Beng, a Director of the Company:				
Lau Gek Poh Foundation*				
Donation	(750)	(3,500)	-	(500)
Company in which Liew Chor Beng @ Lau Cho Beng, a Director has interest:				
Anatoni International Co. Ltd.				
Sales of products	2,418	2,007	2,418	2,007
Foundation and companies connected to				
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a Director of the Company:				
Lau Gek Poh Foundation*				
Donation	(750)	(3,500)	-	(500)
Glenealy Plantations (Malaya) Berhad Group				
Sales of products	4,185	4,215	-	-
Purchases	(396)	(221)	-	-
Lingui Developments Berhad Group				
Sales of products	7,302	14,361	-	-
Samling Strategic Corporation Sdn. Bhd. Group				
Sales of products	198	15,366	-	-
Companies in which Anthony John Liddell Nightingale, a director of a subsidiary, has interest:				
Cycle & Carriage Bintang Berhad				
Purchase of motor vehicles and spare parts	(13,271)	(44,975)	-	-
Revenue on servicing of motor vehicles	200	374	-	-
Edaran Otomobil Nasional Berhad				
Purchase of motor vehicles and spare parts	(32,459)	(23,631)	-	-
Revenue on servicing of motor vehicles	60	45	-	-
Giant TMC Berhad				
Sales of products	224	-	-	-
Company in which Tong Chin Hen, a director of a subsidiary, has interest:				
Imaspro Resources Sdn. Bhd.				
Purchase of raw materials	(966)	(1,147)	-	-

NOTES to THE FINANCIAL STATEMENTS

33. RELATED PARTIES (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<i>Transactions - Revenue / (Expense)</i>				
Company in which Ong Euwan George, a director of a subsidiary, is a director:				
Kumpulan Guthrie Berhad				
Sales of products	279	-	-	-
Company in which Dato' Simon Shim Kong Yip, a director of a subsidiary, has interest:				
Shim, Pang & Co.				
Rental income	11	11	-	-
Legal fee	(446)	(400)	-	-
Company in which Cheng Hooi, Paul Geh, a director of a subsidiary, has interest:				
Lingai Development Berhad Group				
Sales of products	7,302	14,361	-	-
Holding company				
Gek Poh (Holdings) Sdn. Bhd. Group				
Interest income	-	75	-	75
Rental income	786	140	-	-
Sales of products	3,762	2,040	-	-
Interest expenses	(9)	-	(9)	-
Rental expenses	(588)	(511)	(258)	(118)
Purchase of products	(139)	(180)	-	-
Insurance premium	(3,902)	(2,884)	(848)	(787)
Purchase of air tickets	(118)	(275)	(140)	(199)
Associates				
EAC Holdings (Malaysia) Sdn. Bhd.				
Rental and maintenance services	(1,200)	(1,242)	(736)	(822)
Purchase of spare parts for forklifts, electrical and mechanical items	(7)	(40)	(7)	(40)
Purchase of forklifts	-	(89)	-	(89)
EAC Transport Agencies (Malaysia) Sdn. Bhd.				
Transportation charges	(1,979)	(1,665)	(1,979)	(1,665)
EAC Material Handling (Malaysia) Sdn. Bhd.				
Rental, repair and servicing of forklifts	(455)	(374)	(410)	(374)
Vintage Heights Sdn. Bhd.				
Management fees received	244	258	-	-
Lease rental income	451	515	-	-
Interest income	739	-	-	-
Rental income	19	19	-	-
Subsidiaries				
Dividend income	-	-	42,123	52,322
Interest income	-	-	5,617	3,944
Rental income	-	-	2	-
Sales of products	-	-	60,575	5,516
Sales of property, plant and equipment	-	-	1,258	1,340
Interest expenses	-	-	(19,371)	(6,842)
Rental expenses	-	-	(125)	(164)
Servicing of motor vehicles	-	-	(20)	(42)

* an organisation principally involved in charitable activities.

The transactions have been entered into in the normal course of business and have been established under negotiated terms.

NOTES to THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS

- i) On 22 December 2000, the Company proposed to undertake an issue of up to RM330 million nominal value of 10-year Irredeemable Convertible Secured Loan Stocks ("ICSLS") 2001/2011 with detachable coupon of 7.576% per annum and thereafter, a restricted offer for sale of up to RM330 million nominal value of Coupon-Detached ICSLS 2001/2011 to the shareholders and warrant holders of the Company on the basis of RM3.00 nominal value of Coupon-Detached ICSLS 2001/2011 for every five shares or Warrants 1996/2001 held in the Company after the Bonus Issue and an offer for sale of the Detached Coupon to fixed income investors that fall within Schedule 2 of the Securities Commission Act, 1993.

The application has yet to be made to the Securities Commission whilst the Bonus Issue has since been allotted to shareholders of the Company on 5 February 2001. However, the Directors of the Company will continue to review the proposals and will advise the shareholders of the Company of the status of the Proposals at a later date.

- ii) As disclosed in the Director's Report of the previous year, HSCB had announced to the Kuala Lumpur Stock Exchange on 4 August 1999, its acquisition of a 15% equity interest in T.C. Whang & Company (Private) Limited ("TCW"), a company incorporated in Singapore, for a consideration of S\$4,650,000. The transfer of the subject shares to HSCB was pending the completion of registrations in Singapore in respect of the disposal by TCW of certain assets, as agreed upon between the vendors and HSCB.

TCW is a substantial shareholder of Lam Soon Cannery Pte Ltd ("LSC"). In the previous financial year, a winding up petition was presented to the High Court in Singapore to wind up LSC. With the concurrence of HSCB, an out-of-court settlement was arrived at in respect of the said winding up petition pursuant to which TCW agreed to dispose of its entire interest in LSC. The Deed of Settlement was executed on 15 November 2000.

In view of the aforesaid disposal by TCW of its principal investment in LSC, HSCB had on 21 November 2000 entered into an Agreement with all the other shareholders of TCW ("TCW Shareholders") pursuant to which HSCB had agreed to dispose of its 15% equity interest in TCW to the TCW Shareholders, for the following elements of consideration:

- (a) cash consideration of S\$7.098 million; and
- (b) 29,444,411 ordinary shares representing 12.154% equity interest in Lam Soon (Hong Kong) Limited, a public listed company on the Hong Kong Stock Exchange, to HSCB at an ascribed value of S\$10.469 million.

The disposal of HSCB's interest in TCW was completed during the year, and HSCB received the final cash instalment of S\$5,217,000 subsequent to the balance sheet date.

