



LION DIVERSIFIED HOLDINGS BERHAD

A Member of The Lion Group

(9428-0)

Laporan Tahunan
2004
Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 23 November 2004 at 11.30 am for the following purposes:

AGENDA

- | | | |
|-----|---|--|
| 1. | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2004. | Resolution 1 |
| 2. | To approve the payment of a first and final dividend of 5.0 sen per ordinary share less 28% Malaysian Income Tax. | Resolution 2 |
| 3. | To approve the payment of Directors' fees amounting to RM188,000 (2003 : RM113,000). | Resolution 3 |
| 4. | To re-elect Directors:

In accordance with Article 98 of the Company's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election:

Mr Heah Sieu Lay
Mr George Leong Chee Fook | Resolution 4
Resolution 5 |
| 5. | To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution:

"THAT Y. Bhg. Dato Murad Mohamed Hashim who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting." | Resolution 6 |
| 6. | To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. | Resolution 7 |
| 7. | Special Business

To consider and if thought fit, pass the following resolutions as ordinary resolutions: | |
| 7.1 | Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." | Resolution 8 |

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 ("Recurrent Transactions") and with those related parties as detailed in paragraph 3.2 of the Circular to Shareholders of the Company dated 30 October 2004 subject to the following:

Resolution 9

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:
 - (a) the type of Recurrent Transactions made; and
 - (b) the names of the related parties involved in each type of Recurrent Transactions made and their relationship with the Company;

AND THAT authority conferred by this Ordinary Resolution shall continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier,

AND THAT the Directors be authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7.3 Proposed Grant of Options to Mr Heah Sieu Lay, the Managing Director of the Company

"THAT the Company be authorised to offer and grant to Mr Heah Sieu Lay, the Managing Director of the Company, up to 500,000 options to subscribe for up to 500,000 new ordinary shares of RM0.50 each in the Company pursuant to the Executive Share Option Scheme ("ESOS"), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bye-Laws of the ESOS."

Resolution 10

- 8. To transact any other business for which due notice shall have been given.

DIVIDEND ENTITLEMENT

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

- a) shares deposited into the depositor's securities account before 12.30 pm on 22 November 2004 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 4.00 pm on 24 November 2004 in respect of transfers; and
- c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 15 December 2004 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 24 November 2004.

By Order of the Board

WONG YOKE LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
30 October 2004

Notes:

1. *Proxy*
 - A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
 - An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
 - The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
 - Form of Proxy sent through facsimile transmission shall not be accepted.
2. *Resolution 3*
It is proposed that the Directors' fees be increased so as to be in line with the industrial practice to reflect the duties and responsibilities of the Directors.
3. *Resolution 8*
This authorisation will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.
4. *Resolution 9*
This approval will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 30 October 2004, which are necessary for the Group's day-to-day operations and are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.
Details on the proposal are set out in the Circular to Shareholders dated 30 October 2004 enclosed together with this Annual Report.
5. *Resolution 10*
This authorisation will empower the ESOS Committee to offer and grant to Mr Heah Sieu Lay, the Managing Director of the Company, up to 500,000 options to subscribe for shares in the Company pursuant to the ESOS of the Company.
Details on the proposal are set out in the Circular to Shareholders dated 30 October 2004 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- Pursuant to Article 98 of the Company's Articles of Association
(Retirement by rotation)

Mr Heah Sieu Lay
Mr George Leong Chee Fook

- Pursuant to Section 129(6) of the Companies Act, 1965
(Re-appointment after attainment of 70 years of age)

Y. Bhg. Dato Murad Mohamed Hashim

- Further details of Directors standing for re-election/re-appointment are set out in the Directors' Profile on pages 6 to 8 of this Annual Report

II. Details of attendance of Directors at Board Meetings

There were nine (9) Board Meetings held during the financial year ended 30 June 2004. Details of attendance of the Directors are set out in the Directors' Profile on pages 6 to 8 of this Annual Report.

III. Place, date and time of the Thirty-Fourth Annual General Meeting

The Thirty-Fourth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 23 November 2004 at 11.30 am.

CORPORATE INFORMATION

Board of Directors	: Y. Bhg. Tan Sri William H. J. Cheng (Chairman) Mr Heah Sieu Lay (Managing Director) Y. Bhg. Dato’ Ismail bin Said Y. Bhg. Dato Murad Mohamed Hashim Mr Cheng Yong Kwang Mr George Leong Chee Fook															
Secretaries	: Ms Wong Yoke Lin Puan Yasmin Weili Tan binti Abdullah															
Company No.	: 9428-T															
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage: http://www.lion.com.my															
Share Registrar	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos : 03-21622155, 03-21648411 Fax No : 03-21623448															
Auditors	: Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur															
Principal Bankers	: RHB Bank Berhad Malayan Banking Berhad															
Stock Exchange Listing	: Bursa Malaysia Securities Berhad (“Bursa Securities”)															
	<table><tr><td></td><td><u>Ordinary Shares</u></td><td><u>Irredeemable Convertible Unsecured Loan Stocks</u></td></tr><tr><td>Stock Name</td><td>LIONDIV</td><td>LIONDIV-LA</td></tr><tr><td>Bursa Securities Stock No.</td><td>2887</td><td>2887LA</td></tr><tr><td>ISIN Code</td><td>MYL2887OO007</td><td>MYL2887LAJ62</td></tr><tr><td>Reuters Code</td><td>LDIV.KL</td><td></td></tr></table>		<u>Ordinary Shares</u>	<u>Irredeemable Convertible Unsecured Loan Stocks</u>	Stock Name	LIONDIV	LIONDIV-LA	Bursa Securities Stock No.	2887	2887LA	ISIN Code	MYL2887OO007	MYL2887LAJ62	Reuters Code	LDIV.KL	
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ISIN Code	MYL2887OO007	MYL2887LAJ62														
Reuters Code	LDIV.KL															

DIRECTORS' PROFILE

Tan Sri William H. J. Cheng

Chairman, Non-Independent Non-Executive Director

Y. Bhg. Tan Sri William H. J. Cheng, a Malaysian, aged 61, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also the Chairman of the Executive Share Option Scheme Committee.

Tan Sri William Cheng has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, retail, distribution and trading, agricultural products and property and community development.

He is the President of The Associated Chinese Chamber of Commerce and Industry of Malaysia and The Chinese Chambers of Commerce and Industry of Kuala Lumpur and Selangor.

His other directorships in public companies are as follows:

- Chairman of Silverstone Corporation Berhad and Lion Forest Industries Berhad, both public listed companies
- Chairman and Managing Director of Lion Corporation Berhad, a public listed company
- Managing Director of Amalgamated Containers Berhad, a public listed company
- Director of Amsteel Corporation Berhad, a public listed company
- Chairman and Managing Director of Silverstone Berhad, a public company

His shareholdings in the Company and the subsidiary companies of the Company are disclosed in page 93 of this Annual Report. He has interest in certain companies which conduct similar business with the Company.

Tan Sri William Cheng is the uncle of Mr Cheng Yong Kwang, a Director of the Company and Datuk Cheng Yong Kim, a major shareholder of the Company.

Tan Sri William Cheng attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2004.

Heah Sieu Lay

Managing Director, Non-Independent Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 51, was appointed to the Board on 5 June 2001. He is the Chairman of the Risk Management Committee and a member of the Audit Committee of the Company.

Mr Heah received his Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic, London. He is an Associate Member of the Institute of Chartered Accountants in England and Wales.

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

He is also a Director of Lion Industries Corporation Berhad, a public listed company.

Mr Heah attended all nine (9) Board Meetings held during the financial year ended 30 June 2004.

Dato' Ismail bin Said

Independent Non-Executive Director

Y. Bhg. Dato' Ismail bin Said, a Malaysian, aged 55, was appointed to the Board on 15 September 1995. Dato' Ismail is the Chairman of the Company's Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Ismail received his Bachelor of Economics degree from the University of Malaya. Dato' Ismail was a member of Parliament (1978-1995), the Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995) and the Chairman of Majlis Amanah Rakyat (1987 to 1990).

He is also a Director of Ahmad Zaki Resources Berhad, a public listed company.

He attended all nine (9) Board Meetings held during the financial year ended 30 June 2004.

Dato Murad Mohamed Hashim

Independent Non-Executive Director

Y. Bhg. Dato Murad Mohamed Hashim, a Malaysian, aged 71, was appointed to the Board on 19 May 2000. He is also the Chairman of the Company's Remuneration Committee.

Dato Murad obtained his Bachelor of Arts degree in International Relations/Economics from the Boston University, Boston, United States of America. He was with ESSO Malaysia Berhad ("ESSO") from 1959 to 1984. In 1984, he was appointed as Senior Vice President and a member of the Board of Petroliaam Nasional Berhad ("Petronas"), Malaysia's national petroleum corporation, by the then Prime Minister of Malaysia and after completing his 5-year contract with Petronas, was subsequently re-appointed by the then Prime Minister in 1989 to establish and head the Malaysian Palm Oil Promotion Council ("MPOPC") to promote palm oil worldwide and to fight the anti-palm oil campaign initiated in the United States of America. In 1993, he retired as Chief Executive Officer of MPOPC. He is also a member of the Board of Trustees of World Wildlife Fund.

Dato Murad is also a Director of Amalgamated Containers Berhad and Mycom Berhad, both public listed companies.

Dato Murad attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2004.

Cheng Yong Kwang

Non-Independent Non-Executive Director

Mr Cheng Yong Kwang, a Singaporean, aged 48, was appointed to the Board on 11 July 1994. He is a member of the Risk Management Committee, Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee of the Company.

Mr Cheng is an associate of the Institute of Chartered Secretaries and Administrators, United Kingdom ("ICSA") and obtained his fellowship from the ICSA in 1996.

Mr Cheng started his career in 1981 with the Lion Group and has held various senior positions in the Lion Group. He has more than 20 years of experience in finance and treasury operations both in the manufacturing and property development sectors.

He is a Director of Lion Asiapac Limited, Singapore and an Appointed Commissioner of P T Lion Metal Works Tbk, Indonesia.

Mr Cheng has a direct shareholding of 1,891,253 ordinary shares of RM0.50 each, RM698,830 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") and RM1,337,840 nominal value redeemable convertible unsecured loan stocks ("RCULS"). Each ICULS and RCULS has a right to convert into one (1) ordinary share of RM0.50 each in the Company at a conversion price of RM0.86 per share.

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

He attended eight (8) of the nine (9) Board Meetings held for the financial year ended 30 June 2004.

George Leong Chee Fook

Independent Non-Executive Director

Mr George Leong Chee Fook, a Malaysian, aged 58 was appointed to the Board on 5 June 2001. Mr George Leong is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

He received his Bachelor of Economics (Honours) degree from the University of Malaya. Mr George Leong was employed by the Malaysian Industrial Development Authority ("MIDA") after his graduation until December 2000 and was a director of MIDA's offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA's headquarters.

Mr George Leong attended all nine (9) Board Meetings held during the financial year ended 30 June 2004.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of practising good corporate governance to direct the businesses of the Group towards enhancing business prosperity and long term value for its shareholders. The Board is fully committed to ensuring that the highest standard of corporate governance is practised throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2004 except where otherwise stated herein.

1. DIRECTORS

The Board

The Board is entrusted with the responsibility in leading and directing the Group towards realising long term shareholders' values. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's system of internal control.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2004, nine (9) board meetings were held and each Director has attended at least 50% of the total board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Balance

The Board comprises six (6) Directors, five (5) of whom are non-executive. The current Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The broad range of experience, skills and knowledge of the Directors facilitate the discharge of the Board's stewardship effectively.

Represented on the Board are three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Board Committees

The Board delegates certain functions to several committees, namely Audit Committee, Nomination Committee and Remuneration Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on their behalf. These committees operate under approved terms of reference or guidelines, whenever required.

Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The members and terms of reference of the Nomination Committee are presented on page 17 of this Annual Report.

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme and are subsequently required to attend training courses and seminars under the Continuing Education Programme.

Re-election

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment.

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 17 of this Annual Report.

Directors' fees are recommended by the Board for the approval by shareholders of the Company at annual general meetings.

For confidentiality, the details of Directors' remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance as applicable to Directors' remuneration recommended by the best practice of the Code are deemed appropriately served by the following disclosures:

The aggregate remuneration of Directors who served during the financial year ended 30 June 2004 are categorised as follows:

	Fees RM	Salaries & Others RM	Total RM
Executive Director	35,000	891,000	926,000
Non-Executive Directors	153,000	–	153,000
	<u>188,000</u>	<u>891,000</u>	<u>1,079,000</u>

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

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
25,000 & below	–	2
25,001 - 50,000	–	3
900,001 - 950,000	1	–

3. SHAREHOLDERS

The annual general meeting is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions regarding the proposed resolutions at the meeting as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to respond to shareholders' queries.

The Group also values dialogues with investors. The Group has been practising open discussions with investors/analysts upon request. In this regard, information is disseminated in strict adherence to the disclosure requirements of Bursa Securities.

The Board has identified the Company Secretary to whom concerns may be conveyed and who would bring the same to the attention of the Board.

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 16 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Directors are satisfied that for the financial year ended 30 June 2004, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements to shareholders. The Board is also responsible for ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group and of the Company.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 13 of this Annual Report.

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. Guided by the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*, the Board is pleased to present the Statement on Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

Board Responsibility

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such internal control systems are designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The systems can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviews the risk management scorecards and reports the status to the Audit Committee.

Control and Monitoring Process

The Board is committed to maintain a strong internal control structure for the proper conduct of the Group's business operations. The key elements include:

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability
- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including defined limits of authority
- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis
- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee
- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis
- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee

The system of internal control was generally satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

Y. Bhg. Dato' Ismail bin Said
(Chairman, Independent Non-Executive Director)

Mr George Leong Chee Fook
(Independent Non-Executive Director)

Mr Heah Sieu Lay
(Non-Independent Executive Director)

The composition of the Audit Committee complies with paragraphs 15.10 and 15.11 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

- **Secretaries**

The Secretaries of Lion Diversified Holdings Berhad, Ms Wong Yoke Lin and Puan Yasmin Weili Tan binti Abdullah are also the Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, a majority of whom shall be independent directors. The composition of the Audit Committee shall fulfill the requirements as prescribed in the Listing Requirements of Bursa Securities. The Chairman of the Audit Committee shall be an independent director appointed by the Board.

- **Meetings and Minutes**

The Audit Committee shall meet at least four (4) times annually and the Chief Internal Auditor and the Chief Financial Officer shall normally be invited to attend the meetings. At least once a year, the Audit Committee shall meet with the external auditors without the non-independent directors being present. A majority of independent directors present shall form a quorum.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board. The Chairman of the Audit Committee shall report on each meeting to the Board.

- **Authority**

In conducting its duties and responsibilities, the Audit Committee shall have:

- (a) the authority to investigate any matter within its terms of reference.
- (b) the resources which are required to perform its duties.
- (c) full and unrestricted access to any information pertaining to the Company and the Group.
- (d) direct communication channels with the external and internal auditors.
- (e) the right to obtain independent professional or other advice as necessary.
- (f) the right to invite other Directors and/or management of the Company to attend any particular Audit Committee meeting to discuss specific issues.

- **Duties**

The duties of the Audit Committee are:

- (i) To consider the appointment, resignation and dismissal of external auditors and the audit fee.
- (ii) To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- (iii) To review and assess the annual and quarterly financial statements prior to the approval of the board of directors, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - changes in accounting policies and practices
 - significant issues arising from audit
- (iv) To discuss problems and reservations arising from the interim and final external audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary).
- (v) To review the external auditors' management letter and management's response thereto.
- (vi) To establish the following with the internal audit function:
 - review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- (vii) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group.
- (viii) To consider the appointment of independent advisers for corporate proposals involving related parties.
- (ix) To assess the quality and effectiveness of the system of internal control and efficiency of operations and to review the risk policy and implementation of the risk management framework.
- (x) To promptly report to Bursa Securities on any matter where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.
- (xi) To review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and be informed of any resignation of internal audit staff members and reasons thereof.
- (xii) To perform any other such function as may be agreed to by the Audit Committee and the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, eight (8) Audit Committee Meetings were held for which full attendance was recorded for all the members of the Audit Committee.

The Audit Committee carried out its duties in accordance with its Terms of Reference during the year.

The main activities undertaken by the Audit Committee during the year were as follows:

- **Financial Results**

- (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.
- (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes of accounting policy, significant and unusual event and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements.

- **Internal Audit**

- (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.
- (b) Reviewed the audit programmes, resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.
- (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.
- (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- (e) Reviewed the Internal Control - Self-Assessment ratings submitted by the respective operations management.

- **External Audit**

- (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
- (b) Reviewed with external auditors the results of the audit and the audit report in particular, reviewed accounting issues and significant audit adjustments arising from the external audit.
- (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management's response to the findings of the external auditors.
- (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.
- (e) Convened a meeting with the external auditors without the non-independent directors being present to discuss issues arising from their review.

- **Risk Management**

Reviewed the Corporate Risk Scorecard of key operations and the mitigating controls to address identified risks.

- **Related Party Transactions**

Reviewed related party transactions entered into by the Group. Reviewed recurrent related party transactions of a revenue or trading nature on a quarterly basis for compliance with the Shareholders' Mandate.

- **Material Transactions**

Reviewed material transactions entered into by the Group.

