LION INDUSTRIES CORPORATION BERHAD
(formerly known as Lion Land Berhad) (415-D)

A Member of The Lion Group

Laporan Tahunan 2003 Annual Report

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	4
Directors' Profile	5
Corporate Governance Statement	8
Statement on Internal Control	11
Audit Committee Report	12
Nomination Committee	15
Remuneration Committee	15
5 Years' Group Financial Highlights	16
The Group's Businesses	17
Chairman's Statement:	
Bahasa Malaysia	18
English	19
Chinese	20
Review of Operations	21
Financial Statements:	
Directors' Report	23
Report of the Auditors	32
Income Statements	33
Balance Sheets	34
Statements of Changes in Equity	36
Cash Flow Statements	37
Notes to the Financial Statements	43
Statement by Directors	109
Statutory Declaration	109
Material Contracts	110
Information on Level 1 Sponsored American Depositary Receipt Programme	113
List of Group Properties	114
Analysis of Shareholdings	119
Other Information	122
Form of Proxy	Enclosed

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Sabah Forest Industries Sdn Bhd, a member of The Lion Group.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Third Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 3.30 pm 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 first and final dividend of 0.5% less 28% Malaysian Income Tax. **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM121,000 (2002 : RM104,000). **Resolution 3**

4. To re-elect Directors:

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

   Y. Bhg. Tan Sri Dato' Musa bin Hitam **Resolution 4**
   Y. Bhg. Datuk Cheng Yong Kim **Resolution 5**

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

6. Special Business

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

6.1 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 7**

6.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 ("Recurrent Transactions") and with those related parties as detailed in paragraph 3.2 of the Circular to Shareholders of the Company dated 12 November 2003 subject to the following: **Resolution 8**

i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party 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."

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

DIVIDEND ENTITLEMENT

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

a) shares deposited into the depositor's securities account before 12.30 pm on 3 December 2003 in respect of shares exempted from mandatory deposit;

b) shares transferred into the depositor's securities account before 4.00 pm on 5 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 5 December 2003.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
12 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 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 7*

   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 8*

   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 12 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 party 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 12 November 2003 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

I. Directors standing for re-election at the Seventy-Third Annual General Meeting of the Company

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

  Y. Bhg. Tan Sri Dato' Musa bin Hitam
  Y. Bhg. Datuk Cheng Yong Kim

- Further details of Directors standing for re-election are set out in the Directors' Profile on pages 5 to 7 of this Annual Report.

II. Details of attendance of Directors at Board Meetings

There were eight (8) 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 5 to 7 of this Annual Report.

III. Place, date and time of the Seventy-Third Annual General Meeting

The Seventy-Third Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 3.30 pm.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri Dato' Musa bin Hitam *(Chairman)* Y. Bhg. Datuk Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No.	:	415-D
Registered Office	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-21622155, 21613166 Fax No. : 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-21622155, 21648411 Fax No. : 03-21623448
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	OCBC Bank (Malaysia) Berhad EON Bank Berhad Affin Merchant Bank Berhad RHB Sakura Merchant Bankers Berhad
Stock Exchange Listing	:	Kuala Lumpur Stock Exchange
Stock Name	:	LIONIND
KLSE Stock No.	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Tan Sri Dato' Musa bin Hitam
Chairman, Independent Non-Executive Director

Aged 69, Y. Bhg. Tan Sri Dato' Musa bin Hitam, a Malaysian, received his Bachelor's degree from the University of Malaya and his Master's degree from the University of Sussex. He has since been awarded with various honours, including Honorary Doctorates from the University of Sussex and Universiti Sabah Malaysia, and fellowships from the Malaysian Institute of Management and the Centre For International Affairs, Harvard University.

Y. Bhg. Tan Sri Musa has held various posts at international level at various times. These included membership of the Commonwealth Ministers Action Group when he visited Nigeria, Pakistan, Fiji, The Gambia and Sierra Leone. Y. Bhg. Tan Sri Musa also led the Commonwealth Observer Group to the Pakistan General Elections that was held in September-October 2002.

Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs in 1981 and 1986 respectively, Y. Bhg. Tan Sri Musa was Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority, Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and since 1995, he has been the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group. Y. Bhg. Tan Sri Musa also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the Commission in 1995.

At the national level, Y. Bhg. Tan Sri Musa had served as the Chairman of the Malaysian National Commission on Human Rights from 2000 to 2002. Y. Bhg. Tan Sri Musa is a member of the United Malays National Organisation and has held various positions within the party up to Deputy President until 1987.

Y. Bhg. Tan Sri Musa was appointed Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee and a member of the Audit Committee. During the financial year, Y. Bhg. Tan Sri Musa attended all eight (8) Board Meetings held.

Apart from the Company, Y. Bhg. Tan Sri Musa is also the Chairman of Kumpulan Guthrie Berhad, a public listed company.

Datuk Cheng Yong Kim
Managing Director, Non-Independent Executive Director

Aged 53, Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, obtained a Bachelor of Business Administration (Honours) degree from University of Singapore in 1971.

Y. Bhg. Datuk Cheng has more than 25 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. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of the Company. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Y. Bhg. Datuk Cheng was appointed as Managing Director of the Company on 16 January 1995 and is a member of the Company's Remuneration Committee.

His other directorships in public companies are as follows:

- Director of Silverstone Corporation Berhad and Lion Corporation Berhad, both public listed companies
- Director of Hy-Line Berhad, a public company

Datuk Cheng Yong Kim (Continued)

Y. Bhg. Datuk Cheng has a direct shareholding of 443,689 ordinary shares of RM1.00 each and an indirect shareholding of 317,088,273 ordinary shares of RM1.00 each in the Company. He also has an indirect interest of 307,000 ordinary shares by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 307,000 shares in the Company. Y. Bhg. Datuk Cheng's shareholding in the subsidiary companies of the Company is disclosed in page 121 of this Annual Report. He also has interest in certain companies which conduct similar business with the Company in the property development sector.

Y. Bhg. Datuk Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Mr Cheng Yong Liang is also a Director of the Company.

During the financial year, Y. Bhg. Datuk Cheng attended all eight (8) Board Meetings held.

Tan Sri Datuk Asmat bin Kamaludin
Independent Non-Executive Director

Aged 59, Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin, a Malaysian, obtained a Bachelor of Arts (Honours) degree in Economics from University of Malaya in 1966.

Y. Bhg. Tan Sri Asmat has served in the Ministry of Trade and Industry, now known as Ministry of International Trade and Industry ("MITI") for a period of approximately 35 years. During his tenure in the Civil Service, Y. Bhg. Tan Sri Asmat has served on the board of various companies and corporations as MITI's representative, including Heavy Industries Corporation of Malaysia, Malaysian Technology Development Corporation, Multimedia Development Corporation, Permodalan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, National Productivity Corporation, Malaysia External Trade Development Corporation, Small and Medium Industries Development Corporation and Perbadanan Johor. Between 1973 to 1976, he held the position of Senior Economic Counsellor to the European Community in Brussels. Y. Bhg. Tan Sri Asmat was appointed as Secretary General of MITI in May 1992 and he held the position till his retirement on 18 January 2001.

At international level, Y. Bhg. Tan Sri Asmat has also served in committees of different international organisations such as Asian Pacific Economy Cooperation, Association of South East Asian Nations and World Trade Organisation.

Y. Bhg. Tan Sri Asmat was appointed to the Board on 26 February 2001 and is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad and Matsushita Electric Company (Malaysia) Berhad
- Director and Vice Chairman of YTL Cement Berhad
- Director of Carlsberg Brewery Malaysia Berhad, Commerce-Asset Holding Berhad, Malaysian Pacific Industries Berhad, Scomi Group Berhad, Shangri-La Hotels Malaysia Berhad, Symphony House Berhad and Permodalan Nasional Berhad

Save for Permodalan Nasional Berhad, all the above companies are public listed companies.

During the financial year, Y. Bhg. Tan Sri Asmat attended all eight (8) Board Meetings held.

Dato' Kamaruddin @ Abas bin Nordin
Non-Independent Non-Executive Director

Aged 65, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, graduated from the University of Canterbury, New Zealand in 1966 with a Masters of Arts degree majoring in Economics.

He joined the Malaysian Civil Service upon his graduation and served the Government until his retirement in 1993. During his tenure in the Civil Service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in MITI from 1966 to 1980. Between 1980 to 1990, he held the position of Deputy Secretary-General (Development) in the Ministry of Works. He retired in 1993 where his last position held was the Director-General, Registration Department, Ministry of Home Affairs.

Dato' Kamaruddin @ Abas bin Nordin (Continued)

Y. Bhg. Dato' Kamaruddin was appointed to the Board on 20 July 1994 and is a member of the Company's Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee.

He is also a Director of APM Automotive Holdings Berhad and Tan Chong Motor Holdings Berhad, both public listed companies.

Y. Bhg. Dato' Kamaruddin has a direct shareholding of 1,500 ordinary shares of RM1.00 each in the Company. He also has an indirect interest of 148,000 ordinary shares by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 148,000 shares in the Company.

He attended all eight (8) Board Meetings held during the financial year ended 30 June 2003.

Cheng Yong Liang
Non-Independent Non-Executive Director

Aged 46, Mr Cheng Yong Liang, a Singaporean, holds a Diploma in Building from Singapore Polytechnic and a Bachelor of Science degree in Business Administration from University of San Francisco.

Mr Cheng has been with the Lion Group for 18 years. He is primarily involved in the Property Division of the Lion Group.

Apart from his appointment as Director in the Company on 6 April 1994, he is also a Director of Syarikat Pekan Baru Kemajuan Berhad, a public company.

Mr Cheng is the Chairman of the Company's Executive Share Option Scheme Committee and has a direct shareholding of 47,880 ordinary shares of RM1.00 each in the Company.

Mr Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Y. Bhg. Datuk Cheng Yong Kim is the Managing Director of the Company.

He attended all eight (8) Board Meetings held during the financial year ended 30 June 2003.

Heah Sieu Lay
Non-Independent Non-Executive Director

Aged 50, Mr Heah Sieu Lay, a Malaysian, holds a Bachelor of Arts (Honours) degree in Accountancy from City of London Polytechnic, London. He is also an Associate Member of the Institute of Chartered Accountants in England and Wales.

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

Mr Heah was appointed to the Board on 6 June 2001 and is a member of the Company's Audit Committee. He is also the Managing Director of Lion Diversified Holdings Berhad, a public listed company.

During the financial year, Mr Heah attended all eight (8) Board Meetings held.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lion Industries Corporation 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, eight (8) board meetings were held and each Director has attended all board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Balance

The Board comprises six (6) Directors, five (5) of whom are non-executive. The current Board composition complies with the Listing Requirements of 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 its 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 15 of this Annual Report.

All members of the Board have attended the KLSE's Mandatory Accreditation Programme and are subsequently required to attend training courses and seminars under the Continuing Education Programme (CEP).

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 15 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:

	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive			
Y. Bhg. Datuk Cheng Yong Kim	10,000	150,000	160,000
Non-Executive			
Y. Bhg. Tan Sri Dato' Musa bin Hitam	33,000	24,000	57,000
Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin	28,000	–	28,000
Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *	10,000	103,000	113,000
Mr Cheng Yong Liang	10,000	–	10,000
Mr Heah Sieu Lay *	33,000	155,000	188,000
Y. Bhg. Dato' Dr Mohd Shahari Ahmad Jabar #	5,000	–	5,000
	119,000	282,000	401,000
Total	129,000	432,000	561,000

Note:

* *Executive Directors of subsidiary companies*
\# *Retired at the 2002 Annual General Meeting*

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

Range of Remuneration (RM)	Executive	Non-Executive
25,000 & below	–	2
25,001 – 50,000	–	1
50,001 – 100,000	–	1
100,001 – 150,000	–	1
150,001 – 200,000	1	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 12 to 14 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 11 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 companies, as the Board does not have control over their 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 on 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 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. Tan Sri Datuk Asmat bin Kamaludin
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Dato' Musa bin Hitam
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Non-Independent Non-Executive Director)

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

- **Secretaries**

  The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi 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 reponse, 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 had 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, eight (8) Audit Committee Meetings were held for which full attendance was recorded for all the members of the Audit Committee.

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

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

- **Financial Results**

  (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.

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

- **Internal Audit**

  (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.

  (b) Reviewed the audit programmes, resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.

  (c) Reviewed the internal audit reports, audit recommendations made and management's 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, and accounting issues and significant audit adjustments arising from the external audit.

  (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management's response to the findings of the external auditors.

  (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

  (e) Convened a meeting with the external auditors without the non-independent directors being present to discuss issues arising from their review.

- **Risk Management**

  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 following related party transactions entered into by the Group:

  (a) The proposed termination of (i) the Conditional Sale and Purchase Agreement dated 9 August 2000 between the Company, Narajaya Sdn Bhd, Likom Electronic Pte Ltd ("LEPL") and Likom Caseworks Sdn Bhd for the disposal of a piece of industrial land together with the buildings erected thereon in the Cheng Industrial Park, Melaka, commonly known as the "Melaka Technology Park"; and (ii) the Conditional Agreement dated 13 December 2000 between the Company, Likom Computer System Sdn Bhd ("LCS") and LEPL for the variation of the mode of redemption by LCS of 43.613 million 5-year cumulative redeemable preference shares of RM0.01 each in LCS held by the Company ("RPS");

  (b) The proposed deferment of the redemption date of the RPS in LCS held by the Company from 28 June 2001 to 28 December 2003; and

  (c) The proposed financing of up to RM100 million from Sabah Forest Industries Sdn Bhd, a 97.78% subsidiary of Lion Forest Industries Berhad which in turn is a subsidiary company of the Company to Amsteel Mills Sdn Bhd ("Amsteel Mills"), for the completion of Amsteel Mills' meltshop facility located in Banting, Selangor Darul Ehsan.