In addition to the aforementioned elements of consideration, one of the TCW Shareholders had assigned to Forward Supreme Sdn. Bhd., the wholly-owned subsidiary of HSCB, various established trademarks in Malaysia. However, the validity of such assignment was the subject matter of a legal dispute in Malaysia and Singapore.

On 11 March 2002, the Singapore High Court ruled in favour of the Plaintiffs, Lam Soon Oil and Soap Manufacturing Sdn. Bhd. and Lam Soon (M) Berhad ("LSMB") against Forward Supreme Sdn. Bhd. (one of the Defendants of the legal dispute) to the effect that the legal ownership of the trademarks in Malaysia and Brunei was to be transferred to the LSMB.

The aforesaid judgement is not expected to have material financial impact on HSCB and the Group as there was no order for damages.

NOTES to THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS (continued)

- iii) On 24 May 2000, HSCB entered into a conditional sale and purchase of shares agreement with The East Asiatic Company Limited A/S (“EACL”) pursuant to which HSCB had agreed to acquire from EACL 23,752,800 ordinary shares of RM1 each in EAC Holdings (Malaysia) Sdn. Bhd. (“EACH”) representing 60% of the issued and paid up share capital of EACH at a cash consideration of RM111 million (“EACL Agreement”). The agreement was conditional upon, inter alia, the approval to be obtained from the Foreign Investment Committee (“FIC”).

Subsequently on 14 August 2000, HSCB entered into a separate conditional sale and purchase of shares agreement with Lembaga Tabung Angkatan Tentera (“LTAT”) pursuant to which HSCB had agreed to purchase from LTAT the remaining 20% equity in EACH comprising 7,917,600 ordinary shares of RM1 each. Completion of this agreement was conditional upon, inter alia, completion of the EACL Agreement.

HSCB announced on 1 March 2001 that the EACL Agreement was effectively terminated on 28 February 2001 due to the failure to obtain an acceptable FIC Approval. With the termination of the EACL Agreement as aforesaid, the LTAT Agreement ceased to have any further effect due to the aforementioned inter-conditionality.

- iv) On 24 May 2000, HSCB entered into a sale and purchase of shares agreement (“Dumex Agreement”) pursuant to which HSCB agreed to dispose of 6,000,000 ordinary shares of RM1 each representing 20% of the issued and paid-up share capital in Dumex (Malaysia) Sdn. Bhd. to EACL at a cash consideration of RM72.6 million. The completion of the Dumex Agreement was inter-conditional with the completion of the EACL Agreement. However, the parties mutually agreed on 16 February 2001 to waive the said inter-conditional requirement in view of the failure to obtain an acceptable FIC Approval for the EACL Agreement, as stated above.

On 28 February 2001, the disposal was completed and this gave rise to an exceptional gain before minority interest to the Group of approximately RM49.8 million during the year.

- v) On 4 August 2000, HSCB entered into a sale and purchase agreement with Asia Pacific Breweries Limited for the sale of the business and transfer of its exclusive rights to use the brands, AOKE and KRONEN in Hainan, China from Hainan Euro-Asia Food Company Limited (“HEAF”, formerly known as Hainan Euro-Asia Brewery Company Limited), a 70% owned subsidiary of the Group for approximately US\$12.2 million.

On 20 June 2001, HSCB completed its acquisition of the remaining 16,500,000 ordinary shares of RMB1.00 each in HEAF for a consideration of RMB27,014,060, which has resulted in HEAF becoming a wholly-owned subsidiary of HSCB.

On 31 July 2001, the production facility in Hainan was fully decommissioned, a condition precedent to the completion of the sale, and this gave rise to a gain before minority interest of approximately RM38.9 million to the Group.

- vi) On 20 November 2000, HSCB entered into two conditional agreements in Singapore to acquire the respective entire business undertakings and assets (“Business and Assets”) of Vredelco Food Industries Pte. Ltd. (“VFI”) and Vredelco Investments Pte. Ltd. (“VI”), both incorporated in Singapore, for an aggregate cash consideration of S\$5 million. Toward this purpose, HSCB had on 5 January 2001, acquired the entire equity interest comprising 2 ordinary shares of S\$1.00 each in Aceford Food Industry Pte. Ltd. (“Aceford”) for a total cash consideration of S\$2, to acquire the Business and Assets.

On 15 May 2001, the acquisition of the Business and Assets of both VFI and VI via Aceford was completed upon receipt of approvals of relevant authorities in Singapore. On the same date, HSCB acquired additional 2,999,998 new ordinary shares of S\$1.00 each in Aceford for a cash consideration of the equivalent of RM6,500,998.

NOTES to THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS (continued)

- vii) On 21 December 2000, HSCB entered into a conditional sale and purchase agreement with certain shareholders of Paos Holdings Berhad ("PAOS") to acquire 15,075,846 ordinary shares of RM1 each representing approximately 25.13% shareholding in PAOS for total consideration of RM49.7 million. PAOS is a company incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange.

On 8 February 2001, the acquisition of 25.13% shareholding in PAOS was completed, upon receipt of approvals from the relevant authorities.

- viii) On 2 October 2000, HSCB acquired 40,000 new ordinary shares of S\$1.00 each, representing 28.57% in Globalcom Information Services Pte. Ltd. ("Globalcom"), a company incorporated in Singapore, for a cash consideration of S\$2 million.

On 6 July 2001, upon completion of a restructuring exercise, HSCB's equity shareholding has increased from 28.57% to 40% at no additional cost.

- ix) On 20 June 2001, HSCB entered into a conditional sale and purchase agreement with Tanjung Bahagia Sdn. Bhd. ("TBSB") pursuant to which HSCB is to dispose a parcel of land in Tongod, Sabah ("Tongod Land") for a cash consideration of RM55,978,162 plus reimbursement of plantation expenses incurred by HSCB.

The disposal is expected to give rise to an exceptional gain before minority interest of approximately RM26.5 million to the Group. HSCB has received 10% of the consideration in cash, and pending the receipt of the balance and transfer of title, upon payment of stamp duty, all other conditions have been fulfilled. The result of this disposal will be recognised upon completion of the agreement.

- x) On 13 August 2001, HSCB entered into a conditional sale and purchase agreement with EAC Holdings (M) Sdn. Bhd. ("EACH") to acquire the property known as EAC House, in Petaling Jaya, for a cash consideration of RM24 million.

All the conditions pertaining to the acquisition have been fulfilled and the transaction has been accounted for in the current financial year. The balance of the purchase consideration was settled subsequent to year end and the transfer of legal title is in process.

