



**LION FOREST INDUSTRIES BERHAD**

(formerly known as Posim Berhad)

(82056-X)

A Member of The Lion Group

**Laporan Tahunan**  
**2003**  
**Annual Report**

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## NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-First Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 3 December 2003 at 9.00 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 2003. **Resolution 1**
2. To approve the payment of a final dividend of 7 sen per ordinary share less 28% Malaysian Income Tax. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM124,000 (2002 : RM97,500). **Resolution 3**
4. To re-elect Directors:
  - (i) In accordance with Article 99 of the Company's Articles of Association, Mr Chang Chee Seng who was appointed during the year retires and, being eligible, offers himself for re-election. **Resolution 4**
  - (ii) 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 Ngan Yow Chong  
Y. Bhg. Dato' Dali Mahmud Hashim

**Resolution 5**  
**Resolution 6**
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. Jen (B) Tan Sri Dato' Zain Mahmud 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 7**
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 8**
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 9**

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

**Resolution 10**

"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 11 November 2003 subject to the following:

- 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 and are hereby 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."

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 2 December 2003 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 4.00 pm on 4 December 2003 in respect of transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2003 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 4 December 2003.

By Order of the Board

**WONG YOKE LIN**  
**YASMIN WEILI TAN BINTI ABDULLAH**  
Secretaries

Kuala Lumpur  
11 November 2003

### **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 appointed for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.

#### **2. Resolution 3**

*In view of the increasing duties and responsibilities of the Audit Committee as reflected in the Malaysian Code on Corporate Governance and the Listing Requirements of the Kuala Lumpur Stock Exchange, it is proposed that the Directors' fees be increased for those Directors who are members of the Audit Committee of the Company.*

#### **3. Resolution 9**

*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 10**

*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 11 November 2003, 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 11 November 2003 enclosed together with this Annual Report.*

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### **I. Directors standing for re-election/re-appointment at the Twenty-First Annual General Meeting of the Company**

- Pursuant to Article 99 of the Company's Articles of Association  
*(Appointed during the year)*

Mr Chang Chee Seng

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

Mr Ngan Yow Chong  
Y. Bhg. Dato' Dali Mahmud Hashim

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

Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud 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 seven (7) Board Meetings held during the financial year ended 30 June 2003. 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 Twenty-First Annual General Meeting**

The Twenty-First Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 3 December 2003 at 9.00 am.

## CORPORATE INFORMATION

<b>Board of Directors</b>	: Y. Bhg. Tan Sri William H.J. Cheng ( <i>Chairman</i> ) Mr Chang Chee Seng ( <i>Managing Director</i> ) Mr Ngan Yow Chong ( <i>Executive Director</i> ) Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim Y. Bhg. Dato' Mohamad bin Haji Ahmad Y. Bhg. Dato' Dali Mahmud Hashim Cik Zainab binti Dato' Hj. Mohamed
<b>Secretaries</b>	: Ms Wong Yoke Lin Puan Yasmin Weili Tan binti Abdullah
<b>Company No.</b>	: 82056-X
<b>Registered Office</b>	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 03-21613166 Fax No: 03-21623448 Homepage: <a href="http://www.lion.com.my">http://www.lion.com.my</a>
<b>Share Registrar</b>	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos: 03-21622155, 03-21648411 Fax No: 03-21623448
<b>Auditors</b>	: Deloitte KassimChan Level 19, Uptown 1 1, Jalan SS 21/58, Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
<b>Principal Bankers</b>	: AmMerchant Bank Berhad Bank of America Malaysia Berhad Affin Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad United Overseas Bank (Malaysia) Berhad
<b>Stock Exchange Listing</b>	: Kuala Lumpur Stock Exchange Second Board
<b>Stock Name</b>	: LIONFIB
<b>KLSE Stock No.</b>	: 8486
<b>Reuters Code</b>	: LIOF.KL
<b>ISIN Code</b>	: MYL8486OO002

## DIRECTORS' PROFILE

### **TAN SRI WILLIAM H.J. CHENG**

*Chairman, Non-Independent Non-Executive Director*

Aged 60, Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

Tan Sri William Cheng was appointed to the Board on 15 January 1991 and his other directorships in public companies are as follows:

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

Tan Sri William Cheng has an indirect shareholding of 177,030,171 ordinary shares of RM1.00 each in the Company. His shareholding in the subsidiaries of the Company is disclosed in page 79 of this Annual Report.

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

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

### **CHANG CHEE SENG**

*Managing Director, Non-Independent Executive Director*

Aged 53, Mr Chang Chee Seng, a Malaysian, obtained his Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from the University of Westminster, London and Masters degree in Management Science from the University of London Imperial College.

Mr Chang started his career in 1977 with the MBf Holdings Group of Companies and subsequently with TDM Bhd in the corporate planning field.

Mr Chang joined the Lion Group in 1981 and had since held various positions in the Lion Group including Materials Manager for Amsteel Corporation Berhad, Head of the cement marketing company, Simen Dagangan Sdn Bhd, General Manager of Bright Steel Sdn Bhd, a producer of cold finished steel bars and steel coil center, Head of Commercial and Administration Divisions of Amsteel Mills Sdn Bhd, Executive Director and Chief Executive Director of Sabah Forest Industries Sdn Bhd, Sales Director for Amsteel Mills Sdn Bhd and is now the Marketing Director of Megasteel Sdn Bhd.

Mr Chang was appointed to the Board on 27 June 2003. There were no Board Meetings held for the financial year ended 30 June 2003 subsequent to his appointment.

### **NGAN YOW CHONG**

*Executive Director, Non-Independent*

Aged 46, Mr Ngan Yow Chong, a Malaysian, obtained his Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from the University of Malaya in 1981.

Mr Ngan has about 20 years of experience in manufacturing, trading, industries and commerce. He was appointed the Group Director - Brewery Division in the People's Republic of China under the Lion Group on 1 February 2001 to supervise the Brewery Division in the People's Republic of China. He has served the Hong Leong Group in various positions ranging from Project/Maintenance Manager, Operation Manager, Sales Manager (Import/Export) and General Manager of a number of subsidiaries within the Hong Leong Group during the period from March 1981 to March 1996. He was the Group Executive Director of Mah Sing Group Berhad and the Chief Executive Officer of Berger International Ltd, a company listed on the Stock Exchange of Singapore, before joining the Lion Group.



Mr Ngan was appointed to the Board on 22 August 2001. He is a member of the Company's Remuneration Committee, Risk Management Committee and Executive Share Option Scheme Committee. He is also the Executive Director of Silverstone Corporation Berhad, a public listed company. Mr Ngan attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

**JEN (B) TAN SRI DATO' ZAIN MAHMUD HASHIM**

*Non-Independent Non-Executive Director*

Aged 73, Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim, a Malaysian, is a graduate of the Royal Military Academy, Sandhurst, United Kingdom and Harvard University's Advanced Management Programme. A retired Chief of Army in the Malaysian Armed Forces with 35 years of experience in the military, Tan Sri Dato' Zain has more than 15 years of experience in the private sector.

Tan Sri Dato' Zain was appointed to the Board on 15 January 1991 and is the Chairman of the Company's Nomination Committee and Executive Share Option Scheme Committee.

His other directorships in public companies are as follows:

- Chairman of Amsteel Corporation Berhad and Amalgamated Containers Berhad, both public listed companies
- Director of Hy-Line Berhad and Silverstone Berhad, both public companies

Tan Sri Dato' Zain is the half brother of Y. Bhg. Dato' Dali Mahmud Hashim, a Director of the Company.

Tan Sri Dato' Zain attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

**DATO' MOHAMAD BIN HAJI AHMAD**

*Non-Independent Non-Executive Director*

Aged 59, Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, obtained a Certificate in Business Feasibility Studies and Management Practice from Japan.

Dato' Mohamad is a businessman and served as Chairman and Director of his private companies which are involved in building and construction, property development and agriculture.

Dato' Mohamad has a direct shareholding of 12,000 ordinary shares of RM1.00 each in the Company.

He was appointed to the Board on 28 March 1991. Dato' Mohamad is a member of the Company's Audit Committee. He attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

**DATO' DALI MAHMUD HASHIM**

*Independent Non-Executive Director*

Aged 62, Y. Bhg. Dato' Dali Mahmud Hashim, a Malaysian, obtained a Bachelor of Arts (Honours) degree in Economics from the University of Malaya.

Dato' Dali joined the Ministry of External Affairs in August 1963. He served as the Malaysian Ambassador to Pakistan, the Soviet Union, Sweden, Belgium, the European Communities, Indonesia and the United States of America. In December 1998, he retired from the administrative and diplomatic service.

Dato' Dali was appointed to the Board on 22 August 2001. He is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Company's Nomination Committee. He is the half brother of Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim, a Director of the Company. Dato' Dali attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

**ZAINAB BINTI DATO' HJ. MOHAMED**

*Independent Non-Executive Director*

Aged 46, Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, obtained her Diploma in Accountancy from the Universiti Teknologi MARA (UiTM) in 1978 and she studied at the London School of Accountancy, England for the Association of Chartered Certified Accountants qualification from 1979 to 1981. Cik Zainab is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Cik Zainab has more than 20 years experience in the audit and finance fields holding various positions in an audit firm, commercial bank, investment and holding company, petroleum multinational company, general insurance company and solid waste management concessionaire.

Currently, she is a director of her own management and consultancy practice, ANZ Management and Consultancy Services Sdn Bhd.

Cik Zainab was appointed to the Board on 10 December 2001. She is a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Cik Zainab attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2003.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lion Forest Industries Berhad ("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 2003.

## 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 2003, seven (7) 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 seven (7) Directors, five (5) of whom are non-executive. The current Board composition complies with the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE"). 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 two (2) 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 authority 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 except for Mr Chang Chee Seng have attended the KLSE's Mandatory Accreditation Programme ("MAP") and are subsequently required to attend training courses and seminars under the Continuing Education Programme (CEP).

Mr Chang Chee Seng who was appointed to the Board on 27 June 2003 will attend the MAP subsequent to the financial year ended 30 June 2003.

### **Re-election**

One-third of the Directors retire from office at every annual general meeting but shall be eligible for re-election. Every Director retires from office at least once in every three (3) years but shall be eligible for re-election.

## **2. DIRECTORS' REMUNERATION**

The Company has adopted the objective as recommended by the Code in determining the remuneration of Directors so as to ensure that it attracts and retains the Directors needed to run the Company successfully. 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.

The details of the remuneration of each Director who served during the financial year ended 30 June 2003 are as follows:

	<b>Fees RM</b>	<b>Salary &amp; Other Emoluments RM</b>	<b>Total RM</b>
<b>Executive</b>			
Mr Chang Chee Seng *	1,000	-	1,000
Mr Ngan Yow Chong	10,000	310,000	320,000
Mr Lee Ching Kion **	10,000	-	10,000
	<u>21,000</u>	<u>310,000</u>	<u>331,000</u>
<b>Non-Executive</b>			
Y. Bhg. Tan Sri William H.J. Cheng	21,000	24,000	45,000
Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim	10,000	-	10,000
Y. Bhg. Dato' Mohamad bin Haji Ahmad	25,000	-	25,000
Y. Bhg. Dato' Dali Mahmud Hashim	28,000	-	28,000
Cik Zainab binti Dato' Hj. Mohamed	25,000	-	25,000
	<u>109,000</u>	<u>24,000</u>	<u>133,000</u>
<b>Total</b>	<u>130,000</u>	<u>334,000</u>	<u>464,000</u>

Notes: \* Appointed during the financial year

\*\* Resigned during the financial year

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

<b>Range of remuneration (RM)</b>	<b>Executive</b>	<b>Non- Executive</b>
25,000 & below	2	3
25,001 – 50,000	-	2
50,001 – 100,000	-	-
100,001 – 150,000	-	-
150,001 – 200,000	-	-
200,001 – 250,000	-	-
300,001 – 350,000	-	-
250,001 – 300,000	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 provide clarification on 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 the KLSE.

#### **4. ACCOUNTABILITY AND AUDIT**

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal control 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 2003, 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 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, which encompasses financial, operational, compliance controls and risk management. This is necessary for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. However, the system provides reasonable but not absolute assurance against material misstatements, losses and frauds. 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. The Board is pleased to present the Statement on Internal Control of the Group (excluding associated company, as the Board does not have control over its operations) pursuant to paragraph 15.27(b) of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE").

### Board Responsibility

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and in 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.

Following the issuance of the KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies, 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 regularly reviewed by the Board through its Audit Committee and assisted by the Internal Auditors.

### Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework of the Group has been put in place in the previous year and subsequently formalised via the 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 framework requires management at key operating companies to review and assess risks using the risk management scorecard approach. The Risk Management Committee periodically reviews these scorecards and reports the status to the Audit Committee.

### Control and Monitoring Process

The Board is committed to maintaining 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 clearly defined limits of authority
- Detailed budgeting process established requiring all business units to prepare budget and business plan on an annual basis
- The Board and the Audit Committee review key business variables and monitor the achievements of the Group's performance on a quarterly basis
- Confirmation on 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 reports to the Audit Committee.

The system of internal control was 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' Dali Mahmud Hashim  
*(Chairman, Independent Non-Executive Director)*

Y. Bhg. Dato' Mohamad bin Haji Ahmad  
*(Non-Independent Non-Executive Director)*

Cik Zainab binti Dato' Hj. Mohamed  
*(Independent Non-Executive Director)*

The composition of the Audit Committee complies with paragraphs 15.10 and 15.11 of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE").

- **Secretaries**

The Secretaries of Lion Forest Industries Berhad, Ms Wong Yoke Lin and Puan Yasmin Weili Tan binti Abdullah are also 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 fulfil the requirements as prescribed in the Listing Requirements of the KLSE. 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. The quorum shall be two (2) members who shall be independent directors.

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 the KLSE 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 the KLSE.
- (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, seven (7) Audit Committee Meetings were held for which full attendance was recorded for Y. Bhg. Dato' Dali Mahmud Hashim and Cik Zainab binti Dato' Hj. Mohamed whereas Y. Bhg. Dato' Mohamad bin Haji Ahmad attended six (6) out of the seven (7) Audit Committee Meetings of the Company.

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 events 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.