NOMINATION COMMITTEE

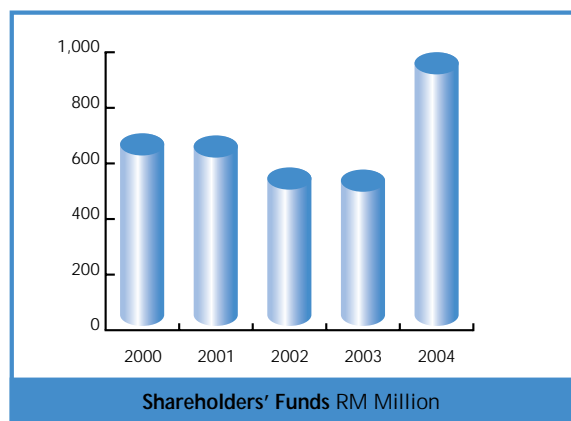
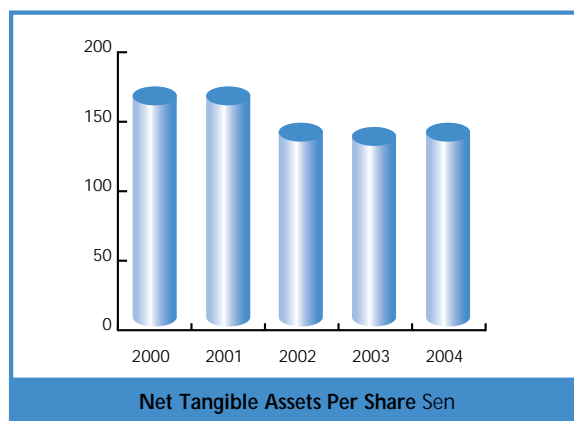
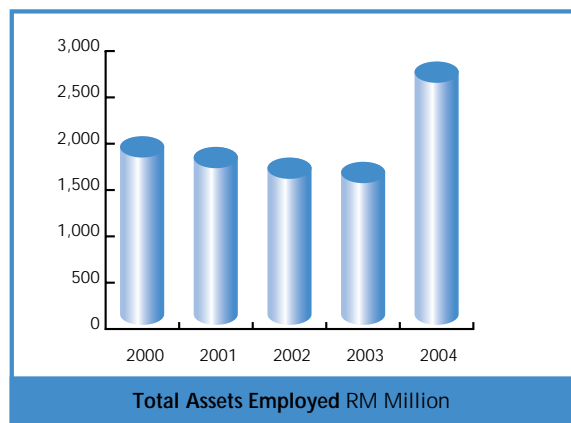
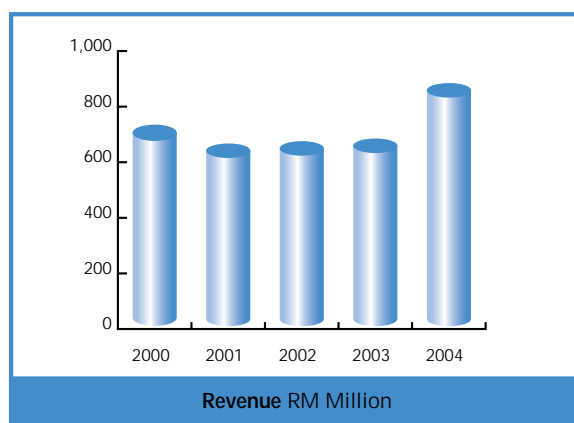
Chairman	:	Mr George Leong Chee Fook (Independent Non-Executive Director)
Members	:	Y. Bhg. Dato' Ismail bin Said (Independent Non-Executive Director) Mr Cheng Yong Kwang (Non-Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board, candidates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

REMUNERATION COMMITTEE

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

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	691,698	614,372	615,031	616,906	849,782
(Loss)/Profit before taxation	(39,430)	21,063	6,453	27,373	447,512
(Loss)/Profit after taxation	(54,047)	3,154	(10,424)	7,038	420,401
Dividends:					
Rate (%)	0.1	0.1	0.1	0.1	10.0
Amount (net of tax)	125	125	125	126	16,658
Total assets employed	1,815,709	1,712,947	1,592,136	1,572,807	2,723,184
Shareholders' funds	603,256	602,298	512,645	505,543	943,832
Net tangible assets	562,148	560,417	471,129	468,318	768,307
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	161	161	135	134	135
(Loss)/Earnings per share	(18.9)	(1.0)	(2.3)	(0.2)	114.9



THE GROUP'S BUSINESSES

- Parkson operates the largest retail chain of department store under U Parkson, Parkson Grand and Parkson Ria in Malaysia.
- *Parkson mengendalikan rangkaian gedung serbaneka terbesar di Malaysia menerusi operasi U Parkson, Parkson Grand dan Parkson Ria.*



- The Group's computer operations under Likom have manufacturing facilities in Melaka and Mexico, supplying enclosures (bottom right) to PC makers and electronic contract manufacturing services (bottom left).
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico, membekal kotak komputer (kanan bawah) kepada pengeluar PC dan perkhidmatan kontrak pengeluaran elektronik (kiri bawah).*

Likom, Melaka



Likom, Mexico



- Today, Parkson China has 30 over stores in 20 major cities throughout the country.
- *Kini, Parkson China mempunyai lebih daripada 30 buah stor di 20 bandar utama di seluruh China.*



- The growing township of Bandar Mahkota Cheras.
- *Bandar Mahkota Cheras, bandar yang pesat berkembang.*

PENYATA PENERUS

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Lion Diversified Holdings Berhad ("LDHB") bagi tahun kewangan berakhir 30 Jun 2004.

PRESTASI KEWANGAN

Kumpulan LDHB sebelum ini telah melibatkan diri dalam kegiatan pengurusan hartanah dan pengilangan bir. Dengan selesainya pelupusan kedua-dua pusat membeli-belah dan operasi pengilangan bir, Kumpulan kini terbabit dalam segmen peruncitan di dalam negara dan juga di Republik Rakyat China ("China"), selain daripada sektor teknologi maklumat dan pembangunan hartanah.

Pelbagai usaha korporat yang telah selesai dilaksanakan dalam tahun semasa bukan hanya membolehkan Kumpulan mengukuhkan kewangannya tetapi juga meletakkan kedudukannya sebagai pemain utama dalam pasaran runcit yang besar dan menguntungkan di China. Parkson China yang telah pun bertapak kukuh di sana dijangkakan terus menerajui pertumbuhan masa depan Kumpulan manakala pelaburan kita yang lain di dalam pasaran tempatan akan terus membantu meluaskan asas-asas pendapatannya.

Untuk tahun kewangan yang ditinjau, Kumpulan telah mencatatkan keuntungan sebelum cukai yang amat membanggakan berjumlah RM447.5 juta terutamanya dari hasil keuntungan besar berjumlah RM378.9 juta yang diperolehi daripada pelupusan sebahagian operasi pengilangan bir. Keuntungan operasi dalam tahun berkenaan meningkat kepada RM65.5 juta melalui perolehan berjumlah RM849.8 juta berbanding masing-masingnya, berjumlah RM52.1 juta dan RM616.9 juta pada tahun lalu. Prestasi Kumpulan pada tahun kewangan ini meliputi perniagaan peruncitan, teknologi maklumat dan pembangunan hartanah.

PERKEMBANGAN KORPORAT

Sepanjang dan berikutan akhir tahun kewangan, Kumpulan telah pun menyelesaikan usaha-usaha korporat yang berikut:

- pelupusan Mahkota Parade dan 50% kepentingan ekuiti dalam perniagaan bir di China
- terbitan bonus dan pengagihan modal sebanyak RM0.40 bagi setiap satu (1) saham LDHB yang sedia ada dalam pegangan
- pengambil-alihan:
 - Kumpulan Peruncitan Parkson (termasuk Kumpulan Aktif Lifestyle)
 - Kumpulan Likom
 - Projek Mahkota Cheras
 - Saham-saham Lion Corporation Berhad

Kumpulan juga memeterai dua perjanjian usaha sama yang berasingan untuk menubuhkan cawangan runcit di Nanning dalam Daerah Guangxi dan Dalian dalam Daerah Liaoning, kedua-duanya terletak di China.

Maklumat terperinci usaha-usaha korporat di atas dinyatakan dalam halaman 29 hingga 33 Laporan Tahunan ini.

Pada 30 September 2004, Kumpulan telah melupuskan baki 50% kepentingan ekuiti dalam perniagaan bir dengan pertimbangan tunai berjumlah USD134.8 juta (kira-kira RM512.1 juta), termasuk faedah.

TINJAUAN PRESTASI

Bahagian Peruncitan

Pengambil-alihan Kumpulan Peruncitan Parkson yang telah diselesaikan pada suku akhir tahun kewangan merupakan satu peristiwa penting kepada Kumpulan kerana ia menandakan pembabitan Kumpulan dalam pasaran yang penuh persaingan di dalam negara dan juga di China. Setelah bertapak dengan kukuh di kedua-dua negara ini, Kumpulan akan terus membina kekuatannya dan berkembang melalui pengambil-alihan yang strategik dan usaha sama.

Untuk tahun kewangan yang ditinjau, prestasi Bahagian Peruncitan yang disatukan dalam hasil kewangan Kumpulan hanya untuk tempoh selama dua bulan selepas pengambil-alihannya. Keuntungan operasi bagi tempoh dua (2) bulan adalah RM20.7 juta di atas perolehan berjumlah RM412.7 juta dengan operasi di China menyumbang dua pertiga (2/3) kepada perolehan berkenaan.

Selari dengan rancangan peluasannya, Kumpulan berhasrat untuk menerokai pasaran Vietnam untuk mengambil faedah daripada pasaran yang menggalakkan di sana. Parkson dijangka akan membuka gedungnya yang pertama di Bandar Ho Chi Minh menjelang awal tahun depan.

Parkson Malaysia

Parkson Malaysia mengendalikan dua puluh enam (26) buah gedung di negara ini melalui jenama "U Parkson", "Parkson Grand", dan "Parkson Ria". Selain itu, ia juga mengendalikan empat (4) buah pasar raya besar di bawah jenama "Xtra". Kesemua gedung dan pasar raya besar dimiliki oleh Kumpulan LDHB kecuali gedung yang baru dibuka di South City Plaza, Kuala Lumpur yang pada masa ini hanya diuruskan oleh Kumpulan. Gedung dan pasar raya besar ditempatkan di lokasi strategik seluruh Semenanjung Malaysia dan Malaysia Timur. Pengambil-alihan Aktif Lifestyle Store Sdn Bhd yang selesai pada bulan Julai 2004, juga menambah jumlah gedung sebanyak lima buah lagi kepada jumlah yang sedia ada dimiliki oleh Kumpulan dan akan beroperasi di bawah jenama "Parkson Aktif".

Parkson China

Parkson China dikendalikan menerusi syarikat-syarikat usaha sama di bawah jenama "Parkson" dan pada masa ini, terdapat tiga puluh lapan (38) buah gedung sama ada dimiliki sendiri atau sekadar terlibat dalam pengurusannya. Di China, Bahagian ini, didasarkan ke arah memenuhi keperluan segmen sederhana dan sederhana atas dalam pasaran runcit yang berkembang pesat. Rancangan telah dibuat untuk meluaskan perniagaan yang sedia ada dengan membuka sebanyak lima (5) hingga sepuluh (10) buah lagi gedung baru setiap tahun, dalam jangkamasa beberapa tahun yang akan datang.

Bahagian Hartanah

Setelah selesainya pelupusan dua (2) buah pusat membeli-belah iaitu Subang Parade dan Mahkota Parade, Kumpulan telah menggantikan perniagaan pelaburan hartanah dengan pembangunan hartanah sebagai salah satu perniagaan terasnya. Subang Parade telah dijual pada bulan Jun 2003 manakala Mahkota Parade pula dilupuskan pada bulan Mac 2004. Perolehan dan keuntungan operasi Bahagian ini dalam tempoh berkenaan adalah lebih rendah kerana ia hanya mewakili hasil kewangan Mahkota Parade bagi tempoh sembilan (9) bulan.

Pada bulan Jun 2004, Kumpulan telah menyempurnakan pengambil-alihan Bandar Mahkota Cheras, sebuah bandar baru bersepadu dan lengkap di atas tanah pegangan bebas seluas 850 ekar di luar Batu 10 Jalan Cheras dan bersempadanan dengan Kelab Golf Sungai Long. Kesemua kelulusan pihak berkuasa telah pun diperolehi bagi pembangunan bandar baru ini dan sejak dilancarkan pada bulan Januari 1997, projek ini telah mencatatkan nilai pembangunan kasar berjumlah RM843 juta. Sehingga ini, sejumlah 3,800 buah rumah kediaman telah pun siap dan telah diserahkan kepada para pembeli manakala 2,700 buah rumah dijangka siap pada tahun depan. Dengan pembangunan lebih 6,000 buah rumah kediaman bercampur dan 400 buah kedai pejabat akan dimajukan dalam beberapa tahun akan datang, projek itu dijangka akan menyediakan aliran pendapatan yang stabil dan aliran tunai kepada Kumpulan dalam jangka masa terdekat.

Bahagian Teknologi Maklumat

Bahagian ini terbabit dalam menyediakan perkhidmatan pembuatan peralatan asli ("OEM") yang bersepadu bagi kekisi komputer peribadi. Ia juga terlibat dalam menyediakan khidmat perkilangan terutamanya pemasangan peranti persisian komputer OEM dan komponen elektronik seperti kotak suis kuasa.

Pertumbuhan dan perkembangan sektor kekisi komputer dipengaruhi secara keseluruhannya oleh perkembangan perkakasan komputer dan permintaan terhadap komputer peribadi ("PC"). Dengan meningkatnya permintaan terhadap PC diseluruh dunia, permintaan melalui kitaran proses penggantian PC dan pertumbuhan ekonomi yang besar di rantau Asia Pasifik, bahagian teknologi maklumat kami dijangka akan kekal menguntungkan.

Bahagian ini akan menggandakan usaha untuk mempelbagaikan pasarannya dalam segmen bukan PC seperti barangan telekomunikasi, produk amaran keselamatan dan produk suis elektrik untuk mengurangkan pergantungannya kepada pasaran PC sahaja.

Bahagian Bir

Penjualan 50% kepentingan ekuiti dalam perniagaan bir kepada rakan kongsi strategik, Interbrew S.A. telah selesai pada pertengahan bulan Januari 2004. Sejak itu, Bahagian ini menjadi syarikat sekutu Kumpulan dan sumbangan perolehan untuk tahun yang ditinjau mewakili prestasi setengah tahun sebelum pelupusan tersebut.

DIVIDEN

Lembaga Pengarah mengesyorkan dividen kasar pertama dan akhir sebanyak 5.0 sen (2003 : 0.05 sen) sesaham, ditolak cukai pendapatan untuk kelulusan oleh para pemegang saham dalam Mesyuarat Agung Tahunan yang akan datang. Jumlah dividen yang dibayar dalam tahun kewangan sekiranya diluluskan akan berjumlah RM16.7 juta (2003 : RM0.1 juta).

PROSPEK

Rasionalisasi perniagaan Kumpulan sepanjang tahun kewangan telah membolehkannya mengukuhkan kedudukan kewangan dan memperluaskan asas pendapatan.

Dengan ekonomi negara dan China dijangka akan mengekalkan pertumbuhan yang pesat, Lembaga Pengarah yakin Kumpulan berada dalam kedudukan yang baik untuk meningkatkan prestasinya dalam tahun kewangan akan datang.

PENGHARGAAAN

Saya ingin merakamkan penghargaan yang tulus ikhlas kepada Lembaga Pengarah, pengurusan dan kakitangan Kumpulan di atas sumbangan yang tidak ternilai sepanjang tahun ini.

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kepada para pelanggan yang amat dihargai, pemegang saham, pembiaya-piaya, sekutu perniagaan, kerajaan dan pihak berkuasa di atas sokongan berterusan dan juga keyakinan mereka terhadap Kumpulan.

TAN SRI WILLIAM H. J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Lion Diversified Holdings Berhad for the financial year ended 30 June 2004.

FINANCIAL PERFORMANCE

The Group had in the past been involved in the business of property management and brewery. With the completion of the divestment of our two shopping centres and the sale of our brewery operations, the Group is now involved in the retail segment, both domestically and in the People's Republic of China ("China"), as well as in the information technology and property development sectors.

The various corporate exercises completed during the year had not only enabled the Group to strengthen its financial position but also positioned the Group to be a key player to tap the vast and lucrative retail market in China. Whilst Parkson China, with its already strong presence there, is expected to further spearhead the Group's future growth, our other investments in the domestic market will help broaden the Group's earnings base.

For the year under review, the Group posted a highly commendable profit before taxation of RM447.5 million largely on account of the significant gain of RM378.9 million recognised on the partial disposal of its brewery operations. Operational profit for the year rose to RM65.5 million on a revenue of RM849.8 million as against RM52.1 million and RM616.9 million respectively last year. The performance of the Group for the year incorporated the results of the retail, information technology and property development businesses.

CORPORATE DEVELOPMENTS

During and subsequent to the financial year-end, the Group completed the following corporate exercises:

- the disposals of Mahkota Parade and 50% equity interest in its brewery business in China
- the bonus issue and capital distribution of RM0.40 for every one (1) existing LDHB share held then
- the acquisitions of the:
 - Parkson Retail Group (including Aktif Lifestyle Group)
 - Likom Group
 - Mahkota Cheras project
 - Lion Corporation Berhad shares

and had entered into two separate joint-venture agreements to set up retail outlets in Nanning, Guangxi Province and Dalian, Liaoning Province, both in China.

Full details of the above corporate exercises are set out on pages 29 to 33 of this Annual Report.

On 30 September 2004, the Group had also disposed of the remaining 50% equity interest in our brewery business for a total cash consideration of USD134.8 million (approximately RM512.1 million), inclusive of interest.

REVIEW OF OPERATIONS

Retail Division

The completion of the acquisition of the Parkson Retail Group during the last quarter of the financial year was a significant event for the Group as it marked the entry of the Group into the highly competitive retail market, both domestically and in China. With its already strong presence in these countries, the Group will continue to build on its strength and grow the business through strategic acquisitions and tie-ups.

For the year under review, the Retail Division's performance had been incorporated into the Group's results for only two months pursuant to the acquisition. Operating profit for the two months was RM20.7 million on a revenue of RM412.7 million with our China operations contributing about two-thirds of the revenue.

In line with its expansion plans, the Group has expressed its intention to venture into Vietnam to tap the promising consumer market there. Parkson is expected to open its first store in Ho Chi Minh City by early next year.

Parkson Malaysia

Parkson Malaysia operates through 26 departmental stores in the country under the brand names of "U Parkson", "Parkson Grand", and "Parkson Ria". In addition, it also operates four hypermarkets under the brand name of "Xtra". All the departmental stores and hypermarkets are owned by the Group with the exception of the newly opened store in South City Plaza, Kuala Lumpur which is currently managed by the Group. The departmental stores and hypermarkets are strategically located across Peninsular Malaysia and in East Malaysia. The completion of the acquisition of Aktif Lifestyle Store Sdn Bhd in July 2004 further added five more departmental stores to the Group's existing stores and operate under the brand name of "Parkson Aktif".

Parkson China

Parkson China operates through its joint-venture companies under the "Parkson" brand name and currently have 38 stores, both owned and managed. In China, the Division caters largely for the fast growing middle to middle upper segments of the retail market. Plans are in place to expand the existing business by the opening up of 5 to 10 new stores per year over the next few years.

Property Division

With the completion of the disposal of our two shopping centres viz Subang Parade and Mahkota Parade, the Group has replaced the property investment business with property development as one of its core businesses. Subang Parade was divested in June 2003 and Mahkota Parade in March 2004. Revenue and operating profit for the division were thus correspondingly lower as they only reflect the results of Mahkota Parade for nine months.

The Group had in June 2004, completed the acquisition of Bandar Mahkota Cheras, a 850 acre freehold self-contained integrated township located off 10th mile Jalan Cheras and adjoining the Sungai Long Golf Club. All relevant approvals have been obtained for the development of this township and since its launch in January 1997, the project has generated a gross development value of RM843 million. To date, some 3,800 units of residential units have been completed and handed over to purchasers while another 2,700 units are expected to be completed next year. With over 6,000 units of mixed residential development and 400 units of shop offices to be developed over the next few years, the project is envisaged to provide a steady stream of income and cash flow to the Group in the near future.

Information Technology Division

The division is involved in the provision of integrated one-stop original equipment manufacturing ("OEM") services in the production of personal computer casings and enclosures. It is also involved in the provision of manufacturing services especially as OEM for the assembly of computer peripherals and electronics components such as power switch boxes.

The growth and development of the computer casing sector is influenced by the development of computer hardware and the demand for personal computers as a whole. With the worldwide increase in personal computer ("PC") demand through PC replacement cycles and substantial economic growth in the Asia-Pacific region, the information technology division is expected to remain profitable.

The division will redouble its efforts to diversify its market into other non-PC segments like telecommunication, security-alarm and electrical switching products to reduce its dependence on the PC market.

Brewery Division

The divestment of 50% equity interest in our brewery business to our strategic partner, Interbrew S.A. was completed in mid-January 2004. The division has since then become an associate of the Group and the revenue contributions for the year under review represents a half year's performance prior to the disposal.

DIVIDEND

The Board is recommending a first and final dividend of 5.0 sen (2003 : 0.05 sen) per share, less tax, for approval by shareholders at the forthcoming Annual General Meeting. The total dividend payable for the financial year, if approved, will amount to RM16.7 million (2003 : RM0.1 million).

PROSPECTS

The rationalisation of the Group's businesses during the financial year had enabled the Group to strengthen its financial position and widen its earnings base.

With the domestic and Chinese economies expected to sustain their robust growth, the Board is confident that the Group is well-placed to improve on its performance in the next financial year.