- xi) On 25 October 2001, HSCB entered into a conditional sale and purchase agreement with certain shareholders of K.G. Pastry Manufacturing Sdn. Bhd. and Kawan Food Manufacturing Sdn. Bhd. to acquire:

- a) 900,000 ordinary share of RM1 each representing 60% of the issued and paid-up share capital of K.G. Pastry Manufacturing Sdn. Bhd.; and
- b) 600,000 ordinary share of RM1 each representing 60% of the issued and paid-up share capital of Kawan Food Manufacturing Sdn. Bhd.,

at an aggregate cash consideration of RM52.5 million.

The agreements are now subject of a dispute as referred to in Note 35 to the financial statements.

- xii) On 16 November 2001, Vox Emas Communications Sdn. Bhd. ("VEC") ceased to be HSCB's wholly-owned subsidiary upon a restructuring exercise which diluted HSCB's interest in VEC to 19%.

The dilution of HSCB's interest in VEC has no material effect on the financial statements of HSCB and the Group.

NOTES to THE FINANCIAL STATEMENTS

34. SIGNIFICANT EVENTS (continued)

xiii) Pursuant to the authority granted by the shareholders of HSCB to their directors at the Annual General Meeting held on 28 June 2001, HSCB repurchased during the year an additional 12,291,000 of its issued shares from the open market for a total cost of RM23,132,610. The repurchase was financed from HSCB's internal funds. The average cost paid for the additional share repurchased during the year was RM1.88 per share. The shares repurchased are held as treasury shares.

Inclusive of those shares repurchased as of the last financial year ended 31 January 2001, the total number of share repurchased as at 31 January 2002 amounted to 32,267,000, at a total cost of RM69,407,834. The average cost paid for the shares was RM2.15 per share.

During the year, HSCB had cancelled 13,000 of the shares repurchased. Therefore, the total number of repurchased shares cancelled up to 31 January 2002 is 470,000. As such, the remaining number of repurchased shares held after the cancellation as of 31 January 2002 is 31,797,000 shares.

Subsequent to year end, up to 29 March 2002, HSCB cancelled an additional 20,000 of the repurchased shares. Consequently, the remaining number of repurchased shares held as treasury shares as at 29 March 2002 was 31,777,000 shares at a total cost of RM68,297,893.

The directors of HSCB are committed to enhancing the value of HSCB to its shareholders and believe that the repurchase plan can be applied in the best interests of HSCB and its shareholders.

35. MATERIAL LITIGATION

Group

- i) In the previous year, a claim was filed on behalf of Lam Soon (Thailand) Public Company Limited, where HSCB was named as one of the defendants for wrongful receipt of dividends by the defendants amounting to approximately RM4.8 million. HSCB has been advised by its lawyers that it has a reasonable defence and HSCB is defending the claim. The said suit is not expected to give rise to any material operational or financial impact to HSCB and to the Group. However, this amount of RM4.8 million has been fully provided for in the financial statements.
- ii) As previously announced, the assignment (the "said Assignments") of the various established trademarks such as "Big Knife" and "Sword" (the "said Trademarks") by one of the shareholders of TCW & Co to HSCB's wholly-owned subsidiary, Forward Supreme Sdn Bhd ("FSSB") was the subject matter of various legal disputes. In Malaysia, two suits were filed by Lam Soon (M) Berhad ("LSMB") against inter-alia FSSB essentially to assert its right of ownership over the said Trademarks. The first suit took precedence over the second suit and was fixed for case management on 20 April 2002.
- iii) On 25 October 2001, HSCB entered into a conditional sale and purchase agreement pursuant to which HSCB agreed to acquire:
 - a) 900,000 ordinary shares of RM1.00 each representing 60% of the issued and paid-up share capital of K.G. Pastry Manufacturing Sdn. Bhd.; and
 - b) 600,000 ordinary shares of RM1.00 each representing 60% of the issued and paid-up share capital of Kawan Food Manufacturing Sdn. Bhd.

at the aggregate cash consideration of RM52,500,000 ("The Proposed KG Group Acquisition").

NOTES to THE FINANCIAL STATEMENTS

35. MATERIAL LITIGATION (continued)

The Proposed KG Group Acquisition was approved by the Ministry of International Trade and Industry on 29 November 2001.

By a letter of Requisition dated 20 December 2001 ("the Requisition Notice"), Malaysian Mosaics Berhad, a 52.81% shareholder of HSCB, requisitioned an Extraordinary General Meeting of HSCB ("the EGM") for the purpose of consideration and, if thought fit, approving the Proposed KG Group Acquisition. The Board of HSCB resolved that the EGM would be held at a time, date and venue to be subsequently announced.

HSCB was advised by their solicitors, Messrs Shearn Delamore & Co ("HSCB's Solicitor"), that the Proposed KG Group Acquisition was subject to the approval of HSCB's shareholders and as such the conditions precedent to the Agreement had not been complied with.

Before the EGM could be called, the Vendors by a letter dated 14 January 2002 to HSCB stated that HSCB's refusal to complete the Proposed KG Group Acquisition on 12 January 2002 amounted to a termination of the Agreement and did so terminate the same and instructed Messrs Azra & Associates ("the Stakeholders") to forfeit the 10% deposit amounting to RM5,250,000 ("the Deposit") as agreed liquidated damages. The Vendors stand was disputed by HSCB's Solicitors by their letter dated 14 January 2002.

By a letter dated 14 January 2002, the Stakeholders informed HSCB's Solicitors that they would be applying to Court to interplead and obtain directions with regards to the release of the Deposit. Accordingly, on 18 January 2002, the Stakeholders filed an interpleader summons against the Vendors and HSCB in the Kuala Lumpur High Court for the purpose of seeking the Court's directions as to how the Deposit (together with accrued interest) ought to be dealt with. HSCB and the Vendors have filed affidavits in Court setting out the nature of their respective claims to the Deposit (and the accrued interest). The interpleader summons is currently fixed for hearing on 16 April 2002.

On 29 March 2002, MMB's Board in response to a letter from HSCB dated 26 March 2002 requesting for the withdrawal of the Requisition Notice by MMB, resolved to accede to the aforementioned request for withdrawal by HSCB.