- **Risk Management**

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

- **Related Party Transactions**

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

## NOMINATION COMMITTEE

- CHAIRMAN** : Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim  
*(Non-Independent Non-Executive Director)*
- MEMBERS** : Y. Bhg. Dato' Dali Mahmud Hashim  
*(Independent Non-Executive Director)*
- : Cik Zainab binti Dato' Hj. Mohamed  
*(Independent Non-Executive Director)*
- TERMS OF REFERENCE** :
- To recommend to the Board, candidates for directorships in Lion Forest Industries 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

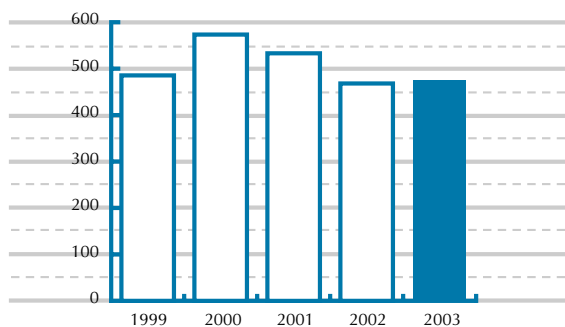
## REMUNERATION COMMITTEE

- CHAIRMAN** : Y. Bhg. Dato' Dali Mahmud Hashim  
*(Independent Non-Executive Director)*
- MEMBERS** : Cik Zainab binti Dato' Hj. Mohamed  
*(Independent Non-Executive Director)*
- : Mr Ngan Yow Chong  
*(Executive Director, Non-Independent)*
- TERMS OF REFERENCE** :
- To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary
  - To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

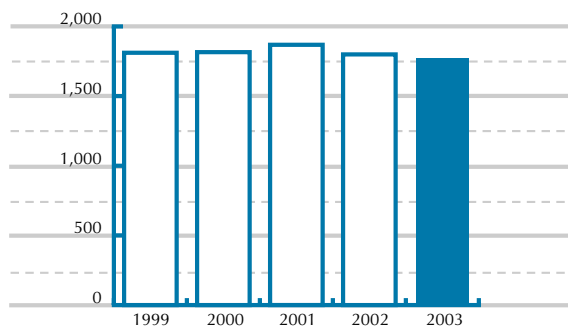
## 5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	485,467	573,412	539,505	468,074	<b>475,150</b>
Profit/(loss) before taxation	37,576	67,550	34,440	1,556	<b>10,368</b>
Profit/(loss) after taxation	37,580	65,560	31,990	(33)	<b>7,386</b>
Dividends:					
Rate (%)	0.1	1.0	0.1	0.1	<b>8.0</b>
Amounts (net of tax)	146	1,463	146	146	<b>12,104</b>
Total assets employed	1,810,973	1,815,411	1,846,711	1,804,562	<b>1,792,951</b>
Shareholders' funds	1,433,152	1,495,530	1,526,881	1,526,655	<b>1,531,593</b>
Net tangible assets	1,200,505	1,273,327	1,314,824	1,324,744	<b>1,339,828</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Net tangible assets per share	591	627	647	652	<b>659</b>
Earnings/(Loss) per share	17.0	31.4	15.2	(0.1)	<b>3.4</b>

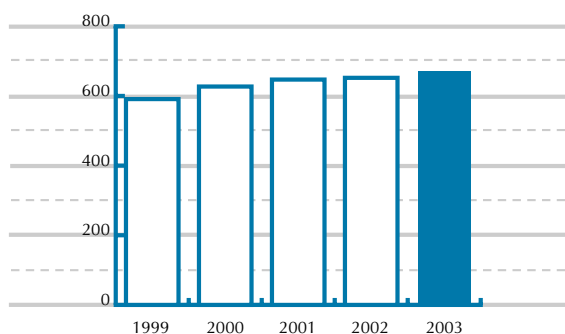
Revenue RM Million



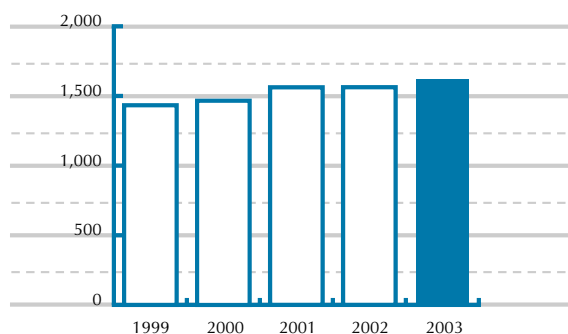
Total Assets Employed RM Million



Net Tangible Assets Per Share Sen



Shareholders' Funds RM Million



## THE GROUP'S BUSINESSES



- Sabah Forest Industries Sdn Bhd (SFI), the only integrated pulp and paper mill in the country producing quality printing and writing paper (above).
- *Sabah Forest Industries Sdn Bhd (SFI), satu-satunya kilang pulpa dan kertas bersepadu di negara yang menghasilkan kertas cetak dan tulis berkualiti (gambar atas).*



- Logs, plywood and sawn timber from SFI's Integrated Timber Complex.
- *Kayu balak, papan lapis dan kayu bergergaji dari Kompleks Balak Bersepadu SFI.*



- A wide range of motor oil, lubricants and automotive products under the 'HI-REV' and 'RACETECH' brands with latest offerings: RACETECH disc brake (bottom left) and HI-REV Calcium:Calcium Maintenance Free battery (bottom right).
- *Pelbagai rangkaian minyak motor, pelincir dan produk otomotif di bawah jenama 'HI-REV' dan 'RACETECH' dengan produk terkini: disk brek RACETECH (gambar bawah-kiri) dan bateri HI-REV Kalsium:Kalsium Tanpa Perlu Penyelenggaraan (kanan).*



## PENYATA PENERUS

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Yang Diaudit Lion Forest Industries Berhad bagi tahun kewangan berakhir 30 Jun 2003.

### PRESTASI KEWANGAN

Peperangan di Iraq dan wabak Sindrom Pernafasan Akut Teruk (SARS) telah menjejaskan prospek pemulihan awal ekonomi dunia. Disebalik ketidaktentuan dalam persekitaran sejagat, ekonomi Malaysia berupaya mengekalkan pertumbuhannya dengan mencapai rekod pertumbuhan Keluaran Dalam Negara Kasar (KDNK) sebanyak 4.2% pada tahun 2002.

Selari dengan pertumbuhan ekonomi Malaysia dan pengukuhan harga komoditi kertas dan produk berasaskan kayu, Kumpulan telah meningkatkan prestasinya bagi tahun kewangan ditinjau. Perolehan berada pada paras yang lebih tinggi berjumlah RM475 juta manakala keuntungan sebelum cukai meningkat kepada RM10.4 juta daripada RM1.6 juta yang dilaporkan dalam tahun kewangan yang lalu. Peningkatan prestasi ini telah disumbangkan terutamanya oleh Bahagian Pengekstrakan Balak serta Pulpa dan Kertas dan Bahagian Minyak Pelincir dan Aksesori Motor.

### PERKEMBANGAN KORPORAT

Skim Penyusunan Semula Seluruh Kumpulan ("SPSSK") yang dilaksanakan oleh Amsteel Corporation Berhad, Lion Industries Corporation Berhad (dahulunya dikenali sebagai Lion Land Berhad) ("LICB"), Lion Corporation Berhad dan Silverstone Corporation Berhad (dahulunya dikenali sebagai Angkasa Marketing Berhad) telah diluluskan oleh para pemegang saham dalam Mesyuarat Agung Luarbiasa masing-masing yang diadakan pada 30 Januari 2003. Berikutan pelaksanaan SPSSK, Lion Forest Industries Berhad telah menjadi subsidiari kepada LICB berkuatkuasa mulai 14 Mac 2003.

### TINJAUAN OPERASI

#### Pengekstrakan Balak serta Pulpa dan Kertas

Sabah Forest Industries Sdn Bhd ("SFI") telah mencatatkan prestasi yang lebih baik dalam tahun kewangan ditinjau. Meskipun perolehan kekal pada RM336 juta, keuntungan dalam tahun ini telah meningkat kepada RM18 juta berbanding RM12 juta dalam tahun lalu berikutan harga pasaran kertas yang lebih baik. Peningkatan dalam permintaan

pasaran dan harga bagi kertas dan produk-produk berasaskan kayu adalah sebahagian besarnya disebabkan oleh langkah kawalan yang dikenakan oleh pihak berkuasa ke atas kegiatan lambakan berlebihan yang dilakukan dalam tahun lalu oleh pengeluaran-pengeluaran serantau.

SFI berkomited untuk mencapai pertumbuhan berkekalan dan telah melaksanakan program penanaman semula hutan yang rapi secara berterusan untuk memastikan bekalan kayu yang mencukupi dalam pengeluaran kertas dan palpanya. Penanaman spesis yang mampu tumbuh dengan cepat seperti Acacia Mangium dan Albizia Falcateraria di kawasan pembalakan sedang giat dijalankan.

SFI turut terlibat secara aktif dalam projek pembangunan komuniti tempatan. Skim Bantuan Luar Bandar yang dilaksanakannya meliputi pendidikan, kesihatan, sosial dan budaya, infrastruktur dan pembangunan ekonomi telah memberi manfaat kepada komuniti tempatan dalam pelbagai cara. Sebagai sebuah kilang kertas dan palpa bersepadu tunggal di negara ini, SFI akan terus memainkan peranannya untuk memajukan industri berasaskan kayu balak tempatan sambil menyumbang pelbagai manfaat kepada komuniti tempatan, secara khususnya dan negara pada amnya.

#### Bahan Binaan dan Lain-lain

Operasi perdagangan Bahagian Bahan Binaan telah terjejas akibat kegiatan pembinaan yang lembab berikutan penghantaran pulang pekerja-pekerja haram asing dalam separuh pertama tahun kewangan. Sehubungan itu, Bahagian Bahan Binaan telah mencatatkan penurunan yang kecil dalam perolehan daripada RM96 juta kepada RM94 juta pada tahun ini. Meskipun beroperasi dalam suasana persaingan pasaran yang sengit, Bahagian ini akan terus bersedia dan komited untuk meluaskan perniagaannya dalam persekitaran operasi yang semakin pulih, berikutan langkah rangsangan Kerajaan untuk meningkatkan lagi pertumbuhan sektor hartanah.

Bahagian Minyak Pelincir dan Aksesori Motor terus meningkatkan prestasinya dengan baik dan mencatatkan pertumbuhan yang ketara dalam keuntungannya. Bahagian ini telah menghasilkan keputusan kewangan yang teguh apabila mencatat rekod keuntungan berjumlah RM5.6 juta dalam tahun tinjauan. Produk minyak pelincir automotifnya di bawah jenama 'Hi-Rev' kekal menjadi penyumbang utama dalam perolehan dan keuntungan Bahagian ini. Pertumbuhan ketara Hi-Rev dan penerimaannya dalam industri minyak pelincir tempatan merupakan hasil daripada usaha peningkatan kualiti produk secara konsisten

bersama-sama dengan langkah pengukuhan kedudukan dalam pasaran secara agresif dan peluasan asas pelanggannya.

Sebagai reaksi kepada permintaan pasaran dan keperluan pelanggan serta usaha untuk mempelbagaikan produk kami, pelapik brek bercakera 'Racetech' yang baru telah diperkenalkan. Rangkaian produk 'Racetech' yang lain termasuklah bendalir brek, bendalir stering kuasa, penyejuk radiator dan rawatan minyak. Bahagian ini juga dalam proses meningkatkan pengiktirafan ISOnya daripada ISO9002:1994 kepada ISO9001:2000 bersesuaian dengan komitmen kami ke arah pengurusan berkualiti. Usaha berterusan juga dibuat untuk meluaskan keupayaan gudang dan pengedaran untuk memberikan perkhidmatan pelanggan yang lebih baik. Pihak pengurusan juga akan terus menerapkan strategi inovatif dan proaktif untuk membolehkan Bahagian ini mengukuhkan asas pendapatannya.

Bahagian Peralatan Industri telah mencatatkan pertumbuhan dalam perolehan dan juga keuntungan dengan meningkatnya permintaan untuk komponen dan peralatan Bobcat. Bahagian ini akan terus mencari inisiatif-inisiatif untuk memperluaskan kegiatan sedia ada.

#### **Pemasangan dan Pengedaran Kenderaan Bermotor**

Kinabalu Motor Assembly Sendirian Berhad ("KMA"), syarikat bersekutu 20% milik Kumpulan yang terbabit dalam pemasangan dan pengedaran rangkaian kenderaan komersial dan pacuan empat roda 'Isuzu' di Malaysia Timur telah mencatatkan prestasi menurun dalam tahun kewangan semasa. Bersama-sama dengan Isuzu Motor Limited dari Japan, KMA akan berusaha memperkenalkan model trak terkini dalam pasaran tempatan untuk membantu memperbaiki pendapatannya.

#### **DIVIDEN**

Dividen interim sebanyak 1.0 sen terdiri daripada dividen sebanyak 0.7 sen sesaham dikecualikan cukai dan dividen 0.3 sen sesaham ditolak 28% cukai pendapatan, berjumlah RM1.9 juta telah dibayar pada 9 Jun 2003.

Lembaga Pengarah mengesyorkan dividen akhir sebanyak 7 sen sesaham ditolak 28% cukai pendapatan untuk diluluskan oleh para pemegang saham di Mesyuarat Agung Tahunan yang akan datang. Dividen bersih berbayar akan berjumlah RM10.2 juta.

Sekiranya diluluskan oleh para pemegang saham, jumlah dividen yang dibayar dan berbayar dalam tahun kewangan berakhir pada 30 Jun 2003 akan menjadi 8 sen sesaham berbanding 0.1 sen sesaham, masing-masingnya berjumlah RM12.1 juta dan RM0.15 juta pada tahun lalu.

#### **PROSPEK**

Pertumbuhan ekonomi Malaysia dijangka akan mengekalkan momentumnya dengan disokong oleh dasar-dasar Kerajaan yang dilaksanakan untuk menggalakkan permintaan dalam negara. Dengan ramalan harga pasaran kertas dan produk-produk berasaskan kayu akan terus kukuh, Lembaga Pengarah yakin Kumpulan berada dalam kedudukan baik untuk meningkatkan lagi pencapaiannya dalam tahun kewangan akan datang.

#### **LEMBAGA PENGARAH**

Pada 27 Jun 2003, Encik Lee Ching Kion mengundurkan diri daripada Lembaga Pengarah setelah meletakkan jawatannya sebagai Pengarah Urusan Syarikat. Bagi pihak Lembaga Pengarah, saya ingin mengambil peluang ini untuk mengucapkan terima kasih kepada Encik Lee di atas segala sumbangan beliau selama menjawat jawatan tersebut dan pada masa yang sama mengalu-alukan kedatangan pengganti beliau, Pengarah Urusan yang baru dilantik Encik Chang Chee Seng.

#### **PENGHARGAAN**

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada para pelanggan yang dihargai, prinsipal, pengedar, pihak bank dan juga sekutu perniagaan atas sokongan mereka yang berterusan kepada Kumpulan. Penghargaan kami turut ditujukan kepada pihak pengurusan dan juga para pekerja kami di atas dedikasi, komitmen dan sumbangan mereka di sepanjang tahun.

**TAN SRI WILLIAM H.J. CHENG**  
Pengerusi



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad for the financial year ended 30 June 2003.

### FINANCIAL PERFORMANCE

The war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome ("SARS") have adversely affected the prospects of an earlier world economic recovery. Despite greater uncertainties in the global environment, the Malaysian economy was able to sustain its growth momentum to record a Gross Domestic Product ("GDP") growth of about 4.2% in 2002.

In line with the growth in the Malaysian economy coupled with the strengthening of the commodity prices for paper and wood-based products, the Group did well to improve its performance for the financial year under review. Revenue was higher at RM475 million and profit before tax rose to RM10.4 million from RM1.6 million reported in the last financial year. The improvement was mainly contributed by the Group's Timber Extraction and Pulp and Paper Division and the Lubricant and Motor Accessories Division.

### CORPORATE DEVELOPMENT

The Group-Wide Restructuring Scheme ("GWRS") undertaken by Amsteel Corporation Berhad, Lion Industries Corporation Berhad (formerly known as Lion Land Berhad) ("LICB"), Lion Corporation Berhad and Silverstone Corporation Berhad (formerly known as Angkasa Marketing Berhad) had been approved by shareholders at their respective Extraordinary General Meetings held on 30 January 2003. Consequent to the implementation of the GWRS, Lion Forest Industries Berhad became a subsidiary of LICB with effect from 14 March 2003.

### REVIEW OF OPERATIONS

#### Timber Extraction and Pulp and Paper

Sabah Forest Industries Sdn Bhd ("SFI") reported better performance for the financial year under review. Although revenue was maintained at RM336 million, profit for the year increased to RM18 million as against RM12 million last year on the account of better market prices for paper. The improvement in

the market demand and prices for paper and timber products were largely due to regulatory control measures imposed over excessive dumping activities by regional traders in the previous year.