ACKNOWLEDGEMENT

I would like to express my sincere appreciation and gratitude to the Board of Directors, the management and employees of the Group for their invaluable contributions throughout the year.

On behalf of the Board, I would also like to extend our sincere thanks to all our valued customers, shareholders, financiers, business associates, the Government and regulatory authorities for their continued support and confidence in the Group.

TAN SRI WILLIAM H. J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司截至 2004 年 6 月 30 日为止的会计年度之常年报告和经审核的财务报告。

财务表现

本集团过去的业务包括产业管理和酿酒业。随着脱售我们的两个购物中心和出售酿酒业务，本集团目前从事零售业，包括在国内及在中国营业以及资讯工艺业和产业发展。

在本会计年度内完成的各种企业重组，不仅使到本集团能够加强财务地位，也使到本集团处于有利的地位，以开拓在中国的庞大且有利可图的零售业市场。百盛在中国有很强劲的基础，预料它会进一步促进本集团未来的成长，而我们在国内市场其他投资，将会协助扩大本集团的盈利基础。

在本会计年度内，本集团取得可观的税前利润，总额达到 4 亿 4 千 750 万令吉，主要是由出售一部份的酿酒业，取得 3 亿 7 千 890 万令吉的利润。今年的营业额是 8 亿 4 千 980 万令吉，营业利润增加到 6 千 550 万令吉；而上一年度的营业额是 6 亿 1 千 690 万令吉，利润共 5 千 210 万令吉。本年度的业务表现，包括了零售业，资讯工艺业以及产业发展业的业绩。

公司发展

在本会计年度及会计年度后，本集团完成了下述的企业运作：

- 出售皇冠百利以及出售在中国酿酒业 50% 股权
- 现有的金狮多元控股股票，每股获得 40 仙的红股及资本分配
- 收购以下：
 - 百盛零售集团（包括 Aktiv Lifestyle 集团）
 - 丽康集团
 - 蕉赖皇冠计划
 - 金狮机构股票

与此同时，签署两项联营合同，以在中国广西省的南宁和辽宁省的大连设立零售店。

上述公司发展的详细内容列在本常年报告的第 29 页至 33 页内。

在 2004 年 9 月 30 日，本集团也出售其余酿酒业的 50% 股权，以现金 1 亿 3 千 480 万美元（约 5 亿 1 千 210 万令吉）成交，其中包括利息。

业务检讨

零售部

对本集团来说，在本会计年度的最后一季完成收购百盛零售集团具有重大意义，因为它标志着本集团进军高度竞争的零售业市场，包括本地和中国市场。由于本集团在马中两国都已经有了强劲基础，本集团将继续通过战略性收购和联手增强力量使业务取得成长。

在本会计年度内，零售业的业绩只有两个月纳入本集团的业务之内。在这两个月内，收入共 4 亿 1 千 270 万令吉，营业利润共 2 千 070 万令吉；中国的业务占了收入的大约三分之二。

配合扩充计划，本集团打算进军越南，以开拓那儿前景光明的消费市场。预料百盛将在明年初在胡志明市开设第一间百货公司。

马来西亚百盛

马来西亚百盛在全国各地开设 26 间百货公司，其品牌包括 "U Parkson", "Parkson Grand" 以及 "Parkson Ria"。此外，它也开设 4 间以 "Xtra" 作为品牌的霸级市场。所有百货公司和霸级市场都由本集团拥有，只有最近在吉隆坡南城广场开设的百货公司除外，目前由本集团管理。这些百货公司和霸级市场分布在全马各地的策略性地点，其中包括马来半岛和砂、沙两州。在 2004 年 7 月完成收购 Aktiv Lifestyle Store Sdn Bhd 后使我们拥有多 5 间百货公司，它们将在 "Parkson Aktiv" 品牌下经营。

中国百盛

中国百盛通过其联营公司在“百盛”的品牌下经营，目前有 38 家百货公司，包括投资和管理。在中国，百盛所吸引的是零售业迅速增加的中上阶级和中产阶级消费者。目前的计划是在未来几年，每年增加开设 5 到 10 间百货公司。

产业部

在完成脱售我们的两座购物中心即首邦百利和皇冠百利后，本集团以产业发展取代产业投资作为核心业务之一。首邦百利在 2003 年 6 月出售，皇冠百利在 2004 年 3 月出售。这样一来，这部门的收入和营业利润相应减少，因为它只反映皇冠百利的 9 个月业绩。



本集团在 2004 年 6 月完成收购蕉赖皇冠城 (Bandar Mahkota Cheras)。这是一个占地 850 依格的永久地契、独立自主的综合新镇，地点在蕉赖路 10 哩旁边，和双溪隆高尔夫球俱乐部相邻。本集团已获得发展这个市镇的一切批准手续，而自 1997 年 1 月推展以来，这项计划已取迄今为止，大约 3 千 800 个单位的住宅已经完成并移交给买主，另外 2 千 700 个单位预料将在明年完成。在未来几年，预料将发展超过 6 千个单位的混合住宅和 400 个单位店屋 / 办事处，使到这项计划在近期内将会为本集团带来源源不断的收入和现金流通。

资讯工艺部

这个部门涉及提供整合性一站原始设备生产厂商服务，生产个人电脑外壳和个人电脑内件。它也涉及提供制造业服务，尤其是作为原始设备生产，装配电脑周边部件和电子配件，诸如供电箱等。

电脑外壳业的成长与发展，受到电脑硬件的发展及个人电脑整体需求的影响。由於不断有新款式的电脑取代旧款式的，使到全球对个人电脑的需求增加，加上亚太区经济取得可观成长，预料我们的资讯组将会继续获利。

这部门将加倍努力进军其他以个人电脑没有关连的市场如电讯、警铃和电流模式控制器来减少对个人电脑市场的依赖。

酿酒部

把我们在酿酒业的 50% 股权脱售给我们的策略伙伴 Interbrew S.A. 的交易在 2004 年 1 月中完成。在那之后，这个部门成为本集团的联号，它对本会计年度的收入之贡献，是在脱售之前的半年业绩。

股息

董事部建议，派发一次过终期股息每股 5 仙 (2003 年为每股 0.05 仙)，扣除所得税，此建议必须获得将召开的常年股东大会批准。如果获得批准，本会计年度分发的股息总额是 1 千 670 万令吉 (2003 年度为 10 万令吉)。

展望

在本会计年度内进行业务合理化，使到本集团能够加强财务地位及扩大盈利基础。

由於本国和中国的经济预料会持续蓬勃发展，董事部深信，本集团处於很好的地位，在下一个会计年度会有更好的业绩表现。

鸣谢

我谨向本集团的董事部，管理层和雇员表达真诚的谢忱，感谢他们一年来作出宝贵的贡献。

我也代表董事部，真诚感谢所有尊贵的客户、股东、金融界、商业伙伴、政府机构和监管机构，继续支持我们以给予我们信心。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2004

For The Financial Year Ended 30 June 2004

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group during the financial year other than the following:

- (a) disposals of 50% equity interest in the paid up ordinary shares and 50% interest in the preference shares in Consitrade (M) Sdn Bhd ("Consitrade") and 50% equity interest in the paid up ordinary shares in DEbier Sdn Bhd ("DEbier"), both of which are involved in beer brewing;
- (b) disposal of the Mahkota Parade shopping mall;
- (c) acquisition of Parkson retail group which are involved in the retailing business;
- (d) acquisition of Likom group which are involved in the information technology; and
- (e) acquisition of a development project known as Bandar Mahkota Cheras.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	420,401	23,186
Minority interests	(9,466)	–
Net profit for the year	<u>410,935</u>	<u>23,186</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the disposals of 50% equity interests in Consitrade and DEbier and 50% interest in the preference shares in Consitrade resulting in a gain of RM378.90 million to the Group, as disclosed in Note 15 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2003 is as follows:

RM'000

In respect of the financial year ended 30 June 2003 and reported in the Directors' Report of that year:

- First and final dividend of 0.1% (0.05 sen per share) less 28% taxation paid on 31 December 2003

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At the forthcoming annual general meeting, a first and final dividend of 10.0% (5.0 sen per share) less 28% taxation in respect of the financial year ended 30 June 2004 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2005.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri William H. J. Cheng
 Heah Sieu Lay
 Dato' Ismail bin Said
 Cheng Yong Kwang
 Dato Murad Mohamed Hashim
 George Leong Chee Fook

In accordance with Article 98 of the Company's Articles of Association, Heah Sieu Lay and George Leong Chee Fook retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Dato Murad Mohamed Hashim, being over the age of 70 years, retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as Director under the provision of Section 129(6) of the said Act to hold office until the next annual general meeting.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Executive Share Option Scheme and conversion of loan stocks of the Company.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7(a) to the financial statements or the remuneration of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 37 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			30 June 2004
	1 July 2003	Acquired	Disposed	
Direct Interest				
Tan Sri William H. J. Cheng	–	24,711,120	–	24,711,120
Cheng Yong Kwang	–	1,891,253	–	1,891,253

Indirect Interest

Tan Sri William H. J. Cheng	232,016,501	73,709,000	(3,970,600)	301,754,901
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In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of:

- a) 5-year 2% coupon irredeemable convertible unsecured loan stocks ("ICULS") with a right to convert into new shares at a conversion price of RM0.86 per ordinary share of RM0.50 each.

	Number of RM1.00 Nominal Value ICULS			30 June 2004
	1 July 2003	Acquired	Disposed/ Converted	
Direct Interest				
Tan Sri William H. J. Cheng	–	32,013,120*	–	32,013,120
Cheng Yong Kwang	–	1,397,660*	(698,830)	698,830

Indirect Interest

Tan Sri William H. J. Cheng	–	95,529,000*	–	95,529,000
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- b) 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS") with a right to convert into new shares at a conversion price of RM0.86 per ordinary share of RM0.50 each.

	Number of RM1.00 Nominal Value RCULS			30 June 2004
	1 July 2003	Acquired	Disposed	
Indirect Interest				
Tan Sri William H. J. Cheng	–	100,000,000*	–	100,000,000
Cheng Yong Kwang	–	1,337,840*	–	1,337,840

* The ICULS and RCULS were allotted on 1 June 2004.

The interest of Directors in office at the end of the financial year in shares in its related corporations during the financial year were as follows:

Indirect Interest

	Nominal Value Per Ordinary Share	1 July 2003	Number of Shares		30 June 2004
			Acquired	Disposed	
Tan Sri William H. J. Cheng					
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
LDH Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Likom CMS Sdn Bhd	RM1.00	–	10,000#	–	10,000

This company was acquired on 1 June 2004.

DIRECTORS' INTERESTS (Continued)

	Nominal Value Per Preference Share	1 July 2003	Number of Shares		30 June 2004
			Acquired	Disposed	
Tan Sri William H. J. Cheng					
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	–	–	400,000
Investments in the People's Republic of China	Currency	1 July 2003	Acquired#	Disposed	30 June 2004
Tan Sri William H. J. Cheng					
Beijing CPB Foodstuff Co Ltd	USD	3,080,000	–	–	3,080,000
Beijing Century Parkson E-Business Co Ltd	Rmb	–	306,000	–	306,000
Chongqing Wangyu Parkson Plaza Co Ltd	Rmb	–	14,000,000	–	14,000,000
Dalian Tianhe Parkson Shopping Centre Co Ltd	Rmb	–	60,000,000	–	60,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	–	18,000,000	–	18,000,000
Parkson Retail Development Co Ltd	USD	–	12,700,000	–	12,700,000
Qingdao No. 1 Parkson Co Ltd	Rmb	–	122,750,000	–	122,750,000
Sichuan Hezheng Parkson Plaza Co Ltd	USD	–	4,168,645	–	4,168,645
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	–	48,000,000	–	48,000,000
Xian Lucky King Parkson Plaza Co Ltd	Rmb	–	16,579,917	–	16,579,917
Yangzhou Parkson Plaza Co Ltd	USD	–	4,281,843	–	4,281,843

These companies were acquired on 1 June 2004.

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from RM174,201,750.50 to RM231,365,101.50 by way of:

- (i) the issuance of 350,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share for cash pursuant to the Executive Share Option Scheme of the Company;
- (ii) the issuance of 279,002,800 new ordinary shares of RM0.50 each pursuant to a bonus issue on the basis of four (4) new ordinary shares for every five (5) existing ordinary shares held, via the capitalisation of the share premium account;
- (iii) the capital distribution of RM139,501,400 on the basis of RM0.40 for every one (1) existing ordinary share held, by way of cancellation of 279,002,800 new ordinary shares of RM0.50 each issued pursuant to the bonus issue;
- (iv) the issuance of 108,030,000 new ordinary shares of RM0.50 each at an issue price of RM0.86 per share as part settlement of the Acquisition of New Operations, as mentioned in Significant Events (c) of the Directors' Report; and
- (v) the conversion of RM5,114,165 nominal value of ICULS into 5,946,702 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

The new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS AND REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

During the financial year, the Company issued the following loan stocks as part settlement of the Acquisition of New Operations:

- (i) ICULS with a total nominal value of RM140 million; and
- (ii) RCULS with a total nominal value of RM100 million.

The terms of the ICULS and RCULS are disclosed in Notes 30 and 31 to the financial statements respectively.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

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

The main features of the ESOS are:

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

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

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

Granted on	Subscription price per share (Adjusted)*	1 July 2003	Granted	Exercised	Lapsed	30 June 2004
19 June 2000	RM0.50	384,000	–	(350,000)	(9,000)	25,000

* Adjustment pursuant to the bonus issue and capital distribution of the Company. The subscription price was RM0.65 per share before the adjustment.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made, except as disclosed in Events Subsequent To Balance Sheet Date.

SIGNIFICANT EVENTS

- (a) On 21 October 2002, Lion Mahkota Parade Sdn Bhd ("Lion Mahkota"), a 99.99% owned subsidiary of the Company, signed a call option agreement with Onyee Holdings Sdn Bhd (now known as Hektar Premier Sdn Bhd) ("Purchaser") in relation to the disposal of the shopping mall known as Mahkota Parade and the related leasehold land held in the District of Melaka Tengah, Melaka, to the Purchaser for a cash consideration of RM146.59 million ("Call Option"). The Purchaser released and discharged its rights and obligations in relation to the Call Option to Hektar Black Sdn Bhd ("Hektar Black") on 1 August 2003 pursuant to a Novation and Assignment Agreement signed between Lion Mahkota, Lion Subang Parade Sdn Bhd and Hektar Black.

The disposal of Mahkota Parade was completed on 31 March 2004.

SIGNIFICANT EVENTS (Continued)

- (b) On 5 September 2003, LDH Management Sdn Bhd ("LDHM"), Graimpi Sdn Bhd ("Graimpi"), both wholly owned subsidiaries of the Company, and Horsinvest Holding Co Limited ("Horsinvest") entered into:
- (i) a conditional sale and purchase agreement to dispose of the following to Horsinvest for a total cash consideration of USD131.50 million (equivalent to approximately RM499.70 million):
 - 50% equity interest in the paid up ordinary shares in DEbier by Graimpi ("Interest in DEbier"); and
 - 50% equity interest in the paid up ordinary shares and 50% interest in the preference shares in Consitrade by LDHM ("Interest in Consitrade"); and
 - (ii) a call and put option agreement or deadlock provision wherein Graimpi and LDHM further proposed to dispose of the remaining interest in DEbier by Graimpi and the remaining interest in Consitrade by LDHM to Horsinvest for a total cash consideration of USD131.50 million (equivalent to approximately RM499.70 million) and a return component.

The disposals of the Interest in DEbier and the Interest in Consitrade were completed on 16 January 2004, while the proposed call and put option or deadlock provision is pending exercise.

- (c) On 6 September 2003, the Company entered into several conditional sale and purchase agreements for:
- (i) the acquisition by the Company of the Parkson retail group which involves the acquisition of the entire equity interests in a group of six (6) companies incorporated in Singapore, three (3) companies incorporated in Malaysia, and one (1) company incorporated in Hong Kong SAR ("Parkson Retail Group"), which are retail based companies in the People's Republic of China ("PRC") and Malaysia for a total consideration of RM431.82 million and the settlement of the net inter-company balance due by the acquiree companies to the vendors totalling RM67.39 million as at 30 June 2003 to be satisfied by a cash consideration of RM399.21 million (RM249.21 million was in deferred payment) and the issuance of RM100 million RCULS.
- The full and final settlement of the net inter-company balance due by the Parkson Retail Group to the relevant vendors as at 1 June 2004, being the completion date, was RM71.67 million.
- (ii) the acquisition by the Company of the Likom group which involves:
 - a. the acquisition of the entire issued and paid up capital of Likom Caseworks Sdn Bhd ("LCW"), for a total consideration of RM105.70 million; and
 - b. the subscription of 9,998 ordinary shares of RM1.00 each in Likom CMS Sdn Bhd (formerly known as Diverse Arcadia Sdn Bhd) ("LCMS"), representing 99.98% of the equity interest therein at a subscription price of RM9,998 or RM1.00 per share for cash and the assumption of all LCMS's obligations to pay to Likom Computer System Sdn Bhd ("LCS") the purchase price amounting to RM25.43 million for the acquisition of LCS's business.

(Collectively referred to as the "Likom Group")

The consideration for the acquisition of the Likom Group of RM131.13 million was satisfied by the issuance of ICULS with nominal value of RM78.82 million and 60.82 million (RM52.31 million in value) new ordinary shares at an issue price of RM0.86 per share.

- (iii) the acquisition by LDHM of a development project known as Bandar Mahkota Cheras situated off the 10th mile Jalan Cheras in Kuala Lumpur ("Mahkota Cheras Project") for a total consideration of RM156.78 million was satisfied by a cash payment of RM55 million, 47.21 million (RM40.60 million in value) new ordinary shares at an issue price of RM0.86 per share and ICULS with a total nominal value of RM61.18 million.
- (iv) the acquisition of 226.72 million ordinary shares of RM1.00 each in Lion Corporation Berhad, representing approximately 24.67% of the equity interest therein for a cash consideration of RM226.72 million or RM1.00 per share ("Acquisition of LCB Shares").

The acquisitions under items (i) to (iii) are referred to as the "Acquisition of New Operations".

SIGNIFICANT EVENTS (Continued)

The Acquisition of LCB Shares was completed on 25 March 2004. The Acquisition of New Operations was completed on 1 June 2004. Consequent thereto:

- a. the Company and its subsidiaries ceased to be subsidiaries of Lion Industries Corporation Berhad;
 - b. Parkson Investment Pte Ltd, Parkson Supplies Pte Ltd, Parkson Glomart Pte Ltd, Parkson Pacific Pte Ltd, Parkson Corporation Sdn Bhd, Xtra Supercenter Sdn Bhd, Serbadagang Holdings Sdn Bhd, Parkson Management Pte Ltd, Exonbury Limited, Parkson Venture Pte Ltd and their subsidiaries have become subsidiaries of the Company; and
 - c. LCMS, LCW and its subsidiaries have become subsidiaries of the Company.
- (d) On 31 October 2003, CP Properties Sdn Bhd ("CP Properties"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement for the acquisition of 31 million ordinary shares of RM1.00 each representing 100% equity interest in Aktif Lifestyle Stores Sdn Bhd, and its subsidiaries, namely Sunbeam Bakeries Sdn Bhd, Octon Electronics Sdn Bhd and Aktif-Sunway Sdn Bhd, from Aktif Lifestyle Corporation Berhad for a total consideration of RM1.00 and CP Properties providing a corporate guarantee for a sum of RM20 million. The acquisition of these companies became unconditional and were deemed subsidiaries of the Company for financial purposes in June 2004.