NOTES to THE FINANCIAL STATEMENTS

36. COMPARATIVE FIGURES

The following comparatives have been restated as a result of the change in accounting policy in respect of the recognition of dividend income from subsidiaries and early adoption of MASB Standard 19 on Events After the Balance Sheet Date in respect of dividends proposed or declared after the balance sheet date as disclosed in Note 18 to the financial statements.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
Trade and other receivables	-	-	44,376	70,878
Proposed dividend	-	20,411	-	20,411
Net current assets/(liabilities)	226,588	206,177	(182,186)	(176,095)
Reserves	449,860	429,449	343,707	349,798
Shareholders' funds	741,860	721,449	635,707	641,798
Income statements				
Revenue	-	-	174,854	177,974
Operating profit	-	-	53,983	57,103
Profit before taxation	-	-	109,736	112,856
Tax expense	-	-	1,197	(882)
Profit after taxation	-	-	110,933	111,974
Net profit for the year	-	-	110,933	111,974
Basic earning per ordinary share (sen)	10.9	16.4	-	-
Diluted earning per ordinary share (sen)	10.9	16.4	-	-
Cash flow statements				
Cash flows from operating activities				
Profit before taxation	-	-	109,736	112,856
Adjustment for				
Dividend income	-	-	(52,322)	(55,442)
Notes to the financial statements				
Tax recoverable	-	-	19,761	20,740
Operating profit				
Revenue				
- dividends received - gross	-	-	33,601	55,442
- tax exempt	-	-	18,721	-
Gross profit	-	-	84,534	87,654
Operating profit	-	-	53,983	57,103
Gross dividends from				
- subsidiaries				
- quoted in Malaysia	-	-	39,002	42,122
Tax expense	-	-	1,197	(882)
Dividends	<u>11,563</u>	<u>25,667</u>	<u>11,563</u>	<u>25,667</u>

OTHER INFORMATION

PARTICULARS OF SANCTIONS AND/ OR PENALTIES IMPOSED

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

MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with directors' and major shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the financial year ended 31 January 2002, except for the following:

- i. Options granted by Hap Seng Consolidated Berhad (HSCB), a listed subsidiary of the Group on 25 March 2002 to a Director for the purchase of a parcel of residential landed property deemed to be in excess of its needs. The Option was granted on the basis of the prevailing market value of RM5 million and is exercisable on or before 29 September 2002. On the same date HSCB also approved the disposal of a motor vehicle deemed to be in excess of its needs to the same Director for a cash consideration of RM200,000.

Announcements to the Kuala Lumpur Stock Exchange in respect of the above had been made by HSCB on 25 March 2002 and 27 March 2002.

- ii. On 4 December 2000, the shareholders of the Company approved a Fund Rationalisation involving a Cash Advance of up to RM400 million from HSCB to the Company via a letter offer dated 22 August 2000.

The Salient terms of the Letter of Offer are as follows:

Maximum Limit	: RM400 million
Tenure	: Five (5) years
Interest rate	: 6.5% per annum or such other rate which HSCB reserves the right to impose from time to time based on Maybank's prevailing Base Lending Rate (BLR) plus 0%. The payment of interest shall be on a quarterly basis.
Repayment	: The said cash advance together with the interest accrued thereon shall be repaid upon demand by giving notice in writing of not less than six (6) months.

The purpose of the Cash advance was for the Company to refinance its bank borrowings at a lower financing cost whilst HSCB will benefit in terms of higher interest income in comparison to that receivable from fixed deposits with financial institutions.

- iii. Related Party Transactions during the financial year ended 31 January 2002, were entered in the ordinary course of business and at terms not more favourable to the related party and are not to the detriment of the minority shareholders, have been disclosed in Note 33 to the financial statements.

The Company will be seeking Shareholders' Ratification and Mandate for Recurrent Related Party Transactions at an Extraordinary General Meeting which will be convened on 28 June 2002.

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
KUALA LUMPUR							
6 Jalan Cerunan Tunku 50480 Kuala Lumpur	0.25 ha	Residential land /bungalow	August 1995	Freehold	-	-	5,079
SELANGOR							
Sungai Pelek, Sepang Selangor	196 ha	Oil palm plantation	August 1995	Freehold	-	-	45,254
Lot 1A, Section 20 Petaling Jaya	15,173 m ²	Showroom/Office	August 2001	Leasehold 99 Years	2057	10	24,000
KEDAH							
Padang Meiha 09400 Padang Serai Kedah	16 ha	Leased out	August 1995	Freehold	-	-	1,684
JOHOR							
Lot 588 & 589 Mukim of Kluang	35,560 m ²	Land held for development	March 1968	Freehold	-	-	48
Lot 6692 3 1/2 Miles, Jln Mersing 86000 Kluang	41,480 m ²	Factory buildings and office	September 1981	Freehold	-	11 - 37	8,149
Lot PTD 41178 and 663 Mukim of Kluang	117,875 m ²	Factory buildings and office	July 1995	Freehold	-	4	43,680
SABAH							
KOTA KINABALU							
010500080 G09 Wisma Sabah Jalan Haji Saman	55 m ²	1 unit shplot for rental	December 1985	Leasehold 99 years	2071	21	199
015376584 Mile 5 1/2 Tuaran Road	10,724 m ²	Showroom, office and workshop	April 1984	Leasehold 99 years	2065	23	3,467
215353601 Lok Kawi, District of Penampang	10.6 ha	Vacant land	March 1986	Leasehold 99 years	2044	-	-
TL 017512533 Wisma Gek Poh Jalan Haji Saman	1,208 m ²	5 1/2 storey office building for rental	October 1995	Leasehold 99 years	2061	25	6,942
SANDAKAN							
Clunny Estate Mile 1 1/2, North Road	2,865 m ²	1 single storey detached house	December 1985	Leasehold 99 years	2062	22	302
TL 077504799 Mile 1, North Road	1,909 m ²	3 storey office building, showroom and workshop	May 1976	Leasehold 99 years	2052	28	1,118
075394188 Mile 4, Batu Sapi Road	10,098 m ²	Warehouse and office	April 1984	Leasehold 999 years	2881	23	4,105