SFI is committed to achieve a sustainable growth and has undertaken a rigorous reforestation programme on an on-going basis to ensure continuity in supply of wood for its production of pulp and paper. Planting of fast-growing species like Acacia Mangium and Albizia Falcateria on the logged down areas has been carried out on a regular basis.

SFI is also actively involved in local community development projects. Its Rural Assistance Scheme encompassing education, health, social and culture, infrastructure and economic development has benefitted the local community in many ways. Being the only integrated pulp and paper mill in the country, SFI will continue to play its role to help in developing the local timber-based industry while bringing benefits to the local community in particular, and the nation in general.

#### Building Materials and Others

The trading operations of our Building Materials Division were adversely affected by the slow down in construction activities following the repatriation of illegal foreign workers in the first half of the financial year. As a result, our Building Materials Division registered a marginal decline in revenue from RM96 million to RM94 million this year. Although the Division continued to operate in a highly competitive market, it remained well poised and committed to expand its business given the gradually improving operating environment, following the Government's stimulus measures to boost growth in the property sector.

The Group's Lubricant and Motor Accessories Division continued to perform well and charted significant growth in its profit. The Division produced a stronger set of financial results with a record profit of RM5.6 million for the year under review. Its automotive lubricant products under the 'Hi-Rev' brand remained the main contributor to the Division's revenue and profitability. Hi-Rev's significant growth and acceptance in the automotive lubricants industry was a direct result of the consistent enhancement in its product quality coupled with aggressive market positioning and expansion of its customer base.

In response to the market demand and customers' needs as well as to diversify our product mix, the



new 'Racetech' disc brake pad was introduced. Other 'Racetech' range of products includes brake fluid, power steering fluid, radiator coolant and oil treatment. The Division is also in the process of upgrading its ISO certification from ISO 9002:1994 to ISO 9001:2000 certification as our commitment towards quality management. Continuous efforts are also being made to expand warehousing and distribution capacity for better customer services. The Management will continue to adopt proactive and innovative strategies to steer the Division towards strengthening its earnings base.

The Industrial Equipment Division registered a growth in both revenue and profitability with increasing demand for Bobcat parts and equipment and will continue to seek new initiatives to complement its existing activities.

#### **Motor Vehicle Assembly and Distribution**

Kinabalu Motor Assembly Sendirian Berhad ("KMA"), the Group's 20% owned associated company, involved in the assembly and distribution of the 'Isuzu' range of commercial vehicles and four wheel drives in East Malaysia reported a lower performance for the current financial year. Together with Isuzu Motor Limited of Japan, KMA will be introducing its latest truck models to the local market to help boost its earnings.

#### **DIVIDENDS**

An interim dividend of 1.0 sen (0.7 sen tax exempt dividend and 0.3 sen less 28% income tax) per share amounting to RM1.9 million was paid on 9 June 2003.

The Board of Directors recommends a final dividend of 7 sen per share, less 28% income tax for the approval of the shareholders at the forthcoming Annual General meeting. Net dividend payable will amount to RM10.2 million.

Upon approval by shareholders, total dividends paid and payable for the financial year ended 30 June 2003 will be 8 sen per share amounting to RM12.1 million as compared to 0.1 sen per share amounting to RM0.15 million last year.

#### **PROSPECTS**

The growth momentum in the Malaysian economy is expected to be sustained on the back of policy measures instituted to boost domestic demand. With the market prices for paper and wood-based products envisaged to remain firm, the Board is confident that the Group is well positioned to improve on its performance in the next financial year.

#### **BOARD OF DIRECTORS**

On 27 June 2003, Mr Lee Ching Kion resigned from the Board as Managing Director of the Company. On behalf of the Board, I wish to take this opportunity to thank Mr Lee for his contributions during his tenure of office and at the same time, extend a warm welcome to the newly appointed Managing Director, Mr Chang Chee Seng, to the Board.

#### **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to thank our valued customers, principals, dealers, bankers and business associates for their continued support to the Group as well as to our management and employees for their dedication, commitment and contribution throughout the year.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

## 主席报告

我谨代表董事部，欣然提呈金狮森林工业有限公司（“金狮森林工业”）截至2003年6月30日的会计年度之常年报告和经审核的财务报告。

### 财务表现

伊拉克战争以及严重性呼吸系统综合症（又名非典型肺炎）的爆发，对较早时的全球经济复苏之前景产生不利影响。尽管全球经济环境处在很大的不确定性中，马来西亚经济能够继续保持增长动力，国内总生产在2002年取得约4.2%的成长。

由于马来西亚经济取得增长，以及纸及木基产品之原产品的价格获得加强，本集团在受检讨的会计年度表现良好。与上一个会计年度比较，营业额提升至4亿7千500万零吉，税前盈利也从160万零吉增加到1千40万零吉。这些改善主要来自本集团的伐木和纸浆及纸品业以及滑机油和汽车零部件。

### 公司发展

金狮集团的重组计划，涉及的公司包括合钢实业、金狮工业（前称金狮置地）、金狮机构以及银石盾机构（前称安卡沙经销公司），重组计划已经个别于2003年1月30日召开的特别股东大会中获得批准。随着重组计划于2003年3月14获得履行，金狮森林工业现已成为金狮工业的子公司。

### 业务检讨

#### 伐木和纸浆及纸品业

在受检讨的会计年度中，沙巴森林工业私人有限公司（“沙巴林业”）取得更佳的表现。营业额保持在3亿3千600万零吉，由于纸张的市价上升，税前盈利从上一个会计年度的1千200万零吉增加到本会计年度的1千800万零吉。纸张和木材产品的市场需求和价格获得改善，主要是有关方面在上一年对区域性的商家之过度的倾销活动采取管制措施。

沙巴林业许诺要实现持续性成长，它采取严格的不断重新植林的计划，确保它在生产纸浆和纸张时，持续不断的获得木材供应。它在砍伐过的林区重植成长迅速的树木，例如Acacia Mangium和Albizia Falcateria，已在持续的进行着。

沙巴林业也积极参与当地的社区发展计划。它的“乡区援助计划”，包括教育、卫生、社会与文化、基本设施和经济发展，也以许多不同的方式使当地社区受惠。沙巴林业是国内唯一的综合性纸浆和纸张厂，它继续扮演协助发展当地的木基工业的角色，同时为当地社区以及国家带来利益。

#### 建筑材料及其他

由于在本会计年度的上半年，非法外劳被遣送回，使到建筑业缓慢下来，导致我们的建筑材料组的业务受到不利影响。全年的营业额略有减少，从9千600万零吉减至9千400万零吉。尽管这个组继续在高度竞争的市场中操作，由于政府采取刺激措施以增进产业领域的成长，使到营业环境逐渐改善，有助于这个组做好准备以扩大业务。

本集团的滑机油及汽车零部件组继续有良好的表现，利润倍增。在本会计年度，这个组创造了财务佳绩，取得560万零吉利润的记录。HI-REV品牌的汽车滑机油产品仍然是这个组的收入和利润的主要来源。HI-REV的业绩取得可观的成长，以及获得汽车滑机油业的接受，是由于

它的品质不断改善的直接成果，以及公司采取积极的市场定位和扩展顾客层面。

为了迎合市场的需求和顾客的需要以及使我们的产品种类多元化，我们推出新的Racetech牌刹车片。Racetech牌系列产品还包括刹车油，power steering fluid、水箱冷却液以及添加剂。这个组也在进行将其ISO证明升级，从ISO 9002:1994之证明提升到ISO 9001:2000证明，以肯定我们对高素质管理的承诺。我们也在继续努力，扩大货仓与分销容量，以提供更佳的顾客服务。管理层也继续采取主动及创新性策略，以加强这个组的盈利基础。

本集团的工业配备组在营业收入和利润方面都有很好的增长。这是由于市场对Bobcat零件和配备的需求持续的上升。本组也会继续的采取新的措施以加强现有的业务活动。

#### 汽车装配与分销组

京那巴鲁汽车装配私人有限公司是本集团拥有20%股权的联号。它在东马从事装配和分销五十铃(Isuzu)牌一系列商用车和四轮驱动车，它在本会计年度表现较差。它将和日本的五十铃汽车厂携手合作，把最新款的货车引进本地市场，以协助提高盈利。

### 股息

公司在2003年6月9日派发每股1.0分的中期股息，其中0.7仙免税，另外0.3仙必须扣除28%所得税。发出的股息总共190万零吉。

董事部建议派发每股7仙的终期股息，必须扣除28%所得税。这项建议必须获得行将召开的常年股东大会批准。应支付的净股息共1千零20万零吉。

如果获得股东批准，在于2003年6月30日结束的会计年度的总股息是每股8仙，总额1千210万零吉。比较上一个年度的股息是每股0.1仙，共发出股息15万零吉。

### 展望

在政府采取刺激内需的政策支撑下，预料马来西亚的经济将处于持续成长趋势。由于预料纸和林业产品的市价将保持成长趋势，董事部深信，本集团处于很好的地位，可以在下一个会计年度改善业绩。

### 董事部

在2003年6月27日，李政强先生向董事部辞去董事经理的职位。我谨代表董事部，感谢李先生在任期间所作的贡献；我也热烈欢迎新委任的董事经理曾志成先生的加入。

### 鸣谢

我谨代表董事部，感谢尊贵的客户、总代理、代理商、银行以及商业伙伴们继续支持本集团。我也要感谢我们的管理层和雇员，在这一年来所作出忠诚的承诺与贡献。

主席  
丹斯里钟廷森

**FINANCIAL STATEMENTS****2003****FOR THE YEAR ENDED 30 JUNE 2003****DIRECTORS' REPORT**

The directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2003.

**CHANGE OF NAME**

On 20 May 2003, the Company changed its name from Posim Berhad to Lion Forest Industries Berhad.

**PRINCIPAL ACTIVITIES**

The Company is principally involved in investment holding, trading and distribution of building materials and consumer goods.

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 14 and 15 to the Financial Statements, respectively.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

**SIGNIFICANT CORPORATE EVENTS**

- (i) As reported in the previous financial statements, the group-wide restructuring scheme, undertaken by Amsteel Corporation Berhad and Lion Industries Corporation Berhad ("LICB") involving, inter alia, a change in the shareholding structure of the Company, was completed during the financial year. Consequent thereto, the Company and its subsidiary companies became subsidiary companies of LICB.
- (ii) On 30 August 2002, the Company entered into a sale and purchase agreement with SC Nominees Sdn Bhd, a wholly-owned subsidiary of the Company, to acquire 752,532,412 Class "A" ordinary shares of RM1.00 each and 7,525,324,120 Class "B" ordinary shares of RM0.10 each in Sabah Forest Industries Sdn Bhd ("SFI"), representing 97.78% equity interest in SFI for a total consideration of RM1,223,400,000. The acquisition was completed during the financial year.
- (iii) During the financial year, pursuant to its letter of offer dated 9 June 2003, SFI, a subsidiary company, proposed to lend up to RM100 million to Amsteel Mills Sdn Bhd ("AMSB"), the immediate holding company, ("Proposed Financing") to enable AMSB to complete and to run the meltshop facility located in Banting, Selangor Darul Ehsan. The Proposed Financing is still pending approvals from the shareholders of the Company and other relevant authorities.

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit before tax	10,368	10,597
Income tax expense	(2,982)	(371)
Profit after tax	7,386	10,226
Minority interests	(439)	-
Net profit for the year	6,947	10,226

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

A first and final dividend of 0.1%, less 28% tax, amounting to RM146,317 proposed in respect of the previous financial year and dealt with in the previous directors' report was paid by the Company during the current financial year.

An interim dividend of 1%, consisting of 0.7%, tax exempt and 0.3%, less 28% tax, amounting to RM1,861,482 was paid in respect of the current financial year.

The directors propose a final dividend of 7%, less 28% tax, amounting to RM10,242,216 in respect of the current financial year. The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, has not been included as a liability in the Financial Statements.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

## EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS became effective on 31 May 2000 and will expire on 30 May 2005.

The main features of the ESOS are as follows:

- Executive directors and confirmed executive employees of the Group who have been employed for a period of at least one year shall be eligible to participate in the ESOS.
- 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 in time during the existence of the ESOS.

- (c) No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.
- (d) The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the option committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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 of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

<b>Exercisable From</b>	<b>Subscription Price Per Share</b>	<b>Balance as of 1.7.2002</b>	<b>Granted</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Unissued Shares as of 30.6.2003</b>
21 June 2000	RM2.40	2,244,000	-	-	277,000	1,967,000

## OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the directors, 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 operations of the Group and of the Company for the succeeding financial year.

## DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Tan Sri William H.J. Cheng  
 Ngan Yow Chong  
 Jen (B) Tan Sri Dato' Zain Mahmud Hashim  
 Dato' Mohamad bin Haji Ahmad  
 Dato' Dali Mahmud Hashim  
 Zainab binti Dato' Hj. Mohamed  
 Chang Chee Seng (appointed on 27.6.2003)  
 Lee Ching Kion (resigned on 27.6.2003)

In accordance with Article 98 of the Company's Articles of Association, Mr. Ngan Yow Chong and Y. Bhg. Dato' Dali Mahmud Hashim retire by rotation and, being eligible, offer themselves for re-election.

Mr. Chang Chee Seng, who was appointed to the Board during the financial year, retires under Article 99 of the Company's Articles of Association and, being eligible, offers himself for re-election.

Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim, being over the age of seventy years, retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

## DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year are as follows:

Shares in the Company	Number of Ordinary Shares of RM1.00 each			
	Balance as of 1.7.2002	Bought	Sold	Balance as of 30.6.2003
<b>Direct Interest</b>				
Jen (B) Tan Sri Dato' Zain Mahmud Hashim	2,000	-	(2,000)	-
Dato' Mohamad bin Haji Ahmad	12,000	-	-	12,000
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	178,102,171	170,097,271	(171,169,271)	177,030,171

The shareholdings in related companies of those who were directors at the end of the financial year are as follows:

Direct Interest	Nominal Value Per Ordinary Share	Balance as of 1.7.2002	Bought	Number of Shares		Balance as of 30.6.2003
	Sold			Capital Reconstruction		
Tan Sri William H.J. Cheng						
Lion Industries Corporation Berhad	RM1.00	1,680	-	(1,260)	(420)	-
Jen (B) Tan Sri Dato' Zain Mahmud Hashim						
Lion Diversified Holdings Berhad	RM0.50	35,600	-	(35,600)	-	-
Lion Industries Corporation Berhad	RM1.00	29,969	-	(29,969)	-	-
Dato' Mohamad bin Haji Ahmad						
Lion Industries Corporation Berhad	RM1.00	4,368	-	-	(1,092)	3,276

Direct Interest	Nominal	Balance as of 27.6.2003	Number of Shares			Balance as of 30.6.2003
	Value Per Ordinary Share		Bought	Sold	Capital Reconstruction	
Chang Chee Seng						
Lion Industries Corporation Berhad	RM1.00	7,517	-	-	-	7,517

Indirect Interest	Nominal	Balance as of 1.7.2002	Bought	Number of Shares			Balance as of 30.6.2003
	Value Per Ordinary Share			Sold	Capital Reconstruction		
Tan Sri William H.J. Cheng							
Lion Diversified Holdings Berhad	RM0.50	232,016,501	207,209,445	(207,209,445)	-	232,016,501	
Lion Industries Corporation Berhad	RM1.00	342,179,285	356,516,556	(288,522,327)	(85,519,822)	324,653,692	
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	-	-	-	1,000,000	
LLB Enterprise Sdn Bhd	RM1.00	690,000	-	-	-	690,000	
LLB Strategic Holdings Berhad	RM1.00	4,050,000	-	-	-	4,050,000	
Marvenel Sdn Bhd	RM1.00	100	-	-	-	100	
Ototek Sdn Bhd	RM1.00	1,050,000	-	-	-	1,050,000	
Sabah Forest Industries Sdn Bhd							
- ordinary shares Class 'A'	RM1.00	752,532,412	-	-	-	752,532,412	
- ordinary shares Class 'B'	RM0.10	7,525,324,120	-	-	-	7,525,324,120	
Soga Sdn Bhd	RM1.00	4,332,078	-	-	-	4,332,078	
Steelcorp Sdn Bhd	RM1.00	99,750	-	-	-	99,750	
LDH Investment Pte Ltd	SGD1.00	4,500,000	-	-	-	4,500,000	
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	-	-	-	4,500,000	
Lion Biotech Pte Ltd	SGD1.00	1,000,000	-	-	-	1,000,000	

Indirect Interest	Nominal Value Per Preference Share	Balance as of 1.7.2002	Number of Shares		Balance as of 30.6.2003
			Bought	Sold	
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	-	-	400,000

	Nominal Value Per Deferred Share	Balance as of 1.7.2002	Number of Shares		Balance as of 30.6.2003
			Bought	Sold	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	-	-	146,000,000

Investments in the People's Republic of China	Currency	Balance as of 1.7.2002	Bought	Sold	Balance as of 30.6.2003
Beijing Trostel Property Development Co Ltd	USD	6,650,000	-	-	6,650,000
Beijing CPB Foodstuff Co Ltd	USD	3,080,000	-	-	3,080,000
Hebei Weiyuan Heilen Bio-Chemical Co Ltd	USD	2,313,982	-	-	2,313,982
Huangshi Heilen Pharmaceutical Co Ltd (Under liquidation)	Rmb	45,416,040	-	-	45,416,040
Hubei Jinlongquan Brewery Co Ltd	USD	17,988,000	-	-	17,988,000
Hubei Lion Brewery Co Ltd	USD	17,993,990	-	-	17,993,990
Hunan DEbier Brewery Co Ltd	Rmb	132,000,000	-	-	132,000,000
Jiangsu DEbier Brewery Co Ltd	USD	6,625,001	-	-	6,625,001
Jinhua Lion Brewery Co Ltd	Rmb	-	15,920,000	-	15,920,000
Jinlongquan Brewery (Xiaogan) Co Ltd	Rmb	10,000,000	-	-	10,000,000
Lion Brewing Group Co Ltd	USD	12,677,000	-	-	12,677,000
Pingyang Lion Beer Co Ltd	USD	2,585,000	1,156,200	-	3,741,200
Shandong DEbier Brewery Co Ltd	Rmb	36,000,000	-	-	36,000,000
Shanghai Lion Plastic Industrial Co Ltd	USD	3,690,000	-	-	3,690,000
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	-	-	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd	USD	10,878,944	-	-	10,878,944
Zhu Zhou DEbier Brewery Co Ltd	Rmb	81,158,427	-	-	81,158,427

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit, other than those disclosed as directors' remuneration in the financial statements, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain directors of the Company and/or its subsidiary companies or persons connected to such directors and/or substantial shareholders have interest as disclosed in Note 21 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except as disclosed above.



## **HOLDING COMPANIES**

The immediate holding company is Amsteel Mills Sdn Bhd, a company incorporated in Malaysia. During the previous financial year, the directors regarded Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, as the ultimate holding company.

Upon the completion of the group-wide restructuring scheme involving Lion Industries Corporation Berhad ("LICB") and Amsteel Corporation Berhad during the current financial year, the directors regard LICB, a quoted company incorporated in Malaysia, as the ultimate holding company.

## **AUDITORS**

The auditors, Messrs Deloitte KassimChan, have indicated 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**

**NGAN YOW CHONG**

Kuala Lumpur,  
16 October 2003

## **REPORT OF THE AUDITORS TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD** (formerly known as Posim Berhad)

We have audited the accompanying balance sheets as of 30 June 2003, the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 ("Act") and the applicable approved accounting standards in Malaysia so as to give a true and fair view of :
  - (i) the state of affairs of the Group and of the Company as of 30 June 2003 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated 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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report of the subsidiary company, of which we have not acted as auditors, as mentioned in Note 14 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 subsidiary companies 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 as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**

**LAI CAN YIEW**  
**2179/09/05 (J)**  
**Partner**

Petaling Jaya,  
16 October 2003

## INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Note	The Group		The Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	4	475,150	468,074	104,281	97,659
Changes in inventories of finished goods, trading merchandise and work-in-progress		(3,793)	(19,182)	(128)	(52)
Raw materials and consumables used		(164,141)	(155,683)	-	-
Purchase of trading merchandise		(103,072)	(101,729)	(87,735)	(89,444)
Staff costs		(40,711)	(41,526)	(3,902)	(3,568)
Extraction fees		(14,838)	(15,482)	-	-
Timber royalties		(7,596)	(8,682)	-	-
Other production expenses		(53,776)	(48,647)	-	-
Depreciation of property, plant and equipment	11	(41,887)	(40,399)	(164)	(203)
Amortisation of:					
Forest concessions	12	(10,796)	(10,796)	-	-
Goodwill on consolidation	17	(10,146)	(10,146)	-	-
Other operating expenses		(15,809)	(13,414)	(2,137)	(2,554)
Other operating income		7,038	7,833	1,801	3,286
Profit from operations	5	15,623	10,221	12,016	5,124
Allowance for doubtful debts	6	-	(3,000)	-	(3,000)
Finance costs	7	(2,105)	(3,411)	(1,419)	(1,770)
Share in results of associated company		(3,150)	(2,254)	-	-
<b>Profit before tax</b>		<b>10,368</b>	<b>1,556</b>	<b>10,597</b>	<b>354</b>
Income tax expense	8	(2,982)	(1,589)	(371)	(524)
<b>Profit after tax</b>		<b>7,386</b>	<b>(33)</b>	<b>10,226</b>	<b>(170)</b>
Minority interests		(439)	(271)	-	-
<b>Net profit/(loss) for the year</b>		<b>6,947</b>	<b>(304)</b>	<b>10,226</b>	<b>(170)</b>
<b>Earnings/(Loss) per ordinary share</b>	9	<b>3.4 sen</b>	<b>(0.1) sen</b>		

The accompanying Notes form an integral part of the Financial Statements.

## BALANCE SHEETS

AS OF 30 JUNE 2003

	Note	The Group		The Company	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS (Note 25)</b>					
Property, plant and equipment	11	740,402	760,348	7,462	7,473
Forest concessions	12	322,524	333,320	-	-
Plantation development expenditure	13	133,061	127,583	-	-
Investment in subsidiary companies	14	-	-	1,232,075	8,675
Investment in associated company	15	3,947	7,097	4,684	4,684
Other investments	16	275	232	267	224
Goodwill on consolidation	17	191,765	201,911	-	-
Deferred tax assets	18	185	309	101	97
<b>Current Assets</b>					
Inventories	19	100,148	97,616	25	146
Trade receivables	20	67,007	80,315	36,353	36,923
Other receivables and prepaid expenses	20	6,830	111,159	1,312	77,816
Amount owing by subsidiary companies	14	-	-	5,412	1,231,658
Amount owing by immediate holding company	21	326	413	-	-
Amount owing by other related companies	21	93,701	1,453	93,565	1,362
Fixed deposits with licensed banks	22	126,800	60,060	-	-
Cash on hand and at banks	23	5,980	22,746	1,801	1,581
		<b>400,792</b>	<b>373,762</b>	<b>138,468</b>	<b>1,349,486</b>
<b>Current Liabilities</b>					
Trade payables	24	22,402	26,638	14,571	13,586
Other payables and accrued expenses	24	36,423	38,195	1,300	3,552
Amount owing to subsidiary companies	14	-	-	19,875	1,900
Amount owing to ultimate holding company	21	64	87	64	83
Amount owing to other related companies	21	1,631	593	1,597	555
Bank borrowings	25	22,497	34,451	17,323	30,625
Tax liabilities		3,747	3,712	1,476	1,705
		<b>86,764</b>	<b>103,676</b>	<b>56,206</b>	<b>52,006</b>
<b>Net Current Assets</b>		<b>314,028</b>	<b>270,086</b>	<b>82,262</b>	<b>1,297,480</b>
<b>Non-Current and Deferred Liabilities</b>					
Hire-purchase payables	26	(302)	(146)	-	-
Deferred tax liabilities	18	(239)	(238)	-	-
		<b>(541)</b>	<b>(384)</b>	<b>-</b>	<b>-</b>
		<b>1,705,646</b>	<b>1,700,502</b>	<b>1,326,851</b>	<b>1,318,633</b>
<b>Represented by:</b>					
Issued capital	27	203,219	203,219	203,219	203,219
Reserves	28	1,328,374	1,323,436	1,123,632	1,115,414
<b>Shareholders' Equity</b>		<b>1,531,593</b>	<b>1,526,655</b>	<b>1,326,851</b>	<b>1,318,633</b>
Minority interests	21	174,053	173,847	-	-
		<b>1,705,646</b>	<b>1,700,502</b>	<b>1,326,851</b>	<b>1,318,633</b>

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2003

The Group	Note	Issued capital RM'000	Share premium RM'000	Translation adjustment account RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Unappropriated profit RM'000	Total shareholders' equity RM'000
<b>Balance as of 1 July 2001</b>								
As previously reported		203,219	1,100,200	(27)	49,189	-	174,300	1,526,881
Prior years' adjustments	29	-	-	-	-	-	232	232
As restated		203,219	1,100,200	(27)	49,189	-	174,532	1,527,113
Net loss for the year								
As previously reported		-	-	-	-	-	(381)	(381)
Prior years' adjustments	29	-	-	-	-	-	77	77
As restated		-	-	-	-	-	(304)	(304)
Dividends	10	-	-	-	-	-	(146)	(146)
Translation adjustment for the year		-	-	(8)	-	-	-	(8)
<b>Balance as of 30 June 2002</b>		203,219	1,100,200	(35)	49,189	-	174,082	1,526,655
Net profit for the year		-	-	-	-	-	6,947	6,947
Redemption of preference shares	28	-	-	-	-	9	(9)	-
Dividends	10	-	-	-	-	-	(2,008)	(2,008)
Translation adjustment for the year		-	-	(1)	-	-	-	(1)
<b>Balance as of 30 June 2003</b>		203,219	1,100,200	(36)	49,189	9	179,012	1,531,593

The Company	Note	Issued capital RM'000	Share premium RM'000	Unappropriated profit RM'000	Total shareholders' equity RM'000
<b>Balance as of 1 July 2001</b>		203,219	1,100,200	15,530	1,318,949
Net loss for the year					
As previously reported		-	-	(267)	(267)
Prior years' adjustments	29	-	-	97	97
As restated		-	-	(170)	(170)
Dividends	10	-	-	(146)	(146)
<b>Balance as of 30 June 2002</b>		203,219	1,100,200	15,214	1,318,633
Net profit for the year		-	-	10,226	10,226
Dividends	10	-	-	(2,008)	(2,008)
<b>Balance as of 30 June 2003</b>		203,219	1,100,200	23,432	1,326,851

The accompanying Notes form an integral part of the Financial Statements.

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

The Group	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax	10,368	1,556
Adjustments for:		
Depreciation of property, plant and equipment	41,887	40,399
Amortisation of:		
Forest concessions	10,796	10,796
Goodwill on consolidation	10,146	10,146
Share in results of associated company	3,150	2,254
Finance costs	2,105	3,411
Allowance for doubtful debts	1,008	3,975
Inventories written off	877	109
Allowance for slow-moving and obsolete inventories	169	176
Bad debts written off	134	2
Inventories written down	49	13
Property, plant and equipment written off	-	5
Dividend income	(2)	(3)
Gain on disposal of:		
Other investments	(35)	-
Property, plant and equipment	(152)	(88)
Allowance for doubtful debts no longer required	(322)	(110)
Interest income	(4,309)	(3,854)
Operating Profit Before Working Capital Changes	75,869	68,787
(Increase)/Decrease in:		
Inventories; adjusted for depreciation of property, plant and equipment of RM2,307,000 (RM2,404,000 in 2002) and amortisation of plantation development expenditure of RMNil (RM69,000 in 2002)	(1,320)	34,608
Trade receivables	12,373	20,064
Other receivables and prepaid expenses	104,444	(100,066)
Decrease in:		
Trade payables	(4,236)	(17,301)
Other payables and accrued expenses; excluding hire-purchase payables	(1,822)	(1,409)
Cash Generated From Operations	185,308	4,683
Interest received	3,038	948
Income tax paid	(2,823)	(2,788)
Net Cash From Operating Activities	185,523	2,843

(Forward)

<b>The Group</b>	<b>Note</b>	<b>2003 RM'000</b>	<b>2002 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (Note)		(24,387)	(8,850)
Addition to other investments		(183)	(5)
Proceeds from disposal of:			
Property, plant and equipment		213	807
Other investments		175	-
(Increase)/Decrease in:			
Amount owing by ultimate holding company		-	75,679
Amount owing by immediate holding company		87	16,321
Amount owing by other related companies		(92,248)	1,347
Plantation development expenditure; adjusted for depreciation of property, plant and equipment of RM446,000 (RM466,000 in 2002)		(5,032)	(9,728)
Cash at banks held under Escrow Account		(48)	(657)
Interest received from other related companies		1,271	24
Dividend received from quoted investments		2	2
Net Cash From/(Used In) Investing Activities		<u>(120,150)</u>	<u>74,940</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Increase/(Decrease) in:			
Bank borrowings; excluding bank overdrafts		(10,930)	(18,606)
Amount owing to ultimate holding company		(23)	87
Amount owing to other related companies		1,038	(3,463)
Payment of hire-purchase payables		(162)	(106)
Dividend paid		(2,008)	(146)
Dividends paid to minority shareholder of subsidiary company		(233)	(35)
Finance costs paid		(2,105)	(3,411)
Net Cash Used In Financing Activities		<u>(14,423)</u>	<u>(25,680)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>50,950</b>	<b>52,103</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>76,546</b>	<b>24,443</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	34	<b><u>127,496</u></b>	<b><u>76,546</u></b>

Note: During the financial year, the Group acquired property, plant and equipment at an aggregate cost of RM24,755,000 (RM8,850,000 in 2002) of which RM368,000 (RMNil in 2002) was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM24,387,000 (RM8,850,000 in 2002).