The acquisition was completed on 30 July 2004.

- (e) On 7 June 2004, Parkson Investment Pte Ltd ("PIPL"), a wholly owned subsidiary of the Company, and Kunming Brilliant Real Estate Development Co Ltd, entered into a conditional joint venture agreement to undertake a retail business in Nanning, the PRC, which is pending approvals from the relevant authorities in Malaysia and the PRC.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 24 August 2004, the Company announced that its wholly owned subsidiaries, namely Exonbury Limited and Shanghai Ninesea Parkson Plaza Co Ltd ("Shanghai Ninesea"), proposed to set up a new joint venture retail company in Dalian, the PRC wherein Shanghai Ninesea's investment is via Chongqing International Trust & Investment Co Ltd. The proposal is pending approvals from the relevant authorities.
- (b) The issued and paid up share capital of the Company was increased from RM231,365,101.50 comprising 462,730,203 ordinary shares of RM0.50 each to RM231,892,380.50 comprising 463,784,761 ordinary shares of RM0.50 each fully paid by way of the following:
 - (i) the issuance of 25,000 new ordinary shares of RM0.50 each on 3 August 2004 at an issue price of RM0.50 each for cash pursuant to the Executive Share Option Scheme of the Company; and
 - (ii) the conversion of RM885,420 nominal value of ICULS into 1,029,558 ordinary shares of RM0.50 each on 12 August 2004 at a conversion price of RM0.86 per new ordinary share.
- (c) On 3 September 2004, the Company entered into an agreement with Silverstone Corporation Berhad to acquire 98% equity interest in Hamba Research & Development Co Ltd in Taiwan for a cash consideration of RM1.00. The proposed acquisition is pending completion.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

TAN SRI WILLIAM H. J. CHENG
Chairman

HEAH SIEU LAY
Managing Director

Kuala Lumpur, Malaysia
14 September 2004

STATEMENT BY DIRECTORS

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

We, **TAN SRI WILLIAM H. J. CHENG** and **HEAH SIEU LAY**, being two of the Directors of LION DIVERSIFIED HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 37 to 88 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

TAN SRI WILLIAM H. J. CHENG
Chairman

HEAH SIEU LAY
Managing Director

Kuala Lumpur, Malaysia
14 September 2004

STATUTORY DECLARATION

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

I, **HEAH SIEU LAY**, being the Director primarily responsible for the financial management of LION DIVERSIFIED HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 88 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **HEAH SIEU LAY** at
Kuala Lumpur in the Federal Territory
on 14 September 2004

HEAH SIEU LAY

Before me,

W-217
P. SETHURAMAN

COMMISSIONER FOR OATHS

Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

We have audited the financial statements set out on pages 37 to 88. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been 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 financial position of the Group and of the Company as at 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

TAN SOO YAN
1307/03/06 (J/PH)
Partner

Kuala Lumpur, Malaysia
14 September 2004

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

		Group		Company	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	849,782	616,906	36,100	25,100
Other operating income	4	22,309	10,407	5,664	8,090
Changes in inventories of work in progress, finished goods and trading merchandise		(14,840)	3,201	-	-
Raw materials and consumables used		(192,560)	(279,084)	-	-
Purchase of trading merchandise		(313,299)	-	-	-
Staff costs	5	(64,221)	(63,237)	(160)	(152)
Depreciation and amortisation		(51,137)	(73,566)	-	-
Selling, marketing and promotional expenses		(79,492)	(95,873)	-	-
Other operating expenses		(90,854)	(64,594)	(8,207)	(17,344)
Impairment losses in value of investments	6	(150)	(2,034)	(150)	(2,034)
Profit from operations	7	65,538	52,126	33,247	13,660
Finance costs	8	(12,559)	(26,319)	(6,019)	(7,201)
Share of results of associates		15,633	1,566	-	-
Gain on disposal of subsidiaries	15	378,900	-	-	-
Profit before taxation		447,512	27,373	27,228	6,459
Taxation:	9				
Company and subsidiaries		(20,179)	(19,731)	(4,042)	(6,080)
Associates		(6,932)	(604)	-	-
Profit after taxation		420,401	7,038	23,186	379
Minority interests		(9,466)	(7,645)	-	-
Net profit/(loss) for the year		410,935	(607)	23,186	379
Earnings/(Loss) per share (sen):					
Basic	10(a)	114.9	(0.2)		
Diluted	10(b)	108.1	-		
Dividend per share (sen)	11	5.00	0.05	5.00	0.05

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2004

	Note	Group		Company	
		2004	2003	2004	2003
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	737,211	699,416	-	-
Land held for property development	13	49,760	-	-	-
Investment properties	14	-	146,513	-	-
Investments in subsidiaries	15	-	-	628,469	90,100
Investments in associates	16	416,875	50,288	432	-
Other investments	17	34,202	32,225	33,887	32,225
Intangible assets	18	175,525	37,225	-	-
Long term receivable	19	-	42,270	-	-
Deferred tax assets	20	20,122	-	-	-
		1,433,695	1,007,937	662,788	122,325
CURRENT ASSETS					
Property development costs	13	124,912	-	-	-
Inventories	21	297,769	134,492	-	-
Other investments	17	37,744	7,720	5,977	7,720
Trade receivables	22	74,271	44,822	-	-
Other receivables	23	299,049	254,436	769,944	472,084
Deposits, cash and bank balances	24	455,744	123,400	35,762	2,034
		1,289,489	564,870	811,683	481,838
CURRENT LIABILITIES					
Trade payables	25	450,765	73,663	-	-
Other payables	26	644,976	367,291	668,985	26,715
Government grants	27	4,820	-	-	-
Borrowings	28	234,758	274,413	531	106,187
Tax payable		25,390	31,570	-	824
		1,360,709	746,937	669,516	133,726
NET CURRENT (LIABILITIES)/ASSETS		(71,220)	(182,067)	142,167	348,112
		1,362,475	825,870	804,955	470,437

BALANCE SHEETS

AS AT 30 JUNE 2004 (Continued)

		Group		Company	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
FINANCED BY:					
Share capital	32	231,365	174,202	231,365	174,202
Share premium		224,685	330,603	224,685	330,603
Other reserves	33	207,064	147,229	143,906	–
Retained profit/(Accumulated losses)		280,718	(146,491)	(11,308)	(34,368)
<hr/>					
Shareholders' funds		943,832	505,543	588,648	470,437
Minority interests		151,994	223,914	–	–
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		1,095,826	729,457	588,648	470,437
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Borrowings	28	118,616	96,413	90,980	–
Deferred payables	34	125,327	–	125,327	–
Deferred tax liabilities	20	22,706	–	–	–
<hr/>					
Non-current liabilities		266,649	96,413	216,307	–
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		1,362,475	825,870	804,955	470,437
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Net tangible assets per share (RM)		1.35	1.34		
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The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

	Non-Distributable							Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserves RM'000	Revaluation Reserves RM'000	Capital Reserves RM'000	Equity Components RM'000	Accumulated Losses RM'000	
2003								
At 1 July 2002	174,202	330,603	129,263	31,239	18,065	-	(170,727)	512,645
Translation difference on net equity of foreign subsidiaries	-	-	(1,281)	-	-	-	-	(1,281)
Revaluation reserves:								
Impairment losses on investment property	-	-	-	(5,089)	-	-	-	(5,089)
Realisation on disposal of investment property	-	-	-	(25,909)	-	-	25,909	-
Net (loss)/gain not recognised in income statement	-	-	(1,281)	(30,998)	-	-	25,909	(6,370)
Appropriation of profit to capital reserves	-	-	-	-	941	-	(941)	-
Net loss for the year	-	-	-	-	-	-	(607)	(607)
Dividends	-	-	-	-	-	-	(125)	(125)
At 30 June 2003	174,202	330,603	127,982	241	19,006	-	(146,491)	505,543

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

2004	Note	Non-Distributable					(Accumulated Losses)/		Total
		Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserves RM'000	Revaluation Reserves RM'000	Capital Reserves RM'000	Equity Components RM'000	Retained Profit RM'000	
At 1 July 2003		174,202	330,603	127,982	241	19,006	-	(146,491)	505,543
Translation difference:									
On net equity of foreign subsidiaries		-	-	(3,136)	-	-	-	-	(3,136)
Realisation on disposal of subsidiaries	15	-	-	(64,294)	-	-	-	-	(64,294)
Capital reserves:									
Realisation on disposal of subsidiaries		-	-	-	-	(19,006)	-	19,006	-
Revaluation reserves:									
Impairment losses on investment property		-	-	-	(241)	-	-	-	(241)
Net (loss)/gain not recognised in income statement		-	-	(67,430)	(241)	(19,006)	-	19,006	(67,671)
Bonus issue		139,501	(139,501)	-	-	-	-	-	-
Capital distribution		(139,501)	-	-	-	-	-	-	(139,501)
Issue of ordinary shares pursuant to:									
Acquisition of New Operations		54,015	38,890	-	-	-	-	-	92,905
ESOS		175	52	-	-	-	-	-	227
Corporate restructuring expenses		-	(7,500)	-	-	-	-	-	(7,500)
Equity components of ICULS	30	-	-	-	-	-	128,519	-	128,519
Equity components of RCULS	31	-	-	-	-	-	20,501	-	20,501
Conversion of ICULS		2,973	2,141	-	-	-	(5,114)	-	-
Appropriation of profit to capital reserves		-	-	-	-	2,606	-	(2,606)	-
Net profit for the year		-	-	-	-	-	-	410,935	410,935
Dividends	11	-	-	-	-	-	-	(126)	(126)
At 30 June 2004		231,365	224,685	60,552	-	2,606	143,906	280,718	943,832

The accompanying notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

			← Non-Distributable →		
	Note	Share Capital RM'000	Share Premium RM'000	Equity Components RM'000	Accumulated Losses RM'000
At 1 July 2002		174,202	330,603	–	(34,622)
Net profit for the year		–	–	–	379
Dividends		–	–	–	(125)
At 1 July 2003		174,202	330,603	–	(34,368)
Bonus issue		139,501	(139,501)	–	–
Capital distribution		(139,501)	–	–	–
Issue of ordinary shares pursuant to:					
Acquisition of New Operations		54,015	38,890	–	–
ESOS		175	52	–	–
Corporate restructuring expenses		–	(7,500)	–	–
Equity components of ICULS	30	–	–	128,519	–
Equity components of RCULS	31	–	–	20,501	–
Conversion of ICULS		2,973	2,141	(5,114)	–
Net profit for the year		–	–	–	23,186
Dividends	11	–	–	–	(126)
At 30 June 2004		231,365	224,685	143,906	(11,308)

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	447,512	27,373	27,228	6,459
Adjustments for:				
Gain on disposal of subsidiaries	(378,900)	-	-	-
Depreciation and amortisation	51,137	73,566	-	-
Property, plant and equipment written off	2,951	3,558	-	-
Loss on disposal of property, plant and equipment	-	97	-	-
Loss on disposal of investment property	262	-	-	-
Impairment losses in value of quoted investments	150	1,802	150	1,802
Provision for doubtful debts	438	747	6,139	16,000
(Reversal of)/Provision for stock obsolescence	(492)	334	-	-
Interest expense	12,559	26,319	6,019	7,201
Interest income	(7,312)	(6,659)	(5,664)	(8,040)
Dividend income	-	-	(36,100)	(25,100)
Share of results of associates	(15,633)	(1,566)	-	-
Operating profit/(loss) before working capital changes	112,672	125,571	(2,228)	(1,678)
Changes in working capital:				
Inventories	41,575	(9,506)	-	-
Receivables	(31,819)	3,809	688	6
Payables	(7,566)	21,042	(13,922)	(81)
Property development costs	(5,350)	-	-	-
Cash generated from/(used in) operations	109,512	140,916	(15,462)	(1,753)
Interest received	5,269	3,447	133	30
Interest paid	(11,621)	(19,172)	(2,891)	-
Taxes paid	(38,831)	(28,037)	(1,113)	(99)
Net cash generated from/(used in) operating activities	64,329	97,154	(19,333)	(1,822)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of subsidiaries	427,957	-	-	-
Deposits from call and put option or deadlock provision	186,127	-	-	-
Proceeds from disposal of investment properties	277,080	22,340	-	-
Acquisition of an associate	(226,334)	-	(6)	-
Proceeds from disposal of property, plant and equipment	483	1,886	-	-
Purchase of property, plant and equipment	(37,660)	(62,430)	-	-
Purchase of proprietary technology and patents	-	(202)	-	-
Net advances from/(to) holding, subsidiaries and related companies	-	-	349,091	(8,700)
Acquisition of subsidiaries	75,948	(2,280)	(83,164)	-
Additional investments in a subsidiary	-	(4,436)	(300)	-
Proceeds from disposal of other investments	29,407	198	1,407	198
Purchase of other investments	(28,030)	-	-	-
Dividend received	-	-	31,620	20,872
Net cash generated from/(used in) investing activities	704,978	(44,924)	298,648	12,370

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004 (Continued)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(126)	(125)	(126)	(125)
Capital distribution	(139,501)	–	(139,501)	–
Issue of shares pursuant to ESOS	227	–	227	–
Repayment of short term borrowings	(41,018)	(14,140)	–	–
Repayment of long term borrowings	(248,482)	(52,292)	(106,187)	(10,149)
Proceeds from short term borrowings				
and long term borrowings drawdown	7,824	42,423	–	–
Repayment of hire purchase	(49)	–	–	–
Movement in deposits earmarked for loan repayment	2,000	2,400	890	(640)
Net cash used in financing activities	(419,125)	(21,734)	(244,697)	(10,914)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	350,182	30,496	34,618	(366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	104,194	73,698	1,144	1,510
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 24)	454,376	104,194	35,762	1,144

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Company is located at Basement B1 Klang Parade, No 2112 KM 2, Jalan Meru, 40150 Klang, Selangor Darul Ehsan.

Lion Industries Corporation Berhad, which is incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Securities, ceased to be the ultimate holding company of the Company during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 7,173 (2003: 7,795) and 3 (2003: 3) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 September 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 June 2004, the Group and the Company adopted the following new standards issued by the Malaysian Accounting Standards Board ("MASB"):

MASB 28	Discontinuing Operations
MASB 29	Employee Benefits
MASB 31	Accounting for Government Grants and Disclosure of Government Assistance
MASB 32	Property Development Activities

The adoption of the above new standards have not given rise to any adjustments to the opening balances of accumulated losses of the prior and current years or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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 in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Consolidation (Continued)

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

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

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investments in associates.

Goodwill is amortised on a straight-line basis over its estimated useful life of 25 years. Goodwill arising on the acquisition of associates is not amortised. Goodwill is written down immediately through the income statement if there is a permanent diminution in value.

(d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q). Freehold land is stated at cost less impairment losses. Construction in progress is not depreciated. Leasehold land is amortised in equal instalments over the periods of the respective leases which range from 20 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% - 8%
Plant and machinery	2% - 15%
Motor vehicles	13% - 20%
Office equipment, furniture and fittings	10% - 20%
Renovation	4% - 20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment Properties

Investment properties consist of investments in freehold and leasehold properties that are not substantially occupied for use by, or in the operations, of the Group.

Investment properties are treated as long-term investments and are stated at valuation. Revaluations are based on valuations by an independent valuer at least once every five years. Any revaluation increase is recognised in equity as a revaluation surplus; any decrease is first offset against any unutilised previously recognised revaluation surplus in respect of the same investment property and the balance is thereafter recognised as an expense. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the related revaluation surplus is taken directly to retained profits.

(g) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Industrial land and properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other lease are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(k) Provisions for Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(m) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective country's statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity Compensation Benefits

The Company's Executive Share Option Scheme ("ESOS") allows the Group's executive employees to acquire ordinary shares in the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(n) Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of Goods and Revenue from Departmental Stores Operations

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Sale of Industrial Land and Properties Held for Sale

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

(iii) Interest Income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Rental Income

Rental is recognised on the accrual basis.

(v) Dividend Income

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

(vi) Development Properties

Revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

(p) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

(ii) Foreign Entities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign Currencies (Continued)

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

		2004 RM	2003 RM
United States Dollar	("USD")	3.80	3.80
Singapore Dollar	("SGD")	2.21	2.15
Chinese Renminbi	("Rmb")	0.46	0.46

(q) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(r) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and investment property are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(q).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Trade Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial Instruments (Continued)

(iv) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(vi) Irredeemable and Redeemable Convertible Unsecured Loan Stocks

The convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

(vii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(viii) Intangible Assets

Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

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

3. REVENUE

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

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Sale of goods	402,631	563,450	-	-
Revenue from departmental stores operations	412,710	-	-	-
Property development	4,967	-	-	-
Sale of industrial land	6,151	433	-	-
Rental and related income	23,323	53,023	-	-
Gross dividend from subsidiaries	-	-	36,100	25,100
	849,782	616,906	36,100	25,100

4. OTHER OPERATING INCOME

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Amounts owing from subsidiaries	-	-	3,629	5,062
Amounts owing from related companies	-	32	-	-
Unquoted investment in bonds	1,902	2,945	1,902	2,945
Short term deposits and others	5,410	3,682	133	33
	7,312	6,659	5,664	8,040
Rental income	5,990	-	-	-
Other income	9,007	3,748	-	50
	22,309	10,407	5,664	8,090

5. STAFF COSTS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	48,636	48,703	133	131
Pension costs - defined contribution plans	9,777	10,027	17	18
Other staff related expenses	5,808	4,507	10	3
	64,221	63,237	160	152

Included in staff costs of the Group and of the Company are the executive Director's remuneration as further disclosed in Note 7(a).

6. IMPAIRMENT LOSSES IN VALUE OF INVESTMENTS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Provision for doubtful debts arising from the restructuring scheme on amounts owing from certain related companies	-	232	-	232
Impairment losses in value of quoted investments	150	1,802	150	1,802
	150	2,034	150	2,034

7. PROFIT FROM OPERATIONS

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration	643	404	10	7
Directors' remuneration (Note a)	1,079	1,273	188	113
Depreciation	46,748	68,934	-	-
Property, plant and equipment written off	2,951	3,558	-	-
Loss on disposal of property, plant and equipment	-	97	-	-
Loss on disposal of investment property	262	-	-	-
Rental of land and buildings	19,407	2,057	-	-
Bad debts recovered	(21)	-	-	-
Provision for doubtful debts:				
Subsidiaries	-	-	6,139	15,768
Others	438	515	-	-
(Reversal of)/Provision for stock obsolescence	(492)	334	-	-
Amortisation of goodwill	657	265	-	-
Amortisation of proprietary technology and patents	3,732	4,367	-	-
Realised exchange losses	67	-	-	-

Note a: Directors' remuneration

Directors of the Company

Executive:

Fees	35	25	35	25
Salary and other emoluments	789	1,037	-	-
Pension costs - defined contribution plans	102	123	-	-
	926	1,185	35	25

Non-executive:

Fees	153	88	153	88
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Total	1,079	1,273	188	113
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7. PROFIT FROM OPERATIONS (Continued)

The number of Directors of the Company whose remuneration during the year fell within the following ranges are analysed below:

	Number of Directors 2004	2003
Executive Director:		
RM900,001 - RM950,000	1	–
RM1,150,001 - RM1,200,000	–	1
Non-Executive Directors:		
RM50,000 and below	5	5

8. FINANCE COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest expense on:				
Amounts owing to subsidiaries	–	–	1,043	92
Bank borrowings	10,300	26,079	2,891	6,869
Amounts owing to related parties	274	240	100	240
ICULS (Note 30)	67	–	67	–
RCULS (Note 31)	464	–	464	–
Deferred payments (Note 34)	1,454	–	1,454	–
	12,559	26,319	6,019	7,201

9. TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Company and Subsidiaries				
Income tax:				
Malaysian income tax	8,958	9,859	4,100	4,500
Foreign tax	13,202	7,903	–	–
	22,160	17,762	4,100	4,500
(Over)/Under provision in prior years:				
Malaysian income tax	(648)	1,969	(58)	1,580
	21,512	19,731	4,042	6,080
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,333)	–	–	–
	20,179	19,731	4,042	6,080
Associates				
Income tax:				
Malaysian income tax	3,880	–	–	–
Foreign tax	3,052	604	–	–
	6,932	604	–	–
	27,111	20,335	4,042	6,080

9. TAXATION (Continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	447,512	27,373	27,228	6,459
Tax calculated at a tax rate of 28% (2003: 28%)	125,303	7,664	7,624	1,809
The effects of:				
Different tax rates in other countries	1,176	(859)	–	–
Tax assessed at a lower tax rate of 20%	(95)	–	–	–
Expenses not deductible for tax purposes	7,948	4,631	3,793	5,491
Income not subject to tax	(109,784)	(697)	(7,317)	(2,800)
Utilisation of previously unrecognised tax losses	(458)	(68)	–	–
(Over)/Under provision in prior years	(648)	1,969	(58)	1,580
Deferred tax assets not recognised in current/prior year	3,669	7,695	–	–
Tax expense for the year	27,111	20,335	4,042	6,080

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2004	2003
Net profit/(loss) for the year (RM'000)	410,935	(607)
Weighted average number of ordinary shares in issue ('000)	357,632	348,404
Basic earnings/(loss) per share (sen)	114.9	(0.2)

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), Redeemable Convertible Unsecured Loan Stocks ("RCULS") and share options granted to employees.

10. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

	2004 RM'000
Net profit for the year	410,935
After-tax effect of interest on ICULS and RCULS	382
Adjusted net profit for the year	411,317
	2004 '000
Weighted average number of ordinary shares in issue	357,632
Effect of dilution:	
ICULS and RCULS	22,760
Share options	12
Adjusted weighted average number of ordinary shares in issue and issuable	380,404
Diluted earnings per share (sen)	108.1

The fully diluted loss per share of 2003 is not disclosed as the unissued ordinary shares granted to employees pursuant to the Company's ESOS which have no dilutive effect as the exercise price is above the average market value of the Company's shares.

11. DIVIDENDS

	Group/Company			
	Amount		Dividend per Share	
	2004 RM'000	2003 RM'000	2004 Sen	2003 Sen
First and final dividend, less 28% taxation	16,658	126	5.00	0.05

At the forthcoming annual general meeting, a first and final dividend of 10.0% (5.0 sen per share) less 28% taxation in respect of the financial year ended 30 June 2004 amounting to a total dividend payable of RM16.7 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2005.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
Cost								
At 1 July 2003	6,823	313,176	662,190	21,143	28,460	-	52,520	1,084,312
Additions	-	4,081	30,874	328	1,664	1,586	359	38,892
Disposals	-	-	(1,263)	(125)	(1,118)	-	-	(2,506)
Write off	-	(3,879)	(2,736)	-	(9,851)	-	-	(16,466)
Reclassification	-	17,822	14,958	-	-	-	(32,780)	-
Acquisition of subsidiaries	6,432	673,961	174,371	8,391	197,465	107,117	5,736	1,173,473
Disposal of subsidiaries	-	(330,998)	(702,613)	(20,403)	(26,975)	-	(19,740)	(1,100,729)
At 30 June 2004	13,255	674,163	175,781	9,334	189,645	108,703	6,095	1,176,976

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
Accumulated Depreciation								
At 1 July 2003	1,551	70,694	287,187	11,091	14,373	-	-	384,896
Charge for the year	171	10,603	29,203	1,290	3,507	1,974	-	46,748
Disposals	-	-	(954)	(74)	(995)	-	-	(2,023)
Write off	-	(1,965)	(1,800)	-	(9,750)	-	-	(13,515)
Acquisition of subsidiaries	930	154,086	95,077	4,580	135,711	48,413	-	438,797
Disposal of subsidiaries	-	(76,724)	(312,717)	(11,604)	(14,093)	-	-	(415,138)
At 30 June 2004	2,652	156,694	95,996	5,283	128,753	50,387	-	439,765
Net Book Value								
At 30 June 2004	10,603	517,469	79,785	4,051	60,892	58,316	6,095	737,211
At 30 June 2003	5,272	242,482	375,003	10,052	14,087	-	52,520	699,416
Depreciation charge for 2003	155	9,970	52,226	2,193	4,390	-	-	68,934

- (a) The net book value of the long term leasehold land and short term leasehold land of which the title have not been transferred to the subsidiaries are RM7.55 million (2003: RM5.27 million) and RM13.07 million (2003: RM20.39 million) respectively.
- (b) The net book value of short term leasehold land and buildings pledged for bank borrowings amounted to RM75.47 million (2003: RM70.50 million).
- (c) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2004 RM'000	2003 RM'000
Plant and machinery	1,829	-
Motor vehicles	355	-
Office equipment, furniture and fittings	1,748	-
	3,932	-

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

	Group	
	2004 RM'000	2003 RM'000
At cost:		
Freehold land	168,053	-
Development expenditure	10,305	-
	178,358	-
Non-current portion - Land held for property development	(49,760)	-
	128,598	-
Profit attributable to development work performed to date	1,281	-
Progress billings	(4,967)	-
	124,912	-

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)

The Group considers the portion of property projects on which development work has commenced and is expected to be completed within the normal operating cycle as current assets.

The title in respect of the land has not been transferred as at 30 June 2004.

The land has been pledged to financial institutions for credit facilities granted to a subsidiary.

14. INVESTMENT PROPERTIES

	Group	
	2004 RM'000	2003 RM'000
Land and buildings, at valuation:		
Freehold	–	223,478
Long term leasehold	146,513	146,513
Less: Accumulated impairment losses	(241)	(5,089)
Less: Disposals	(146,272)	(218,389)
	–	146,513

The investment properties consist of commercial shopping complexes. Prior to the disposals, the properties were charged as security for syndicated term loan and overdraft facilities obtained by subsidiaries.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	649,523	111,154
Less: Accumulated impairment losses	(21,054)	(21,054)
	628,469	90,100

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	100	100
Graimpi Sdn Bhd	Malaysia	Investment holding	100	100
CPB Far East Limited*	Hong Kong SAR	Dormant	100	100
LDH Trading Sdn Bhd	Malaysia	Ceased operations	100	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	100	100
Force Ten Sdn Bhd	Malaysia	Dormant	100	100
Le Chocolatier Boutique (M) Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
Urban Resources Sdn Bhd	Malaysia	Property development	100	100
Megavest Sdn Bhd	Malaysia	Property and housing development	100	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	99.99	99.99
Likom CMS Sdn Bhd*	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	99.98	–
Likom Caseworks Sdn Bhd*	Malaysia	Manufacturing of computer casings	100	–
Exonbury Limited*	Hong Kong SAR	Investment holding	100	–
Parkson Pacific Pte Ltd*	Singapore	Investment holding	100	–
Parkson Glomart Pte Ltd*	Singapore	Investment holding	100	–
Parkson Investment Pte Ltd*	Singapore	Investment holding	100	–
Parkson Management Pte Ltd*	Singapore	Investment holding	100	–
Parkson Supplies Pte Ltd*	Singapore	Investment holding	100	–
Parkson Venture Pte Ltd*	Singapore	Investment holding	100	–
Serbadagang Holdings Sdn Bhd*	Malaysia	Investment holding	100	–
Parkson Corporation Sdn Bhd*	Malaysia	Operation of departmental stores	100	–
Xtra Supercenter Sdn Bhd*	Malaysia	Operation of hypermarkets	100	–
Qingdao No.1 Parkson Co Ltd	People's Republic of China	Property development and retailing	52.60	–
CP Properties Sdn Bhd	Malaysia	Investment holding	100	100
LDH (S) Pte Ltd*	Singapore	Investment holding	100	100
LDH Investment Pte Ltd*	Singapore	Investment holding	60	60
<u>Subsidiaries of LDH</u>				
<u>Manufacturing Sdn Bhd</u>				
CPB Enterprise Sdn Bhd	Malaysia	Ceased operations	100	100
CPB Investment AG*	Switzerland	Investment holding	100	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
<u>Subsidiary of CPB Enterprise Sdn Bhd</u>				
United Brands Trading Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
<u>Subsidiary of LDH Investment Pte Ltd</u>				
Beijing CPB Foodstuff Co Ltd* (in liquidation - voluntary)	People's Republic of China	Ceased operations	70	70
<u>Subsidiaries of Graimpi Sdn Bhd</u>				
Pavlova Investment Pte Ltd*	Singapore	Dormant	100	–
Gemmo Pte Ltd*	Singapore	Investment holding	100	–
DEbier Sdn Bhd*	Malaysia	Investment holding	–	100
<u>Subsidiary of Gemmo Pte Ltd</u>				
Gesto Pte Ltd*	Singapore	Dormant	100	100
<u>Subsidiaries of DEbier Sdn Bhd</u>				
Lion Brewing Group Co Ltd*	People's Republic of China	Beer brewing	–	55
Pavlova Investment Pte Ltd*	Singapore	Dormant	–	100
Gemmo Pte Ltd*	Singapore	Investment holding	–	100
<u>Subsidiaries of Lion Brewing Group Co Ltd</u>				
Wenzhou Double Deer Beer Marketing Co Ltd*	People's Republic of China	Sale and marketing of beer and other beverages	– –	75 25#
Zhejiang YanDangShan Lion Brewery Co Ltd*	People's Republic of China	Beer brewing	– –	90 10#
Wenzhou Lion Brewery R&D Co Ltd*	People's Republic of China	Provision of technical assistance and undertaking research and development works	– –	90 10#
Pingyang Lion Beer Co Ltd*	People's Republic of China	Beer brewing	– –	54.60 25@
Jinhua Lion Brewery Co Ltd*	People's Republic of China	Production and marketing of beer and non-alcoholic drinks	– –	54.60 25@

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
<u>Subsidiaries of Lion Subang Parade Sdn Bhd</u>				
Bingkisan Jaya Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
Hypervest Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
Jatitrade Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
Pattervest Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
Indobaru Sdn Bhd* (in liquidation - voluntary)	Malaysia	Dormant	100	100
LDH Management Sdn Bhd	Malaysia	Investment holding and property development	100	100
<u>Subsidiaries of LDH Management Sdn Bhd</u>				
Grand Tours & Travel Service Sdn Bhd	Malaysia	Dormant	100	100
Consitrade (M) Sdn Bhd*	Malaysia	Investment holding	–	100
Shanghai DEbier Management Consulting Co Ltd*	People’s Republic of China	Management consulting services	100	–
<u>Subsidiaries of Consitrade (M) Sdn Bhd</u>				
Zhu Zhou DEbier Brewery Co Ltd*	People’s Republic of China	Beer brewing and mineral water bottling	–	68.50
Hubei Lion Brewery Co Ltd*	People’s Republic of China	Beer brewing	–	60
Hubei Jinlongquan Brewery Co Ltd*	People’s Republic of China	Beer brewing	–	60
Shandong DEbier Brewery Co Ltd*	People’s Republic of China	Beer brewing	–	60
Hunan DEbier Brewery Co Ltd*	People’s Republic of China	Beer brewing	–	55
Jiangsu DEbier Brewery Co Ltd*	People’s Republic of China	Beer brewing	–	55
Shanghai DEbier Management Consulting Co Ltd*	People’s Republic of China	Management consulting services	–	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
<u>Subsidiaries of Hubei Jinlongquan Brewery Co Ltd</u>				
Jinlongquan Brewery (Xiaogan) Co Ltd*	People’s Republic of China	Manufacturing and sale of beer and non-alcoholic drinks	–	55.56
<u>Subsidiary of Likom Caseworks Sdn Bhd</u>				
Likom Caseworks USA Inc*	United States of America	Wholesaling of computer products	100	–
<u>Subsidiary of Likom Caseworks USA Inc</u>				
Likom de Mexico S.A. de C.V*	Mexico	Assembling of electronic components used in computers	100	–
<u>Subsidiary of Exonbury Limited</u>				
Shanghai Ninesea Parkson Plaza Co Ltd	People’s Republic of China	Retailing, food and beverage and entertainment business	100	–
<u>Subsidiary of Parkson Pacific Pte Ltd</u>				
Mianyang Fulin Parkson Plaza Co Ltd	People’s Republic of China	Retailing	60	–
<u>Subsidiary of Parkson Glomart Pte Ltd</u>				
Shanghai Parkson Decorations Industry Co Ltd	People’s Republic of China	Retailing of fashion products	100	–
<u>Subsidiaries of Parkson Investment Pte Ltd</u>				
Rosenblum Investments Pte Ltd*	Singapore	Investment holding	100	–
Parkson Retail Development Co Ltd	People’s Republic of China	Property development and retailing	56	–
<u>Subsidiary of Parkson Management Pte Ltd</u>				
Sichuan Hezheng Parkson Plaza Co Ltd	People’s Republic of China	Retailing	90	–
<u>Subsidiary of Parkson Supplies Pte Ltd</u>				
Chongqing Wangyu Parkson Plaza Co Ltd	People’s Republic of China	Retailing	70	–

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
<u>Subsidiaries of Serbadagang Holdings Sdn Bhd</u>				
Dalian Tianhe Parkson Shopping Centre Co Ltd	People’s Republic of China	Retailing	60	–
Shanghai Lion Parkson Investment Consultant Co Ltd	People’s Republic of China	Provision of investment and consultancy services	100	–
Wuxi Sanyang Parkson Plaza Co Ltd	People’s Republic of China	Retailing	60	–
Xian Lucky King Parkson Plaza Co Ltd	People’s Republic of China	Retailing	51	–
Yangzhou Parkson Plaza Co Ltd	People’s Republic of China	Retailing	55	–
<u>Subsidiary of Shanghai Lion Parkson Investment Consultant Co Ltd</u>				
Beijing Century Parkson E-Business Co Ltd	People’s Republic of China	Research and development of computer software	51	–
<u>Subsidiary of CP Properties Sdn Bhd</u>				
Aktif Lifestyle Stores Sdn Bhd^	Malaysia	Operation of departmental stores	100	–
<u>Subsidiaries of Aktif Lifestyle Stores Sdn Bhd</u>				
Aktif-Sunway Sdn Bhd^	Malaysia	Operation of departmental stores	80	–
Octon Electronics Sdn Bhd^	Malaysia	Retailing of electrical and electronic household appliances	100	–
Sunbeam Bakeries Sdn Bhd^	Malaysia	Operation of bakeries and food courts	100	–

Holding in equity by Pingyang Lion Beer Co Ltd, a subsidiary in which the Group has a 79.6% equity interest. Pingyang Lion Beer Co Ltd ceased to be a subsidiary on 16 January 2004.

@ Holding in equity by Consitrade (M) Sdn Bhd, a wholly owned subsidiary of the Group. Consitrade (M) Sdn Bhd ceased to be a subsidiary on 16 January 2004.

[^] The acquisition of these companies became unconditional and were deemed subsidiaries of the Company for financial purposes in June 2004.

* Not audited by Ernst & Young, Malaysia.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

The shares in respect of the investment in Exonbury Limited is still in the process of being transferred to the Company.

The shares in respect of certain subsidiaries arising from the acquisition of the Parkson Retail Group are deposited with the nominee of the vendors pending the settlement of deferred payments, as mentioned in Note 34.

(a) Acquisition of Subsidiaries

During the financial year, the Group has completed the following acquisitions:

- (i) the acquisition of the Parkson Retail Group which involves the acquisition of the entire equity interests in a group of six (6) companies incorporated in Singapore, three (3) companies incorporated in Malaysia, and one (1) company incorporated in Hong Kong SAR ("Parkson Retail Group"), which are retail based companies in the People's Republic of China and Malaysia for a total consideration of RM431.82 million and the settlement of the net inter-company balance due by the acquiree companies to the vendors totalling RM67.39 million as at 30 June 2003 to be satisfied by a cash consideration of RM399.21 million of which RM249.21 million was in deferred payment and the issuance of RM100 million RCULS.

The full and final settlement of the net inter-company balance due by the Parkson Retail Group to the relevant companies as at 1 June 2004, being the completion date, was RM71.67 million;

- (ii) the acquisition of the entire issued and paid up capital of Likom Caseworks Sdn Bhd for a total consideration of RM105.70 million;
- (iii) the subscription of 9,998 ordinary shares of RM1.00 each in Likom CMS Sdn Bhd ("LCMS"), representing 99.98% of the equity interest therein at a subscription price of RM9,998 or RM1.00 per share for cash and the assumption of all LCMS's obligations to pay to Likom Computer System Sdn Bhd ("LCS") the purchase price amounting to RM25.43 million for the acquisition of LCS's business; and
- (iv) CP Properties Sdn Bhd ("CP Properties"), a wholly owned subsidiary of the Company, acquired 31 million ordinary shares of RM1.00 each representing 100% equity interest in Aktif Lifestyle Stores Sdn Bhd and its subsidiaries, namely Sunbeam Bakeries Sdn Bhd, Octon Electronics Sdn Bhd and Aktif-Sunway Sdn Bhd, from Aktif Lifestyle Corporation Berhad for a total consideration of RM1.00 and CP Properties providing a corporate guarantee for a sum of RM20 million.

The above acquisitions together with the acquisition of Mahkota Cheras Project had the following effects on the Group's financial results for the year:

	2004 RM'000
Revenue	441,865
Profit from operations	25,328
Net profit for the year	15,168

The acquisitions had the following effects on the financial position of the Group as at the end of the year:

	2004 RM'000
Property, plant and equipment	731,658
Land held for property development and property development costs	174,672
Investments in associates	3,677
Other investments	33,557
Deferred tax assets	20,122
Purchased goodwill	20,456
Inventories	289,881
Trade and other receivables	458,457
Deposits, cash and bank balances	317,997
Trade and other payables	(1,045,449)
Borrowings	(260,682)
Tax payable	(17,147)
Deferred tax liabilities	(22,706)
Minority interests	(151,994)
Group's share of net assets	552,499

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

The fair values of the assets acquired and liabilities assumed from the acquisitions of the subsidiaries and Mahkota Cheras Project were as follows:

	At the date of acquisitions		
	Subsidiaries	Mahkota Cheras Project	Total
	RM'000	RM'000	RM'000
Property, plant and equipment	734,550	126	734,676
Land held for property development and property development costs	–	169,322	169,322
Investments in associates	3,763	–	3,763
Other investments	32,068	–	32,068
Deferred tax assets	18,396	–	18,396
Purchased goodwill	20,524	–	20,524
Inventories	319,910	–	319,910
Trade and other receivables	495,600	30,131	525,731
Deposits, cash and bank balances	224,140	61,645	285,785
Trade and other payables	(1,035,083)	(57,441)	(1,092,524)
Borrowings	(240,764)	(47,002)	(287,766)
Tax payable	(17,414)	–	(17,414)
Deferred tax liabilities	(22,313)	–	(22,313)
Fair value of total net assets	533,377	156,781	690,158
Less: Minority interests	(150,801)	–	(150,801)
Group's share of net assets	382,576	156,781	539,357
Goodwill on acquisition	155,494	–	155,494
Cost of acquisition	538,070	156,781	694,851
Purchase consideration satisfied by:			
Cash			209,837
Ordinary shares issued, at fair value			92,905
ICULS			140,000
RCULS			100,000
Deferred payments (Note 34)			249,210
Net inter-company balance			(97,101)
Total purchase consideration			694,851
Purchase consideration satisfied by cash			(209,837)
Cash and cash equivalents acquired			285,785
Net cash inflow of the Group			75,948

(b) Disposal of Subsidiaries

On 5 September 2003, LDH Management Sdn Bhd ("LDHM"), Graimipi Sdn Bhd ("Graimipi") and Horsinvest Holding Co Ltd ("Horsinvest") entered into:

- (i) a conditional sale and purchase agreement to dispose of the following to Horsinvest for a total cash consideration of USD131.50 million (equivalent to approximately RM499.70 million):
 - 50% equity interest in the paid-up ordinary shares in DEbier Sdn Bhd ("DEbier") by Graimipi ("Interest in DEbier"); and
 - 50% equity interest in the paid-up ordinary shares and 50% interest in the preference shares in Consitrade (M) Sdn Bhd ("Consitrade") by LDHM ("Interest in Consitrade"); and

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Disposal of Subsidiaries (Continued)

- (ii) a call and put option agreement or deadlock provision wherein Graimpi and LDHM further propose to dispose of the remaining interest in DEbier by Graimpi and the remaining interest in Consitrade by LDHM to Horsinvest for a total cash consideration of USD131.50 million (equivalent to approximately RM499.70 million) and a return component.