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
SANDAKAN (cont'd)							
Cecily Road	0.12 ha	Vacant land	November 1998	Leasehold 999 years	2908	-	13
TL 077544248 Wisma Hap Seng Jalan Leila	11,655 m ²	Office	February 1985	Leasehold 999 years	2911	20	7,311
TL 077544239 Jalan Leila	6,596 m ²	Vacant land	December 1995	Leasehold 999 years	2911	-	2,152
TL 077508751, TL 077508760 & TL 077508779 Mile 11/2, North Road Clunny Estate	5,601 m ²	3 units bungalows	January 1995	Leasehold 99 years	2062	23	592
TL 077517116 Mile 11/2, North Road Clunny Estate	2,825 m ²	1 unit bungalow	January 1995	Leasehold 99 years	2882	23	350
CL 075394302 & CL 075394311 Mile 4, Jalan Batu Sapi Karamunting	17,668 m ²	41 units houses for rental	January 1995	Leasehold 999 years	2881	23	2,235
CL 075098127 0.8km Airport Road	1.50 ha	Land held for development	April 1997	Leasehold 999 years	2923	-	100
TAWAU							
Taman Guan Soon TB 1647-1653, 1839-1846, 1848-1856 & 1944 Mile 1, Tg. Batu Road	26,198 m ²	8 units 2 storey and 17 units single storey detached houses	December 1985	Leasehold 99 years	2075	27	3,478
PL 106142287 Mile 2, Tg. Batu Laut	29,492 m ²	1 unit godown for rental	January 1995	Leasehold 999 years	2929	12	1,477
Taman Guan Soon TB 1899-1902 Mile 2, Tg. Batu Laut	498 m ²	4 units 2 1/2 storey terrace shophouse'	January 1992	Leasehold 999 years	2903	28	351
TL 107505233 TB 1408, Jalan Aman	2,023 m ²	1 unit double storey detached house	January 1992	Leasehold 99 years	2061	30	309
TL 107505288 TB 1482, Jalan Aman	2,671 m ²	1 unit single storey detached house	January 1992	Leasehold 99 years	2061	30	423
TB 1532-1535 & 1963-1964 Taman Guan Soon Mile 1, Tg. Batu Road	5,930 m ²	6 units single storey detached houses	January 1992	Leasehold 999 years	2903	29	906
TL 107520543 Taman Guan Soon TB 1847, Mile 1 Tg. Batu Road	1,137 m ²	1 unit single storey detached house	January 1992	Leasehold 99 years	2075	27	166
Taman Guan Soon TB 2109-2112 Mile 2, Tg. Batu Laut	1,000 m ²	4 units 2 1/2 storey terrace shophouses	January 1995	Leasehold 999 years	2903	28	2,028

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
TAWAU (cont'd)							
TL 107510323 Mile 1, Jalan Kuhara	837 m ²	Land held for development	January 1986	Leasehold 999 years	2895	-	618
TL 107510225 Mile 1, Jalan Kuhara	572 m ²	Land held for development	January 1989	Leasehold 999 years	2895	-	164
CL 105316318/CL 105316327 CL 105316336/CL 105316345 Jalan Tawau Lama	1,000 m ²	Land held for development	April 1989	Leasehold 999 years	2895	-	121
CL 105240195 Mile 15, Jalan Apas	118,170 m ²	Land held for development	October 1991	Leasehold 99 years	2061	-	358
CL 105120536 Mile 3 1/2, Jalan Sin On Timur	17,850 m ²	Land held for development	January 1991	Leasehold 999 years	2918	-	266
105316256/105330318/ 105330327 No.1823, Mile 1 1/4 Kuhara Road	2,455 m ²	Showroom / office	May 1973	Leasehold 999 years	2895/2896	28	2,690
CL 105344983 Mile 1, Salleh Road	10,279 m ²	10 detached houses, 8 terrace shop lot and site for car park	May 1982	Leasehold 999 years	2902	-	1,955
105172843/105172852 1144, Mile 1, Kuhara Road	4,577 m ²	Wisma Gek Poh 3 storey office building	April 1984	Leasehold 999 years	2896	29	4,069
105361653/105319337/ 105319328/105319355 Tengku Osman Road	4,124 m ²	Warehouse	February 1985	Leasehold 99 years	2055	25	1,053
105424208 Mile 1 1/4, Kuhara Road	2,045 m ²	Vehicles stock yard for own use/rental	April 1976	Leasehold 999 years	2901	-	1,771
105420675/105420684 105420693/105420700 105420666 Mile 10, Apas Road	1,239,220 m ²	Central workshop, heavy commercial vehicle body fabrication workshop, spare parts stores, staff quarters and open space	January 1980	Leasehold 60 years/ 90 years/ 99 years	2042/2081/ 2060	27	6,590
107505126 TB 978, Jln Dunlop	372 m ²	Retail outlet	July 1975	Leasehold 99 years	2062	27	510
107514081 Jalan Bahagia	4,047 m ²	Workshop, office and staff quarters	July 1980	Leasehold 99 years	2067	22	1,555
105109859 & TL 107525959 Taman Yacht Club Jalan Tg. Batu	23,496 m ²	9 units 2 storey detached houses and a 2 storey club house	January 1995	Leasehold 999 years/ 99 years	2898/2084	25	3,873
TL 107521291 Taman Yacht Club Jalan Tg. Batu	1,641 m ²	VIP Guest house	January 1995	Leasehold 99 years	2071	25	417

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
TAWAU (cont'd)							
CL 105433716 & CL 105465825 Hap Seng Dockyard Off Jalan Tg. Batu Laut	121,400 m ²	1 workshop, 7 warehouses and 4 open sheds	January 1995	Leasehold 99 years	2084/2087	10 - 20	15,602
CL 105360674 & CL 105396647 Logpond, Jalan Tg. Batu Laut	198,215 m ²	3 sawmills, 34 units open sided shed, 20 units staff quarters, 114 units labour quarters and 3 warehouse for rental/sale	January 1995	Leasehold 99 years	2076/2080	13 - 14	27,224
CL 105451607 & CL 105459158 Logpond, Jalan Tg. Batu Laut	222,400 m ²	2 units sawmills and 33 units open sided shed	January 1995	Leasehold 99 years	2086/2087	11 - 12	26,058
Mile 10, Jalan Apas	426 ha	Plantation land	September 1985	Leasehold 99 years	2049/2073	-	3,921
Mile 8, Jalan Tiku	118 ha	Plantation land and buildings	September 1985	Leasehold 99 years	2059/2060	4 - 35	870
Apas Claremount Estate Mile 21, Jalan Quoin Hill	552 ha	Oil Palm Plantation	July 1996	Leasehold 99 years	2058-2065	-	7,586
Muul Hill Estate Mile 38, Jalan Bukit Kawa	724 ha	Oil Palm Plantation	July 1996	Leasehold 99 years	2062-2074	-	7,997
LAHAD DATU							
CL 115410234 4.5km, Jalan Silam	985,000 m ²	Land held for development	March 1995	Leasehold 999 years	2908	-	9,453
TL 117508559 Mile 2, New Wharf Road	5,974 m ²	Showroom, workshop cum office and open-sided car park	April 1984	Leasehold 99 years	2066	23	882
TL 117508559 Mile 2, New Wharf Road	43,301 m ²	Building for rental	January 1995	Leasehold 99 years	2066	22	6,894
CL 115311558 & CL 115329452 Taman Executive Mile 1, Jalan Tengah Nipah	2,056 m ²	2 units bungalows	January 1995	Leasehold 99 years	2032	22	332
CL 115329872 Taman Executive Mile 1, Jalan Tengah Nipah	1,036 m ²	1 unit bungalow	January 1995	Leasehold 999 years	2895	22	220
LABUAN							
207527866 Jln Tun Mustapha	3,390 m ²	Vacant land	May 1985	Leasehold 60 years	2042	-	220