  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. Tan Sri Dato' Musa bin Hitam *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin *(Independent Non-Executive Director)*
		Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Industries Corporation 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. Tan Sri Datuk Asmat bin Kamaludin *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Cheng Yong Kim *(Non-Independent Executive Director)*
		Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*

Terms of Reference :

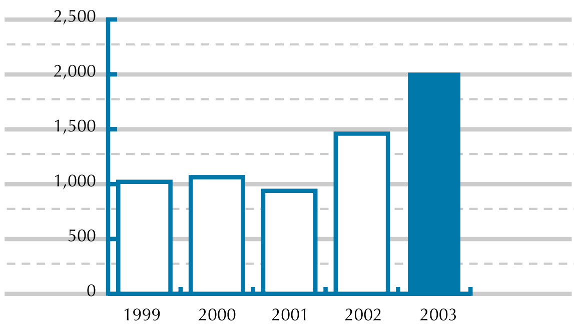
- To recommend to the Board the remuneration of the Executive Directors in all its form, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

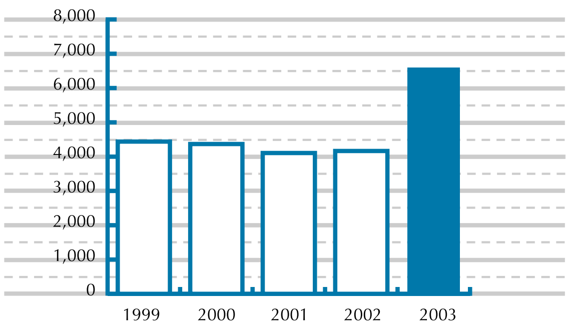
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	**2003 RM'000**
Revenue	1,020,419	1,062,750	938,386	1,459,299	**2,014,549**
Profit/(Loss) before taxation	(63,047)	(97,095)	(470,445)	(195,824)	**119,446**
Profit/(Loss) after taxation	(59,549)	(115,158)	(473,499)	(202,282)	**72,325**
Dividends:					
Rate (%)	0.1	0.1	0.1	0.1	**0.5**
Amount (Net of tax)	427	427	427	427	**2,445**
Total assets employed	4,438,859	4,367,764	4,105,568	4,164,773	**6,598,857**
Shareholders' funds	1,457,544	1,306,485	837,365	618,029	**1,881,206**
Net tangible assets	1,149,501	1,101,929	644,227	427,198	**1,474,996**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net tangible assets per share	194	186	109	72	**217**
Earnings/(Loss) per share *	(12.1)	(22.7)	(105.2)	(43.1)	**13.7**

* *Previous years' figures have been restated to take into account the effect of the Capital Reconstruction*

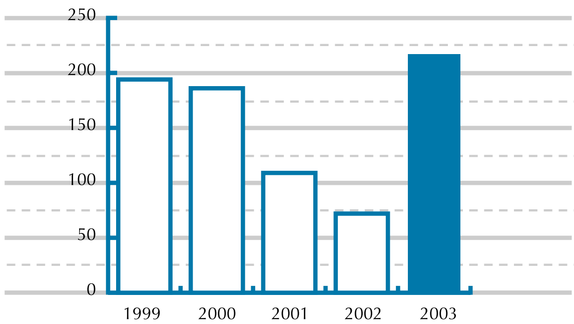
Revenue RM Million



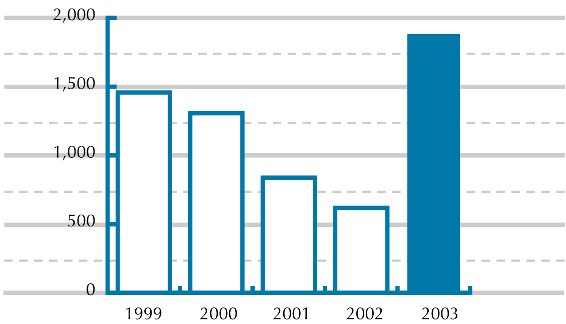
Total Assets Employed RM Million



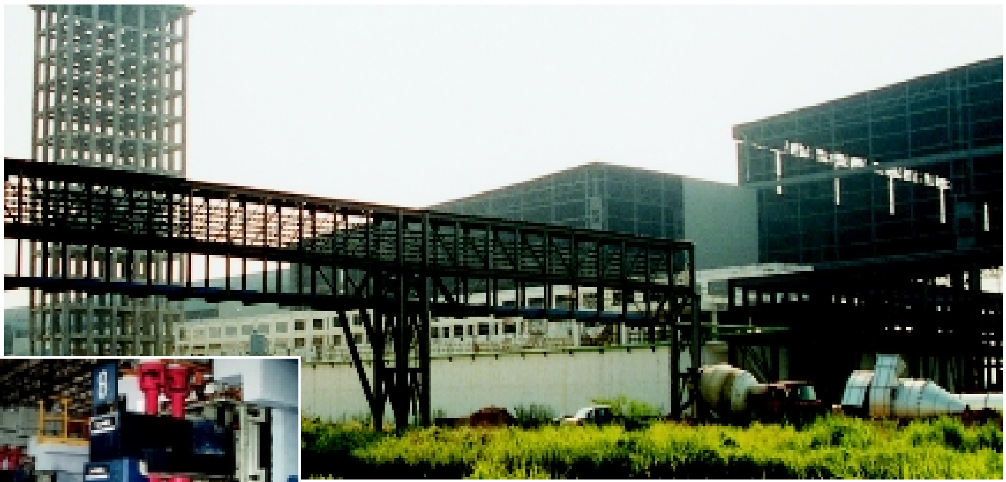
Net Tangible Assets Per Share Sen

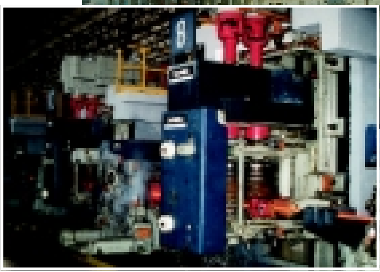


Shareholders' Funds RM Million



THE GROUP'S BUSINESSES





- Exterior view of Amsteel Mills' expansion project to produce bars and wire rods in Banting, Selangor.
- *Pemandangan luar projek tambahan Amsteel Mills di Banting, Selangor untuk mengeluarkan batang dan rod besi keluli.*

- Fully automated rolling mill for producing quality bars and rods.
- *Kilang penggulung berautomatik sepenuhnya untuk mengeluarkan batang dan rod besi keluli berkualiti.*

- Variety of excitement at Klang Parade with promotional events and stage performances (inset).
- *Klang Parade, Kompleks membeli-belah yang mencetus keriangan dan keseronokan berpanjangan menerusi pelbagai acara promosi dan pertunjukan pentas (gambar kecil).*

- Pelangi Promenade, offering commercial and business units for sale in Klang.
- *Pelangi Promenade menawarkan unit-unit komersial dan perniagaan untuk jualan di Klang.*

- Material handling yard in Amsteel Mills' hot briquetted iron ("HBI") plant in Labuan.
- *Bahagian pengendalian bahan di loji besi briket panas Amsteel Mills di Labuan.*

- Sabah Forest Industries Sdn Bhd, the nation's only integrated pulp and paper mill with a timber complex producing sawn timber, plywood and veneer.
- *Sabah Forest Industries Sdn Bhd satu-satunya kilang pulpa dan kertas yang dilengkapi dengan kompleks kayu balak yang mengeluarkan kayu balak bergergaji, papan lapis dan veneer.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Tahun ini merupakan sesuatu yang bermakna dan juga mencabar bagi Kumpulan. Ketika ekonomi negara-negara di rantau ini mulai pulih daripada ketidaktentuan ekonomi global ekoran peperangan di Iraq dan kesan wabak Sindrom Pernafasan Akut Teruk ("SARS"), Kumpulan telah mengorak langkah dengan mengatur semula dan menyatukan perniagaan strategik yang melibatkan perniagaan besi keluli sedia ada untuk menghadapi cabaran masa depan.

Dengan kejayaan pelaksanaan Skim Penstrukturan Semula Seluruh Kumpulan ("SPSSK") pada pertengahan bulan Mac 2003, Kumpulan kini memiliki 83.7% pegangan ekuiti dalam Lion Forest Industries Berhad (dahulunya dikenali sebagai Posim Berhad) dan juga 59.5% dalam Lion Diversified Holdings Berhad (dahulunya dikenali sebagai Chocolate Products (Malaysia) Berhad). Syarikat-syarikat tersebut disenaraikan di Bursa Saham Kuala Lumpur dan masing-masingnya terbabit dalam perniagaan berasaskan hasil perhutanan di Malaysia Timur dan pengilangan bir di China.

Dalam pasaran tempatan, pakej rangsangan ekonomi yang dilaksanakan oleh Kerajaan untuk menggalakkan pertumbuhan Keluaran Dalam Negara Kasar ("KDNK") dan seterusnya mengukuhkan dasar ekonomi negara dijangka akan menggalakkan pertumbuhan dalam sektor hartanah dan pembinaan.

Selari dengan persekitaran perniagaan yang bertambah baik bagi Bahagian Besi Keluli dan kemasukkan hasil kewangan bagi tempoh empat bulan subsidiari-subsidiari yang baru dimiliki, Kumpulan telah mencatatkan perolehan tinggi yang ketara berjumlah RM2 bilion berbanding RM1.5 bilion pada tahun lalu. Keuntungan operasi juga meningkat dari RM86 juta kepada RM110 juta pada tahun ini. Selepas mengambilkira penyelarasan yang timbul daripada SPSSK, saya dengan gembira melaporkan bahawa Kumpulan telah kembali ke kedudukan yang menguntungkan dan mencatatkan keuntungan sebelum cukai berjumlah RM119 juta bagi tahun kewangan ini.

PERKEMBANGAN KORPORAT

i) Pada 19 Mac 2003, setelah memenuhi syarat-syarat yang dikenakan terhadap usaha Penyusunan Semula Hutang dan Korporat seperti yang dinyatakan dalam Seksyen 11 Surat Pekeliling kepada Pemegang Saham bertarikh 9 Januari 2003, Syarikat telah melaksanakan SPSSK dengan menerbitkan Bon dalam denominasi ringgit, hutang yang dijadualkan semula dan disatukan dalam denominasi dolar Amerika Syarikat dan terbitan saham baru biasa kepada para pemiutang skim.

ii) Pada 20 Jun 2003, Syarikat mengumumkan bahawa ia telah memeterai perjanjian dengan Persatuan Teo Chew Selangor dan Kuala Lumpur untuk melupuskan bangunan yang dibina di atas tanah yang mempunyai hak pegangan HS(D) 64502, No. PT 32625, Mukim Kapar, Daerah Klang, Selangor. Bangunan tersebut yang biasanya dikenali sebagai "East Wing" Wisma Amsteel dilupuskan untuk balasan berjumlah RM11 juta termasuklah penyerahan hak sewaan dalam East Wing melalui Surat Ikatan Penyerahan.

iii) Selepas akhir tahun kewangan, Kumpulan telah melaksanakan cadangan pelupusan berikut:

   Cadangan pelupusan 18% dan 20% kepentingan ekuti masing-masing di dalam Parkson Investment Pte Ltd dan Parkson Venture Pte Ltd oleh LLB Nominees Sdn Bhd, subsidiari milik penuh Kumpulan, kepada Lion Diversified Holdings Berhad untuk balasan berjumlah RM23.85 juta yang akan dijelaskan dalam bentuk bayaran tunai berjumlah RM19.07 juta dan terbitan RM4.78 juta Stok Pinjaman Boleh Tukar Boleh Tebus Tidak Bercagar. Syarikat juga telah memeterai opsyen 'put and call' terhadap stok pinjaman tersebut.

DIVIDEN

Lembaga Pengarah mencadangkan dividen pertama dan akhir sebanyak 0.5% (2002: 0.1%), ditolak 28% cukai pendapatan. Jumlah dividen bersih berbayar, sekiranya diluluskan dalam Mesyuarat Agung Tahunan yang akan datang, berjumlah RM2.45 juta (2002: RM0.43 juta).

PROSPEK

Kejayaan pelaksanaan SPSSK akan membolehkan kedudukan kewangan Kumpulan berada di tahap kukuh dengan asas pendapatan yang luas. Operasi besi keluli dijangka mengalami pertumbuhan menggalakkan dan kekal sebagai penyumbang pendapatan yang utama. Kumpulan juga menjangka akan meraih faedah daripada perniagaan berasaskan perhutanan dan pengilangan bir pada tahun kewangan akan datang. Lembaga Pengarah berkeyakinan bahawa prestasi kewangan Kumpulan akan bertambah baik.

PENGHARGAAN

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

Bagi pihak Lembaga Pengarah, saya juga ingin mengucapkan terima kasih kepada pelanggan-pelanggan yang dihargai, para pemegang saham, pembiaya, rakan perniagaan dan pihak-pihak berkuasa kerajaan di atas sokongan berterusan dan keyakinan mereka terhadap Kumpulan.

TAN SRI DATO' MUSA BIN HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad for the financial year ended 30 June 2003.

FINANCIAL PERFORMANCE

It has been an eventful and challenging year for the Group. Whilst regional economies are beginning to recover from the uncertainties in the global economy following the war in Iraq and the effects of the Severe Acute Respiratory Syndrome ("SARS"), the Group has been gearing itself towards strategic business realignment and consolidation of its existing steel businesses to meet the challenges ahead.