(Forward)

<b>The Company</b>	<b>2003 RM'000</b>	<b>2002 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax	10,597	354
Adjustments for:		
Finance costs	1,419	1,770
Allowance for doubtful debts	813	3,686
Depreciation of property, plant and equipment	164	203
Inventories written off	7	3
Allowance for slow-moving and obsolete inventories	-	9
Property, plant and equipment written off	-	1
Gain on disposal of:		
Property, plant and equipment	(33)	(35)
Other investments	(35)	-
Allowance for doubtful debts no longer required	(313)	(71)
Interest income	(1,612)	(3,111)
Dividend income	(10,577)	(2,036)
Operating Profit Before Working Capital Changes	430	773
(Increase)/Decrease in:		
Inventories	114	9
Trade receivables	(45)	(6,276)
Other receivables and prepaid expenses	76,619	(76,416)
Increase/(Decrease) in:		
Trade payables	985	4,598
Other payables and accrued expenses	(2,252)	2,412
Cash Generated From/(Used In) Operations	75,851	(74,900)
Interest received	247	146
Income tax paid	(604)	(1,502)
Net Cash From/(Used In) Operating Activities	75,494	(76,256)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(153)	(27)
Proceeds from disposal of:		
Other investments	175	-
Property, plant and equipment	33	711
Addition to other investments	(183)	-
(Increase)/Decrease in:		
Amount owing by ultimate holding company	-	75,679
Amount owing by immediate holding company	-	653
Amount owing by subsidiary companies	2,846	6,768
Amount owing by other related companies	(92,203)	9
Cash at banks held under Escrow Account	(48)	(657)
Interest received from:		
Subsidiary companies	94	-
Other related companies	1,271	24
Dividend received from:		
Subsidiary companies	10,575	-
Quoted investments	2	2
Net Cash From/(Used In) Investing Activities	(77,591)	83,162

(Forward)



<b>The Company</b>	<b>Note</b>	<b>2003 RM'000</b>	<b>2002 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Increase/(Decrease) in:			
Bank borrowings; excluding bank overdrafts		(12,271)	(4,165)
Amount owing to ultimate holding company		(19)	83
Amount owing to subsidiary companies		17,975	1,327
Amount owing to other related companies		1,042	(2,492)
Dividends paid		(2,008)	(146)
Finance costs paid		(1,419)	(1,770)
Net Cash From/(Used In) Financing Activities		<u>3,300</u>	<u>(7,163)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,203</b>	<b>(257)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>(2,167)</u>	<u>(1,910)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	34	<u><u>(964)</u></u>	<u><u>(2,167)</u></u>

The accompanying Notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

The Company is principally involved in investment holding, trading and distribution of building materials and consumer goods.

The principal activities of the subsidiary companies and of the associated company are as listed in Notes 14 and 15, respectively.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

The total number of employees of the Group and of the Company at the end of the financial year was 2,372 (2,252 in 2002) and 81 (83 in 2002), respectively.

The Company's registered office is located at Level 46, Menara Citibank, 165, Jalan Ampang, 50450 Kuala Lumpur.

The Company's principal place of business is located at Wisma Posim, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 16 October 2003.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

#### **Basis of Consolidation**

The Group financial statements incorporate the financial statements of the Company and of all the subsidiary companies made up to the end of the financial year as listed in Note 14. Subsidiary companies are consolidated using the acquisition method of accounting.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

The interest of minority shareholders is stated at the minority's proportion of the assets and liabilities recognised.

All significant intercompany transactions and balances are eliminated on consolidation.

Goodwill on consolidation, which represents the excess of the cost of investment over the fair values attributable to the related net assets of the subsidiary companies at the effective date of acquisition, is amortised evenly over 25 years.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary company have been translated into Ringgit Malaysia as follows:

Assets and liabilities	-	at year-end rate
Share capital	-	at historical rate
Revenue and expenses	-	at average rate for the year

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>30.6.2003</u> RM	<u>30.6.2002</u> RM
1 Singapore Dollar	2.15	2.14

All translation gains or losses are taken up and reflected in translation adjustment account under shareholders' equity.

#### **Revenue and Revenue Recognition**

Revenue of the Company consists of gross invoice value of sales, net of discounts and returns, and gross dividend income from subsidiary companies, associated company and quoted investments.

Revenue of the Group consists of gross invoice value of goods and services supplied to third parties, net of discounts and returns and gross dividend income from quoted investments.

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

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

Revenue from servicing of industrial machine and equipment is recognised upon rendering of services.

Revenue from hiring of industrial machine and equipment is recognised on a time basis, by reference to the agreement entered into.

#### **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 difference arises 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 the 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 settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior to the adoption of MASB Standard No. 25, Income Taxes on 1 July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were recognised generally on actual realisation. This accounting change has been accounted for retrospectively and the effects are disclosed in Note 29.

#### Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlement has not been made at the end of the financial year, at the approximate exchange rates prevailing at that date. Gains and losses arising from conversion of foreign currency amounts are reflected in the income statements.

The principal closing rates used in conversion of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>30.6.2003</u> RM	<u>30.6.2002</u> RM
1 United States Dollar	3.80	3.80
1 Singapore Dollar	2.15	2.14

#### Associated Company

An associated company is a non-subsiary company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

The Group's investment in associated company is accounted for under the equity method of accounting based on audited or management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit/loss of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

#### Impairment of Assets

The carrying amounts of property, plant and equipment, forest concessions, plantation development expenditure, investment in subsidiary companies, investment in associated company and goodwill on consolidation are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statements.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in the income statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Freehold land and capital work-in-progress are not depreciated.

Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	2%
Leasehold land	1.65% - 2%
Pulp and paper mill	2% - 4%
Plant and machinery	3.70% - 20%
Office equipment	20%
Furniture and fittings	10% - 20%
Motor vehicles	20% - 25%
Office renovation	20%
Computer equipment	20%
Housing colony and infrastructures	2% - 10%
Jetty and access roads	2% - 4.17%

#### Assets Acquired Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

#### Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use is capitalised and included as part of the cost of the related property, plant and equipment.

#### Forest Concessions

Forest concessions, which consist of two forest areas of 158,623 hectares and 118,000 hectares, are stated at cost less accumulated amortisation and any impairment losses. The said concessions are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

#### Plantation Development Expenditure

Development and planting expenditure incurred in the establishment and development of tree plantations, including a proportion of the Group's forestry division general charges incurred in relation to the planting of trees, are deferred and capitalised to plantation development expenditure. This expenditure is charged to the income statements when the trees are harvested upon maturity.

#### Investments

Investment in unquoted shares in subsidiary companies, which is eliminated on consolidation, and investment in unquoted shares in associated company are stated at cost less any impairment losses in the Company's financial statements.

Other investments in quoted and unquoted corporations are stated at cost.

Allowance for diminution in value of investment is made to recognise any decline, other than temporary decline, in the value of the investments.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Inventories

Trading merchandise, finished goods, work-in-progress, raw materials, engineering spares, fuel and lubricants and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress includes cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Log inventories are valued at the lower of cost (determined principally on the 'first-in, first-out' method) and net realisable value. The cost of commercial timber logs represents extraction fees and timber royalties accrued. The cost of pulp and fuel logs represents extraction fees and cost incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

#### Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

#### Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.

#### Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

### 4. REVENUE

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sales of goods	<b>473,659</b>	466,956	<b>93,704</b>	95,623
Servicing income	<b>942</b>	848	-	-
Hiring income	<b>547</b>	267	-	-
Gross dividend income from investments quoted in Malaysia	<b>2</b>	3	<b>2</b>	3
Gross dividend income from subsidiary companies	-	-	<b>10,575</b>	2,033
	<b>475,150</b>	468,074	<b>104,281</b>	97,659

## 5. PROFIT FROM OPERATIONS

This is arrived at after the following credits/(charges):

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Interest income on:				
Fixed deposits with licensed banks	2,752	779	-	-
Advances to other related companies	1,271	24	1,271	24
Advances to holding companies	-	2,882	-	2,882
Advances to subsidiary companies	-	-	94	59
Others	286	169	247	146
Rental income	597	724	23	37
Allowance for doubtful debts no longer required	322	110	313	71
Gain on disposal of property, plant and equipment	152	88	33	35
Gain on disposal of other investments	35	-	35	-
Bad debts recovered	30	106	30	101
Property, plant and equipment written off	-	(5)	-	(1)
Inventories written down	(49)	(13)	-	-
Bad debts written off	(134)	(2)	-	-
Auditors' remuneration	(151)	(151)	(23)	(23)
Allowance for slow-moving and obsolete inventories	(169)	(176)	-	(9)
Realised loss on foreign exchange	(183)	(5)	-	-
Directors' remuneration (Note 21)	(464)	(371)	(434)	(341)
Inventories written off	(877)	(109)	(7)	(3)
Allowance for doubtful debts	(1,008)	(975)	(813)	(686)
Hire of plant and machinery	(1,195)	(1,861)	-	-
Rental of premises payable to:				
Subsidiary company	-	-	(8)	(12)
Other related companies	-	(485)	-	(110)
Others	(1,345)	(473)	(300)	(76)

## 6. ALLOWANCE FOR DOUBTFUL DEBTS

	The Group and The Company	
	2003	2002
	RM'000	RM'000
Allowance for doubtful debts in respect of amount owing by former ultimate holding company, Amsteel Corporation Berhad	-	3,000

## 7. FINANCE COSTS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Bank overdrafts and other borrowings	2,052	3,291	1,335	1,673
Advances from ultimate holding company	19	6	19	6
Advances from subsidiary companies	-	-	51	-
Advances from related parties	14	93	14	91
Hire-purchase	20	21	-	-
	<u>2,105</u>	<u>3,411</u>	<u>1,419</u>	<u>1,770</u>

## 8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Estimated tax payable	2,617	1,698	251	645
(Over)/Underprovision in prior years	240	(19)	124	(24)
	<u>2,857</u>	<u>1,679</u>	<u>375</u>	<u>621</u>
Deferred tax (Note 18)	125	(90)	(4)	(97)
	<u>2,982</u>	<u>1,589</u>	<u>371</u>	<u>524</u>

The charge for the year can be reconciled to the profit before tax per income statements as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Accounting profit	<u>10,368</u>	<u>1,556</u>	<u>10,597</u>	<u>354</u>
Tax at applicable tax rate of 28% (28% in 2002)	2,903	436	2,967	99
Tax effects of (non-taxable)/non-deductible items:				
Dividend income	-	-	(2,875)	-
Entertainment	62	44	27	21
Advertising expenses	145	-	-	-
Depreciation of non-qualifying capital expenditure	57	57	29	33
Interest restriction	73	2	73	2
Utilisation of:				
Unabsorbed tax losses	(147)	(161)	-	-
Reinvestment allowance	(90)	(46)	-	-
Investment tax credit	(15,507)	(11,944)	-	-
Other non-deductible items	15,246	13,220	26	393
	<u>2,742</u>	<u>1,608</u>	<u>247</u>	<u>548</u>



## 8. INCOME TAX EXPENSE (Continued)

As of 30 June 2003, the balances in the tax-exempt accounts of the Company are as follows:

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	<b>6,157</b>	7,580
Tax-exempt dividend received	<b>11,866</b>	1,601
	<b>18,023</b>	<b>9,181</b>

The above balances in the tax-exempt accounts, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividends up to the same amounts.

## 9. EARNINGS/(LOSS) PER ORDINARY SHARE

### Basic

The basic earnings/loss per ordinary share of the Group has been calculated based on the Group's net profit of RM6,947,000 (net loss of RM304,000 in 2002) and on the number of ordinary shares in issue and ranking for dividend of 203,218,571 during the year (203,218,571 in 2002).

### Fully diluted

Under MASB Standard No. 13 on Earnings Per Share, the options over 1,967,000 unissued ordinary shares granted to confirmed executive employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2003. The terms of the unexercised options are set out in Note 27.

## 10. DIVIDENDS

	<b>The Group and The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Interim dividend - 1% (0.7%, tax exempt and 0.3%, less 28% tax) in 2003; Nil in 2002	<b>1,862</b>	-
Final dividend - 0.1%, less 28% tax, in 2002 and 2001	<b>146</b>	146
	<b>2,008</b>	<b>146</b>

A first and final dividend of 0.1% (0.1% in 2001), less 28% tax, amounting to RM146,317 (RM146,317 in 2001) proposed in respect of the previous financial year and dealt with in the previous directors' report was paid by the Company during the current financial year. Gross dividend per share is 0.1 sen (0.1 sen in 2001).

An interim dividend of 1%, consisting of 0.7%, tax exempt and 0.3%, less 28% tax (Nil in 2002), amounting to RM1,861,482 (RMNil in 2002) was paid in respect of the current financial year. Gross dividend per share is 1 sen (Nil in 2002).

The directors propose a final dividend of 7%, less 28% tax, amounting to RM10,242,216 in respect of the current financial year. Gross dividend per share is 7 sen (0.1 sen in 2002). The said proposed dividend, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, has not been included as a liability in the Financial Statements.

## 11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

2003 The Group	At beginning of year RM'000	Additions RM'000	Disposals RM'000	COST		At end of year RM'000
				Write-offs RM'000	Reclassifications RM'000	
Freehold land	5,227	-	-	-	-	5,227
Freehold buildings	6,134	41	-	-	-	6,175
Long leasehold land and buildings	4,207	-	-	-	-	4,207
Short leasehold land and buildings	74,775	43	(100)	-	-	74,718
Pulp and paper mill	789,002	12,802	(20,538)	-	-	781,266
Plant and machinery	228,097	4,786	(394)	(397)	4,260	236,352
Office equipment	808	25	-	(4)	-	829
Furniture and fittings	18,274	554	(208)	(28)	-	18,592
Motor vehicles	8,991	179	(396)	-	123	8,897
Motor vehicles under hire-purchase	468	368	(31)	-	(123)	682
Office renovation	713	59	-	(2)	-	770
Computer equipment	1,101	29	-	-	-	1,130
Housing colony and infrastructures	115,091	-	-	-	-	115,091
Jetty and access roads	96,806	2,235	-	-	-	99,041
Capital work-in-progress	4,740	3,634	-	-	(4,260)	4,114
	<u>1,354,434</u>	<u>24,755</u>	<u>(21,667)</u>	<u>(431)</u>	<u>-</u>	<u>1,357,091</u>

	At beginning of year RM'000	ACCUMULATED DEPRECIATION				NET BOOK VALUE		
		Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Reclassifications RM'000	At end of year RM'000	At end of year RM'000	At beginning of year RM'000
Freehold land	-	-	-	-	-	-	5,227	5,227
Freehold buildings	916	137	-	-	-	1,053	5,122	5,218
Long leasehold land and buildings	657	7	-	-	-	664	3,543	3,550
Short leasehold land and buildings	23,468	3,318	(89)	-	-	26,697	48,021	51,307
Pulp and paper mill	373,155	18,029	(20,538)	-	-	370,646	410,620	415,847
Plant and machinery	76,388	12,847	(344)	(397)	-	88,494	147,858	151,709
Office equipment	761	18	-	(4)	-	775	54	47
Furniture and fittings	15,378	1,082	(208)	(28)	-	16,224	2,368	2,896
Motor vehicles	8,449	332	(427)	-	58	8,412	485	542
Motor vehicles under hire-purchase	158	93	-	-	(58)	193	489	310
Office renovation	632	57	-	(2)	-	687	83	81
Computer equipment	891	65	-	-	-	956	174	210
Housing colony and infrastructures	46,729	4,618	-	-	-	51,347	63,744	68,362
Jetty and access roads	46,504	4,037	-	-	-	50,541	48,500	50,302
Capital work-in-progress	-	-	-	-	-	-	4,114	4,740
	<u>594,086</u>	<u>44,640</u>	<u>(21,606)</u>	<u>(431)</u>	<u>-</u>	<u>616,689</u>	<u>740,402</u>	<u>760,348</u>

**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

2003 The Company	COST				At end of year RM'000
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	
Freehold land	5,227	-	-	-	5,227
Freehold buildings	1,898	-	-	-	1,898
Long leasehold land and building	383	-	-	-	383
Office equipment	511	-	-	-	511
Furniture and fittings	540	3	-	(28)	515
Motor vehicles	369	139	(96)	-	412
Office renovation	270	-	-	(2)	268
Computer equipment	650	11	-	-	661
	<u>9,848</u>	<u>153</u>	<u>(96)</u>	<u>(30)</u>	<u>9,875</u>

	ACCUMULATED DEPRECIATION				NET BOOK VALUE		
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	At end of year RM'000	At end of year RM'000	At beginning of year RM'000
Freehold land	-	-	-	-	-	5,227	5,227
Freehold buildings	214	38	-	-	252	1,646	1,684
Long leasehold land and building	30	7	-	-	37	346	353
Office equipment	501	4	-	-	505	6	10
Furniture and fittings	513	18	-	(28)	503	12	27
Motor vehicles	356	18	(96)	-	278	134	13
Office renovation	191	53	-	(2)	242	26	79
Computer equipment	570	26	-	-	596	65	80
	<u>2,375</u>	<u>164</u>	<u>(96)</u>	<u>(30)</u>	<u>2,413</u>	<u>7,462</u>	<u>7,473</u>

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Current depreciation has been charged to the following accounts:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income statements	<b>41,887</b>	40,399	<b>164</b>	203
Inventories	<b>2,307</b>	2,404	-	-
Plantation development expenditure (Note 13)	<b>446</b>	466	-	-
	<b>44,640</b>	43,269	<b>164</b>	203

As of 30 June 2003, certain freehold land and buildings and long leasehold land and buildings of the Group and the Company with net book values totalling RM7,219,000 (RM7,264,000 in 2002) have been pledged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 25.