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
SEMPORNA							
CL 125324996 Mile 3, Bukit Lalang	46,670 m ²	Land held for development	September 1990	Leasehold 99 years	2074	-	117
CL 125324987 Mile 3, Bukit Lalang	35,770 m ²	Land held for development	September 1990	Leasehold 99 years	2076	-	89
CL 125317222 & PL 126290748 Mile 1 1/2, Sungai Tinagan	309,200 m ²	Land held for development	September 1990	Leasehold 99 years	2079	-	665
123020011 & 123023469 Mile 1 1/2, Jalan Bubul	41,080 m ²	Land held for development	July 1991	Freehold	-	-	455
KINABATANGAN							
Mile 32, Jalan Jeroco Off Sandakan-Lahad Datu Highway, District of Kinabatangan	14,162 ha	Oil Palm Plantation and buildings	July 1996	Leasehold 99 years	2078	1 - 18	264,408
Wecan Estate	1,078 ha	Oil palm plantation	August 1995	Leasehold 99 years	2084	-	12,786
Tampilit Estate	202 ha	Oil palm plantation	August 1995	Leasehold 99 years	2084	-	2,151
Tomanggong Estate	1,148 ha	Oil palm plantation and buildings	August 1995	Leasehold 99 years	2067	33	
	1,431 ha	Oil palm plantation	August 1995	Leasehold 99 years	2076	-	
	1,656 ha	Oil palm plantation	August 1995	Leasehold 999 years	2894	-	
	568 ha	Oil palm plantation	August 1995	Leasehold 99 years	2094	-	
	182 ha	Oil palm plantation	August 1995	Leasehold 99 years	2093	-	
	124 ha	Oil palm plantation	August 1995	Leasehold 99 years	2097	-	
Tagas Estate	1,466 ha	Oil palm plantation	August 1995	Leasehold 99 years	2067	-	
	2,319 ha	Oil palm plantation	August 1995	Leasehold 999 years	2894	-	284,322
Litang Estate	998 ha	Oil palm plantation	August 1995	Leasehold 99 years	2076	-	
	366 ha	Oil palm plantation	August 1995	Leasehold 99 years	2091	-	
	1,434 ha	Oil palm plantation	August 1995	Leasehold 999 years	2887	-	
	380 ha	Oil palm plantation	August 1995	Leasehold 999 years	2900	-	

PARTICULARS OF GROUP'S PROPERTIES

BUTIR-BUTIR HARTANAH KUMPULAN

Location Lokasi	Area Keluasan	Description Deskripsi	Date of Acquisition/ Revaluation/ Tarikh Perolehan/ Penilaian Semula	Tenure Jangkamasa	Expiry Date Tarikh Tamat	Approximate Age of Buildings (Yrs)/ Anggaran Umur Bangunan (Tahun)	Net Book Value At 31/1/02 Nilai Buku Bersih Pada 31/1/02 RM'000
KINABATANGAN (cont'd)							
Sungai Segama Estate	3,843 ha	Oil palm plantation and buildings	August 1995	Leasehold 99 years	2089	1 - 8	
Bukit Mas Estate	5,044 ha	Oil palm plantation and buildings	August 1995	Leasehold 99 years	2089	6	
Tongod, Kinabatangan District	8,830 ha	Vacant agricultural land	May 1998	Leasehold 99 years	2096	-	25,612
SARAWAK							
Lot 46 & 47 Piasau Road, Miri	4,474 m ²	Office and workshop	July 1979	Leasehold 56 years	2033	20	1,805
Lot 495 Jalan Lang 1, Miri	526 m ²	2 storey detached house	August 1980	Leasehold 60 years	2040	21	147
Lot 198, Sec.64 Sungai Priok, Kuching	9,834 m ²	Showroom cum office and factory	January 1985	Leasehold 900 years	2789	22	5,051
Lot 697 Kemena Land District Sibiya Road, Bintulu	799 m ²	Factory building and office	June 1985	Leasehold 60 years	2043	18	383
Lot 656 Kampong Nyabor Road, Sibul	165 m ²	4 storey shophouse cum office	July 1980	Freehold	-	22	572
SINGAPORE							
15 Senako Crescent Sembawang, Singapore	10,221 m ²	Factory and office	May 2001	Leasehold 60 years	2049	13	6,816
CHINA							
Qiongshan Shiziling Development, Hainan China	61,586 m ²	Industrial land and buildings	May 1996	Leasehold 68 years	2066	9	-
Qiongshan Shiziling Development, Hainan China	10,068 m ²	Industrial land and buildings	May 1996	Leasehold 68 years	2066	9	-
						TOTAL :	<u>904,566</u>

ANALYSIS OF SHAREHOLDING AT 30 APRIL 2002

ANALISA PEMEGANGAN SAHAM PADA 30 APRIL 2002

Authorised Share Capital / Modal Saham Dibenarkan	:	RM1,000,000,000
Issued and Fully-Paid Capital / Modal Diterbitkan dan Berbayar Penuh	:	RM438,002,899
Class of Shares / Kelas Saham	:	Ordinary Shares of RM1.00 each / Saham Biasa bernilai RM1.00 setiap satu
Voting Rights / Hak Mengundi	:	One Vote per Ordinary Share / Satu undi bagi setiap Saham Biasa

DISTRIBUTION OF SHAREHOLDERS

PEMBAHAGIAN PEMEGANG-PEMEGANG SAHAM

Size of Holding Saiz Pemegangan	No. of Shareholders Bil. Pemegang Saham	% of Shareholders % Pemegang Saham	No. of Shares held Bil. Saham Dipegang	% of Issued Capital % Modal Diterbitkan
Less than 1,000 / Kurang daripada 1,000	347	3.39	146,279	0.03
1,000 to 10,000 / 1,000 hingga 10,000	8,313	81.30	28,391,636	6.48
10,001 to 100,000 / 10,001 hingga 100,000	1,467	14.35	35,104,483	8.02
100,001 to less than 5% of issued shares / 100,001 hingga kurang daripada 5% modal yang diterbitkan	97	0.95	154,603,219	35.30
5% and above of issued shares / 5% dan lebih modal yang diterbitkan	1	0.01	219,757,282	50.17
TOTAL				
JUMLAH	10,225	100.00	438,002,899	100.00