Upon the successful implementation of the Group Wide Restructuring Scheme ("GWRS") in mid-March 2003, the Group currently has an 83.7% equity stake in Lion Forest Industries Berhad (formerly known as Posim Berhad) as well as a 59.5% stake in Lion Diversified Holdings Berhad (formerly known as Chocolate Products (Malaysia) Berhad). Both companies are listed on the Kuala Lumpur Stock Exchange with the former principally engaged in the forestry business in East Malaysia and the latter in the brewery business in the People's Republic of China.

On the domestic front, the economic stimulus package implemented by the Government to boost GDP growth and further strengthen the country's economic fundamentals is expected to spur growth in the property and construction sector.

In line with the improved business environment in the steel division and the incorporation of the four (4) months results of the newly acquired listed subsidiaries, the Group posted a significantly higher revenue of RM2 billion as against RM1.5 billion last year. Operating profits correspondingly rose from RM86 million to RM110 million this year. After incorporating adjustments arising from the GWRS, I am happy to report that the Group has once again returned to its profitable position and recorded a profit before tax of RM119 million for the year.

CORPORATE DEVELOPMENTS

i) On 19 March 2003, the Company announced that following satisfaction of the conditions precedent to its Corporate and Debts Restructuring Exercise as set out under Section 11 of the Circular to Shareholders dated 9 January 2003, it has implemented the GWRS via an issuance of RM denominated Bonds, USD denominated consolidated and rescheduled debts and new ordinary shares to its Scheme Creditors.

ii) On 20 June 2003, the Company announced that it had entered into an agreement with the Selangor and Kuala Lumpur Teo Chew Association for the disposal of the building erected on the land held under HS(D) 64502, No. PT 32625, Mukim Kapar, Daerah Klang, Selangor and commonly referred to as the East Wing of Wisma Amsteel for a consideration of RM11 million and an assignment of the tenancies within the East Wing via a Deed of Assignment.

iii) Subsequent to the financial year, the Group has entered into the following divestment proposal:

Proposed disposal by the Group's wholly-owned subsidiary, LLB Nominees Sdn Bhd, of its 18% equity interest in Parkson Investment Pte Ltd and 20% equity interest in Parkson Venture Pte Ltd to Lion Diversified Holdings Berhad for an aggregate sale consideration of RM23.85 million to be satisfied by a cash payment of RM19.07 million and the issuance of RM4.78 million nominal amount of Redeemable Convertible Unsecured Loan Stocks ("RCULS"). The Company has also entered into a proposed put and call option on the RCULS.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 0.5% (2002: 0.1%), less 28% income tax. Total net dividend payable, if approved at the forthcoming Annual General Meeting, will amount to RM2.45 million (2002: RM0.43 million).

PROSPECTS

The successful implementation of the GWRS will enable the Group to stand on a stronger financial footing and widen its earnings base. Whilst the steel operations is expected to show favourable growth and remain the key contributor to its earnings, the Group is also expected to benefit from its interest in the forestry and brewery businesses in the next financial year. As such, the Board is optimistic that the financial performance of the Group will continue to show improvement.

ACKNOWLEDGEMENT

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

On behalf of the Board, I wish to thank all our valued customers, shareholders, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group.

TAN SRI DATO' MUSA BIN HITAM
Chairman

主席报告

我谨代表董事部，欣然提呈金狮工业机构有限公司截至 2003 年 6 月 30 日为止的会计年度之常年报告和经审核的财务报告。

财务表现

对本集团而言，这是多姿多彩和充满挑战的一年。在伊拉克战争和严重急性呼吸系统综合症（又名非典型肺炎）肆虐过后，世界从不明朗的局势中恢复过来，区域经济开始复苏。本集团作好准备，朝向缔结策略商业联盟，以及巩固现有的钢铁业业务，以应付未来的挑战。

在 2003 年 3 月中旬完成的整个金狮集团的重组计划（“重组计划”）之后，本集团目前拥有金狮森林工业有限公司（前称为宝森有限公司）的 83.7% 股权和金狮多元控股有限公司（前称为朱古力产品（马）有限公司）的 59.5% 股权。这两家公司都是在吉隆坡股票交易所挂牌的公司。前者主要在东马从事林业，后者则在中华人民共和国从事酿酒业。

在国内，为了促进国民生产总值的成长和进一步加强国内的经济基本因素，政府采取了刺激经济的配套，预料这也将刺激房地产业的成长。

由于钢铁组的业务情况有所改善，再加上新购入的挂牌子公司的 4 个月业绩，本集团的收入大为增加，共达 20 亿零吉；上一个会计年度只有 15 亿零吉。相应的，营业利润从上一年的 8 千 600 万零吉增加到今年度的 1 亿 1 千万零吉。我欣然报告，经过重组计划的调整之后，本集团再度回复到盈利的地位，今年度获得 1 亿 1 千 900 万零吉的税前利润。

企业发展

i） 本集团在 2003 年 3 月 19 日宣布，随着在 2003 年 1 月 9 日发给股东的通告第 11 条下列出的公司及债务重组的条件获得批准，公司执行重组计划，包括发出马币面额公司债券，美元面额债务以及发出普通股给计划下的债权人。

ii） 公司在 2003 年 6 月 20 日宣布，公司和雪隆潮州会馆签订了合同，出售建在雪兰莪州巴生市加埔区 HS(D)64502，No.PT 32625 地段上的建筑物给后者。该建筑物通称合钢大厦东翼，售价是 1 千 100 万零吉，而且通过授权书负责东翼的租赁事宜。

iii） 在本会计年度后，本集团进行以下的股售计划：

建议由本集团独资子公司 LLB Nominees Sdn Bhd，把它在 Parkson Investment Pte Ltd 18% 股权、以及在 Parkson Venture Pte Ltd 的 20% 股权卖给金狮多元控股有限公司，总值是 2 千 385 万零吉，以现款 1 千 907 万零吉，并发行 478 万零吉面值的可赎回可转换无担保债券作为支付方式。本公司也对有关的债券进行认沽与认购选择权安排。

股息

董事部欣然宣布，建议派发一次过终期股息 0.5%（2002 年为 0.1%），必须扣除 28% 所得税。如果获得行将召开的常年股东大会批准，应支付的净股息总额为 245 万零吉（2002 年为 43 万零吉）。

展望

成功的重组计划执行，将使到本集团具有更强的财务地位，及扩大盈利基础。在下一个会计年度，本集团除了将享有由核心业务 - 钢铁部稳健成长所带来的盈利，同时也将受惠于新购入的林业与酿酒业的营业利润。因此，董事部乐观的认为，本集团的财务状况将继续获得改善。

鸣谢

我谨向本集团的董事部，管理层和职员表达真诚的谢忱，感谢他们一年来的宝贵贡献。

我也代表董事部、向所有尊敬的顾客、股东、金融机构、商业伙伴和各个政府部门与监管机构致谢，感谢他们继续支持本集团和对本集团具有信心。

主席
TAN SRI DATO' MUSA BIN HITAM

REVIEW OF OPERATIONS

Note : "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".

Steel

(RM Million)	2003	2002
Revenue	1,541	1,288
Profit	119	105

Product	Annual Rated Capacity (Million Tons)
HBI	0.8
Billets	2.7
Bars and Rods	1.9

Our Steel Division remains as the main contributor to the Group's performance for the financial year under review. Revenue and profit increased by approximately 20% and 13% to RM1.5 billion and RM119 million respectively. The improvements were mainly attributed to the increase in demand from the domestic and international markets.

Klang Plant

The Group's main steel operation located in Klang has one of the largest installed rolling mill capacities in the country. The plant produces steel billets, steel bars and wire rods. The steel bars and wire rods produced are widely used in the construction and manufacturing industries.

Being strategically located in the Klang Valley, the Klang plant has benefited from the increased demand in the construction sector and registered an encouraging improvement in performance for the current financial year. The increase in the selling prices of steel bars in the fourth quarter has partly mitigated the high international scrap prices.

Banting Plant

The Steel Division has continued to expand its product range by moving into the production of higher value added steel bars and rods. The original plan for the construction of a steel meltshop with a capacity of 1 million MT per annum was rescheduled following the financial downturn in 1997. However, construction of the new rolling mill with a capacity of 500,000 MT per annum was completed towards the end of the last financial year and the Division has since then commenced commercial production.

Labuan Plant

The year in review was an excellent and profitable year for the hot briquetted iron ("HBI") operation in Labuan. On the back of strong international demand, our HBI operation recorded a significant increase in its revenue to RM400 million and an operating profit of about RM100 million.

To capitalise on the bouyant demand, our Labuan plant has been operating at full capacity and as a result, achieved a record production of 825,000 MT, the highest in a decade.

Johor Plant

Our Johor plant under Antara Steel Mills Sdn Bhd, a newly acquired subsidiary, has one meltshop and two rolling mills that produce steel billets, steel bars, medium sections and angle bars. During the financial year, the plant continued to record an encouraging performance in terms of revenue and profits. In order to capture the increasing demand especially from the southern region, the plant is currently running a 24-hour 3-shift operation.

Timber Extraction and Pulp & Paper

(RM Million)	2003 *	2002
Revenue	99	-
Profit	2	-

** Consolidated only 4 months' results upon implementation of the GWRS.*

Forestry Product	Annual Rated Capacity
Pulp	120,000 tons
Paper	150,000 tons
Sawn Timber	100,000 m^3
Plywood	120,000 m^3

The Group's venture into the Timber Extraction and Pulp & Paper business is through its newly acquired listed subsidiary, Lion Forest Industries Berhad ("LFIB"). Sabah Forest Industries Sdn Bhd ("SFI"), a 97.8% owned subsidiary of LFIB, is the first and only integrated pulp and paper mill in Malaysia. Located in Sipitang, Sabah, its mill is supported by an extensive forest concession of 289,000 hectares awarded to the company for 99 years. SFI is committed to achieve sustainable growth through capacity expansion. To accomplish this, SFI undertakes a rigorous reforestation programme on an on-going basis to ensure continuity in supply of wood for its production of pulp and paper.

For the financial year under review, the Group consolidated 4 months' results for this Division. Marginal profit was recorded for this period due mainly to the paper plant shutdown for its planned annual maintenance. As prices of paper are expected to be sustained, it is envisaged that the Division will perform much better in the next financial year.

Beverage

(RM Million)	2003 *	2002
Revenue	203	-
Profit	13	-

* *Consolidated only 4 months' results upon implementation of the GWRS.*

Beverage	Annual Rated Capacity (Million Tons)
Beer	1.5

The Group's Brewery business in China is carried out through Lion Diversified Holdings Berhad ("LDHB"), a newly acquired listed subsidiary. The operations are located in 5 provinces in China, namely Hubei, Hunan, Shandong, Jiangsu and Zhejiang.

The large market in China and the constant upgrading of the plants in the past few years have enabled our Brewery Division to maintain a steady income despite experiencing intense competition from major foreign breweries.

For the year under review, the Group consolidated only 4 months' results for this Division subsequent to the implementation of the GWRS. The commendable results recorded for the period were attributed to the onset of the summer season, which traditionally increases beer consumption. Steps have been taken by LDHB to boost its earnings through strategic tie-ups with international brewers to tap their technical and marketing expertise.

Property & Construction

(RM Million)	2003	2002
Revenue	87	103
Profit	22	14

Overall, revenue was lower for this Division due to the decrease in billings by the Division's construction arm, JOPP Builders Sdn Bhd. However, a higher profit was recorded after consolidating the 4 months' profit from the newly acquired shopping centre operations under the LDHB Group i.e. Subang Parade and Mahkota Parade.

Following approvals from all the relevant parties, LDHB completed its disposal of Subang Parade at the end of the financial year.

For property development, our newly launched commercial projects in Klang namely Pelangi Promenade Phases L3 and L4, consisting of 147 units of shop-offices have received overwhelming response. Todate, approximately 94% of the units launched have been sold.

Others

Building Materials & Consumables

(RM Million)	2003 *	2002
Revenue	45	-
Profit	2	-

* *Consolidated only 4 months' results upon implementation of the GWRS.*

This Division's business comprises mainly trading operations in building materials, lubricant and motor accessories.

Although the building materials operation continued to operate under a highly competitive environment, it remained well poised to expand its revenue given the Government's stimulus measures to boost growth in the property sector.

The Group's lubricant and motor accessories operation has performed well. Its automotive lubricant products under the 'Hi-Rev' brand remained the main contributor to the Division's revenue and profitability. Further enhancement of our market positioning through rigorous expansion of its customer base was reflected in Hi-Rev's growth and acceptance in the automotive lubricants industry. Various high profile promotional campaigns carried out during the year proved to be effective in gaining customers' loyalty and helped to strengthen market presence.

Services and Others

(RM Million)	2003	2002
Revenue	39	68
Loss	(44)	(30)

Revenue for the Division was lower due mainly to the divestment of its gas manufacturing operations under Secomex Manufacturing (M) Sdn Bhd. Our education arm under Sepang Institute of Technology reported lower losses for the year whilst losses in our various China operations have been narrowed. The Group will continue to downsize and divest its non core businesses in China.

FINANCIAL STATEMENTS

2003

For The Financial Year Ended 30 June 2003

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION 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.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 48 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year except for the acquisition and disposal of subsidiary companies pursuant to the implementation of the group wide restructuring scheme ("GWRS") of the Company.