The disposals of the Interest in DEbier and the Interest in Consitrade were completed on 16 January 2004, while the call and put option or deadlock provision is pending exercise.

The disposals had the following effects on the Group's financial results for the year:

	Group 2004 (Up to the date of disposal) RM'000	2003 RM'000
Revenue	378,326	562,630
Operating costs	(366,349)	(554,880)
Profit before taxation	11,977	7,750
Taxation	(3,733)	(4,185)
Profit after taxation	8,244	3,565
Minority interests	(3,638)	(3,823)
Net profit/(loss) for the year	4,606	(258)

The disposals had the following effects on the financial position of the Group as at the end of the year:

	Group At the date of disposal RM'000	30 June 2003 RM'000
Property, plant and equipment	685,591	693,265
Investments in associates	53,097	50,288
Intangible assets	29,124	36,604
Inventories	115,550	121,116
Trade and other receivables	156,755	121,935
Deposits, cash and bank balances	70,571	78,517
Trade and other payables	(414,310)	(408,571)
Borrowings	(100,401)	(110,092)
Tax payable	(6,276)	(2,951)
Minority interests	(229,530)	(223,913)
Reclassified to investments in associates	360,171 (180,454)	356,198
Net assets disposed	179,717	
Goodwill on consolidation	4,205	
Transfer from exchange fluctuation reserve	183,922 (64,294)	
Total disposal proceeds settled by cash	119,628 498,528	
Gain on disposal of subsidiaries	378,900	
Cash inflow arising on disposal:		
Cash consideration, representing cash inflow of the Group	498,528	
Cash and cash equivalents of subsidiaries disposed	(70,571)	
Net cash inflow of the Group	427,957	

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted shares in Malaysia, at cost	226,766	–	432	–
Unquoted investments, at cost	181,409	46,624	–	–
Share of post-acquisition reserves	8,700	3,664	–	–
	416,875	50,288	432	–
Market value of quoted shares	137,425	–	261	–

The Group's interests in the associates are analysed as follows:

	Group	
	2004 RM'000	2003 RM'000
Share of net assets	220,612	50,288
Share of goodwill in associates	142,496	–
	363,108	50,288
Goodwill on acquisition	53,767	–
	416,875	50,288
Share of capital commitments	24,389	–
Share of contingent liabilities	85	–

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Equity Interest	
			2004 %	2003 %
Ningbo Lion Brewery Co Ltd	People's Republic of China	Beer brewing	–	44.71
Lion Corporation Berhad#	Malaysia	Investment holding	24.72	–
DEbier Sdn Bhd	Malaysia	Investment holding	50.00	–
Consitrade (M) Sdn Bhd	Malaysia	Investment holding	50.00	–
Inner Mongolia Leadar Parkson Plaza Co Ltd	People's Republic of China	Retailing	25.00	–
Shanghai Ninesea Lion Properties Management Co Ltd	People's Republic of China	Property development	35.00	–

All the associates are not audited by Ernst & Young, Malaysia.

Listed on the Main Board of Bursa Securities.

17. OTHER INVESTMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Long Term Investments				
Unquoted bonds, at cost	36,451	36,451	36,451	36,451
Accrued interests	4,847	2,945	4,847	2,945
	41,298	39,396	41,298	39,396
Less: Redeemed	(2,031)	(198)	(2,031)	(198)
	39,267	39,198	39,267	39,198
Less: Bonds redeemable within one year	(5,380)	(6,973)	(5,380)	(6,973)
	33,887	32,225	33,887	32,225
Quoted shares in Malaysia, at cost	2	-	-	-
Unquoted shares, at cost	313	-	-	-
	34,202	32,225	33,887	32,225
Short Term Investments				
Quoted shares at cost:				
In Malaysia	2,549	2,549	2,549	2,549
Outside Malaysia	8	-	-	-
	2,557	2,549	2,549	2,549
Less: Accumulated impairment losses	(1,952)	(1,802)	(1,952)	(1,802)
	605	747	597	747
Unquoted bonds redeemable within one year	5,380	6,973	5,380	6,973
Quoted debentures outside Malaysia, at cost	26,292	-	-	-
Investment management fund	5,467	-	-	-
	37,744	7,720	5,977	7,720
Market value of:				
Quoted shares	1,313	747	1,310	747
Quoted debentures	26,292	-	-	-

The investment management fund is managed by an external investment management company. As at year end, the fund was invested in the following:

	Group	
	2004 RM'000	2003 RM'000
Government securities	877	-
Cash and bank balances	4,590	-
	5,467	-
Market value of Government securities	800	-

The unquoted bonds which were issued by the former ultimate holding companies bear a yield to maturity ranges from 4.75% to 5.75% per annum.

18. INTANGIBLE ASSETS

	Group	
	2004 RM'000	2003 RM'000
Goodwill	175,525	4,369
Pre-production expenditure, proprietary technology and patents	–	32,856
	175,525	37,225
(a) Goodwill		
Goodwill on consolidation:		
At 1 July	5,848	5,848
Acquisition of subsidiaries	155,494	–
Disposal of subsidiaries	(5,269)	–
At 30 June	156,073	5,848
Purchased goodwill:		
At 1 July	–	–
Acquisition of subsidiaries	20,524	–
At 30 June	20,524	–
Less: Accumulated amortisation		
At 1 July	(1,479)	(1,214)
Recognised in income statement	(657)	(265)
Disposal of subsidiaries	1,064	–
At 30 June	(1,072)	(1,479)
Total	175,525	4,369
(b) Pre-production expenditure, proprietary technology and patents		
Pre-production expenditure, proprietary technology and patents:		
At 1 July	68,723	68,382
Acquisition of a subsidiary	–	139
Addition during the year	–	202
Disposal of subsidiaries	(68,723)	–
At 30 June	–	68,723
Less: Accumulated amortisation		
At 1 July	(35,867)	(31,500)
Recognised in income statement	(3,732)	(4,367)
Disposal of subsidiaries	39,599	–
At 30 June	–	(35,867)
Total	–	32,856

19. LONG TERM RECEIVABLE

The long term receivable comprises sale proceed receivable from the disposal of the Subang Parade shopping mall during the financial year ended 30 June 2003 and was analysed as follows:

	Group	
	2004 RM'000	2003 RM'000
Total proceed receivable	42,270	201,070
Less: Amount receivable within one year (Note 23)	(42,270)	(158,800)
Amount receivable after one year	-	42,270

20. DEFERRED TAX

	Group	
	2004 RM'000	2003 RM'000
At 1 July	-	-
Acquisition of subsidiaries	(3,917)	-
Recognised in income statement	1,333	-
At 30 June	(2,584)	-

Presented after appropriate offsetting as follows:

Deferred tax assets	20,122	-
Deferred tax liabilities	(22,706)	-
	(2,584)	-

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Provisions RM'000
At 1 July 2003	-
Acquisition of subsidiaries	18,396
Recognised in income statement	1,726
At 30 June 2004	20,122

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM'000
At 1 July 2003	-
Acquisition of subsidiaries	(22,313)
Recognised in income statement	(393)
At 30 June 2004	(22,706)

20. DEFERRED TAX (Continued)

Deferred tax asset has not been recognised in respect of the following item:

	Group	
	2004	2003
	RM'000	RM'000
Unused tax losses	94,000	140,000

The unused tax losses are available indefinitely for offset against future taxable profits of the respective subsidiaries.

21. INVENTORIES

	Group	
	2004	2003
	RM'000	RM'000
At cost:		
Merchandise inventories	166,440	–
Industrial land and properties held for sale	96,970	13,193
Raw materials	894	80,826
Work-in-progress	2,033	19,057
Finished goods	1,901	7,813
Consumable stores	1,100	7,220
At net realisable value:		
Finished goods	13,075	–
Work-in-progress	1,625	–
Raw materials	13,731	–
Consumable stores	–	6,383
	297,769	134,492

The cost of inventories carried at net realisable value at end of the financial year are as follows:

	Group	
	2004	2003
	RM'000	RM'000
Finished goods	13,846	–
Work-in-progress	1,650	–
Raw materials	14,503	–
Consumable stores	–	10,463
Total	29,999	10,463

The title to the industrial land has yet to be transferred to a subsidiary as at 30 June 2004.

22. TRADE RECEIVABLES

	Group	
	2004	2003
	RM'000	RM'000
Trade receivables	76,009	56,346
Less: Provision for doubtful debts	(1,738)	(11,524)
	74,271	44,822

22. TRADE RECEIVABLES (Continued)

The Group's normal trade credit term ranges from 2 to 75 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

23. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amounts owing by subsidiaries	-	-	846,777	542,817
Less: Provision for doubtful debts	-	-	(79,050)	(72,911)
	-	-	767,727	469,906
Sundry receivables	107,273	79,082	4	2,007
Deposits	37,685	409	1,187	-
Prepayments	20,958	12,481	-	171
	165,916	91,972	1,191	2,178
Less: Provision for doubtful debts	(551)	(2,263)	-	-
	165,365	89,709	1,191	2,178
Sales proceeds receivable from disposals of:				
Subang Parade shopping mall (Note 19)	42,270	158,800	-	-
Mahkota Parade shopping mall	27,730	-	-	-
Amounts owing by capital holders of subsidiaries	52,498	-	-	-
Amounts owing by associates	4,517	1,829	-	-
Amounts owing by related parties	618	55	299	-
Tax recoverable	6,051	4,043	727	-
Total	299,049	254,436	769,944	472,084

The amounts owing by subsidiaries are unsecured, have no fixed terms of repayment and interest is charged at the rate of 1.0% (2003: 1.0%) per annum.

The amounts owing by capital holders of subsidiaries are secured against certain assets of the capital holders and have no fixed terms of repayment. Certain amounts bear interest at the rate of 4.5% to 6.5% per annum.

The amounts owing by associates and other receivables are unsecured, interest free and have no fixed terms of repayment.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% per annum.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash on hand and at banks	203,558	86,973	2,362	560
Deposits with:				
Licensed banks	211,089	32,101	33,400	1,474
Licensed finance companies	41,097	4,326	–	–
Deposits, cash and bank balances	455,744	123,400	35,762	2,034
Less: Bank overdrafts	(1,368)	(17,206)	–	–
Less: Deposits earmarked for loan repayment	–	(2,000)	–	(890)
Cash and cash equivalents	454,376	104,194	35,762	1,144

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China are subject to the exchange control restrictions of that country. The cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

The following deposits and bank balances, which arose from the acquisition of the Mahkota Cheras Project, are registered under the vendor's name.

	Group	
	2004 RM'000	2003 RM'000
Deposits with licensed banks	39,066	–
Bank balance	3,704	–
	42,770	–

Included in bank balance of a subsidiary is an amount of RM3.16 million (2003: RMNil) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

The average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Licensed banks	2.5	3.1	2.3	3.1
Licensed finance companies	2.6	2.3	–	–

Deposits of the Group and of the Company have an average maturity of 30 days. Bank balances are deposits held at call with licensed banks.

25. TRADE PAYABLES

	Group	
	2004 RM'000	2003 RM'000
Trade payables	450,765	73,663

The normal trade credit terms granted to the Group ranges from 30 to 60 days.

26. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sundry payables	406,142	334,668	–	–
Accruals	52,882	32,448	3,667	10,102
Amounts owing to subsidiaries	–	–	539,708	16,453
Amounts owing to capital holders of subsidiaries	57,599	–	–	–
Amounts owing to related parties	3,016	175	273	160
Deferred payments due within one year (Note 34)	125,337	–	125,337	–
	644,976	367,291	668,985	26,715

Included in the sundry payables is a net option deposit of RM186.13 million received pursuant to a call and put option agreement or deadlock provision as mentioned in the Significant Events (b)(ii) of the Directors' Report. The option deposit received is net of an escrow deposit of RM13.77 million held pursuant to an escrow agreement mentioned in Note 36(a).

The amounts owing to subsidiaries are unsecured, have no fixed terms of repayment and interest is charged on certain amounts at 1.0% (2003: 1.0%) per annum.

The amounts owing to capital holders of subsidiaries are unsecured, have no fixed terms of repayment and interest is charged on certain amounts at 5.6% per annum.

The amounts owing to related parties are unsecured, interest free and have no fixed terms of repayment.

27. GOVERNMENT GRANTS

	Group	
	2004 RM'000	2003 RM'000
Grants	4,820	–

A subsidiary in the People's Republic of China received Government grants amounting to Rmb10.50 million (equivalent to approximately RM4.82 million) for the capital expenditure to be incurred on the business premises.

28. BORROWINGS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Short Term Borrowings				
Secured:				
Bank overdrafts	1,368	17,206	–	–
Hire purchase payables (Note 29)	548	–	–	–
Short term loans	155,013	20,227	–	–
Term loans	10,000	196,209	–	106,187
	166,929	233,642	–	106,187
Unsecured:				
Bankers' acceptances	13,035	3,570	–	–
ICULS (Note 30)	67	–	67	–
RCULS (Note 31)	464	–	464	–
Short term loans	54,263	29,435	–	–
Term loans	–	7,766	–	–
	67,829	40,771	531	–
	234,758	274,413	531	106,187

28. BORROWINGS (Continued)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Long Term Borrowings				
Secured:				
Hire purchase payables (Note 29)	634	–	–	–
Term loans	27,002	66,500	–	–
	27,636	66,500	–	–
Unsecured:				
ICULS (Note 30)	11,481	–	11,481	–
RCULS (Note 31)	79,499	–	79,499	–
Term loans	–	29,913	–	–
	90,980	29,913	90,980	–
	118,616	96,413	90,980	–
Total Borrowings				
Hire purchase payables (Note 29)	1,182	–	–	–
Other borrowings	352,192	370,826	91,511	106,187
	353,374	370,826	91,511	106,187
Maturity of other borrowings (excluding hire purchase payables):				
Within one year	234,210	274,413	531	106,187
More than one year and less than two years	10,000	70,305	–	–
More than two years and less than five years	107,982	20,599	90,980	–
Five years or more	–	5,509	–	–
	352,192	370,826	91,511	106,187

The ranges of effective interest rates at the balance sheet date for other borrowings were as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Bank overdrafts	BLR+2.25	BLR+1.25	–	–
Bankers' acceptances	5.5 to 8.0	4.0	–	–
ICULS	7.0	–	7.0	–
RCULS	7.0	–	7.0	–
Short term loans	4.5 to 10.0	6.0	–	–
Term loans	10.0	3.0 to 10.0	–	9.0

The borrowings are secured against certain land and buildings of the Group.

29. HIRE PURCHASE PAYABLES

	Group	
	2004 RM'000	2003 RM'000
Minimum lease payments:		
Not later than one year	590	–
Later than one year and not later than five years	716	–
Later than five years	56	–
	<hr/> 1,362	<hr/> –
Less: Future finance charges	(180)	–
	<hr/> 1,182	<hr/> –
Present value of finance lease liabilities		
Present value of finance lease liabilities:		
Not later than one year	548	–
Later than one year and not later than five years	584	–
Later than five years	50	–
	<hr/> 1,182	<hr/> –
Analysed as:		
Due within one year (Note 28)	548	–
Due after one year (Note 28)	634	–
	<hr/> 1,182	<hr/> –

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 3.39% to 7.75% per annum.

30. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the Acquisition of New Operations which was completed in the current financial year, the Company had issued RM140 million nominal value 5-year 2% coupon irredeemable convertible unsecured loan stocks ("ICULS") as part of the settlement. The terms of the ICULS are as follows:

(a) Conversion Rights and Rate

The ICULS are convertible into new ordinary shares of RM0.50 each in the Company during the conversion period at the conversion price of RM0.86 for every new ordinary share in the Company.

(b) Conversion Period

The ICULS are for a period of 5 years maturing on 1 June 2009.

(c) Coupon Rate

The ICULS bear a coupon interest rate of 2% per annum payable annually in arrears on the anniversary of the issue date during the tenure of the ICULS.

(d) Redeemability

Not redeemable for cash. Unless previously converted all outstanding ICULS will be mandatorily converted into new ordinary shares of RM0.50 each at the conversion price of RM0.86 for every new ordinary share in the Company on 1 June 2009.

(e) Ranking

The new ordinary shares to be issued pursuant to the conversion of the ICULS shall rank pari passu in all respects with the existing ordinary shares of the Company.

The ICULS are listed on the Main Board of Bursa Securities.

30. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)

The value of the ICULS has been split into the liability component and the equity component, representing the fair value of the conversion option. The ICULS are accounted for in the balance sheets as follows:

	Group/Company 2004 RM'000	2003 RM'000
Nominal value	140,000	–
Less: Unamortised portion	(128,452)	–
Net amount	11,548	–
Amount due within one year (Note 28)	(67)	–
Amount due after one year (Note 28)	11,481	–

The amount recognised in the balance sheets may be analysed as follows:

	Group/Company 2004 RM'000	2003 RM'000
Nominal value	140,000	–
Less: Equity component	(128,519)	–
Liability component at date of issue	11,481	–
Interest expenses recognised during the year (Note 8)	67	–
Liability component at 30 June	11,548	–

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7% per annum.

31. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the Acquisition of New Operations which was completed in the current financial year, the Company issued RM100 million nominal value 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS") as part of the settlement. The terms of the RCULS are as follows:

(a) Conversion Rights and Rate

The RCULS are convertible into new ordinary shares of RM0.50 each in the Company during the conversion period at the conversion price of RM0.86 for every new ordinary share in the Company.

(b) Conversion Period

The RCULS are for a period of 5 years maturing on 1 June 2009.

(c) Coupon Rate

The RCULS bear a coupon interest rate of 2% per annum payable annually in arrears on the anniversary of the issue date during the tenure of the RCULS.

(d) Redeemability

The Company will have an option to redeem any of the RCULS on a pro-rata basis by giving a two (2) weeks written notice to the holders at any time. If for whatever reason the holder does not convert the RCULS or the Company does not exercise the redemption, all of the outstanding RCULS will be redeemed for cash at RM1.00 per RCULS on 1 June 2009.

31. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)

(e) Ranking

The new ordinary shares to be issued pursuant to the conversion of the RCULS shall rank pari passu in all respects with the existing ordinary shares of the Company.