As of 30 June 2003, the titles to certain parcels of leasehold land of a subsidiary company with net book values totalling RM1,583,000 (RM1,629,000 in 2002) have not been registered in the name of the said subsidiary company.

## 12. FOREST CONCESSIONS

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Forest concessions - at cost	<b>388,200</b>	388,200
Cumulative amortisation:		
At beginning of year	<b>54,880</b>	44,084
Amortisation for the year	<b>10,796</b>	10,796
At end of year	<b>65,676</b>	54,880
Net	<b>322,524</b>	333,320

The forest concessions consist of two forest areas with a total area of 276,623 hectares. The values attributable to the concessions of 158,623 hectares and 118,000 hectares are RM131,200,000 and RM257,000,000, respectively. The 158,623 hectares and 118,000 hectares of concession are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

### 13. PLANTATION DEVELOPMENT EXPENDITURE

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:		
At beginning of year	<b>131,899</b>	121,705
Additions for the year	<b>5,478</b>	10,194
At end of year	<b>137,377</b>	131,899
Cumulative amortisation:		
At beginning of year	<b>4,316</b>	4,247
Amortisation for the year	-	69
At end of year	<b>4,316</b>	4,316
Net	<b>133,061</b>	127,583

Charges to plantation development expenditure during the year include depreciation of property, plant and equipment amounting to RM446,000 (RM466,000 in 2002).

Current amortisation of RM Nil (RM69,000 in 2002) has been charged to inventories.

### 14. INVESTMENT IN SUBSIDIARY COMPANIES

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	<b>1,232,075</b>	8,675

Amount owing by subsidiary companies arose mainly from expenses paid on behalf and other unsecured advances with no fixed repayment terms.

The advances bear interest at rates ranging from 1.00% to 5.40% (nominal rate to 6.50% in 2002) per annum except for an amount of RMNil (RM18,000 in 2002) which is interest-free.

Amount owing to subsidiary companies, which are either interest-free or bears interest at 1.00% (interest-free in 2002) per annum, arose mainly from unsecured advances and has no fixed repayment terms.

The directors of the Company are of the opinion that the transactions undertaken with subsidiary companies have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

#### 14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest		Principal Activities
		2003 %	2002 %	
Direct				
Posim Petroleum Marketing Sdn Bhd	Malaysia	100.00	100.00	Trading and distribution of petroleum products
Posim Marketing Sdn Bhd (formerly known as Posim Industrial Equipment Sdn Bhd)	Malaysia	100.00	100.00	Trading, servicing, hiring and distribution of industrial machines and equipment
Ototek Sdn Bhd	Malaysia	70.00	70.00	Trading and distribution of lubricants, spark plugs and automotive components
Posim Petroleum Products Sdn Bhd	Malaysia	100.00	100.00	Manufacturing of petroleum products
Stoller Chemical Company (M) Sdn Bhd	Malaysia	100.00	100.00	Dormant
Fabulous Contour Sdn Bhd	Malaysia	100.00	100.00	Dormant
Posim Agricultural Products Sdn Bhd	Malaysia	100.00	100.00	Dormant
SC Nominees Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Sabah Forest Industries Sdn Bhd	Malaysia	97.78	-	Integrated wood-based activities and pulp and paper mill operations
Indirect				
Sabah Forest Industries Sdn Bhd	Malaysia	-	97.78	Integrated wood-based activities and pulp and paper mill operations
Sabah Pulp & Paper Mill Sdn Bhd	Malaysia	97.78	97.78	Dormant
* SFI Paper Pte Ltd	Republic of Singapore	97.78	97.78	Dormant

\* The financial statements of this company are audited by Deloitte & Touche, a member firm of the auditors of the Company.

The Company's investment in Ototek Sdn Bhd with carrying value amounting to RM1,175,000 (RM1,175,000 in 2002) has been pledged as collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 25.

## 15. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted shares - at cost	<b>4,684</b>	4,684	<b>4,684</b>	4,684
Share in post - acquisition profits/(loss)	<b>(737)</b>	2,413	<b>-</b>	-
	<b><u>3,947</u></b>	<u>7,097</u>	<b><u>4,684</u></b>	<u>4,684</u>

The associated company is as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2003 %	2002 %	
Direct				
# Kinabalu Motor Assembly Sendirian Berhad	Malaysia	20.00	20.00	Assembly of Isuzu range of motor vehicles

# The financial statements of this company are audited by auditors other than the auditors of the Company.

The Group's interest in the associated company is analysed as follows:

	The Group	
	2003 RM'000	2002 RM'000
Share of net tangible assets	<b>3,423</b>	6,573
Premium on acquisition	<b>524</b>	524
	<b><u>3,947</u></b>	<u>7,097</u>

## 16. OTHER INVESTMENTS

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Quoted shares	<b>230</b>	47	<b>222</b>	39
Unquoted shares	<b>-</b>	140	<b>-</b>	140
Club membership	<b>45</b>	45	<b>45</b>	45
	<b><u>275</u></b>	<u>232</u>	<b><u>267</u></b>	<u>224</u>
Market value of quoted shares	<b><u>130</u></b>	<u>62</u>	<b><u>118</u></b>	<u>50</u>

## 17. GOODWILL ON CONSOLIDATION

	The Group	
	2003 RM'000	2002 RM'000
Goodwill on consolidation	253,646	253,646
Cumulative amortisation:		
At beginning of year	51,735	41,589
Amortisation for the year	10,146	10,146
At end of year	61,881	51,735
Net	191,765	201,911

## 18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Deferred Tax Assets</b>				
At beginning of year	309	232	97	-
Net transfer from/(to) income statements (Note 8)	(124)	77	4	97
At end of year	185	309	101	97

	The Group	
	2003 RM'000	2002 RM'000
<b>Deferred Tax Liabilities</b>		
At beginning of year	238	251
Net transfer from/(to) income statements (Note 8)	1	(13)
At end of year	239	238

The deferred tax assets of the Group and of the Company represent the tax effects of the following:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unabsorbed tax losses	84	212	-	-
Unabsorbed capital allowances	64	44	64	44
Temporary differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	(15)	(12)	(15)	(12)
Others	52	65	52	65
	185	309	101	97



**18. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

The deferred tax liabilities of the Group represent the tax effects of the following:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Temporary differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	<b>391</b>	325
Others	<b>(152)</b>	(87)
	<b>239</b>	238

As mentioned in Note 3, the tax effects of temporary differences which would give rise to net deferred tax asset are recognised 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. As of 30 June 2003, the amount of net deferred tax asset, calculated at current tax rate which has not been recognised in the financial statements, is as follows:

	<b>Deferred Tax Asset/ (Liability)</b>	
	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax effects of:		
Unabsorbed tax losses	<b>139,438</b>	138,472
Unabsorbed capital allowances	<b>349,517</b>	341,942
Temporary differences in respect of excess of tax capital allowances over book depreciation of property, plant and equipment	<b>(17)</b>	(15)
Others	<b>268</b>	199
Net Deferred Tax Asset	<b>489,206</b>	480,598

The unabsorbed tax losses and capital allowances are subject to agreement with the tax authorities.

As of 30 June 2003, the Group has reinvestment allowances and investment tax credits totalling RM68,225,000 and RM224,380,000 (RM62,311,000 and RM271,529,000 in 2002), respectively which, if agreed by the tax authorities, are available for set-off against taxable income in future years.

## 19. INVENTORIES

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>At cost:</b>				
Finished goods				
- Paper	9,650	20,560	-	-
- Veneer	4,955	377	-	-
- Sawn timber	3,492	2,122	-	-
- Plywood	1,070	563	-	-
- Others	38	1,153	-	-
Commercial timber logs	112	655	-	-
Work-in-progress				
- Paper	2,045	2,587	-	-
- Veneer	1,954	1,533	-	-
- Sawn timber	2,244	3,065	-	-
- Plywood	351	169	-	-
Raw materials	14,712	12,206	-	-
Pulp and fuel logs	16,072	15,816	-	-
Engineering spares	34,410	28,706	-	-
Fuel and lubricants	1,959	1,913	-	-
Trading merchandise	5,781	3,224	31	155
Others	1,965	3,643	-	-
	<b>100,810</b>	<b>98,292</b>	<b>31</b>	<b>155</b>
Less: Allowance for obsolete and slow-moving inventories	(732)	(767)	(6)	(13)
	<b>100,078</b>	<b>97,525</b>	<b>25</b>	<b>142</b>
<b>At net realisable value:</b>				
Trading merchandise	55	75	-	4
Others	15	16	-	-
	<b>100,148</b>	<b>97,616</b>	<b>25</b>	<b>146</b>

## 20. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade receivables	72,478	85,044	39,329	39,299
Allowance for doubtful debts	(5,471)	(4,729)	(2,976)	(2,376)
	<b>67,007</b>	<b>80,315</b>	<b>36,353</b>	<b>36,923</b>

Trade receivables comprise amounts outstanding for sale of goods, rendering of services, hiring of industrial machines and equipment. The credit period granted for these trade transactions ranges from 30 to 60 days (30 to 60 days in 2002).

## 20. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

The currency exposure profile of trade receivables is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Analysis of trade receivables by currency:				
- US Dollar	<b>7,196</b>	15,012	-	-
- Singapore Dollar	<b>969</b>	2,086	-	-
- Ringgit Malaysia	<b>64,313</b>	67,946	<b>39,329</b>	39,299
	<b>72,478</b>	85,044	<b>39,329</b>	39,299

Other receivables and prepaid expenses consist of:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	<b>4,861</b>	107,172	<b>827</b>	77,170
Allowance for doubtful debts	<b>(1,483)</b>	(1,418)	<b>(130)</b>	(65)
	<b>3,378</b>	105,754	<b>697</b>	77,105
Prepaid expenses	<b>3,114</b>	4,926	<b>399</b>	483
Deposits	<b>338</b>	479	<b>216</b>	228
	<b>6,830</b>	111,159	<b>1,312</b>	77,816

Included in other receivables of the Group and the Company in 2002 is an amount of RM75,679,000 owing by Amsteel Corporation Berhad, the former ultimate holding company. The said amount, which bore interest at rates ranging from 6.20% to 6.50% per annum, arose mainly from advances and had been repaid during the financial year.

## 21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The immediate holding company is Amsteel Mills Sdn Bhd, a company incorporated in Malaysia. During the previous financial year, the directors regarded Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, as the ultimate holding company.

Upon the completion of the group-wide restructuring scheme ("GWRS") involving Lion Industries Corporation Berhad ("LICB") and Amsteel Corporation Berhad during the current financial year, the directors regard LICB, a quoted company incorporated in Malaysia, as the ultimate holding company.

Amount owing by/to holding companies and other related companies arose mainly from prior years' intercompany advances, trade transactions and expenses paid on behalf.

Amount owing by immediate holding company in 2003 is interest-free and has no fixed repayment terms.

Amount owing to ultimate holding company bears interest at 8.00% (9.00% in 2002) per annum and has no fixed repayment terms.

Amount owing by other related companies bears interest at rates ranging from 5.20% to 5.40% (6.20% to 6.50% in 2002) per annum and has no fixed repayment terms.

Amount owing to other related companies is interest-free and has no fixed repayment terms.

Significant transactions undertaken with related parties during the financial year are as follows:

Name of Company	Nature	The Group		The Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>With immediate holding company:</b>					
Amsteel Mills Sdn Bhd	Trade sales	1,407	1,180	-	7
	Transport service charges payable	347	108	-	-
<b>With former ultimate holding company:</b>					
Amsteel Corporation Berhad	Interest income on advances	-	5,684	-	5,684
<b>With former immediate holding company:</b>					
Avenel Sdn Bhd	Interest income on advances	-	41	-	41

**21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS** (continued)

Name of Company	Nature	The Group		The Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
With other related companies:					
JOPP Builders Sdn Bhd	Interest income on advances	40	48	40	48
LLB Harta (M) Sdn Bhd	Interest income on advances	1,231	-	1,231	-
Amsteel Mills Marketing Sdn Bhd	Trade purchases	19,206	9,851	19,206	9,851
With related parties:					
Group A					
Parkson Corporation Sdn Bhd	Trade sales	409	167	293	55
Silverstone Berhad	Trade sales	2,974	2,186	-	-
Silverstone Corporation Berhad	Trade purchases	-	5,013	-	5,013
	Interest expense on advances	-	77	-	77
Lion Suzuki Motor Sdn Bhd	Rental payable	546	445	188	110
	Trade sales	182	249	-	-
	Interest expense on advances	14	13	14	13
Singa Logistics Sdn Bhd	Trade sales	34	127	-	-
Megasteel Sdn Bhd	Trade sales	547	446	-	-
	Purchase of spares	-	759	-	-
Bright Steel Sdn Bhd	Trade sales	342	310	-	-
	Purchase of spares	-	284	-	-
Inverfin Sdn Bhd	Rental payable	621	371	82	76
Lion Trading & Marketing Sdn Bhd	Purchase of equipment	420	1	-	1

**21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)**

Name of Company	Nature	The Group		The Company	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
With related parties:					
<u>Group B</u>					
Boustead Johan Edaran Sdn Bhd	Trade purchases	-	954	-	954
Affin Insurance Brokers Sdn Bhd	Insurance payable	5,151	8,559	40	30
Johan Ceramics Berhad	Trade purchases	2,220	1,010	2,220	1,010

Other related companies refer to subsidiary companies of LICB, the ultimate holding company.

Related parties refer to entities in which certain directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected to such directors and/or substantial shareholders have interest.

Group A companies are associated companies or subsidiary companies of associated companies of LICB. Group B companies are companies in which a substantial shareholder of Amsteel Corporation Berhad, the former ultimate holding company, has direct/indirect interest in the companies. Subsequent to the completion of the GWRS, Group B companies ceased to be related parties of the Company.