SIGNIFICANT EVENTS

Corporate and Debt Restructuring Exercise

The GWRS undertaken by the Lion Group, comprising the Company ("LICB"), Amsteel Corporation Berhad ("Amsteel"), Angkasa Marketing Berhad (subsequently changed name to Silverstone Corporation Berhad) ("SCB") and Lion Corporation Berhad ("LCB"), involving the restructuring of the Group's and the Company's debts and rationalisation of the Group structure was implemented on 14 March 2003.

Pursuant thereto, the following proposals for the Company and certain of its subsidiary companies (collectively referred to as "Scheme Companies") have been effected:

(i) Capital reduction of RM0.25 in each existing issued and paid-up ordinary share of RM1.00 each in the Company and thereafter a capital consolidation on the basis of every 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each in the Company ("Capital Reconstruction").

(ii) Acquisition of 83.70% equity interest in Posim Berhad (subsequently changed name to Lion Forest Industries Berhad) ("LFIB") by the Company and Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary company of the Company, in the proportion of 28% and 72% respectively for a consideration of RM499.42 million from Avenel Sdn Bhd ("Avenel"), a subsidiary company of Amsteel. Subsequent thereto, the equity interest of the Company and Amsteel Mills in LFIB is 23.44% and 60.26% respectively.

(iii) Acquisition of 59.47% equity interest in Chocolate Products (Malaysia) Berhad (subsequently changed name to Lion Diversified Holdings Berhad) ("LDHB") by the Company and Amsteel Mills, in the proportion of 28% and 72% respectively from the Amsteel Group for a consideration of RM201.50 million. Subsequent thereto, the equity interest of the Company and Amsteel Mills in LDHB is 16.65% and 42.82% respectively.

(iv) Disposal of 25% equity interest in Avenel by the Company to Amsteel for a consideration of RM1.00 and the payment of RM122.05 million by the Company to Amsteel in view of the excess of Avenel's debts over the fair value of Avenel's assets as of 31 December 2001.

(v) Disposal of 100% equity interest in Lion Plaza Sdn Bhd by the Company to Akurjaya Sdn Bhd, a subsidiary company of Amsteel, for a total consideration of RM35.66 million.

(vi) The net consideration payable by the LICB Group to the Amsteel Group resulting from transactions (ii) to (iv) above was netted off against debts owing by the Amsteel Group (after taking into account waiver of certain principal portion of the outstanding principal amount) to the restructured LICB Group (which included 83.70% equity interest in LFIB and 59.47% equity interest in LDHB) resulting in a net balance owing by the Amsteel Group to the LICB Group of RM178.27 million. The LICB Group received a total of RM32.93 million in net present value of Amsteel Bonds, RM0.44 million cash payment and 144.90 million new Amsteel shares at RM1.00 per Amsteel share in settlement of this net inter-company balance of RM178.27 million.

(vii) The LICB Group received RM114.81 million in net present value of SCB Bonds, RM5.79 million cash payment and RM13.40 million in value of new SCB shares for settlement of the net balance of inter-company debts owing by the SCB Group to the LICB Group of RM134.00 million.

(viii) Issuance of RM21.99 million in net present value of Ringgit Malaysia ("RM") denominated bonds ("LICB Bonds") and RM0.01 million cash payment to LDHB for settlement of inter-company debts owing by the LICB Group to the LDHB Group of RM22.00 million.

(ix) Issuance of RM131.00 million in value of new LICB shares to the LCB Group for settlement of inter-company debts owing by the LICB Group to the LCB Group of RM131.00 million.

(x) The aggregate indebtedness of RM329.04 million and USD50.98 million owed by the Scheme Companies to the affected creditors ("Scheme Creditors") (excluding LICB Non-Financial Institution Creditors) were swapped for (a) RM328.40 million in net present value of LICB Bonds and RM0.64 million cash payment; and (b) USD42.72 million in net present value of USD consolidated and rescheduled debts ("USD Debts") issued by LLB Harta (L) Limited, a wholly-owned subsidiary company, and USD8.26 million cash payment, respectively.

(xi) The LICB Non-Financial Institution Creditors of RM86.32 million were settled by way of a debt equity conversion involving an issuance of 86.32 million new LICB shares at an issue price of RM1.00 per share.

Pursuant to items (ii) and (iii) above, LFIB and LDHB and their respective subsidiary and associated companies have become subsidiary and associated companies of LICB.

The Company had established two special purpose vehicles in the previous financial year, namely LLB Harta (M) Sdn Bhd ("Harta (M)") and LLB Harta (L) Limited ("Harta (L)") for the sole purpose of facilitating the debt restructuring exercise for the Group. Harta (M) is to manage the debts denominated in RM novated from the Scheme Companies and Harta (L) is to undertake the treasury business to improve the administration and co-ordination of the repayment of loans denominated in USD owing by the Scheme Companies to the Scheme Creditors.

Others

(a) On 10 September 2002, Amsteel Mills completed the acquisition of 100% equity interest in Antara Steel Mills Sdn Bhd, comprising 218,010,000 ordinary shares of RM1.00 each, from Johor Corporation for a consideration of RM108.23 million.

(b) On 26 September 2002, the creditors of Amsteel Mills had at the scheme meetings held, approved the scheme of arrangement undertaken by Amsteel Mills to address its financial obligations to its scheme creditors pursuant to Section 176(1) of the Companies Act, 1965 ("Act") ("Proposed Scheme"). The High Court of Malaya had subsequently on 30 January 2003 granted an order pursuant to Section 176(3) of the Act sanctioning the Proposed Scheme. Pursuant thereto, Amsteel Mills had on 6 February 2003 entered into a Master Restructuring Agreement with its scheme creditors to convert and restructure its existing working capital facilities and restructured term loan facility.

(c) On 18 February 2003, the Company changed its name from "Lion Land Berhad" to "Lion Industries Corporation Berhad".

(d) On 9 June 2003, the Company announced the proposed financing of up to RM100 million by Sabah Forest Industries Sdn Bhd, a 97.78% subsidiary company of LFIB, which is in turn an 83.70% subsidiary company of the Company, to Amsteel Mills, to finance the completion of Amsteel Mills' meltshop facility located in Banting, Selangor Darul Ehsan.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	119,446	16,148
Income tax expense	(47,121)	(4,744)
Profit after tax	72,325	11,404
Minority interests	(877)	–
Net profit for the year	71,448	11,404

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 other than the impact of the GWRS and prior year adjustments as disclosed in Notes 10 and 40 to the Financial Statements, respectively.

DIVIDENDS

A first and final dividend of 0.1%, less tax, amounting to RM0.43 million 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.

The Directors propose a first and final dividend of 0.5%, less tax, amounting to RM2.45 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and 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

Pursuant to the implementation of GWRS mentioned in Note 2 to the Financial Statements, the issued and paid-up share capital of the Company was increased from RM593,380,035 divided into 593,380,035 ordinary shares of RM1.00 each to RM679,235,465 divided into 679,235,465 ordinary shares of RM1.00 each by way of:

(a) a capital reduction of RM0.25 in each existing issued and fully paid-up ordinary share of RM1.00 each in the Company;

(b) the issuance of 1 new ordinary share of RM0.75 at par for cash;

(c) a capital consolidation on the basis of every 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each thereby consolidating 593,380,036 ordinary shares of RM0.75 each into 445,035,027 ordinary shares of RM1.00 each; and

(d) the issuance of 234,200,438 new ordinary shares of RM1.00 each at par as part of the settlement of debts.

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

The new ordinary shares issued were listed and quoted on the Kuala Lumpur Stock Exchange with effect from 31 March 2003.

The Company did not issue any debenture during the financial year.

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS") of the Company became effective on 15 May 2000 and the main features of the ESOS are as follows:

(a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Companies Commission of Malaysia, with an option to renew for a further period of 5 years upon the recommendation of the option committee.

(b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.

(c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Industries Corporation Berhad ("LICB") Group with at least 12 months of service.

(d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.

(e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LICB shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.

(f) The option is non-assignable.

(g) The shares to be allotted under the ESOS shall rank pari passu in all respects with the then existing shares of the Company.

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:

Exercisable from	Subscription price per share RM	Balance as of 1.7.2002	Granted	Exercised	Lapsed	Adjustment *	Unissued shares as of 30.6.2003
19.5.2000	1.00	3,756,000	–	–	(418,000)	(804,000)	2,534,000

The exercise period for the options will lapse on 14 May 2005.

* *Adjustment pursuant to the Capital Reconstruction in the Company.*

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 receivables and the making of allowance for doubtful receivables and had satisfied themselves that no known bad receivables need to be written off and that adequate allowance had been made for doubtful receivables; 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.

As disclosed in Note 35 to the Financial Statements, the LICB Bonds and USD Debts for the Group totalling RM185 million are due for redemption/repayment within the next twelve (12) months. The cash flows for the said redemption/ repayment will be sourced from proceeds on the disposal of assets/companies included in the proposed divestment programme and other assets received by the Group under the GWRS. Due to the weak market condition, the realisation of planned disposals of these assets are expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets/companies under the proposed divestment programme. Where necessary, the Group will divest other assets which are not included in the proposed divestment programme to redeem/repay the LICB Bonds and USD Debts. Consent from the Scheme Creditors will also be sought to enable the Group to reschedule its redemption/ repayment of LICB Bonds and USD Debts. The Directors believe that consent from Scheme Creditors will not be unreasonably witheld.

Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

Other than as stated above, at the date of this report, the Directors are not aware of any circumstances:

(a) which would require the writing off of bad receivables or render the amount of the allowance for doubtful receivables 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 other than as disclosed in Note 50 to the Financial Statements.

DIRECTORS

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

Tan Sri Dato' Musa bin Hitam
Datuk Cheng Yong Kim
Tan Sri Datuk Asmat bin Kamaludin
Dato' Kamaruddin @ Abas bin Nordin
Cheng Yong Liang
Heah Sieu Lay
Dato' Dr Mohd Shahari Ahmad Jabar (Retired on 19.12.2002)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Musa bin Hitam and Y. Bhg. Datuk Cheng Yong Kim retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors' interest in shares in the Company are as follows:

	Number of ordinary shares				
Direct interest	**Balance as of 1.7.2002**	**Additions**	**Disposals**	**Capital Reconstruction**	**Balance as of 30.6.2003**
Datuk Cheng Yong Kim	591,586	–	–	(147,897)	443,689
Cheng Yong Liang	63,840	–	–	(15,960)	47,880
Dato' Kamaruddin @ Abas bin Nordin	2,000	–	–	(500)	1,500
Indirect interest					
Datuk Cheng Yong Kim	329,255,407	309,161,851	(236,640,132)	(82,288,853)	319,488,273

In addition to the above, the following Directors are deemed to have interest in shares in the Company by virtue of options granted to them pursuant to the ESOS of the Company:

	Options over ordinary shares of RM1.00 each				
Direct interest	**Balance as of 1.7.2002**	**Additions**	**Disposals**	**Capital Reconstruction**	**Balance as of 30.6.2003**
Datuk Cheng Yong Kim	175,000	–	–	(43,000)	132,000
Dato' Kamaruddin @ Abas bin Nordin	79,000	–	–	(19,000)	60,000

The Directors' interest in shares in related companies are as follows:

Datuk Cheng Yong Kim	**Nominal value per ordinary share**	**Balance as of 1.7.2002**	**Number of shares Additions**	**Disposals**	**Balance as of 30.6.2003**
Indirect interest					
LDHB	RM0.50	232,016,501	207,209,445	(207,209,445)	232,016,501
LFIB	RM1.00	178,102,171	170,097,271	(171,169,271)	177,030,171
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
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
LDH Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	–	–	1,000,000

	Nominal value per preference share	**Balance as of 1.7.2002**	**Number of shares Additions**	**Disposals**	**Balance as of 30.6.2003**
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 Additions**	**Disposals**	**Balance as of 30.6.2003**
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	Additions	Disposals	Balance as of 30.6.2003
Datuk Cheng Yong Kim					
Indirect interest					
Beijing CPB Foodstuff Co Ltd	USD	3,080,000	–	–	3,080,000
Beijing Trostel Property Development Co Ltd	USD	6,650,000	–	–	6,650,000
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 as disclosed above, the Directors do not have any other interest in shares in the Company or 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 the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed 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 balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 43 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 for the Company's ESOS as disclosed in Note 43 to the Financial Statements.

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,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
29 October 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF LION INDUSTRIES CORPORATION BERHAD

(formerly known as Lion Land Berhad)

We have audited the accompanying balance sheets as of 30 June 2003 and 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 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 of the Group and of the Company 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 the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 48 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.

Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements concerning the portion of LICB Bonds and USD Debts of the Group that are due for redemption/repayment within the next twelve (12) months and the steps taken by the Group to meet this obligation.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KEK AH FONG
1880/4/04 (J)
Partner

Petaling Jaya,
29 October 2003

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

		The Group		The Company	
		2003	2002	2003	2002
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	5	**2,014,549**	1,459,299	**34,173**	41,422
Other operating income	6	**7,972**	71,081	**377**	162
Net changes in inventories of finished goods and work-in-progress		**71,720**	(28,753)	**–**	–
Raw materials and consumables used		**(1,478,638)**	(1,098,793)	**–**	–
Contract costs recognised		**(14,553)**	(29,375)	**–**	–
Property development expenditure		**(24,092)**	(39,309)	**(11,295)**	(24,981)
Staff costs	6	**(125,244)**	(82,900)	**(3,927)**	(4,143)
Directors' remuneration	7	**(561)**	(381)	**(295)**	(278)
Depreciation of property, plant and equipment	13	**(95,001)**	(54,074)	**(3,116)**	(3,255)
Amortisation of:					
Forest concessions	15	**(3,599)**	–	**–**	–
Expenditure carried forward	22	**(5,261)**	(1,712)	**(66)**	–
Negative goodwill		**13,951**	–	**–**	–
Goodwill	23	**(13,308)**	(9,838)	**–**	–
Other operating expenses	6	**(237,533)**	(99,614)	**(26,650)**	(8,942)
Profit/(Loss) from operations		**110,402**	85,631	**(10,799)**	(15)
Finance costs	8	**(131,439)**	(158,558)	**(37,945)**	(35,346)
Share in results of associated companies		**(9,433)**	(23,176)	**–**	–
Income from other investments	9	**29,553**	55,549	**17,800**	21,539
Impact of GWRS	10	**120,363**	(155,270)	**47,092**	32,110
Profit/(Loss) before tax		**119,446**	(195,824)	**16,148**	18,288
Income tax expense:	11				
- Company and subsidiary companies		**(46,517)**	(6,453)	**(4,744)**	(5,814)
- Associated companies		**(604)**	(5)	**–**	–
Profit/(Loss) after tax		**72,325**	(202,282)	**11,404**	12,474
Minority interests		**(877)**	10,515	**–**	–
Net profit/(loss) for the year		**71,448**	(191,767)	**11,404**	12,474
Earnings/(Loss) per ordinary share	12	**13.7 sen**	(43.1) sen		

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

BALANCE SHEETS

AS OF 30 JUNE 2003

		The Group		The Company	
		2003	2002	2003	2002
ASSETS	Note	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	13	**2,813,365**	1,262,264	**103,812**	106,764
Investment properties	14	**335,513**	189,000	**–**	–
Forest concessions	15	**322,524**	–	**–**	–
Plantation development expenditure	16	**133,061**	–	**–**	–
Property development projects					
- non-current portion	17	**98,873**	153,162	**436**	303
Investment in subsidiary companies	18	**–**	–	**325,718**	144,188
Investment in associated companies	19	**104,257**	60,327	**–**	124
Long-term investments	20	**394,257**	81,981	**101,191**	46,892
Deferred tax assets	21	**33,185**	–	**–**	–
Long-term receivable	28	**42,270**	–	**–**	–
Expenditure carried forward	22	**49,619**	20,536	**140**	140
Goodwill	23	**356,591**	170,295	**–**	–
Current Assets					
Property development projects – current portion	17	**18,568**	17,758	**8,253**	7,273
Inventories	24	**644,729**	304,501	**–**	7,503
Amount due by contract customers	25	**1,499**	3,764	**–**	–
Short-term investments	26	**32,224**	–	**4,182**	–
Trade receivables	27	**330,685**	259,393	**449**	1,262
Other receivables, deposits and prepayments	28	**479,136**	211,391	**60,593**	50,678
Amount owing by ultimate holding company	29	**–**	934,358	**–**	200,538
Amount owing by other related companies	29	**–**	350,695	**–**	13,384
Amount owing by subsidiary companies	29	**–**	–	**1,283,290**	1,002,271
Amount owing by associated companies	29	**30,331**	34,339	**3**	1,132
Deposits, cash and bank balances	30	**378,170**	111,009	**22,761**	12,124
		1,915,342	2,227,208	**1,379,531**	1,296,165
Current Liabilities					
Trade payables	31	**296,715**	231,583	**2,084**	2,927
Amount due to contract customers	25	**953**	1,037	**–**	–
Other payables, deposits and accruals	32	**764,749**	901,233	**10,372**	74,458
Amount owing to other related companies	29	**–**	142,855	**–**	77,501
Amount owing to subsidiary companies	29	**–**	–	**242,700**	250,629
Amount owing to associated companies	29	**–**	17,689	**–**	555
Lease and hire-purchase payables	33	**419**	150	**–**	–
Short-term borrowings	34	**449,039**	1,959,327	**–**	233,625
LICB Bonds and USD Debts	35	**184,536**	–	**203,614**	–
Tax liabilities		**78,283**	44,617	**3,482**	6,375
Provisions		**–**	138,850	**–**	138,850
		1,774,694	3,437,341	**462,252**	784,920
Net Current Assets/(Liabilities)		**140,648**	(1,210,133)	**917,279**	511,245

(Forward)

	Note	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
Non-Current And Deferred Liabilities					
LICB Bonds and USD Debts	35	**332,187**	–	**393,743**	–
Long-term borrowings	36	**1,587,636**	43,230	**–**	–
Lease and hire-purchase payables	33	**1,288**	305	**–**	–
Deferred tax liabilities	21	**47,863**	36,941	**3,036**	3,036
Deferred liabilities	37	**137,515**	3,528	**–**	–
		(2,106,489)	(84,004)	**(396,779)**	(3,036)
Minority interests		**(836,468)**	(25,399)	**–**	–
Net Assets		**1,881,206**	618,029	**1,051,797**	806,620
Represented By:					
Issued capital	38	**679,235**	593,380	**679,235**	593,380
Reserves	39	**1,201,971**	24,649	**372,562**	213,240
Shareholders' Equity		**1,881,206**	618,029	**1,051,797**	806,620

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

ß ----------- Non-Distributable Reserves -----------à

	Note	Issued capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation adjustment account RM'000	Negative goodwill RM'000	Accumulated loss RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2001									
As previously stated		593,380	515,190	62,685	60,542	–	(394,432)	243,985	837,365
Prior year adjustments	40	–	–	(3,134)	–	–	(22,480)	(25,614)	(25,614)
Restated balance		593,380	515,190	59,551	60,542	–	(416,912)	218,371	811,751
Currency translation differences		–	–	–	(1,528)	–	–	(1,528)	(1,528)
Net loss for the year		–	–	–	–	–	(191,767)	(191,767)	(191,767)
Dividend		–	–	–	–	–	(427)	(427)	(427)
Balance as of 30 June 2002		593,380	515,190	59,551	59,014	–	(609,106)	24,649	618,029
Capital Reconstruction	38	(148,345)	–	–	–	–	148,345	148,345	–
Issuance of shares	38	234,200	–	–	–	–	–	–	234,200
Acquisition of subsidiary companies		–	–	–	–	973,400	–	973,400	973,400
Amortisation for the year		–	–	–	–	(13,951)	–	(13,951)	(13,951)
Currency translation differences		–	–	–	(1,493)	–	–	(1,493)	(1,493)
Net profit for the year		–	–	–	–	–	71,448	71,448	71,448
Dividend	41	–	–	–	–	–	(427)	(427)	(427)
Balance as of 30 June 2003		679,235	515,190	59,551	57,521	959,449	(389,740)	1,201,971	1,881,206

The Company

	Note	Issued capital RM'000	Non-Distributable Reserve: Share premium RM'000	Accumulated loss RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2001		593,380	515,190	(313,997)	201,193	794,573
Net profit for the year		–	–	12,474	12,474	12,474
Dividend		–	–	(427)	(427)	(427)
Balance as of 30 June 2002		593,380	515,190	(301,950)	213,240	806,620
Capital Reconstruction	38	(148,345)	–	148,345	148,345	–
Issuance of shares	38	234,200	–	–	–	234,200
Net profit for the year		–	–	11,404	11,404	11,404
Dividend	41	–	–	(427)	(427)	(427)
Balance as of 30 June 2003		679,235	515,190	(142,628)	372,562	1,051,797

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

The Group	Note	2003 RM'000	2002 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit/(Loss) before tax and minority interests		**119,446**	(195,824)
Adjustments for:			
Impact of GWRS (Note 10)		**(127,861)**	155,270
Depreciation of property, plant and equipment		**95,001**	54,074
Provision for diminution in value of investments		**15,000**	–
Share in results of associated companies		**9,433**	23,176
Amortisation of:			
Forest concessions		**3,599**	–
Expenditure carried forward		**5,261**	1,712
Goodwill/(Negative goodwill) - net		**(643)**	9,838
Allowance for:			
Doubtful trade and other receivables		**6,172**	10,099
Inventories obsolescence		**5,975**	459
Loss on disposal of investments		**3,442**	–
Provision for decline in value of property development projects		**2,983**	2,984
Property, plant and equipment written off		**2,107**	115
Provision for compensation on late delivery		**499**	92
Loss/(Gain) on disposal of property, plant and equipment – net		**(205)**	1,954
Allowance no longer required for:			
Doubtful trade and other receivables		**(3,003)**	(306)
Cost to completion for property development projects		**(604)**	(290)
Inventories obsolescence		**–**	(62)
Loss overprovided on disposal of subsidiary company in prior year		**(1,343)**	–
Unrealised gain on foreign exchange – net		**(725)**	(2,315)
Provision for write down in property, plant and equipment		**–**	6,427
Expenditure carried forward written off		**–**	165
Effect on dilution of subsidiary companies (iii)		**–**	(65,386)
Interest expense		**131,439**	158,558
Interest income		**(29,854)**	(55,804)
Dividend income		**(23)**	(23)
Operating Profit Before Working Capital Changes		**236,096**	104,913
(Increase)/Decrease in:			
Property development projects – current portion		**(3,658)**	2,021
Inventories		**(108,076)**	(48,412)
Amount due by contract customers		**2,265**	(739)
Trade receivables		**24,526**	(79,515)
Other receivables, deposits and prepayments		**19,010**	(79,323)
Increase/(Decrease) in:			
Trade payables		**(16,068)**	114,362
Other payables, deposits and accruals		**57,762**	38,918
Amount due to contract customers		**(84)**	(419)
Movements in translation adjustment account		**(267)**	(34)
Cash Generated From Operations		**211,506**	51,772
Income tax paid		**(39,025)**	(9,382)
Net Cash Generated From Operating Activities		**172,481**	42,390

(Forward)

	Note	2003 RM'000	2002 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Acquisition of subsidiary companies, net of cash and cash equivalents acquired (ii)		**226,265**	–
Proceeds from disposal/redemption of investments		**15,866**	–
Proceeds from disposal of property, plant and equipment		**3,037**	10,562
Purchase of property, plant and equipment (i)		**(70,665)**	(9,602)
Cash flow on disposal/dilution of subsidiary companies (iii)		**(98)**	–
Additions to expenditure carried forward (net of depreciation of property, plant and equipment of RM Nil (2002: RM4,992,000))		**(68)**	(4,418)
Purchase of additional investment in subsidiary company		**–**	(300)
(Increase)/Decrease in:			
Property development projects – non-current portion		**(824)**	4,795
Plantation development expenditure (Net of depreciation of property, plant and equipment of RM149,000 (2002: RM Nil))		**(1,733)**	–
Amount owing by ultimate holding company		**–**	1,503
Amount owing by other related companies		**–**	(1,465)
Interest received		**14,335**	5,801
Dividend received		**17**	17
Net Cash Generated From Investing Activities		**186,132**	6,893
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of short-term borrowings		**(24,890)**	(43,021)
Proceeds from short-term borrowings		**141,000**	–
Redemption/Repayment of LICB Bonds and USD Debts (inclusive of up-front cash)		**(32,038)**	–
Dividend paid to shareholders of the Company		**(427)**	(427)
Repayment of lease and hire-purchase liabilities		**(189)**	(156)
(Increase)/Decrease in cash and cash equivalents – restricted		**(19,848)**	204
Increase/(Decrease) in:			
Security deposits received		**(342)**	557
Amount owing to other related companies		**–**	(166)
Amount owing to associated companies		**–**	50
Interest paid		**(88,566)**	(27,933)
Net Cash Used In Financing Activities		**(25,300)**	(70,892)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**333,313**	(21,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**(48,936)**	(27,391)
Effects of changes in exchange rates		**5**	64
CASH AND CASH EQUIVALENTS AT END OF YEAR	42	**284,382**	(48,936)

(i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM71,987,000 (2002: RM183,023,000) of which RM1,322,000 (2002: RM29,000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM70,665,000 (2002: RM9,602,000) (net of finance cost of RM Nil (2002: RM13.8 million)).