The value of the RCULS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCULS are accounted for in the balance sheets as follows:

	Group/Company	
	2004	2003
	RM'000	RM'000
Nominal value	100,000	–
Less: Unamortised portion	(20,037)	–
Net amount	79,963	–
Amount due within one year (Note 28)	(464)	–
Amount due after one year (Note 28)	79,499	–

The amount recognised in the balance sheets may be analysed as follows:

	Group/Company	
	2004	2003
	RM'000	RM'000
Nominal value	100,000	–
Less: Equity component	(20,501)	–
Liability component at date of issue	79,499	–
Interest expenses recognised during the year (Note 8)	464	–
Liability component at 30 June	79,963	–

Interest expense on the RCULS is calculated on the effective yield basis by applying the interest rate of 7% per annum.

32. SHARE CAPITAL

	Group/Company			
	Number of Ordinary Shares of RM0.50 Each		Amount	
	2004	2003	2004	2003
	'000	'000	RM'000	RM'000
Authorised:				
At 1 July/30 June	1,000,000	1,000,000	500,000	500,000
Issued and fully paid:				
At 1 July	348,404	348,404	174,202	174,202
Movements during the year pursuant to:				
Bonus issue	279,003	–	139,501	–
Capital distribution	(279,003)	–	(139,501)	–
Acquisition of New Operations	108,030	–	54,015	–
ESOS	350	–	175	–
Conversion of ICULS	5,946	–	2,973	–
At 30 June	462,730	348,404	231,365	174,202

32. SHARE CAPITAL (Continued)

(a) Issue of ordinary shares

During the financial year, the Company increased its issued and paid up share capital from RM174,201,750.50 to RM231,365,101.50 by way of:

- (i) the issuance of 350,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share for cash pursuant to the Executive Share Option Scheme of the Company;
- (ii) the issuance of 279,002,800 new ordinary shares of RM0.50 each pursuant to a bonus issue on the basis of four (4) new ordinary shares for every five (5) existing ordinary shares held, via the capitalisation of the share premium account;
- (iii) the capital distribution of RM139,501,400 on the basis of RM0.40 for every one (1) existing ordinary share held, by way of cancellation of 279,002,800 new ordinary shares of RM0.50 each issued pursuant to the bonus issue;
- (iv) the issuance of 108,030,000 new ordinary shares of RM0.50 each at an issue price of RM0.86 per share as part settlement of the Acquisition of New Operations; and
- (v) the conversion of RM5,114,165 nominal value of ICULS into 5,946,702 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

The new ordinary shares issued rank pari passu in all respects with the then existing ordinary shares of the Company.

(b) Executive Share Option Scheme ("ESOS")

The main features of the Company's ESOS are as follows:

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

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

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

	Group/Company	
	2004 '000	2003 '000
At beginning of financial year	384	408
Granted	—	—
Exercised	(350)	—
Lapsed	(9)	(24)
At end of financial year	25	384

As at 30 June 2004, there were 25,000 (2003: 384,000) unissued ordinary shares under options granted pursuant to the ESOS at an exercise price of RM0.50 (before 27 March 2004: RM0.65) each.

33. OTHER RESERVES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Exchange fluctuation reserves	60,552	127,982	-	-
Revaluation reserves	-	241	-	-
Capital reserves	2,606	19,006	-	-
Equity components of ICULS	123,405	-	123,405	-
Equity components of RCULS	20,501	-	20,501	-
	207,064	147,229	143,906	-

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

34. DEFERRED PAYABLES

	Group/Company	
	2004	2003
	RM'000	RM'000
Deferred payments (Note 15(a))	249,210	-
Interest expenses recognised during the year (Note 8)	1,454	-
	250,664	-
Amount due within one year (Note 26)	(125,337)	-
	125,327	-
Repayable:		
Within one year	125,337	-
More than one year and less than two years	125,327	-
	250,664	-

The deferred payments are part of the cash consideration payable on the acquisition of the Parkson Retail Group, bear interest at rate of 7% per annum and are payable on or before 15 December 2004 and 15 December 2005 respectively.

35. COMMITMENTS

	Group	
	2004	2003
	RM'000	RM'000
(a) Capital commitments		
Capital expenditure for property, plant and equipment:		
Approved and contracted for	9,634	-
Approved but not contracted for	8,253	-
	24,389	-
Share of capital commitment of associates (Note 16)	42,276	-
	42,276	-

35. COMMITMENTS (Continued)

	Group	
	2004	2003
	RM'000	RM'000
(b) Non-cancellable operating lease commitments		
Future minimum rental payable:		
Not later than one year	30,632	–
Later than one year and not later than five years	167,114	–
Later than five years	235,054	–
	432,800	–

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries. Leases are negotiated for an average term of 10 years.

36. CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to:				
A third party (trade related)	1,836	–	–	–
A subsidiary	–	–	20,000	83,900
Share of contingent liabilities of associates (Note 16)	85	–	–	–
	1,921	–	20,000	83,900

On 16 January 2004, Graimpi and LDHM (collectively referred to as the "Brewery Vendors") and Horsinvest entered into a supplemental agreement ("Supplemental Agreement"), pursuant to which they agreed to the following:

- (a) Horsinvest and the Brewery Vendors to enter into an amended and restated escrow agreement ("Amended and Restated Escrow Agreement"), pursuant to which a United States Dollar equivalent of the amount of Rmb30 million (equivalent to approximately RM13.77 million) is to be held in escrow for the use by Hunan DEbier Brewery Co Ltd to satisfy all the relevant employee severance payments; and
- (b) The Brewery Vendors agree to jointly and severally indemnify Horsinvest and each of their respective successors, assigns, and directors and officers and the directors of the brewery companies (namely Consitrade, DEbier or their subsidiaries or associates except for Shanghai DEbier Management Consulting Co Ltd, Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd) ("Brewery Companies") designated by Horsinvest (collectively, the "Indemnified Persons") and shall reimburse the Indemnified Persons for any and all liabilities incurred directly or indirectly by any of the Indemnified Persons or any of the Brewery Companies arising out of, resulting from, relating to or in connection with the employee benefits liabilities and any taxation liabilities arising on or before the completion date, i.e. 16 January 2004; provided that:
 - (i) the obligation of the Brewery Vendors to indemnify the Indemnified Persons shall be limited in amount to the percentage of the liabilities that is equivalent to the aggregate percentage interest held directly or indirectly by Consitrade or DEbier in such Brewery Companies immediately prior to the completion date, i.e. 16 January 2004; and

36. CONTINGENT LIABILITIES (Continued)

- (b) (ii) claims for indemnification shall be brought by the Indemnified Persons with notice in writing to the Brewery Vendors no later than:
- three years from 16 January 2004 with respect to a claim or claims in connection with employee benefits liabilities; and
 - seven years from 16 January 2004 with respect to a claim or claims in connection with any taxation liabilities.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

		Group	
	Nature	2004 RM'000	2003 RM'000
Related Company			
Lion Klang Parade Bhd	Interest income	–	32
Related Parties			
Parkson Corporation Sdn Bhd*	Rental income	2,684	6,579
Hubei Jinlongquan (Group) Co Ltd group	Purchase of raw materials and consumables	15,091	47,397

* Became a subsidiary in the current financial year.

Hubei Jinlongquan (Group) Co Ltd is a corporate shareholder which holds a 40% equity stake in certain subsidiary companies of the Group, namely Hubei Jinlongquan Brewery Co Ltd and Hubei Lion Brewery Co Ltd. Hubei Jinlongquan Brewery Co Ltd and Hubei Lion Brewery Co Ltd ceased to be subsidiaries of the Company on 16 January 2004.

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

38. SIGNIFICANT EVENTS

Significant events are as disclosed in the Directors' Report.

39. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Events subsequent to balance sheet date are as disclosed in the Directors' Report.

40. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity, credit and foreign exchange risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rates debt.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Credit Risk

Credit risk arises when sales made were on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

(e) Foreign Exchange Risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in US Dollars, which has been pegged against the Ringgit Malaysia, the exposure to this risk is minimal.

The currency exposure profile of financial assets and financial liabilities of the Group are as follows:

At 30 June 2004

Functional Currency	Net Financial Assets/Liabilities Held			
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
Receivables				
Ringgit Malaysia	153,472	–	28,270	181,742
Chinese Renminbi	–	169,918	–	169,918
Others	–	–	21,660	21,660
	<u>153,472</u>	<u>169,918</u>	<u>49,930</u>	<u>373,320</u>
Deposits, Cash and Bank Balances				
Ringgit Malaysia	200,964	–	–	200,964
Chinese Renminbi	–	245,125	3,128	248,253
Others	–	–	6,527	6,527
	<u>200,964</u>	<u>245,125</u>	<u>9,655</u>	<u>455,744</u>
Payables				
Ringgit Malaysia	462,368	–	195,719	658,087
Chinese Renminbi	–	422,794	–	422,794
Others	–	–	14,860	14,860
	<u>462,368</u>	<u>422,794</u>	<u>210,579</u>	<u>1,095,741</u>
Borrowings				
Ringgit Malaysia	168,966	–	5,929	174,895
Chinese Renminbi	–	167,345	–	167,345
Others	–	–	11,134	11,134
	<u>168,966</u>	<u>167,345</u>	<u>17,063</u>	<u>353,374</u>

40. FINANCIAL INSTRUMENTS (Continued)

(e) Foreign Exchange Risk (Continued)

At 30 June 2003

Functional Currency	Net Financial Assets/Liabilities Held			
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
Receivables				
Ringgit Malaysia	190,652	–	–	190,652
Chinese Renminbi	–	108,388	–	108,388
Others	–	–	218	218
	<u>190,652</u>	<u>108,388</u>	<u>218</u>	<u>299,258</u>
Deposits, Cash and Bank Balances				
Ringgit Malaysia	38,222	–	–	38,222
Chinese Renminbi	–	83,570	1,583	85,153
Others	–	–	25	25
	<u>38,222</u>	<u>83,570</u>	<u>1,608</u>	<u>123,400</u>
Payables				
Ringgit Malaysia	34,316	–	–	34,316
Chinese Renminbi	–	406,546	–	406,546
Others	–	–	92	92
	<u>34,316</u>	<u>406,546</u>	<u>92</u>	<u>440,954</u>
Borrowings				
Ringgit Malaysia	176,837	–	83,896	260,733
Chinese Renminbi	–	110,093	–	110,093
	<u>176,837</u>	<u>110,093</u>	<u>83,896</u>	<u>370,826</u>

(f) Fair Values

The fair values of the Group's financial assets and liabilities are approximate to their carrying amounts.

41. SEGMENT INFORMATION

(a) Business Segments

The Group is organised on a worldwide basis into five business segments:

- | | |
|-----------------------------|---|
| (i) Retailing | - Operation of departmental stores and supermarkets |
| (ii) Property | - Property development and management |
| (iii) Beverage | - Manufacturing and sale of beer and non-alcoholic drinks |
| (iv) Information technology | - Manufacturing and sale of computer and related products |
| (v) Others | - Investment holding and others |

41. SEGMENT INFORMATION (Continued)
(a) Business Segments (Continued)
2004

	Retailing RM'000	Property RM'000	Beverage RM'000	Information Technology RM'000	Others RM'000	Consolidated RM'000
Revenue						
External sales	412,710	34,441	378,443	24,188	–	849,782
Inter-segment sales	–	–	–	–	–	–
Total revenue	<u>412,710</u>	<u>34,441</u>	<u>378,443</u>	<u>24,188</u>	<u>–</u>	<u>849,782</u>
Results						
Segment results	20,669	16,853	24,904	4,341	(1,229)	65,538
Unallocated corporate expenses						–
Profit from operations						65,538
Finance costs						(12,559)
Share of results of associates	(79)	–	10,468	–	5,244	15,633
Gain on disposal of subsidiaries						378,900
Taxation						(27,111)
Profit after taxation						420,401
Minority interests						(9,466)
Net profit for the year						<u>410,935</u>
Assets						
Segment assets	1,578,458	247,528	–	196,074	258,076	2,280,136
Investment in associates	3,677	–	–	–	413,198	416,875
Unallocated corporate assets						26,173
Consolidated total assets						<u>2,723,184</u>
Liabilities						
Segment liabilities	893,986	89,239	–	62,823	533,214	1,579,262
Unallocated corporate liabilities						48,096
Consolidated total liabilities						<u>1,627,358</u>
Other Information						
Capital expenditure	9,690	–	26,887	2,315	–	38,892
Depreciation	11,136	330	34,454	828	–	46,748
Amortisation of goodwill	278	–	135	244	–	657
Amortisation of proprietary technology and patents	–	–	3,732	–	–	3,732
Impairment losses	–	–	–	–	150	150
Non-cash expenses other than depreciation, amortisation and impairment losses	3,344	599	16	(800)	–	3,159

41. SEGMENT INFORMATION (Continued)
(a) Business Segments (Continued)
2003

	Retailing	Property	Beverage	Information	Others	Consolidated
	RM'000	RM'000	RM'000	Technology	RM'000	RM'000
				RM'000		
Revenue						
External sales	–	53,456	563,450	–	–	616,906
Inter-segment sales	–	–	–	–	–	–
Total revenue	–	53,456	563,450	–	–	616,906
Results						
Segment results	–	33,335	20,147	–	(1,356)	52,126
Unallocated corporate expenses						–
Profit from operations						52,126
Finance costs						(26,319)
Share of results of associates	–	–	1,566	–	–	1,566
Taxation						(20,335)
Profit after taxation						7,038
Minority interests						(7,645)
Net loss for the year						(607)
Assets						
Segment assets	–	385,111	1,091,056	–	42,309	1,518,476
Investment in associates	–	–	50,288	–	–	50,288
Unallocated corporate assets						4,043
Consolidated total assets						1,572,807
Liabilities						
Segment liabilities	–	186,294	502,738	–	122,748	811,780
Unallocated corporate liabilities						31,570
Consolidated total liabilities						843,350
Other Information						
Capital expenditure	–	275	62,357	–	–	62,632
Depreciation	–	662	68,272	–	–	68,934
Amortisation of goodwill	–	–	265	–	–	265
Amortisation of proprietary technology and patents	–	–	4,367	–	–	4,367
Impairment losses	–	–	–	–	1,802	1,802
Non-cash expenses other than depreciation, amortisation and impairment losses	–	81	4,326	–	232	4,639

41. SEGMENT INFORMATION (Continued)

(b) Geographical Segments

The Group's five business segments are operated in three main geographical areas:

- (i) Malaysia - Retailing, property, information technology and investment holding
- (ii) People's Republic of China - Retailing, manufacturing and sale of beer and non-alcoholic drinks
- (iii) Others - Information technology and investment holding

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysia	168,780	54,277	959,466	429,106	1,722	275
People's Republic of China	657,393	562,629	1,265,626	1,089,370	34,886	62,357
Others	23,609	–	55,044	–	2,284	–
Total	849,782	616,906	2,280,136	1,518,476	38,892	62,632

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2004

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	College (12)	5.1	1992
2.	Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250, Melaka	Leasehold 13.4.2081	4,105.1 sq metres	Buildings	Apartment (6)	3.1	June 2004
3.	Ground Floor Podium "A Block" Kompleks Karamunsing Jalan Tuaran Kota Kinabalu, Sabah	Leasehold 21.1.2901	1,245.1 sq metres	Building	Departmental store (14)	2.4	June 2004
4.	918, Huaihai Zhong Lu Shanghai, China	Leasehold 29.11.2024	26,786.0 sq metres	Building	Shopping complex (8)	79.2	June 2004
5.	37, Jin Rong Jie Xi Cheng Qu Beijing, China	Leasehold 20.10.2043	41,849.0 sq metres	Commercial land and building	Shopping complex and office (6-10)	128.5	June 2004
6.	68, Ren Ming Nan Lu Shi Duan, Jin Xui Garden Chengdu, China	Leasehold 10.2056	129.31 sq metres	Building	Residential (8)	0.2	June 2004
7.	44-60, Zhong Shan Lu Shi Nan City Qingdao, China	Leasehold 31.5.2025	114,981.3 sq metres	Commercial land and building	Shopping complex and office (4)	147.0	June 2004
8.	22-38, Sha He Kou Lu Xian Lu, China	Leasehold 6.2.2027	32,443.1 sq metres	Commercial building	Shopping complex, office and warehouse (7)	52.7	June 2004
9.	127, Ren Min Road Wuxi, China	Leasehold 22.4.2044	28,290.3 sq metres	Commercial land and building	Shopping complex and office (8)	49.3	June 2004
10.	239, East Street Xian, China	Leasehold 22.5.2047	17,755.4 sq metres	Commercial building	Shopping complex (7)	33.1	June 2004
11.	98, Qiong Hua Zhongduan, Yangzhou Jiangsu, China	Leasehold 20.9.2034	7,666.9 sq metres	Commercial land and building	Shopping complex (9)	27.5	June 2004

ANALYSIS OF EQUITY SECURITIES

ORDINARY SHARES

Share Capital as at 30 September 2004

Authorised Share Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM241,326,051.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2004

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	72	0.54	2,506	Negligible
100 to 1,000	5,069	37.85	4,653,790	0.96
1,001 to 10,000	6,926	51.71	28,840,691	5.98
10,001 to 100,000	1,183	8.83	34,443,584	7.14
100,001 to less than 5% of issued shares	139	1.04	135,580,900	28.09
5% and above of issued shares	4	0.03	279,130,632	57.83
	<u>13,393</u>	<u>100.00</u>	<u>482,652,103</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 30 September 2004

Registered Shareholders	No. of Shares	% of Shares
1. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	149,190,800	32.17
2. Lion Industries Corporation Berhad	58,018,645	12.51
3. Narajaya Sdn Bhd	47,210,067	10.18
4. Tan Sri William H. J. Cheng	24,711,120	5.33
5. Ributasi Holdings Sdn Bhd	14,709,000	3.17
6. Lion Corporation Berhad	13,283,000	2.86
7. Lembaga Tabung Angkatan Tentera	13,200,771	2.85
8. Likom Computer System Sdn Bhd	5,895,000	1.27
9. Affin Nominees (Tempatan) Sdn Bhd Lion Industries Corporation Berhad for Likom Computer System Sdn Bhd	5,895,000	1.27
10. Merak Saujana Sdn Bhd	4,814,098	1.04
11. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	4,428,000	0.95
12. Datuk Cheng Yong Kim	2,402,398	0.52
13. Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S. A. for Osterreichische Volksbanken AG	2,400,000	0.52
14. A.A. Assets Nominees (Asing) Sdn Bhd DBS Vickers Securities (Singapore) Pte Ltd for Chelverton Dividend and Income Fund Ltd	2,282,950	0.49
15. Chen Shok Ching	2,235,117	0.48
16. TCL Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fresh Direct Supply Sdn Bhd	2,046,400	0.44
17. BHLB Trustee Berhad TA Small Cap Fund	2,002,600	0.43
18. HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Ng Boon Bee	2,000,000	0.43

Thirty Largest Registered Shareholders as at 30 September 2004 (Continued)

Registered Shareholders	No. of Shares	% of Shares
19. Cheng Yong Kwang	1,891,253	0.41
20. Cheng Yong Liang	1,891,253	0.41
21. Cheng Yoong Choong	1,891,253	0.41
22. Citicorp Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	1,044,100	0.23
23. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (LPSB 981086)	1,000,000	0.22
24. Citicorp Nominees (Asing) Sdn Bhd MLPFS for Sogo Co Ltd	1,000,000	0.22
25. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (BK 6/190-2)	1,000,000	0.22
26. OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Lee Cheng Lock	971,300	0.21
27. Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for ACC Synergy Insurance Berhad (CDAM23-990350)	924,100	0.20
28. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd (01-00016-000)	829,000	0.18
29. Cheng Wei Meng	602,462	0.13
30. Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for Choong Lye Hock Estates Sdn Berhad (CDAM 36-200748)	600,000	0.13