LIST OF 30 LARGEST SHAREHOLDERS

SENARAI 30 PEMEGANG SAHAM TERBESAR

	Shareholding Pemegangan Saham	%
1. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	219,757,282	50.17
2. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Forrader Corporation	21,889,500	4.99
3. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Forever Top Investments Limited	16,354,500	3.73
4. HSBC Nominees (Asing) Sdn Bhd - AAAL for Long-Term Market Limited	15,000,000	3.42
5. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Jetime Investments Limited	14,329,500	3.27
6. Liew Soong Cheng @ Lau Soong Cheng	12,205,500	2.78
7. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Peak Lumsden Limited	11,968,000	2.73
8. Employees Provident Fund Board	10,420,500	2.37
9. Permodalan Nasional Berhad	7,500,000	1.71
10. HSBC Nominees (Asing) Sdn Bhd - AAAL for Starway Nominee Inc	6,049,500	1.38

ANALYSIS OF SHAREHOLDING AT 30 APRIL 2002
ANALISA PEMEGANGAN SAHAM PADA 30 APRIL 2002

11. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Bolker Investments Limited	3,986,500	0.91
12. Koperasi Sri Nilam Berhad	3,727,500	0.85
13. Pembangunan Melati Sdn Bhd	3,580,500	0.81
14. HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for LSM Enterprises Sdn Bhd	2,403,000	0.54
15. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Cyberview Limited	1,977,000	0.45
16. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNP Paribas Nominees Singapore Pte Ltd for Victory Capital Limited	1,770,000	0.40
17. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Chan See Wing	1,747,500	0.39
18. RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd	1,200,000	0.27
19. Lew Yit Hua	843,000	0.19
20. John Madsen	672,500	0.15
21. HSBC Nominees (Asing) Sdn Bhd - Nassau for Hartlane Enterprises Inc	600,000	0.13
22. Citicorp Nominees (Asing) Sdn Bhd - TNTC for Middlesbrough Borough Council Teesside Pension Fund	480,000	0.11
23. Mayban Securities Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Chong Koy Sen	476,500	0.10
24. Tuan Haji Nik Ariff Bin Nik Hassan	474,000	0.10
25. UOBM Nominees (Asing) Sdn Bhd - Lei Shing Hong Securities Ltd for Peter Yong	450,000	0.10
26. Menteri Kewangan Malaysia - Section 29 (SICDA)	443,218	0.10
27. Citicorp Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Fund	429,000	0.09
28. Ong Beng Kee	420,000	0.09
29. Toh Kam Choy	416,000	0.09
30. The Central Depository (Pte) Limited	412,752	0.09
TOTAL JUMLAH	361,983,252	82.51

**SUBSTANTIAL SHAREHOLDER
PEMEGANG SAHAM UTAMA**

	Shareholding Pemegangan Saham	%
Gek Poh (Holdings) Sdn Bhd	219,784,891	50.18

DIRECTORS' SHAREHOLDING IN THE COMPANY
AND/OR RELATED CORPORATIONS AT 30 APRIL 2002

**PEMEGANGAN SAHAM PARA PENGARAH DALAM SYARIKAT
DAN/ATAU PERBADANAN BERKAITAN PADA 30 APRIL 2002**

Company / Syarikat	Direct Shareholding / Pemegang Saham Langsung No. of Shares / Bil. Saham		Indirect Shareholding / Pemegang Saham Tidak Langsung No. of Shares / Bil. Saham	
		%		%
<i>Ordinary shares / Saham-saham biasa :</i>				
Tan Sri Datuk Seri Panglima Lau Gek Poh	-	-	235,570,891 ⁽¹⁾	53.78
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	223,365,391 ⁽²⁾	51.00
Liew Chor Beng @ Lau Cho Beng	-	-	235,570,891 ⁽³⁾	53.78
Tuan Haji Nik Ariff Bin Nik Hassan	474,000	0.11	3,727,500 ⁽⁴⁾	0.85
Dato' Richard Ong Guan Seng	45,000	0.01	-	-
Holding Company / Syarikat Induk : Gek Poh (Holdings) Sdn Bhd				
<i>Ordinary shares / Saham-saham biasa :</i>				
Tan Sri Datuk Seri Panglima Lau Gek Poh	44	44.00	-	-
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	56	56.00	-	-
<i>Preference shares / Saham-saham keutamaan :</i>				
Tan Sri Datuk Seri Panglima Lau Gek Poh	105,002	72.41	-	-
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	35,000	24.14	-	-
Subsidiary / Subsidiari : Hap Seng Consolidated Berhad				
<i>Ordinary shares / Saham-saham biasa :</i>				
Tan Sri Datuk Seri Panglima Lau Gek Poh)				
Datuk Seri Panglima Lau Cho Kun @)				
Lau Yu Chak)				
Liew Chor Beng @ Lau Cho Beng)	-	-	313,829,000 ⁽⁵⁾	53.11
Lee Wee Yong	-	-	10,000 ⁽⁶⁾	0.00
Tan Cheow Hian @ Tan Lek Keah	9,368	0.00	3,744 ⁽⁷⁾	0.00

DIRECTORS' SHAREHOLDING IN THE COMPANY
AND/OR RELATED CORPORATIONS AT 30 APRIL 2002

PEMEGANGAN SAHAM PARA PENGARAH DALAM SYARIKAT
DAN/ATAU PERBADANAN BERKAITAN PADA 30 APRIL 2002

Notes / Nota-nota:

- (1) *Indirect shareholding through 219,784,891 Malaysian Mosaics Berhad (MMB) shares held by Gek Poh (Holdings) Sdn. Bhd., 3,580,500 MMB shares held by Pembangunan Melati Sdn. Bhd., a wholly-owned subsidiary of Gek Poh (Holdings) Sdn. Bhd. and 12,205,500 MMB shares held by his daughter, Liew Soong Cheng @ Lau Soong Cheng.*
Pemegangan saham secara tidak langsung melalui 219,784,891 saham Malaysian Mosaics Berhad (MMB) yang dipegang oleh Gek Poh (Holdings) Sdn. Bhd. 3,580,500 saham MMB oleh Pembangunan Melati Sdn. Bhd., sebuah syarikat subsidiari milikan penuh Gek Poh (Holdings) Sdn. Bhd. dan 12,205,500 saham MMB yang dipegang oleh anak perempuannya Liew Soong Cheng @ Lau Soong Cheng.
- (2) *Indirect shareholding through 219,784,891 MMB shares held by Gek Poh (Holdings) Sdn. Bhd. and 3,580,500 MMB shares held by Pembangunan Melati Sdn. Bhd., a wholly owned subsidiary of Gek Poh (Holdings) Sdn. Bhd.*
Pemegangan saham secara tidak langsung melalui 219,784,891 saham MMB yang dipegang oleh Gek Poh (Holdings) Sdn. Bhd. dan 3,580,500 saham MMB yang dipegang oleh Pembangunan Melati Sdn. Bhd., sebuah syarikat subsidiari milikan penuh Gek Poh (Holdings) Sdn. Bhd.
- (3) *Indirect shareholding through the collective interests of his father, Tan Sri Datuk Seri Panglima Lau Gek Poh's indirect interest in MMB and his sister, Liew Soong Cheng @ Lau Soong Cheng's shareholding in MMB as referred to in (1) above.*
Pemegangan saham secara tidak langsung melalui kepentingan bersama bapanya, Tan Sri Datuk Seri Panglima Lau Gek Poh secara tidak langsung di MMB dan pemegangan saham kakaknya Liew Soong Cheng @ Lau Soong Cheng di MMB yang dinyatakan dalam (1) di atas.
- (4) *Indirect shareholding through his direct interest in Koperasi Sri Nilam Berhad which holds 3,727,500 MMB shares.*
Pemegangan saham secara tidak langsung melalui kepentingan langsungnya di Koperasi Sri Nilam Berhad yang memegang 3,727,500 saham MMB.
- (5) *Indirect shareholding through their indirect interest in MMB which holds 312,016,000 shares in Hap Seng Consolidated Berhad and Pembangunan Melati Sdn. Bhd., a wholly owned subsidiary of Gek Poh (Holdings) Sdn. Bhd., which holds 1,813,000 shares in Hap Seng Consolidated Berhad.*
Pemegangan saham secara tidak langsung melalui kepentingan mereka secara tidak langsung di MMB, yang memegang 312,016,000 saham di Hap Seng Consolidated Berhad dan Pembangunan Melati Sdn. Bhd., sebuah syarikat subsidiari milikan penuh Gek Poh (Holdings) Sdn. Bhd., yang memegang 1,813,000 saham di Hap Seng Consolidated Berhad.
- (6) *Indirect shareholding through his spouse, Tan Siew Fong.*
Pemegangan saham secara tidak langsung melalui isterinya, Tan Siew Fong.
- (7) *Indirect shareholding through his spouse, Low Sin Chen.*
Pemegangan saham secara tidak langsung melalui isterinya, Low Sin Chen.

FORM of PROXY / BORANG PROKSI

No. of Shares Held

Bil. Saham Dimiliki

I/We _____
 Saya/Kami _____

of _____
 beralamat _____

a member/members of the abovenamed Company, hereby appoint _____
 sebagai ahli/ahli-ahli Syarikat yang tersebut di atas, dengan ini melantik

and/or _____
 dan/atau _____

and failing the abovenamed proxies, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-eighth Annual General Meeting of the Company to be held at the Kristal Ballroom, Petaling Jaya Hilton, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Friday, 28 June 2002 at 3.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the notice of Annual General Meeting:-

dan jika gagal berbuat demikian, Pengerusi mesyuarat sebagai proksi saya/kami untuk mengundi bagi pihak diri saya/kami dalam Mesyuarat Agung Tahunan Syarikat yang Ketiga Puluh Lapan yang akan diadakan di Kristal Ballroom, Petaling Jaya Hilton, No.2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan pada hari Jumaat, 28 Jun 2002 jam 3.00 petang atau sebarang penangguhannya, ke atas resolusi-resolusi berikut yang dirujuk dalam notis Mesyuarat Agung Tahunan:-

RESOLUTION/ RESOLUSI	1	2	3	4	5	6	7	8	9	10
FOR/ MENYOKONG										
AGAINST/ MENENTANG										

Please indicate with a "✓" in the space above how you wish your vote to be cast. In the absence of specific instructions, the proxy will vote as he thinks fit.

Sila tandakan undian anda dengan "✓" dalam ruangan kosong di atas. Dalam keadaan tiada arahan tertentu, proksi anda akan mengundi mengikut keadaan yang difikirkan perlu.

Signed this / Ditandatangani pada _____ day of / haribulan _____ 2002

.....
 Signature/Common Seal of appointor

Tandatangan / Meterai Biasa orang yang melantik

Notes :

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. A proxy does not need to be a member and if not a member, need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, the authorised nominee may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.

The instrument appointing a proxy or proxies must be deposited with the Secretary at the Registered Office of the Company at 1A, Jalan 205, Off Jalan Tandang, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

2. In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.

3. The signature to the instrument appointing a proxy or proxies executed outside Malaysia must be attested by a solicitor, notary public, consul or magistrate.

Nota-nota :

1. Seseorang ahli yang berhak menghadiri dan mengundi di Mesyuarat Agung Tahunan ini adalah berhak untuk melantik seorang proksi atau proksi-proksi (tetapi tidak melebihi dua orang) untuk menghadiri dan mengundi bagi pihaknya. Seseorang proksi itu tidak semestinya ahli dan kalau bukan ahli, tidak semestinya seorang peguambela, juruaudit syarikat yang diluluskan atau seseorang yang diluluskan oleh Pendaftar syarikat.

Jika seseorang ahli adalah seorang nominee yang diberi kuasa di bawah Akta Industri Sekuriti (Depositori Pusat), 1991, nominee tersebut berhak melantik sekurang-kurangnya seorang proksi untuk setiap akaun sekuriti yang ia pegang dengan saham-saham biasa Syarikat yang mempunyai kredit di akaun sekuiti berkenaan.

Surat perlantikan seseorang proksi itu mesti diserahkan kepada Setiausaha di Pejabat Berdaftar Syarikat di 1A, Jalan 205, Off Jalan Tandang, 46050 Petaling Jaya, Selangor Darul Ehsan, tidak lewat daripada empat puluh lapan (48) jam sebelum masa yang ditetapkan untuk Mesyuarat ini atau sebarang penangguhannya.

2. Dalam kes perbadanan, surat perlantikan proksi atau proksi-proksi mestilah disempurnakan di bawah meterai syarikat atau ditandatangani oleh seorang pegawai atau wakil yang diberikuasa.

3. Tandatangan pada surat perlantikan proksi atau proksi-proksi yang disempurnakan di luar Malaysia mesti diakusaksi oleh seorang peguam, notari awam, konsul atau majistret.

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Postage

THE SECRETARY / SETIAUSAHA
MALAYSIAN MOSAICS BERHAD
(Company No. 5371-V)
1A, Jalan 205, Off Jalan Tandang
46050 Petaling Jaya
(P.O. Box 465, Jalan Sultan 46050 Petaling Jaya)

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