(Forward)

(ii) ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES

	2003 RM'000	2002 RM'000
Property, plant and equipment	**1,579,225**	–
Investment property	**146,513**	–
Forest concessions	**326,123**	–
Plantation development expenditure	**131,179**	–
Investment in associated companies	**53,963**	–
Long-term investments	**37,268**	–
Deferred tax assets	**33,185**	–
Expenditure carried forward	**34,280**	–
Goodwill acquired	**199,604**	–
Inventories	**238,134**	–
Trade receivables	**92,833**	–
Other receivables, deposits and prepayments	**332,415**	–
Amount owing by other related companies	**95,715**	–
Deposits, cash and bank balances	**251,069**	–
Trade payables	**(81,200)**	–
Other payables, deposits and accruals	**(409,387)**	–
Amount owing to other related companies	**(3,634)**	–
Lease and hire-purchase payables	**(119)**	–
Short-term borrowings	**(181,162)**	–
Tax liabilities	**(41,502)**	–
Long-term borrowings	**(235,362)**	–
Deferred tax liabilities	**(240)**	–
Minority interests	**(816,352)**	–
Fair value of net assets acquired	**1,782,548**	–
Negative goodwill	**(973,400)**	–
Total purchase consideration	**809,148**	–
Less: Purchase consideration satisfied by settlement of amount owing by ultimate holding company	**(809,148)**	–
	–	–
Cash and cash equivalents acquired	**226,265**	–
Cash flow on acquisition, net of cash and cash equivalents acquired	**226,265**	–

(Forward)

(iii) ANALYSIS OF DISPOSAL/DILUTION OF SUBSIDIARY COMPANIES

	2003 (Disposal) RM'000	2002 (Dilution) RM'000
Property, plant and equipment	**3**	148,166
Property development project	**55,113**	–
Long-term investments	**–**	336
Inventories	**–**	206
Trade receivables	**18**	4,607
Other receivables, deposits and prepayments	**189**	138
Amount owing by other related companies	**494**	986
Cash and bank balances	**98**	–
Trade payables	**–**	(47,864)
Other payables, deposits and accruals	**(157)**	(169,340)
Amount owing to other related companies	**–**	(4,517)
Short-term borrowings	**–**	(117)
Tax liabilities	**(1)**	–
Deferred tax liabilities	**(4,639)**	–
Goodwill on consolidation	**–**	2
Minority interests	**–**	2,011
Net assets/(liabilities)	**51,118**	(65,386)
Reversal of provision for foreseeable loss made in prior year	**(16,800)**	–
Loss overprovided	**1,343**	–
Reversal of Group's share of net liabilities	**–**	65,386
	35,661	–
Disposal proceeds received in term of bonds investment	**35,661**	–
Total cash consideration	**–**	–
Less: Cash and cash equivalents disposed of	**(98)**	–
Cash flow on disposal/dilution	**(98)**	–

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

The Company	Note	2003 RM'000	2002 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		**16,148**	18,288
Adjustments for:			
Impact of GWRS (Note 10)		**(54,590)**	(32,110)
Depreciation of property, plant and equipment		**3,116**	3,255
Amortisation of expenditure carried forward		**66**	–
Provision for diminution in value of investments		**15,000**	–
Allowance for doubtful other receivables		**5,000**	–
Loss on disposal of:			
Investments		**3,442**	–
Subsidiary company		**131**	10
Associated company		**120**	–
Provision for compensation on late delivery		**499**	–
Property, plant and equipment written off		**9**	51
Allowance for doubtful trade receivables no longer required		**(152)**	–
Gain on disposal of property, plant and equipment		**(63)**	(55)
Waiver of amount owing by a subsidiary company		**–**	6,466
Expenditure carried forward written off		**–**	165
Interest expense		**37,945**	35,346
Interest income		**(17,962)**	(21,646)
Dividend income		**(6,271)**	(523)
Operating Profit Before Working Capital Changes		**2,438**	9,247
(Increase)/Decrease in:			
Property development projects – current portion		**(980)**	(2,699)
Inventories		**7,503**	299
Trade receivables		**813**	1,437
Other receivables, deposits and prepayments		**(13,634)**	(7,351)
Increase/(Decrease) in:			
Trade payables		**(843)**	(949)
Other payables, deposits and accruals		**3,212**	(969)
Cash Used In Operations		**(1,491)**	(985)
Income tax paid		**(5,975)**	(3,433)
Net Cash Used In Operating Activities		**(7,466)**	(4,418)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(191)**	(221)
Proceeds from disposal of property, plant and equipment		**81**	106
Proceeds from disposal/redemption of investments		**4,135**	–
Additions to expenditure carried forward		**(66)**	(9)
Dividend received		**4,609**	377
(Increase)/Decrease in:			
Amount owing by subsidiary companies		**6,845**	5,021
Amount owing by other related companies		**–**	(431)
Amount owing by ultimate holding company		**–**	(37)
Property development projects – non-current portion		**(133)**	852
Interest received		**3,250**	2,676
Net Cash Generated From Investing Activities		**18,530**	8,334

(Forward)

	Note	2003 RM'000	2002 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividend paid to shareholders of the Company		**(427)**	(427)
(Increase)/Decrease in cash and cash equivalents - restricted		**(13,569)**	49
Proceeds from short-term borrowings		**1,294**	–
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**–**	3,606
Amount owing to other related companies		**–**	(194)
Interest paid		**–**	(117)
Net Cash Generated From/(Used In) Financing Activities		**(12,702)**	2,917
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,638)**	6,833
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**10,830**	3,997
CASH AND CASH EQUIVALENTS AT END OF YEAR	42	**9,192**	10,830

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 Main Board of the Kuala Lumpur Stock Exchange.

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 48.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year except for the acquisition and disposal of subsidiary companies pursuant to the implementation of the group wide restructuring scheme ("GWRS") of the Company.

The total number of employees of the Group and of the Company as of 30 June 2003 were 13,628 (2002: 2,579) and 48 (2002: 48) respectively.

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

The principal place of business is located at Level 13-14 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

2. SIGNIFICANT EVENTS

Corporate and Debt Restructuring Exercise

The GWRS undertaken by the Lion Group, comprising the Company ("LICB"), Amsteel Corporation Berhad ("Amsteel"), Angkasa Marketing Berhad (subsequently changed name to Silverstone Corporation Berhad) ("SCB") and Lion Corporation Berhad ("LCB"), involving the restructuring of the Group's and the Company's debts and rationalisation of the Group structure was implemented on 14 March 2003.

Pursuant thereto, the following proposals for the Company and certain of its subsidiary companies (collectively referred to as "Scheme Companies") have been effected:

(i) Capital reduction of RM0.25 in each existing issued and paid-up ordinary share of RM1.00 each in the Company and thereafter a capital consolidation on the basis of every 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each in the Company ("Capital Reconstruction").

(ii) Acquisition of 83.70% equity interest in Posim Berhad (subsequently changed name to Lion Forest Industries Berhad) ("LFIB") by the Company and Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary company of the Company, in the proportion of 28% and 72% respectively for a consideration of RM499.42 million from Avenel Sdn Bhd ("Avenel"), a subsidiary company of Amsteel. Subsequent thereto, the equity interest of the Company and Amsteel Mills in LFIB is 23.44% and 60.26% respectively.

(iii) Acquisition of 59.47% equity interest in Chocolate Products (Malaysia) Berhad (subsequently changed name to Lion Diversified Holdings Berhad) ("LDHB") by the Company and Amsteel Mills, in the proportion of 28% and 72% respectively from the Amsteel Group for a consideration of RM201.50 million. Subsequent thereto, the equity interest of the Company and Amsteel Mills in LDHB is 16.65% and 42.82% respectively.

(iv) Disposal of 25% equity interest in Avenel by the Company to Amsteel for a consideration of RM1.00 and the payment of RM122.05 million by the Company to Amsteel in view of the excess of Avenel's debts over the fair value of Avenel's assets as of 31 December 2001.

(v) Disposal of 100% equity interest in Lion Plaza Sdn Bhd by the Company to Akurjaya Sdn Bhd, a subsidiary company of Amsteel, for a total consideration of RM35.66 million.

(vi) The net consideration payable by the LICB Group to the Amsteel Group resulting from transactions (ii) to (iv) above was netted off against debts owing by the Amsteel Group (after taking into account waiver of certain principal portion of the outstanding principal amount) to the restructured LICB Group (which included 83.70% equity interest in LFIB and 59.47% equity interest in LDHB) resulting in a net balance owing by the Amsteel Group to the LICB Group of RM178.27 million. The LICB Group received a total of RM32.93 million in net present value of Amsteel Bonds, RM0.44 million cash payment and 144.90 million new Amsteel shares at RM1.00 per Amsteel share in settlement of this net inter-company balance of RM178.27 million.

(vii) The LICB Group received RM114.81 million in net present value of SCB Bonds, RM5.79 million cash payment and RM13.40 million in value of new SCB shares for settlement of the net balance of inter-company debts owing by the SCB Group to the LICB Group of RM134.00 million.

(viii) Issuance of RM21.99 million in net present value of Ringgit Malaysia ("RM") denominated bonds ("LICB Bonds") and RM0.01 million cash payment to LDHB for settlement of inter-company debts owing by the LICB Group to the LDHB Group of RM22.00 million.

(ix) Issuance of RM131.00 million in value of new LICB shares to the LCB Group for settlement of inter-company debts owing by the LICB Group to the LCB Group of RM131.00 million.

(x) The aggregate indebtedness of RM329.04 million and USD50.98 million owed by the Scheme Companies to the affected creditors ("Scheme Creditors") (excluding LICB Non-Financial Institution Creditors) were swapped for (a) RM328.40 million in net present value of LICB Bonds and RM0.64 million cash payment; and (b) USD42.72 million in net present value of USD consolidated and rescheduled debts ("USD Debts") issued by LLB Harta (L) Limited, a wholly-owned subsidiary company, and USD8.26 million cash payment, respectively.

(xi) The LICB Non-Financial Institution Creditors of RM86.32 million were settled by way of a debt equity conversion involving an issuance of 86.32 million new LICB shares at an issue price of RM1.00 per share.

Pursuant to items (ii) and (iii) above, LFIB and LDHB and their respective subsidiary and associated companies have become subsidiary and associated companies of LICB.

The Company had established two special purpose vehicles in the previous financial year, namely LLB Harta (M) Sdn Bhd ("Harta (M)") and LLB Harta (L) Limited ("Harta (L)") for the sole purpose of facilitating the debt restructuring exercise for the Group. Harta (M) is to manage the debts denominated in RM novated from the Scheme Companies and Harta (L) is to undertake the treasury business to improve the administration and co-ordination of the repayment of loans denominated in USD owing by the Scheme Companies to the Scheme Creditors.

Others

(a) On 10 September 2002, Amsteel Mills completed the acquisition of 100% equity interest in Antara Steel Mills Sdn Bhd, comprising 218,010,000 ordinary shares of RM1.00 each, from Johor Corporation for a consideration of RM108.23 million.

(b) On 26 September 2002, the creditors of Amsteel Mills had at the scheme meetings held, approved the scheme of arrangement undertaken by Amsteel Mills to address its financial obligations to its scheme creditors pursuant to Section 176(1) of the Companies Act, 1965 ("Act") ("Proposed Scheme"). The High Court of Malaya had subsequently on 30 January 2003 granted an order pursuant to Section 176(3) of the Act sanctioning the Proposed Scheme. Pursuant thereto, Amsteel Mills had on 6 February 2003 entered into a Master Restructuring Agreement with its scheme creditors to convert and restructure its existing working capital facilities and restructured term loan facility.

(c) On 18 February 2003, the Company changed its name from "Lion Land Berhad" to "Lion Industries Corporation Berhad".

(d) On 9 June 2003, the Company announced the proposed financing of up to RM100 million by Sabah Forest Industries Sdn Bhd, a 97.78% subsidiary company of LFIB, which is in turn an 83.70% subsidiary company of the Company, to Amsteel Mills, to finance the completion of Amsteel Mills' meltshop facility located in Banting, Selangor Darul Ehsan.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Board of Directors for issuance on 29 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").

As disclosed in Note 35, the LICB Bonds and USD Debts for the Group totalling RM185 million are due for redemption/repayment within the next twelve (12) months. The cash flows for the said redemption/repayment will be sourced from proceeds on the disposal of assets/companies included in the proposed divestment programme and other assets received by the Group under the GWRS. Due to the weak market condition, the realisation of planned disposals of these assets are expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets/companies under the proposed divestment programme. Where necessary, the Group will divest other assets which are not included in the proposed divestment programme to redeem/repay the LICB Bonds and USD Debts. Consent from the Scheme Creditors will also be sought to enable the Group to reschedule its redemption/repayment of LICB Bonds and USD Debts. The Directors believe that consent from Scheme Creditors will not be unreasonably witheld.

Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

Basis of Consolidation

The Group's 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 under Note 48. Subsidiary companies are consolidated using the acquisition method of accounting.

The results of subsidiary companies acquired or disposed of during the financial year are included in the income statement of the Group from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances are eliminated on consolidation.

Minority interests is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made for minority interests.

Revenue and Revenue Recognition

Revenue of the Group consists of the sales invoice value of goods and services supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, proportion of the total contract value attributable to the percentage of construction work performed, tuition fees and other related fees receivable net of scholarship, gross rental income and dividend income receivable from quoted and unquoted investments.

Revenue of the Company consists of gross rental income and dividend income, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed and sales value of completed property units.

The revenue recognition policies of the Group and of the Company are as follows:

(i) Steel Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(ii) Property and Construction Division

Rental income – on accrual basis.

Property development projects – based on the percentage of completion method. The stage of completion is determined based on the proportion of development cost incurred todate against the total estimated cost on projects where the outcome of the projects can be reliably estimated and are in respect of sales where agreements have been finalised by the end of the financial year. All anticipated losses on development projects are fully provided.

Sales of completed property units – when the agreements are executed.

Construction contracts – based on the percentage of completion method. The stage of completion is determined based on the proportion of contract costs incurred todate against the total estimated cost on contracts where the outcome of the contracts can be reliably estimated. Any foreseeable loss on contracts are provided for in full.

(iii) Timber Extraction and Pulp and Paper Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(iv) Beverage Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(v) Other Divisions

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

Gross dividend income – where the shareholders' right to receive payment is established.

Tuition fees and other related fees receivable net of scholarship – when services are performed.

Foreign Currency Conversion

(i) Transactions in foreign currencies

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

(ii) Translation of foreign currency operations

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

Assets and liabilities	-	at closing rate
Share capital	-	at historical rate
Revenue and expenses	-	at average rate

The results of foreign associated companies are translated at the average rate of exchange for the financial year.

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

Difference in exchange arising from the retranslation of the opening net investments in foreign subsidiary and associated companies, and from the translation of the results of those companies at the average rate, are taken to shareholders' equity.

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

	Average rate		Year end rate	
	2003	**2002**	**2003**	**2002**
Currency	**RM**	**RM**	**RM**	**RM**
1 United States Dollar	**3.80**	3.80	**3.80**	3.80
1 Renminbi	**0.46**	0.46	**0.46**	0.46
1 Singapore Dollar	**2.16**	2.09	**2.15**	2.14

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.