Substantial Shareholders as at 30 September 2004

Substantial Shareholders	Direct Interest		Indirect Interest			
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of ICULS	No. of RCULS
1. Tan Sri William H. J. Cheng	43,319,910	8.97	301,754,901	62.52	111,538,560 ^a	100,000,000 ^b
2. Datuk Cheng Yong Kim	2,402,398	0.49	275,255,901	57.03	62,069,420 ^c	100,000,000 ^b
3. Lion Realty Pte Ltd	–	–	275,255,901	57.03	61,180,000 ^b	100,000,000 ^b
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.22	274,194,012	56.81	61,180,000 ^b	100,000,000 ^b
5. Narajaya Sdn Bhd	53,638,067	11.11	–	–	61,180,000 ^d	–
6. Horizon Towers Sdn Bhd	–	–	220,555,945	45.69	–	100,000,000 ^b
7. Lion Corporation Berhad	13,283,000	2.75	207,272,945	42.94	–	100,000,000 ^b
8. Amsteel Mills Sdn Bhd	149,190,800	30.91	–	–	–	–
9. Lion Industries Corporation Berhad	58,018,645	12.02	149,190,800	30.91	–	100,000,000 ^e
10. LLB Steel Industries Sdn Bhd	–	–	149,190,800	30.91	–	–
11. Steelcorp Sdn Bhd	–	–	149,190,800	30.91	–	–
12. Limpahjaya Sdn Bhd	–	–	207,209,445	42.93	–	100,000,000 ^b
13. Megasteel Sdn Bhd	–	–	207,209,445	42.93	–	100,000,000 ^b
14. Datuk Lim Kheng Kim	28,695,945	8.23	–	–	–	–

Notes:

^a Comprising direct and indirect interest in 16,009,560 ICULS and 95,529,000 ICULS respectively

^b Indirect interest

^c Comprising direct and indirect interest in 889,420 ICULS and 61,180,000 ICULS respectively

^d Direct interest

^e Comprising direct and indirect interest in 4,778,000 RCULS and 95,222,000 RCULS respectively

5-YEAR 2% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2004/2009 ("ICULS")

No. of ICULS as at	
30 September 2004	: 117,774,500
Nominal Value	: RM1.00 each
Coupon Rate	: 2% per annum payable annually
Conversion Period	: 1 June 2004 to 31 May 2009
Conversion Price	: RM0.86 per ordinary share of RM0.50 each
Conversion Right	: ICULS holders will have the right to convert the ICULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of ICULS Holdings as at 30 September 2004

Size of ICULS Holdings	No. of ICULS holders	% of ICULS holders	No. of ICULS	% of ICULS
Less than 100	–	–	–	–
100 to 1,000	100	86.96	10,000	0.01
1,001 to 10,000	–	–	–	–
10,001 to 100,000	–	–	–	–
100,001 and above	15	13.04	117,764,500	99.99
	<u>115</u>	<u>100.00</u>	<u>117,774,500</u>	<u>100.00</u>

Thirty Largest ICULS holders as at 30 September 2004

Registered ICULS holders	No. of ICULS	% of ICULS
1. Narajaya Sdn Bhd	42,060,000	35.71
2. Affin Nominees (Tempatan) Sdn Bhd KH Asset Holdings Sdn Bhd for Narajaya Sdn Bhd	19,120,000	16.23
3. Ributasi Holdings Sdn Bhd	19,059,000	16.18
4. Tan Sri William H. J. Cheng	16,009,560	13.59
5. Likom Computer System Sdn Bhd	7,645,000	6.49
6. Affin Nominees (Tempatan) Sdn Bhd Lion Industries Corporation Berhad for Likom Computer System Sdn Bhd	7,645,000	6.49
7. Merak Saujana Sdn Bhd	1,778,840	1.51
8. Datuk Cheng Yong Kim	889,420	0.76
9. Chen Shok Ching	825,890	0.76
10. Cheng Yong Kwang	698,830	0.59
11. Cheng Yong Liang	698,830	0.59
12. Cheng Yoong Choong	698,830	0.59
13. Cheng Wei Meng	222,355	0.19
14. Cheng Chai Hai	222,355	0.19
15. Cheng Hwee Wah	190,590	0.16
16. Gan Kim Kuan	100	Negligible
17. Low Seng Wah	100	Negligible
18. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Mun Suan (14570MM0152)	100	Negligible
19. Karupiah @ Sandara A/L P. S. Doraisamy	100	Negligible
20. Wong Fei Na	100	Negligible
21. Teo Leak Jin	100	Negligible
22. Chong Shao Ming	100	Negligible
23. Cheong Poh Heng	100	Negligible
24. Lew Sook Mun	100	Negligible
25. Chee Ban Tuck	100	Negligible
26. Nizratul 'Adliah binti Nokman	100	Negligible
27. Hamisah binti Yaacob	100	Negligible
28. Ong Jing Jing	100	Negligible
29. Yeong Peet Foong	100	Negligible
30. Yusmaliza binti Mohd Yusof	100	Negligible

5-YEAR 2% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2004/2009 ("RCULS") - UNLISTED

No. of RCULS as at	
30 September 2004	: 100,000,000
Nominal Value	: RM1.00 each
Coupon Rate	: 2% per annum payable annually
Conversion Period	: 1 June 2004 to 31 May 2009
Conversion Price	: RM0.86 per ordinary share of RM0.50 each
Conversion Right	: RCULS holders will have the right to convert the RCULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of RCULS Holdings as at 30 September 2004

Size of RCULS Holdings	No. of RCULS holders	% of RCULS holders	No. of RCULS	% of RCULS
Less than 100	—	—	—	—
100 to 1,000	—	—	—	—
1,001 to 10,000	—	—	—	—
10,001 to 100,000	—	—	—	—
100,001 and above	2	100.00	100,000,000	100.00
	<u>2</u>	<u>100.00</u>	<u>100,000,000</u>	<u>100.00</u>

Registered RCULS Holders as at 30 September 2004

Registered RCULS holders	No. of RCULS	% of RCULS
1. Amsteel Corporation Berhad	95,222,000	95.22
2. Lion Industries Corporation Berhad	4,778,000	4.78

DIRECTORS' INTEREST IN SHARES AND ICULS IN THE COMPANY AND ITS RELATED COMPANIES AS AT 30 SEPTEMBER 2004

The Directors' interest in shares and ICULS in the Company and its related companies as at 30 September 2004 are the same as that shown in the Directors' Report for the financial year ended 30 June 2004 except for the following:

Tan Sri William H. J. Cheng

	Nominal Value Per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
Ordinary Shares					
The Company	RM0.50	43,319,910	8.97	301,754,901	62.52

	Nominal Value Per ICULS	Direct Interest		Indirect Interest	
		No. of ICULS		No. ICULS	
ICULS					
The Company	RM1.00	16,009,560		95,529,000	

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 and the Supplemental Agreement dated 25 March 2004 between Amsteel Corporation Berhad Group Vendors (comprising Ambang Jaya Sdn Bhd, Angkasa Marketing (Singapore) Pte Ltd, Natvest Parkson Sdn Bhd, Sukhothai Food Sdn Bhd, Timuriang Sdn Bhd and Parkson Retail Consulting and Management Sdn Bhd) of the first part, LLB Nominees Sdn Bhd of the second part, Lion Asia Investment Pte Ltd of the third part, Lion Industries Corporation Berhad of the fourth part, Amsteel Corporation Berhad of the fifth part, collectively companies in which a Director and certain major shareholders of the Company have an interest, and Lion Diversified Holdings Berhad of the sixth part for the acquisition by Lion Diversified Holdings Berhad of:
 - a. 14,800,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Venture Pte Ltd from Natvest Parkson Sdn Bhd (20%), Sukhothai Food Sdn Bhd (18.2%), Parkson Retail Consulting and Management Sdn Bhd (11.8%), LLB Nominees Sdn Bhd (20%) and Lion Asia Investment Pte Ltd (30%);
 - b. 10,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Investment Pte Ltd from Natvest Parkson Sdn Bhd (18%), Sukhothai Food Sdn Bhd (27%), Parkson Retail Consulting and Management Sdn Bhd (7%), LLB Nominees Sdn Bhd (18%) and Lion Asia Investment Pte Ltd (30%);
 - c. 100 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Supplies Pte Ltd from Natvest Parkson Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%);
 - d. 1,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Glomart Pte Ltd from Timuriang Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%);
 - e. 2 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Pacific Pte Ltd from Angkasa Marketing (Singapore) Pte Ltd;
 - f. 50,000,002 ordinary shares of RM1.00 each representing 100% equity interest in Parkson Corporation Sdn Bhd from Timuriang Sdn Bhd;
 - g. 500,000 ordinary shares of RM1.00 each representing 100% equity interest in Xtra Supercenter Sdn Bhd from Timuriang Sdn Bhd;
 - h. 2 ordinary shares of RM1.00 each representing 100% equity interest in Serbadagang Holdings Sdn Bhd from Timuriang Sdn Bhd;
 - i. 4,500,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Management Pte Ltd from Natvest Parkson Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%); and
 - j. 2 ordinary shares of HKD1.00 each representing 100% equity interest in Exonbury Limited from Ambang Jaya Sdn Bhd (50% of the shares are held through Benavon Nominee Limited);

for a total consideration of RM431,820,000.00 and the settlement of the net inter-company balances due by the target companies to the vendors totalling RM67,390,000.00 to be satisfied by a cash consideration of RM399,210,000.00 (of which RM150,000,000.00 shall be paid on completion and RM249,210,000.00 in deferred payment) and the issuance of RM100,000,000.00 nominal value 5-year 2% redeemable convertible unsecured loan stocks by Lion Diversified Holdings Berhad to Amsteel Corporation Berhad, Lion Asia Investment Pte Ltd and LLB Nominees Sdn Bhd.
2. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Ributasi Holdings Sdn Bhd, a company in which a Director cum major shareholder of the Company have an interest, of the one part and Lion Diversified Holdings Berhad of the other part for the acquisition by Lion Diversified Holdings Berhad of 4,935,000 ordinary shares of RM1.00 each representing 100% equity interest in Likom Caseworks Sdn Bhd for a total consideration of RM105,700,000.00 to be satisfied by the issuance of RM63,530,000.00 nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stocks and RM42,170,000.00 by way of the allotment and issuance of new ordinary shares of RM0.50 each in Lion Diversified Holdings Berhad at RM0.86 per share.

3. Conditional Subscription Agreement dated 6 September 2003 between Lion Diversified Holdings Berhad of the first part, Diverse Arcadia Sdn Bhd (now known as Likom CMS Sdn Bhd) of the second part and Likom Computer System Sdn Bhd of the third part, companies in which a Director cum major shareholder of the Company have an interest, to subscribe for 9,998 ordinary shares representing 99.98% equity interest in Diverse Arcadia Sdn Bhd for a total cash subscription sum of RM9,998.00 or RM1.00 per share and the assumption of all the obligations of Diverse Arcadia Sdn Bhd to pay Likom Computer System Sdn Bhd the purchase price of RM25,430,000.00 for the proposed acquisition of Likom Computer System Sdn Bhd's business and assets pursuant to the sale and purchase agreement dated 6 September 2003 between Likom Computer System Sdn Bhd of the one part and Diverse Arcadia Sdn Bhd of the other part to be satisfied by the issuance of RM15,290,000.00 nominal value 5-year 2% coupon irredeemable convertible unsecured loan stocks by Lion Diversified Holdings Berhad and RM10,140,000.00 by way of allotment and issuance of new ordinary shares of RM0.50 each in Lion Diversified Holdings Berhad at RM0.86 per share.
4. Conditional Sale and Purchase Agreement dated 6 September 2003 and the Supplemental Agreement dated 25 March 2004 between Narajaya Sdn Bhd, a company in which a Director and certain major shareholders of the Company have an interest, of the first part, LDH Management Sdn Bhd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad of the second part and Lion Diversified Holdings Berhad of the third part for the acquisition of the development project known as Mahkota Cheras Project (which comprises 192 pieces of land less the excluded units, the development rights, the development liabilities, subject to, inter alia, the substitution of cash assets amounting to RM48,390,000.00, the collection by Narajaya Sdn Bhd of trade receivables amounting to RM25,621,159.00 and payment thereof to LDH Management Sdn Bhd, the covenant by Narajaya Sdn Bhd to deliver the fixed assets to LDH Management Sdn Bhd) all as at 25 March 2003 for a total consideration of RM156,781,323.00 to be satisfied by cash of RM6,611,970.00, the allotment and issuance of 40,601,323 new ordinary shares of Lion Diversified Holdings Berhad at RM0.86 per share and RM61,180,000.00 nominal value 5-year 2% coupon irredeemable convertible unsecured loan stocks in Lion Diversified Holdings Berhad and cash of RM48,388,030.00 to substitute the cash assets.
5. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Amsteel Corporation Berhad, Angkasa Marketing (Singapore) Pte Ltd and Umatrac Enterprises Sdn Bhd, companies in which a Director and certain major shareholders have an interest (collectively, "the Vendors") of the one part and LDH (S) Pte Ltd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad of the other part, for the acquisition by LDH (S) Pte Ltd of up to a maximum of 226,849,626 ordinary shares of RM1.00 each representing approximately 24.68% equity interest in Lion Corporation Berhad which are not accepted by the eligible shareholders of Lion Corporation Berhad (i.e. excluding Tan Sri William H. J. Cheng and Datuk Cheng Yong Kim and parties acting in concert with them) pursuant to a renounceable restricted offer for sale of 226.8 million ordinary shares of RM1.00 each in Lion Corporation Berhad to be undertaken by the Vendors, at the price of RM1.00 per share in cash.
6. Supplemental Agreement dated 25 March 2004 between Ributasi Holdings Sdn Bhd, a Company in which a Director and certain major shareholders of the Company have an interest, of the first part and Lion Diversified Holdings Berhad of the second part, Diverse Arcadia Sdn Bhd of the third part and Likom Computer System Sdn Bhd of the fourth part, both companies in which a Director and certain major shareholders have an interest, to the Conditional Sale and Purchase of Shares Agreement and the Subscription Agreement both dated 6 September 2003 setting out among others, the parties' agreement to the conditions imposed by the Securities Commission in respect of the transactions contemplated in the said Conditional Sale and Purchase of Shares Agreement and the Subscription Agreement both dated 6 September 2003.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM2,364,000 (2003: RM38,000).

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2004 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Beverage related Purchase of beverage such as beer and other related products and services including wheat, bottles, stickers, boxes and other raw materials, consumable and packing materials	Hubei Jinlongquan (Group) Co Ltd Group ⁽¹⁾	15,091
(b) Property based Provision of storage, leasing and rental of properties	Amsteel Corporation Berhad Group ("Amsteel Group") ⁽²⁾	2,808
	Lion Holdings Sdn Bhd Group ⁽²⁾	6
		2,814
(c) Retail related i) Obtaining of storage, leasing and rental of properties	Lion Industries Corporation Berhad Group ("LICB Group") ⁽²⁾	429
	Amsteel Group ⁽²⁾	824
		1,253
	ii) Purchase of building materials, provision of building maintenance, consumable and other related products and services	15
(d) Information technology related i) Obtaining of storage, leasing and rental of properties	LICB Group ⁽²⁾	200
	ii) Purchase of computer, component parts and other related products and services	118
	Ributasi Holdings Sdn Bhd Group ⁽²⁾	887
	Amalgamated Containers Berhad Group ⁽²⁾	22
		1,027
iii) Sale of computer, component parts and other related products and services	Amble Bond Sdn Bhd Group ⁽²⁾	106
(e) Steel related Sale of steel products, scrap iron and other related products and services	LICB Group ⁽²⁾	32

RECURRENT RELATED PARTY TRANSACTIONS (Continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(f) Others	Silverstone Corporation Berhad Group ⁽²⁾ LICB Group ⁽²⁾ Amsteel Group ⁽²⁾ C S Tang & Co ⁽³⁾	9
		291
		583
		609
		1,492
ii) Obtaining of security services and security communication equipment	Amsteel Group ⁽²⁾	201
iii) Purchase of office equipment, furniture and other industrial products and services	Amble Bond Sdn Bhd Group ⁽²⁾	118

Note:

"Group" includes subsidiary and associated companies

- (1) Major shareholder of subsidiary companies of the Company which ceased to be subsidiaries of the Company on 16 January 2004
- (2) Companies in which a Director and certain major shareholders of the Company have an interest
- (3) A legal firm in which a director of a major shareholder of the Company is the sole proprietor

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2004

	Proposed Utilisation RM'million	Utilisation Status	
		Actual RM'million	Unutilised/ Outstanding RM'million
(I) Disposal of a shopping mall known as Subang Parade together with the freehold land, for a cash consideration of RM223.41 million:			
(i) To retire the debts due to financial institutions	73.28	72.54	0.74
(ii) To part pay inter-company balances	118.33	119.07	(0.74)
(iii) To part pay trade and other payables	16.00	16.00	–
(iv) To defray estimated expenses arising from the implementation of the disposal	15.80	12.20	3.60
	223.41	219.81	3.60

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2004 (Continued)

	Proposed Utilisation RM'million	Utilisation Status	
		Actual RM'million	Unutilised/ Outstanding RM'million
(II) Disposal of 50% equity interest each in Consitrade (M) Sdn Bhd ("Consitrade") (inclusive preference shares) and DEbier Sdn Bhd ("DEbier") for a cash consideration of USD131.5 million (equivalent to approximately RM499.70 million) and security deposit of USD52.60 million (equivalent to approximately RM199.88 million), as security for the remaining interest in Consitrade and DEbier:			
(i) Part payment for the acquisition of the Parkson Retail Group	150.00	150.00	–
(ii) Part payment for the acquisition of Mahkota Cheras Project	55.00	55.00	–
(iii) Payment for the acquisition of Lion Corporation Berhad shares	226.72	226.74	(0.02)
(iv) Outlay for the capital distribution	139.36	139.50	(0.14)
(v) Repayment of bank borrowings, working capital and general investments	119.50	103.65	15.85
(vi) Estimated expenses for the above acquisitions	9.00	4.51	4.49
	699.58	679.40	20.18
<p>Note:</p> <p>The disposal of the remaining interests in Consitrade and DEbier were completed on 30 September 2004. The utilisation of the proceeds (excluding security deposit of USD52.60 million, equivalent to approximately RM199.88 million) of USD82.17 million (equivalent to approximately RM312.25 million) (including return component) is pending approval from the Securities Commission.</p>			
(III) Disposal of a shopping mall known as Mahkota Parade together with the leasehold land, for a cash consideration of RM146.59 million:			
(i) To retire the debts due to financial institutions	14.66	14.66	–
(ii) To part pay inter-company balances, working capital and general investments	106.43	34.75	71.68
(iii) To part pay trade and other payables	19.00	18.64	0.36
(iv) To defray estimated expenses arising from the implementation of the disposal	6.50	0.13	6.37
	146.59	68.18	78.41

**FORM OF PROXY**

I/We

I.C. No./Company No.

of

being a member/members of LION DIVERSIFIED HOLDINGS BERHAD, hereby appoint

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 23 November 2004 at 11.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Heah Sieu Lay		
5. To re-elect as Director, Mr George Leong Chee Fook		
6. To re-appoint as Director, Y. Bhg. Dato Murad Mohamed Hashim		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
10. Proposed Grant of Options to Mr Heah Sieu Lay, the Managing Director		

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

As witness my/our hand this day of 2004

No of shares Signed

In the presence of

Representation at Meeting:

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.