The outstanding balances arising from the above transactions are as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Receivables:				
Included in trade receivables	1,317	1,191	232	55
Included in other receivables	<u>101</u>	<u>76,435</u>	<u>101</u>	<u>76,435</u>
Payables:				
Included in trade payables	900	843	900	843
Included in other payables	<u>340</u>	<u>2,314</u>	<u>275</u>	<u>2,219</u>

## 21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Forms of directors' remuneration charged to the income statements for the financial year are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fees</b>				
Executive directors				
Chang Chee Seng*	<b>1</b>	-	<b>1</b>	-
Ngan Yow Chong	<b>10</b>	9	<b>10</b>	9
Lee Ching Kion**	<b>10</b>	9	<b>10</b>	9
	<b>21</b>	18	<b>21</b>	18
Non-executive directors				
Tan Sri William H.J. Cheng	<b>21</b>	21	<b>15</b>	15
Jen (B) Tan Sri Dato' Zain Mahmud Hashim	<b>10</b>	10	<b>10</b>	10
Dato' Mohamad bin Haji Ahmad	<b>25</b>	19	<b>25</b>	19
Dato' Dali Mahmud Hashim	<b>28</b>	18	<b>28</b>	18
Zainab binti Dato' Hj Mohamed	<b>25</b>	11	<b>25</b>	11
Datuk Cheng Yong Kim***	-	4	-	4
Dato' Murad Mohamed Hashim***	-	3	-	3
	<b>109</b>	86	<b>103</b>	80
<b>Salary and other emoluments</b>				
Executive director				
Ngan Yow Chong	<b>310</b>	243	<b>310</b>	243
Non-executive director				
Tan Sri William H.J. Cheng	<b>24</b>	24	-	-
	<b>334</b>	267	<b>310</b>	243
<b>Total</b>	<b>464</b>	371	<b>434</b>	341

\* appointed on 27 June 2003

\*\* resigned on 27 June 2003

\*\*\* resigned in the previous financial year

The directors of the Company are of the opinion that the transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

As of 30 June 2003, Sabah Forest Industries Sdn Bhd, a subsidiary company, has deferred shares of RM146,000,000, comprising 146,000,000 deferred shares of RM1.00 each, held by Avenel Sdn Bhd, the former immediate holding company. The said deferred shares, which do not carry any entitlement to dividend, voting rights and rights to receive notice of general meetings, are only entitled to a repayment of capital after the ordinary shares in the event of a winding up. In addition, the said deferred shares are redeemable at any time at the option of the subsidiary company. As at the end of the financial year, the said deferred shares of RM146,000,000 (RM146,000,000 in 2002) have been included as part of the minority interests of the Group.

## 22. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks bear interest at 2.50% (2.30% in 2002) per annum.

## 23. CASH ON HAND AND AT BANKS

Included in cash on hand and at banks of the Group and the Company is an amount of RM956,042 (RM908,478 in 2002) representing cash held under Escrow Account as mentioned in Note 25. The said Escrow Account was created pursuant to the Master Restructuring Agreement entered into between the Company and certain local banks. In accordance with the said agreement, utilisation of cash held under the Escrow Account is restricted to repayment of bank borrowings and payment of interest, commission, fees and other charges to the banks.

## 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group and the Company for trade purchases ranges from 30 to 90 days (30 to 90 days in 2002).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Analysis of trade payables by currency:				
- US Dollar	1,942	2,591	48	28
- Singapore Dollar	82	42	2	-
- Ringgit Malaysia	20,378	24,005	14,521	13,558
	<b>22,402</b>	<b>26,638</b>	<b>14,571</b>	<b>13,586</b>

Other payables and accrued expenses consist of:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Hire-purchase payables (Note 26)	118	68	-	-
Other payables	14,739	18,297	296	2,341
Accrued expenses	21,566	19,830	1,004	1,211
	<b>36,423</b>	<b>38,195</b>	<b>1,300</b>	<b>3,552</b>



## 25. BANK BORROWINGS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts (Note 34)	<b>4,328</b>	5,352	<b>1,809</b>	2,840
Bankers acceptances, trust receipts and bills payable	<b>13,811</b>	21,399	<b>11,156</b>	20,085
Revolving credits	<b>4,358</b>	7,700	<b>4,358</b>	7,700
Total	<b>22,497</b>	34,451	<b>17,323</b>	30,625

As of 30 June 2003, the Company has bank overdraft and other credit facilities totalling RM20,254,000 (RM32,088,000 in 2002) obtained from certain local banks, which bear interest at average rates ranging from 5.20% to 5.40% (5.20% to 5.50% in 2002) per annum.

The bank overdraft and other credit facilities of the Company are secured by:

- (a) A first fixed charge under the National Land Code 1965 and an absolute legal assignment over:
  - (i) freehold land and buildings of the Company with carrying value of RM6,873,000 (RM6,911,000 in 2002)
  - (ii) long leasehold land and building of the Company with carrying value of RM346,000 (RM353,000 in 2002)
- (b) An assignment of the sale and purchase agreements over other buildings of the Company
- (c) A debenture containing a floating charge over the current assets, both present and future, of the following subsidiary companies of the Company:
  - (i) Posim Petroleum Products Sdn Bhd
  - (ii) Posim Agricultural Products Sdn Bhd
- (d) An assignment over all insurance policies over certain assets of the Company and the abovementioned subsidiary companies
- (e) A debenture containing a first fixed charge over the property, plant and equipment of the Company and a floating charge over:
  - (i) the Escrow Account
  - (ii) all other assets of the Company (not subject to the first fixed charge), both present and future, including inter-company receivables but excluding inter-company receivables from SC Nominees Sdn Bhd and the Company's shareholdings in SC Nominees Sdn Bhd, Sabah Forest Industries Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Marketing Sdn Bhd (formerly known as Posim Industrial Equipment Sdn Bhd)
- (f) A first party memorandum of deposit of shares on the pledge of the Company's entire shareholding in Ototek Sdn Bhd

## 25. BANK BORROWINGS (continued)

As of 30 June 2003, certain subsidiary companies have bank overdraft and other credit facilities totalling RM83,015,000 (RM101,875,000 in 2002) obtained from certain local banks. These facilities, which bear interest at rates ranging from 4.10% to 8.10% (4.00% to 8.55% in 2002) per annum, are secured by:

- (a) Corporate guarantee by the Company to the extent of RM13,875,000 (RM26,875,000 in 2002)
- (b) Corporate guarantee by the subsidiary company, SC Nominees Sdn Bhd to the extent of RM10,000,000 (RM10,000,000 in 2002)
- (c) Negative pledge on one of the subsidiary companies' assets to the extent of RM73,000,000 (RM73,000,000 in 2002)
- (d) Letter of awareness from Avenel Sdn Bhd, the former immediate holding company, general security agreement relating to goods and a general letter of pledge
- (e) Letter of awareness from Amsteel Corporation Berhad, the former ultimate holding company
- (f) Letter of undertaking from the Company to maintain an effective shareholding of not less than 51% of the issued share capital of the subsidiary company, Sabah Forest Industries Sdn Bhd

## 26. HIRE-PURCHASE PAYABLES

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Total outstanding	533	268
Less: Interest-in-suspense	(113)	(54)
Principal portion	<u>420</u>	<u>214</u>
Payable as follows:		
Within the next 12 months (Note 24)	118	68
After the next 12 months	<u>302</u>	<u>146</u>
	<u>420</u>	<u>214</u>

The interest rates implicit in these hire-purchase obligations range from 3.50% to 11.00% (5.00% to 11.00% in 2002) per annum.

## 27. SHARE CAPITAL

	<b>The Group and The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>		
500,000,000 ordinary shares of RM1.00 each	<u><b>500,000</b></u>	<u>500,000</u>
<b>Issued and fully paid:</b>		
203,218,571 ordinary shares of RM1.00 each	<u><b>203,219</b></u>	<u>203,219</u>

The ESOS became effective on 31 May 2000 and will expire on 30 May 2005.

The main features of the ESOS are as follows:

- Executive directors and confirmed executive employees of the Group who have been employed for a period of at least one year shall be eligible to participate in the ESOS.
- 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 in time during the existence of the ESOS.
- No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.
- The option price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the option committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the option committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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 of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

<b>Exercisable From</b>	<b>Subscription Price Per Share</b>	<b>Balance as of 1.7.2002</b>	<b>Granted</b>	<b>Exercised</b>	<b>Lapsed</b>	<b>Unissued Shares as of 30.6.2003</b>
21 June 2000	RM2.40	<u>2,244,000</u>	<u>-</u>	<u>-</u>	<u>277,000</u>	<u>1,967,000</u>

## 28. RESERVES

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>Non-distributable reserves:</b>				
Share premium	1,100,200	1,100,200	1,100,200	1,100,200
Translation adjustment account	(36)	(35)	-	-
Capital reserve	49,189	49,189	-	-
Capital redemption reserve	9	-	-	-
	<u>1,149,362</u>	<u>1,149,354</u>	<u>1,100,200</u>	<u>1,100,200</u>
<b>Distributable reserve:</b>				
Unappropriated profit	179,012	174,082	23,432	15,214
	<u>1,328,374</u>	<u>1,323,436</u>	<u>1,123,632</u>	<u>1,115,414</u>

### Translation adjustment account

Exchange difference arising on translation of foreign controlled entity is taken to the translation adjustment account as described in the accounting policies.

### Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from the following:

	The Group	
	2003	2002
	RM'000	RM'000
Shares issued by subsidiary company and paid by minority shareholder	5,998	5,998
Increase in reserve sharing resulting from additional shares issued by subsidiary company	43,191	43,191
	<u>49,189</u>	<u>49,189</u>

### Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by a subsidiary company during the financial year.

### Unappropriated profit

Distributable reserves are those available for distribution as dividend. Taking into consideration the tax-exempt account as mentioned in Note 8 and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the unappropriated profit of the Company as of 30 June 2003 is available for distribution by way of dividends without additional tax liability being incurred.

## 29. PRIOR YEARS' ADJUSTMENTS

As explained in Note 3, during the financial year, the Group and the Company changed their accounting policy on the recognition of deferred tax assets and liabilities in compliance with MASB Standard No. 25, Income Taxes.

The change has no significant effect on the net profit for the current financial year and has been accounted for retrospectively as prior years' adjustments in the financial statements. Accordingly, the following accounts have been restated:

	As previously reported 2002 RM'000	Adjustments RM'000	As restated 2002 RM'000
<b>The Group</b>			
<b>Financial year ended 30 June 2002</b>			
Net loss for the year	381	(77)	304
<b>As of 30 June 2002</b>			
Deferred tax assets	-	309	309
Unappropriated profit	(173,773)	(309)	(174,082)
<b>As of 1 July 2001</b>			
Unappropriated profit	<u>(174,300)</u>	<u>(232)</u>	<u>(174,532)</u>
<b>The Company</b>			
<b>Financial year ended 30 June 2002</b>			
Net loss for the year	267	(97)	170
<b>As of 30 June 2002</b>			
Deferred tax assets	-	97	97
Unappropriated profit	<u>(15,117)</u>	<u>(97)</u>	<u>(15,214)</u>

## 30. FINANCIAL INSTRUMENTS

### Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

#### (i) Foreign currency risk

The Group undertakes transactions in United States Dollar ("USD") and Singapore Dollar with certain foreign entities and therefore is exposed to foreign currency risk. However, the imposition of currency controls via the pegging of Ringgit Malaysia ("RM") to USD at a fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has minimised the foreign currency risk.

#### (ii) Interest rate risk

The Group is exposed to interest rate risk through the impact rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 25.

#### (iii) Credit risk

The Group is exposed to credit risk mainly from trade and other receivables. The Group has no major concentration of credit risk and extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

### 30. FINANCIAL INSTRUMENTS (continued)

#### (iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

#### (v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

#### Financial Assets

The Group's principal financial assets are cash and bank balances, trade and other receivables, and amount owing by immediate holding company and other related companies.

The Company's principal financial assets are cash and bank balances, trade and other receivables, and amount owing by subsidiary companies and other related companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

#### Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, amount owing to ultimate holding company and other related companies, and bank borrowings, which are stated at their nominal values.

Significant financial liabilities of the Company include trade and other payables and amount owing to subsidiary companies, ultimate holding company and other related companies, which are stated at their nominal values.

Bank borrowings are recorded at the proceeds received. Finance charges, including premium payable on settlement or redemption, are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

#### Fair Value of Financial Assets and Liabilities

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of 30 June 2003 are as follows:

	The Group		The Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Other investments - quoted share	230	130	222	118
Other investment - club membership	45	N/A	45	N/A
<b>Financial Liabilities</b>				
Hire-purchase payables	420	410	-	-

### 30. FINANCIAL INSTRUMENTS (continued)

#### *Quoted shares*

The market values of quoted shares as at balance sheet date approximate their fair values.

#### *Club membership*

No disclosure is made in respect of the fair value of club membership as it is not practicable to determine its fair value because of the lack of quoted market price.

#### *Hire-purchase payables*

The fair value of the hire-purchase payables of the Group is estimated using the discounted cash flow analysis based on current financing rate for hire-purchase payables.

#### *Cash and cash equivalents, trade and other receivables, intercompany indebtedness, trade and other payables and bank borrowings*

The carrying amounts approximate fair values because of the short maturity period for these instruments.

### 31. CONTINGENT LIABILITIES - UNSECURED

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	-	-	1,437	1,034
Legal claims in respect of the termination of contracts for the extraction and sale of timber	313,300	313,300	-	-

Indemnity contracts have been signed between the Company and Avenel Sdn Bhd, the former immediate holding company, whereby Avenel Sdn Bhd agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000 (RM313,300,000 in 2002) and any other claims brought by third parties against Sabah Forest Industries Sdn Bhd wherein the cause of action arises prior to the completion of the corporate exercise.

### 32. CAPITAL COMMITMENTS

As of 30 June 2003, the Group has the following capital commitments:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for:		
Purchase of property, plant and equipment	<b>1,746</b>	485
Approved but not contracted for:		
Purchase of property, plant and equipment	<b>18,653</b>	12,168
Plantation development expenditure	<b>17,164</b>	13,716
	<b>35,817</b>	25,884
	<b>37,563</b>	26,369

### 33. SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating divisions:

- timber extraction and pulp and paper
- building materials and consumables
- others

Information on the Group's operations by geographical segments has not been provided as the Group operated principally in Malaysia.

The inter-segment transactions were conducted at market value.



**33. SEGMENT INFORMATION (continued)**

<b>The Group 2003</b>	<b>Timber extraction and pulp and paper RM'000</b>	<b>Building materials and consumables RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>					
External customers	336,910	93,706	44,534	-	475,150
Inter-segment sales	-	-	39	(39)	-
Total revenue	<u>336,910</u>	<u>93,706</u>	<u>44,573</u>	<u>(39)</u>	<u>475,150</u>
<b>Results</b>					
Segment results	6,531	10,823	5,934	(10,575)	12,713
Unallocated expenses					(1,399)
Unallocated income					4,309
Profit from operations					15,623
Finance costs					(2,105)
Share in results of associated company	-	-	(3,150)	-	(3,150)
Profit before tax					10,368
Income tax expense					(2,982)
Profit after tax					7,386
Minority interests					(439)
Net profit for the year					<u>6,947</u>
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segment assets	1,492,374	47,321	28,182	-	1,567,877
Investment in associated company	-	-	3,947	-	3,947
Unallocated corporate assets					221,127
Consolidated total assets					<u>1,792,951</u>
<b>Liabilities</b>					
Segment liabilities	35,470	15,868	8,025	-	59,363
Unallocated corporate liabilities					27,942
Consolidated total liabilities					<u>87,305</u>
<b>Other Information</b>					
Capital expenditure	27,606	153	2,474	-	30,233
Depreciation	43,063	164	1,413	-	44,640
Amortisation	20,920	-	22	-	<u>20,942</u>

**33. SEGMENT INFORMATION (continued)**

<b>The Group 2002</b>	<b>Timber extraction and pulp and paper RM'000</b>	<b>Building materials and consumables RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>					
External customers	335,859	95,625	36,590	-	468,074
Inter-segment sales	-	-	5	(5)	-
Total revenue	<u>335,859</u>	<u>95,625</u>	<u>36,595</u>	<u>(5)</u>	<u>468,074</u>
<b>Results</b>					
Segment results	2,835	1,218	4,144	(533)	7,664
Unallocated expenses					(1,297)
Unallocated income					3,854
Profit from operations					10,221
Allowance for doubtful debts					(3,000)
Finance costs					(3,411)
Share in results of associated company	-	-	(2,254)	-	(2,254)
Profit before tax					1,556
Income tax expense					(1,589)
Loss after tax					(33)
Minority interests					(271)
Net loss for the year					<u>(304)</u>
<b>Consolidated Balance Sheet</b>					
<b>Assets</b>					
Segment assets	1,571,268	47,793	23,231	-	1,642,292
Investment in associated company	-	-	7,097	-	7,097
Unallocated corporate assets					155,173
Consolidated total assets					<u>1,804,562</u>
<b>Liabilities</b>					
Segment liabilities	41,184	14,915	6,876	-	62,975
Unallocated corporate liabilities					41,085
Consolidated total liabilities					<u>104,060</u>
<b>Other Information</b>					
Capital expenditure	17,358	27	1,659	-	19,044
Depreciation	41,695	203	1,371	-	43,269
Amortisation	20,989	-	22	-	21,011

### 34. CASH AND CASH EQUIVALENTS

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits with licensed banks	<b>126,800</b>	60,060	-	-
Cash on hand and at banks	<b>5,980</b>	22,746	<b>1,801</b>	1,581
Bank overdrafts (Note 25)	<b>(4,328)</b>	(5,352)	<b>(1,809)</b>	(2,840)
	<b>128,452</b>	77,454	<b>(8)</b>	(1,259)
Less: Non cash equivalents:				
Cash at banks held under Escrow				
Account (Note 23)	<b>(956)</b>	(908)	<b>(956)</b>	(908)
	<b>127,496</b>	76,546	<b>(964)</b>	(2,167)

### 35. SIGNIFICANT CORPORATE EVENTS

- (i) As reported in the previous financial statements, the group-wide restructuring scheme, undertaken by Amsteel Corporation Berhad and Lion Industries Corporation Berhad ("LICB") involving, inter alia, a change in the shareholding structure of the Company, was completed during the financial year. Consequent thereto, the Company and its subsidiary companies became subsidiary companies of LICB.
- (ii) On 30 August 2002, the Company entered into a sale and purchase agreement with SC Nominees Sdn Bhd, a wholly-owned subsidiary of the Company, to acquire 752,532,412 Class "A" ordinary shares of RM1.00 each and 7,525,324,120 Class "B" ordinary shares of RM0.10 each in Sabah Forest Industries Sdn Bhd ("SFI"), representing 97.78% equity interest in SFI for a total consideration of RM1,223,400,000. The acquisition was completed during the financial year.
- (iii) During the financial year, pursuant to its letter of offer dated 9 June 2003, SFI, a subsidiary company, proposed to lend up to RM100 million to Amsteel Mills Sdn Bhd ("AMSB"), the immediate holding company, ("Proposed Financing") to enable AMSB to complete and to run the meltshop facility located in Banting, Selangor Darul Ehsan. The Proposed Financing is still pending approvals from the shareholders of the Company and other relevant authorities.

### 36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with their current year's presentation. These relate mainly to the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>As previously reported RM'000</b>	<b>As reclassified RM'000</b>	<b>As previously reported RM'000</b>	<b>As reclassified RM'000</b>
Trade receivables	79,562	80,315	36,868	36,923
Other receivables and prepaid expenses	18,665	111,159	1,404	77,816
Amount owing by ultimate holding company	75,679	-	75,679	-
Amount owing by immediate holding company	16,734	413	653	-
Amount owing by other related companies	2,700	1,453	1,497	1,362
Trade payables	26,612	26,638	13,586	13,586
Other payables and accrued expenses	35,979	38,195	1,329	3,552
Amount owing to ultimate holding company	-	87	-	83
Amount owing to other related companies	2,922	593	2,861	555

### 37. CHANGE OF NAME

On 20 May 2003, the Company changed its name from Posim Berhad to Lion Forest Industries Berhad.

## STATEMENT BY DIRECTORS

The directors of **LION FOREST INDUSTRIES BERHAD** (formerly known as Posim Berhad) state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2003 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with  
a resolution of the Directors,

**TAN SRI WILLIAM H.J. CHENG**

**NGAN YOW CHONG**

Kuala Lumpur,  
16 October 2003

## DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **NGAN YOW CHONG**, the director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD** (formerly known as Posim Berhad), do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, 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  
**NGAN YOW CHONG** at **KUALA LUMPUR** in the  
**FEDERAL TERRITORY** this 16th day of October, 2003.

Before me,

W-217  
**P. SETHURAMAN**  
COMMISSIONER FOR OATHS  
Kuala Lumpur

## LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2003

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land and building	Factory (14)	1.0	6.8.1992
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land and building	Factory (9)	8.3	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land and building	2-storey shop office (18)	0.1	13.4.1998
Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam	Freehold	2,716 sq feet	Building	Office (5)	0.4	18.3.1999
50, Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land and building	2-storey shop office (5)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land and building	3-storey shop office (4)	0.7	9.2.1999
Kampung Sebuloh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	Log pond and waste disposal area	1.6	1.1.1989
Kampung Sebuloh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land and building	Residential (15 - 18)	51.7	1.1.1983
Kampung Sebuloh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	Vacant	1.5	1.1.1983
Kampung Sebuloh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	Jetty	21.8	1.1.1983
Kampung Sebuloh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	Nursery site	0.1	1.1.1984

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land and building	Pulp and ) paper mills ) (15 - 18) ) )		1.1.1988
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land and building	Pulp and ) paper mills ) (15 -18) ) )	429.5	1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land and building	Mills and ) housing ) (15 -18) )		1.1.1983
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land and building	Pump house (15 -18)	0.1	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	Plantation	15.3	1.1.1989
Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	Plantation	14.7	1.1.1989

## ANALYSIS OF SHAREHOLDINGS

### Share capital as at 15 October 2003

Authorised Share Capital : RM500,000,000  
 Issued and Paid-up Capital : RM203,218,571  
 Class of Shares : Ordinary shares of RM1.00 each  
 Voting Rights : One (1) vote per ordinary share

### Distribution of shareholdings as at 15 October 2003

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	13	0.31	280	0.00
100 to 1,000	1,552	37.52	1,540,180	0.76
1,001 to 10,000	2,250	54.40	8,029,040	3.95
10,001 to 100,000	282	6.82	7,334,800	3.61
100,001 to less than 5% of issued shares	37	0.90	16,217,000	7.98
5% and above of issued shares	2	0.05	170,097,271	83.70
	<u>4,136</u>	<u>100.00</u>	<u>203,218,571</u>	<u>100.00</u>

### Thirty Largest Registered Shareholders as at 15 October 2003

Registered Shareholders	No. of Shares	% of Shares
1. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	122,470,035	60.27
2. Lion Industries Corporation Berhad	47,627,236	23.44
3. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Panoron Sdn Bhd	2,193,468	1.08
4. AMMB Nominees (Tempatan) Sdn Bhd AmMerchant Bank Berhad (2 1/136-8)	1,860,000	0.92
5. Amsteel Equity Capital Sdn Bhd	1,680,800	0.83
6. HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Kok Kim Swee	992,000	0.49
7. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (414039800123)	824,837	0.41
8. Wong Lok Jee @ Ong Lok Jee	718,000	0.35
9. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Happyvest (M) Sdn Bhd	674,511	0.33
10. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd	531,950	0.26
11. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Panoron Sdn Bhd (41403980012B)	503,367	0.25
12. Happyvest (M) Sdn Bhd	478,700	0.24
13. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (6/150-3)	457,500	0.23
14. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (301-292918-089)	424,637	0.21



<b>Registered Shareholders</b>	<b>No. of Shares</b>	<b>% of Shares</b>
15. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd (BK 6/151-1)	400,000	0.20
16. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Happyvest (M) Sdn Bhd	398,730	0.20
17. Employees Provident Fund Board	327,000	0.16
18. Mohamed Tamrin bin Munir	309,000	0.15
19. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wai Choo	284,900	0.14
20. Quah Say Beng	281,000	0.14
21. Pui Cheng Wui	246,000	0.12
22. Affin-UOB Nominees (Tempatan) Sdn Bhd Lion Group Medical Assistance Fund	237,000	0.12
23. Pui Cheng Wui	198,000	0.10
24. Ong Eng Huat	181,000	0.09
25. RHB Nominees (Asing) Sdn Bhd Kripalsen International Ltd	171,000	0.08
26. Na Chiang Seng	166,000	0.08
27. HLG Nominee (Asing) Sdn Bhd Pledged Securities Account for Lin Chung-Dien	157,000	0.08
28. Mayfin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Growthfolio Sdn Bhd (MDTM)	156,000	0.08
29. Ong Sai Hoon	155,000	0.08
30. Thiang Thin Poh Joseph	151,500	0.07

#### Substantial Shareholders as at 15 October 2003

<b>Substantial Shareholders</b>	<b>Direct Interest</b>		<b>Indirect Interest</b>	
	<b>No. of Shares</b>	<b>% of Shares</b>	<b>No. of Shares</b>	<b>% of Shares</b>
1. Tan Sri William H.J. Cheng	-	-	177,030,171	87.11
2. Datuk Cheng Yong Kim	-	-	177,030,171	87.11
3. Lion Realty Pte Ltd	-	-	177,030,171	87.11
4. Lion Corporation Berhad	-	-	170,097,271	83.70
5. Lion Industries Corporation Berhad	47,627,236	23.44	122,470,035	60.27
6. Amsteel Mills Sdn Bhd	122,470,035	60.27	-	-
7. LLB Steel Industries Sdn Bhd	-	-	122,470,035	60.27
8. Steelcorp Sdn Bhd	-	-	122,470,035	60.27
9. Horizon Towers Sdn Bhd	-	-	170,097,271	83.70
10. Lion Development (Penang) Sdn Bhd	-	-	170,097,271	83.70

#### Directors' interest in shares in the Company and its related companies as at 15 October 2003

The Directors' interest in shares in the Company and its related companies as at 15 October 2003 are the same as that shown in the Directors' Report for the financial year ended 30 June 2003 except for the following changes:

##### 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
Related Companies					
Lion Industries Corporation Berhad	RM1.00	-	-	322,253,692	47.44
Lion Diversified Holdings Berhad	RM0.50	-	-	232,016,501	66.55

## MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Letter of Offer dated 9 June 2003 between Sabah Forest Industries Sdn Bhd ("SFI"), a 97.78% subsidiary of the Company, and Amsteel Mills Sdn Bhd ("AMSB"), a 99% subsidiary of Lion Industries Corporation Berhad which in turn is the holding company of the Company, wherein a Director and certain major shareholders of the Company have an interest, for a loan of up to RM100 million at an interest rate of 12% per annum granted by SFI to AMSB ("Facility") to finance the completion of AMSB's meltshop facility located in Banting, Selangor to be fully repaid by 30 June 2009.

The first interest payment shall be made 12 months from the date of drawdown and thereafter it shall be payable semi-annually in arrears. The principal shall be repaid by annual instalments. The Facility shall be secured by the creation of a second charge over the non-vacant plot of land and building held under HS(D) 13425 PT 17216, Mukim Tanjung Dua Belas, District of Kuala Langat, Selangor which shall rank in priority to the first charge created in favour of the existing lenders of AMSB.

## OTHER INFORMATION

### NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM7,990.

### RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2003 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
<b>(a) Paper and integrated wood-based products</b>		
(i) The sale of paper and integrated wood-based products	Amsteel Group <sup>(c)</sup>	<u>222</u>
(ii) The purchase of machinery, spare parts, tools, dies and other related products and services for use in the operations and maintenance	Amsteel Group <sup>(c)</sup> LCB Group <sup>(b)</sup>	<u>15</u> <u>5</u> <u>20</u>
(iii) The provision of storage, leasing and rental of properties to SFI	Amsteel Group <sup>(c)</sup> LCB Group <sup>(b)</sup>	<u>20</u> <u>4</u> <u>24</u>
(iv) The provision of marketing, distribution and transportation services to SFI	LICB Group <sup>(a)</sup>	<u>347</u>
<b>(b) Trading and distribution</b>		
(i) The purchase of steels bars, wire rod and other building materials	LICB Group <sup>(a)</sup> LTAT Group <sup>(b)</sup>	<u>19,206</u> <u>2,220</u> <u>21,426</u>
(ii) The sale of lubricants, spark plugs, tools and other automotive and petroleum products	Amsteel Group <sup>(c)</sup> LICB Group <sup>(a)</sup> LCB Group <sup>(b)</sup> SCB Group <sup>(c)</sup> ACB Group <sup>(c)</sup> Ributasi Holdings Sdn Bhd Group <sup>(c)</sup>	<u>2,008</u> <u>1,464</u> <u>503</u> <u>1,257</u> <u>346</u> <u>10</u> <u>5,588</u>

<b>Nature of Recurrent Transactions</b>	<b>Related Parties</b>	<b>Amount RM'000</b>
(iii) The sale of machinery, spare parts, tool, dies and other related industrial equipment products and services	LCB Group <sup>(b)</sup> LICB Group <sup>(a)</sup>	74 <u>31</u> <u>105</u>
(iv) The provision of storage, leasing and rental of properties to LFIB and subsidiary companies	Amsteel Group <sup>(c)</sup> SCB Group <sup>(c)</sup>	27 <u>554</u> <u>581</u>
<b>(c) Others</b>		
(i) The provision of corporate office support, staff training and development, education and other related services to LFIB and subsidiary companies	LCB Group <sup>(b)</sup> SCB Group <sup>(c)</sup>	44 <u>4</u> <u>48</u>
(ii) The obtaining of insurance and underwriting of risks	LTAT Group <sup>(b)</sup>	<u>5,008</u>
(iii) The provision of security services and security communication equipment to LFIB and subsidiary companies	Amsteel Group <sup>(c)</sup>	<u>14</u>
(iv) The purchase of motor vehicles, component parts and other related products and services for use in the operations and maintenance of motor vehicles by LFIB and subsidiary companies	LCB Group <sup>(b)</sup> SCB Group <sup>(c)</sup>	51 <u>20</u> <u>71</u>
(v) The purchase of office equipment, furniture and other industrial and consumer products	LCB Group <sup>(b)</sup>	<u>420</u>

**Notes:**

Amalgamated Containers Berhad Group ("ACB Group")  
Amsteel Corporation Berhad Group ("Amsteel Group")  
Lion Corporation Berhad Group ("LCB Group")  
Lion Forest Industries Berhad ("LFIB")  
Lion Industries Corporation Berhad Group ("LICB Group")  
Silverstone Corporation Berhad Group ("SCB Group")  
Sabah Forest Industries Sdn Bhd ("SFI")  
Lembaga Tabung Angkatan Tentera Group ("LTAT Group")

"Group" includes subsidiary and associated companies

- (a) Ultimate holding company in which a Director and certain major shareholders of the Company have an interest
- (b) Major shareholders of the Company as defined in the Listing Requirements of the Kuala Lumpur Stock Exchange
- (c) Companies in which a Director and certain major shareholders of the Company have an interest

## FORM OF PROXY

I/We .....

I.C. No./Company No. ....

of .....

being a member/members of LION FOREST INDUSTRIES 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 Twenty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 3 December 2003 at 9.00 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 final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Chang Chee Seng		
5. To re-elect as Director, Mr Ngan Yow Chong		
6. To re-elect as Director, Y. Bhg. Dato' Dali Mahmud Hashim		
7. To re-appoint as Director, Y. Bhg. Jen (B) Tan Sri Dato' Zain Mahmud Hashim		
8. To re-appoint Auditors		
9. Authority to Directors to issue shares		
10. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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 ..... 2003

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 appointed for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.