Prior to the adoption of MASB Standard 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 generally recognised upon actual realisation.

This accounting change has been accounted for retrospectively and accordingly, the deferred tax liabilities of RM25,614,000 as of 30 June 2002 which was not recognised in the financial statements of the Group in previous year has now been recognised by way of retrospective adjustment. The effects of this accounting change on the financial statements are disclosed in Note 40.

Impairment of Assets

The carrying amounts of property, plant and equipment and other non-current assets, including intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of asset or its cash-generating unit exceeds its recoverable amount.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

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 have 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated 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.

Depreciation of property, plant and equipment, except freehold land and construction work-in-progress which are not depreciated, is computed on the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Leasehold land and buildings	1% - 8%
Other buildings and improvements	2% - 10%
Pulp and paper mill	2% - 4%
Plant, machinery and equipment	2% - 20%
Housing colony and infrastructures	2% - 10%
Jetty and access roads	2% - 4%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Renovations	2% - 10%

Capitalisation of Finance Cost

Finance cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of finance cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets (which approximate the present value of the minimum lease payments) at the beginning of the respective lease terms. The interest element of lease rentals, calculated using the 'sum of digit' method, is charged to the income statements. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment 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.

Investment Properties

Investment properties are real properties held for long-term purpose for investment potential and for rental income. Investment properties are stated at cost or Directors' valuation, less provision for impairment loss, if any, and are not depreciated. Directors' valuation recognises the value of the investment properties based on latest valuation reports by independent firms of professional valuers using the open market value basis. The investment properties will be revalued at least once at regular intervals of 5 years with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued investments are materially different from the market values.

An increase in carrying amount arising from the revaluation of each individual investment property will be credited to shareholders' equity as revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase that has been credited to revaluation reserve and not subsequently reversed or utilised, it will be charged against that revaluation reserve. In all other cases, a decrease in carrying amount will be charged to income statements. An increase on revaluation directly related to a previous decrease in carrying amount that was charged to income statements will be credited to income statements to the extent that it offsets the previously recorded decrease.

On disposal of a previously revalued investment property, the difference between net disposal proceeds and the net carrying amount will be charged or credited to the income statements.

In previous year, no deferred tax liability was recognised in respect of the surplus arising from the revaluation of investment property. During the current financial year, the Group changed its accounting policy to recognise the deferred tax liability on the surplus arising from the revaluation of the investment property, of which the future recovery of the carrying revalued amount will result in a taxable inflow of economic benefits to the Group, in accordance with MASB Standard 25.

Accordingly, the deferred tax liability of RM3,134,000 on the revaluation reserve which was not recognised in the financial statements of the Group in previous years has now been recognised by way of retrospective adjustment. The effect of this accounting change on the financial statements is disclosed in Note 40.

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. 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.

Subsidiary Companies

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.

Investments in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any provision for permanent diminution in value. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Associated Companies

An associated company is a non-subsidiary 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.

Investment in associated companies is stated in the Company's financial statements at cost less any provision for permanent diminution in value. The Group's investment in associated companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated companies made up to 30 June 2003. Under this method of accounting, the Group's interest in the post-acquisition profit or loss of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Investments

Investments in quoted and unquoted corporations are stated in both the Group's financial statements and the Company's financial statements at cost or at group cost, adjusted for accretion of interest, where applicable, less provision for diminution in value of investment, if appropriate.

A provision is made when the Directors are of the opinion that there is a permanent diminution in value of an investment.

Expenditure Carried Forward

Expenditure carried forward comprises proprietary technology and patents and development expenditure. Proprietary technology and patents consist of license fee which represents the acquisition cost of the design and manufacture rights while development expenditure represents expenses incurred in the development of new or substantially improved products prior to the commencement of commercial production.

Proprietary technology and patents and development expenditure are amortised systematically using the straight line method over their estimated useful lives of between 10 and 50 years upon commencement of operations or commercial production. These expenses will be written off if future economic benefits relating to these expenses cannot be determined with reasonable certainty.

Goodwill or Negative Goodwill

Goodwill or negative goodwill represents the difference between the purchase consideration for an acquisition and the sum of the fair value of the identifiable net assets at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill or negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed 25 years.

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

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and a proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

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

Goods-in-transit are valued at the lower of cost and net realisable value.

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 all obsolete and slow moving inventories.

Property Development Projects

Property development projects consist of land held for development, development expenditure and portion of profit attributable to development work performed todate, less applicable progress billings, provision for foreseeable loss and provision for decline in value, if any. Land held for development is stated at cost except for certain development properties of subsidiary companies which are stated in the Group's financial statements at values reflecting approximately the effective acquisition costs by the Group (group cost) of these assets. Development expenditure, which comprises construction and other related development costs including finance costs and administrative overheads relating to the projects, is stated at cost.

Provision for foreseeable loss is made for property development projects based on losses estimated to arise upon the completion of the projects which are already in progress.

Finance costs incurred on the development of property projects are capitalised and included as part of development expenditure. However, capitalisation of finance costs is suspended during extended periods in which active development is interrupted.

Profits on property development projects are recognised, using the percentage-of-completion method, based on progress billings (which approximates cost basis), in respect of sales where agreements have been finalised by the end of the financial year.

Construction Contracts

Construction contracts are stated at cost and portion of profit attributable to contract work performed todate, less applicable progress billings and provision for foreseeable loss, if any. Costs consists of direct materials, labour and direct expenses.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Receivables

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

LICB Bonds and USD Debts

LICB Bonds and USD Debts are recorded at the net present value of debts settled, net of borrowing costs, if any, adjusted for accretion of interest over the period of the debts. Borrowing costs are amortised, using the straight-line method, over the period of the debts.

Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required 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 risks of changes in value.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sales of goods	**1,915,696**	1,345,795	**–**	–
Revenue from:				
Property development	**25,229**	43,953	**9,163**	32,749
Construction contracts	**10,849**	30,907	**–**	–
Sales of land under development and completed property units	**14,659**	12,177	**11,000**	–
Gross rental income	**36,122**	16,076	**7,739**	8,150
Tuition and other related fees	**11,971**	10,368	**–**	–
Gross dividend income from:				
Subsidiary companies	**–**	–	**6,248**	500
Other investment quoted in Malaysia	**23**	23	**23**	23
	2,014,549	1,459,299	**34,173**	41,422

6. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

Other operating income/(expenses) comprise the following:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Provision for diminution in value of investment in quoted shares	**(15,000)**	–	**(15,000)**	–
Allowance for doubtful trade and other receivables	**(6,172)**	(10,099)	**(5,000)**	–
Rental of:				
Jetties and leasehold land	**(3,447)**	(3,850)	**–**	–
Plant, machinery and equipment	**(3,274)**	(8,865)	**–**	–
Premises	**(1,776)**	(365)	**(81)**	(156)
Allowance for inventories obsolescence	**(5,975)**	(459)	**–**	–
Loss on disposal of:				
Investments	**(3,442)**	–	**(3,442)**	–
Subsidiary company	**–**	–	**(131)**	(10)
Associated company	**–**	–	**(120)**	–
Provision for decline in value of property development projects	**(2,983)**	(2,984)	**–**	–
Property, plant and equipment written off	**(2,107)**	(115)	**(9)**	(51)
Provision for compensation on late delivery	**(499)**	(92)	**(499)**	–
Loss on foreign exchange:				
Realised	**(734)**	–	**–**	–
Unrealised	**(540)**	(38)	**–**	–
Rental of premises payable to other related companies	**(821)**	(738)	**–**	–
Audit fee:				
Current year	**(544)**	(343)	**(36)**	(36)
Overprovision in prior year	**3**	9	**–**	–
Management fee payable to other related companies	**(236)**	(290)	**–**	–
Waiver of amount owing by a subsidiary company	**–**	–	**–**	(6,466)
Loss on disposal of property, plant and equipment – net	**–**	(1,954)	**–**	–
Provision for write down in property, plant and equipment	**–**	(6,427)	**–**	–
Expenditure carried forward written off	**–**	(165)	**–**	(165)
Allowance no longer required for:				
Doubtful trade and other receivables	**3,003**	306	**152**	–
Cost to completion for property development projects	**604**	290	**–**	–
Inventories obsolescence	**–**	62	**–**	–
Gain on foreign exchange:				
Realised	**1,236**	2,383	**–**	–
Unrealised	**1,265**	2,353	**–**	–
Loss overprovided on disposal of subsidiary company in prior year	**1,343**	–	**–**	–
Interest income from Housing Development Accounts	**301**	255	**162**	107
Gain on disposal of property, plant and equipment - net	**205**	–	**63**	55
Bad receivables recovered	**15**	46	**–**	–
Effect on dilution of subsidiary companies	**–**	65,386	**–**	–

Staff costs include salaries, bonuses, contributions to employees' provident fund, and all other staff related expenses, excluding Directors' remuneration (Note 7).

7. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified by executive and non-executive Directors are as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Executive Director:				
Salary and bonus:				
Datuk Cheng Yong Kim	**150**	150	**150**	150
Fee:				
Datuk Cheng Yong Kim	**10**	10	**10**	10
	160	160	**160**	160
Non-executive Directors:				
Salaries, bonuses and allowances:				
Tan Sri Dato' Musa bin Hitam	**24**	24	**24**	24
Dato' Kamaruddin @ Abas bin Nordin *	**103**	103	**–**	–
Heah Sieu Lay *	**155**	–	**–**	–
Fees:				
Tan Sri Dato' Musa bin Hitam	**33**	26	**33**	26
Tan Sri Datuk Asmat bin Kamaludin	**28**	20	**28**	20
Dato' Kamaruddin @ Abas bin Nordin	**10**	10	**10**	10
Cheng Yong Liang	**10**	10	**10**	10
Heah Sieu Lay	**33**	18	**25**	18
Dato' Dr Mohd Shahari Ahmad Jabar #	**5**	10	**5**	10
	119	94	**111**	94
Total	**561**	381	**295**	278

* *Executive Directors of subsidiary companies.*
# *Retired during the financial year.*

8. FINANCE COSTS

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense on:				
Term loans	**98,166**	119,762	**–**	21,210
LICB Bonds and USD Debts	**40,997**	–	**48,180**	–
Bills payable	**11,404**	8,445	**–**	–
Bank overdrafts	**1,505**	12,154	**–**	117
Lease and hire-purchase	**35**	20	**–**	–
Advances from other related companies	**–**	7,748	**–**	4,202
Advances from associated company	**–**	46	**–**	46
Advances from subsidiary companies	**–**	–	**2,047**	9,771
Related parties	**45**	9,951	**45**	–
Others	**4,503**	432	**1,876**	–
Net interest over accrued in prior years reversed upon completion of the GWRS	**(25,216)**	–	**(14,203)**	–
	131,439	158,558	**37,945**	35,346

9. INCOME FROM OTHER INVESTMENTS

	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
Interest income from:				
Investment in unquoted bonds	**15,519**	–	**4,095**	–
Fixed deposits	**6,341**	2,588	**82**	54
Ultimate holding company	**–**	41,790	**–**	18,340
Other related companies	**–**	8,213	**–**	548
Subsidiary companies	**–**	–	**10,617**	82
Related parties	**2,898**	2,722	**2,851**	2,506
Others	**4,795**	236	**155**	9
	29,553	55,549	**17,800**	21,539

10. IMPACT OF GWRS

	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
Gain on waiver of principal debts from:				
- Financial institutions	**112,011**	–	**–**	–
- Related party	**11,166**	–	**–**	–
	123,177	–	**–**	–
Restructuring expenses	**(7,498)**	–	**(7,498)**	–
	115,679	–	**(7,498)**	–
(Allowance)/Allowance no longer required for doubtful receivable on:				
- Amount owing by former ultimate holding company	**4,684**	(112,820)	**164,590**	74,560
- Amount owing by subsidiary company	**–**	–	**(110,000)**	–
	4,684	(112,820)	**54,590**	74,560
Provision for foreseeable loss on proposed disposal of the following investments:				
- Associated company	**–**	(40,450)	**–**	(40,450)
- Other investment	**–**	(2,000)	**–**	(2,000)
	–	(42,450)	**–**	(42,450)
	120,363	(155,270)	**47,092**	32,110

Gain on waiver of principal debts arose from the settlement of debts with financial institutions and a related party pursuant to the implementation of the GWRS.

11. INCOME TAX EXPENSE

Income tax expense for the Group and the Company consists of:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current estimated tax payable:				
Current year:				
Malaysian	**(8,553)**	(3,290)	**(4,744)**	(2,644)
Foreign	**(3,012)**	–	**–**	–
Under provision in prior years	**(19,631)**	(3,242)	**–**	(3,170)
Deferred taxation:				
Current year:				
Malaysian (Note 21)	**(15,321)**	79	**–**	–
	(46,517)	(6,453)	**(4,744)**	(5,814)
Share in tax of associated companies	**(604)**	(5)	**–**	–
	(47,121)	(6,458)	**(4,744)**	(5,814)

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

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax	**119,446**	(195,824)	**16,148**	18,288
Taxation at statutory tax rate of 28% (2002: 28%)	**(33,445)**	54,831	**(4,521)**	(5,121)
Effect of different tax rates in other countries	**1,674**	2,766	**–**	–
Income not subject to tax	**41,174**	2,306	**46,085**	20,877
Expenses not deductible for tax purposes	**(32,508)**	(39,106)	**(46,308)**	(18,400)
Deferred tax asset not recognised	**(4,385)**	(24,013)	**–**	–
Underprovision in prior years	**(19,631)**	(3,242)	**–**	(3,170)
Tax expense for the year	**(47,121)**	(6,458)	**(4,744)**	(5,814)

As of 30 June 2003, the Company has tax exempt account amounting to approximately RM21,170,000 (2002: RM21,170,000) arising from waiver of tax payable on chargeable income earned in 1999 under the Income Tax (Amendment) Act, 1999 which, subject to agreement with the tax authorities, is available for distribution as tax exempt dividends. As of 30 June 2003, the Company has not distributed any of its tax exempt income as tax exempt dividends.

12. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic

Earnings/(Loss) per ordinary share for the Group is computed based on the profit after tax and minority interests of RM71,448,000 (2002: Loss after tax and minority interests of RM191,767,000) and the weighted average number of ordinary shares in issue during the financial year of 523,102,000 (2002: 445,035,000).

	2003 '000	2002 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**593,380**	593,380
Effect of Capital Reconstruction (Note 2 (i))	**(148,345)**	(148,345)
	445,035	445,035
Effect of shares issued pursuant to the GWRS	**78,067**	–
	523,102	445,035

The loss per ordinary share for 2002 has been restated to take into account the effect of the Capital Reconstruction on weighted average number of ordinary shares in issue.

Diluted

The options over 2,534,000 (2002: 3,756,000) unissued ordinary shares granted to eligible 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 38.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

2003	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Disposal of subsidiary company RM'000	COST Acquisition of subsidiary companies RM'000	Translation difference RM'000	Write-offs RM'000	Reclassi-fication RM'000	At end of year RM'000
Freehold land	69,741	–	–	–	3,421	–	–	–	73,162
Freehold buildings	177,061	–	–	–	8,131	–	–	2,432	187,624
Leasehold land and buildings under long lease	216,384	530	–	–	112,608	–	–	–	329,522
Leasehold land and buildings under short lease	22,500	805	–	–	398,763	(9)	(32)	3,797	425,824
Other buildings and improvements	80	–	–	–	–	–	–	–	80
Pulp and paper mill	–	–	–	–	789,002	–	–	–	789,002
Plant, machinery and equipment	730,503	14,050	(5,127)	(1)	1,073,274	(19)	(8,438)	23,370	1,827,612
Housing colony and infrastructures	–	–	–	–	115,091	–	–	–	115,091
Jetty and access roads	–	–	(296)	–	99,337	–	–	–	99,041
Motor vehicles	5,961	3,297	(782)	–	30,619	(1)	(170)	149	39,073
Furniture and office equipment	23,682	2,577	(2,388)	(36)	64,635	(1)	(865)	425	88,029
Computer equipment	2,616	55	–	–	1,121	–	(12)	–	3,780
Renovations	4,100	81	–	–	713	–	(2)	–	4,892
Construction work-in-progress	279,048	50,592	(105)	–	52,061	(2)	(168)	(30,173)	351,253
Total	1,531,676	71,987	(8,698)	(37)	2,748,776	(32)	(9,687)	–	4,333,985

The Group

2003

	ACCUMULATED DEPRECIATION								
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Disposal of subsidiary company RM'000	Acquisition of subsidiary companies RM'000	Translation difference RM'000	Write-offs RM'000	Reclassi-fication RM'000	At end of year RM'000
Freehold buildings	870	3,607	–	–	1,021	–	–	–	5,498
Leasehold land and buildings under long lease	48,948	6,652	–	–	44,895	–	–	–	100,495
Leasehold land and buildings under short lease	2,943	5,991	–	–	96,116	(1)	(2)	–	105,047
Other buildings and improvements	45	4	–	–	–	–	–	–	49
Pulp and paper mills	–	5,535	–	–	384,255	–	–	–	389,790
Plant, machinery and equipment	183,075	64,847	(3,060)	(1)	476,853	(8)	(6,928)	295	715,073
Housing colony and infrastructures	–	1,539	–	–	49,808	–	–	–	51,347
Jetty and access roads	–	1,356	–	–	49,185	–	–	–	50,541
Motor vehicles	4,390	1,657	(724)	–	19,715	(1)	(126)	(6)	24,905
Furniture and office equipment	18,705	3,375	(2,081)	(33)	46,099	(1)	(519)	(289)	65,256
Computer equipment	1,982	171	–	–	935	–	(3)	–	3,085
Renovations	2,027	416	–	–	669	–	(2)	–	3,110
Total	262,985	95,150	(5,865)	(34)	1,169,551	(11)	(7,580)	–	1,514,196

The Group

2003

	NET BOOK VALUE At Beginning of Year		
	Before provision for write down RM'000	Provision for write down RM'000	After provision for write down RM'000
Freehold land	69,741	–	69,741
Freehold buildings	176,191	–	176,191
Leasehold land and buildings under long lease	167,436	–	167,436
Leasehold land and buildings under short lease	19,557	–	19,557
Other buildings and improvements	35	–	35
Plant, machinery and equipment	547,428	(6,427)	541,001
Motor vehicles	1,571	–	1,571
Furniture and office equipment	4,977	–	4,977
Computer equipment	634	–	634
Renovations	2,073	–	2,073
Construction work-in-progress	279,048	–	279,048
Total	1,268,691	(6,427)	1,262,264

The Group

2003

	NET BOOK VALUE At End of Year		
	Before provision for write down RM'000	Provision for write down RM'000	After provision for write down RM'000
Freehold land	73,162	–	73,162
Freehold buildings	182,126	–	182,126
Leasehold land and buildings under long lease	229,027	–	229,027
Leasehold land and buildings under short lease	320,777	–	320,777
Other buildings and improvements	31	–	31
Pulp and paper mills	399,212	–	399,212
Plant, machinery and equipment	1,112,539	(6,424)	1,106,115
Housing colony and infrastructures	63,744	–	63,744
Jetty and access roads	48,500	–	48,500
Motor vehicles	14,168	–	14,168
Furniture and office equipment	22,773	–	22,773
Computer equipment	695	–	695
Renovations	1,782	–	1,782
Construction work-in-progress	351,253	–	351,253
Total	2,819,789	(6,424)	2,813,365

The Company

2003

	COST				
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	At end of year RM'000
Leasehold land and buildings under long lease	123,662	–	–	–	123,662
Plant, machinery and equipment	2,105	–	–	–	2,105
Motor vehicles	545	149	(176)	–	518
Furniture and office equipment	1,195	3	–	–	1,198
Computer equipment	1,003	39	–	(12)	1,030
Renovations	3,826	–	–	–	3,826
Total	132,336	191	(176)	(12)	132,339

	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 beginning of year RM'000	At end of year RM'000
Leasehold land and buildings under long lease	19,797	2,378	–	–	22,175	103,865	101,487
Plant, machinery and equipment	2,001	104	–	–	2,105	104	–
Motor vehicles	453	84	(158)	–	379	92	139
Furniture and office equipment	947	75	–	–	1,022	248	176
Computer equipment	440	105	–	(3)	542	563	488
Renovations	1,934	370	–	–	2,304	1,892	1,522
Total	25,572	3,116	(158)	(3)	28,527	106,764	103,812

Included in property, plant and equipment of the Group are motor vehicles acquired under lease and hire-purchase arrangements with net book values of RM1,974,000 (2002: RM558,000).

Current additions to property, plant and equipment of the Group include finance costs on long-term borrowings amounting to RM Nil (2002: RM13.8 million).

As of 30 June 2003, the titles to all parcels of leasehold land of the Company and certain parcels of freehold and leasehold land of subsidiary companies with carrying values totalling RM123,145,000 (2002: RM102,076,000) have not been registered in the name of the Company and the respective subsidiary companies.

As of 30 June 2003, the leasehold land of the Company and property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,251.7 million (2002: RM4.0 million) have been pledged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

As of 30 June 2003, the titles of certain motor vehicles of the Group with carrying values totalling RM459,000 (2002: RM89,500) are in the process of being registered in the name of the Group.

The depreciation charge is allocated as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Income statements	**95,001**	54,074	**3,116**	3,255
Plantation development expenditure (Note 16)	**149**	–	**–**	–
Expenditure carried forward (Note 22)	**–**	4,992	**–**	–
	95,150	59,066	**3,116**	3,255

14. INVESTMENT PROPERTIES

Investment properties of the Group represent commercial shopping complexes erected thereon belonging to certain subsidiary companies.

	The Group	
	2003	2002
	RM'000	RM'000
At 1999 valuation:		
Freehold land and buildings	**189,000**	189,000
At cost:		
Leasehold land and buildings under long lease	**146,513**	–
	335,513	189,000

The freehold land and buildings were revalued in 1999 by the Directors based on valuation carried out by a firm of professional valuers using the open market value basis.

The investment properties of the Group have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

As of 30 June 2003, the title to the leasehold land under long lease has not been transferred to the subsidiary company.

15. FOREST CONCESSIONS

	The Group 2003 RM'000	2002 RM'000
At cost:		
Forest concessions	**388,200**	–
Cumulative amortisation:		
At beginning of year	**–**	–
Acquisition of a subsidiary company	**62,077**	–
Current amortisation	**3,599**	–
At end of year	**65,676**	–
Net	**322,524**	–

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.

16. PLANTATION DEVELOPMENT EXPENDITURE

	The Group 2003 RM'000	2002 RM'000
At cost:		
At beginning of year	**–**	–
Acquisition of a subsidiary company	**135,495**	–
Additions for the year	**1,882**	–
At end of year	**137,377**	–
Cumulative amortisation:		
At beginning of year	**–**	–
Acquisition of a subsidiary company	**4,316**	–
At end of year	**4,316**	–
Net	**133,061**	–

Charges to plantation development expenditure during the year include depreciation of property, plant and equipment amounting to RM149,000 (2002: RM Nil).

17. PROPERTY DEVELOPMENT PROJECTS

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Land:				
At cost	**39,865**	40,946	**3,141**	3,291
At group cost	**47,443**	67,558	**–**	–
Development expenditure:				
At cost	**107,630**	147,271	**34,032**	29,827
Total	**194,938**	255,775	**37,173**	33,118
Provision for decline in value	**(47,799)**	(43,978)	**–**	–
	147,139	211,797	**37,173**	33,118
Non-current portion	**(98,873)**	(153,162)	**(436)**	(303)
	48,266	58,635	**36,737**	32,815
Portion of profit attributable to development work performed todate	**35,343**	34,343	**13,361**	7,991
	83,609	92,978	**50,098**	40,806
Progress billings	**(65,041)**	(75,220)	**(41,845)**	(33,533)
Current portion	**18,568**	17,758	**8,253**	7,273

The Group considers as current asset that portion of property projects on which development work has commenced and is expected to be completed within the normal operating cycle of one to two years. The portion transferred to current assets includes the related profit attributable to development work performed todate, net of the applicable progress billings and provision for decline in value.

As of 30 June 2003, certain parcels of land of the Group with carrying values totalling RM47.4 million (2002: RM Nil) have been charged as security for LICB Bonds and USD Debts (Note 35).

As of 30 June 2003, the titles to certain parcels of land held for development of the Group with carrying values totalling RM4,946,000 (2002: RM5,683,000) have yet to be registered in the name of the subsidiary companies.

As of 30 June 2002, a parcel of land included in the property development projects of the Group with carrying value of RM54,641,000 has been charged to an offshore bank as security for banking facilities granted to an associated company. The said land has been disposed of during the financial year pursuant to the implementation of the GWRS.

18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2003 RM'000	2002 RM'000
Shares quoted in Malaysia:		
At cost	**196,257**	–
Unquoted shares in Malaysia:		
At cost	**297,702**	312,429
Provision for diminution in value of investments	**(168,241)**	(168,241)
	129,461	144,188
Total	**325,718**	144,188
Market value of quoted shares	**117,687**	–

Pursuant to the implementation of the GWRS mentioned in Note 2, LFIB and LDHB and their respective subsidiary companies became subsidiary companies of the Company during the current financial year.

The effect of the abovementioned acquisitions and the completion of the acquisition of Antara Steel Mills Sdn Bhd on the financial results of the Group for the financial year are as follows:

	2003 RM'000
Revenue	**364,694**
Operating expenses	**(330,447)**
Profit from operations	**34,247**
Finance costs	**(10,183)**
Profit before tax	**24,064**
Income tax expense	**(9,290)**
Profit after tax	**14,774**
Minority interests	**(6,600)**
Net profit attributable to shareholders of the Company	**8,174**

The effects of the acquisitions on the financial position of the Group as of 30 June 2003 are as follows:

	2003 RM'000
Property, plant and equipment	1,559,933
Investment property	146,513
Forest concessions	322,524
Plantation development expenditure	133,061
Investment in associated companies	54,235
Long-term investments	32,500
Deferred tax assets	33,185
Long-term receivable	42,270
Expenditure carried forward	32,856
Goodwill acquired	196,134
Inventories	346,096
Short-term investments	7,720
Trade receivables	109,492
Other receivables, deposits and prepayments	290,991
Amount owing by other related companies	94,082
Deposits, cash and bank balances	260,238
Trade payables	(149,507)
Other payables, deposits and accruals	(442,927)
Amount owing to other related companies	(30,354)
Short-term borrowings	(296,910)
Tax liabilities	(35,317)
Long-term borrowings	(96,413)
Deferred liabilities	(302)
Deferred tax liabilities	(239)
Minority interests	(816,150)
Group's share of net assets	1,793,711

Pursuant to the implementation of the GWRS during the current financial year, the Company disposed of its entire equity interest in Lion Plaza Sdn Bhd ("Lion Plaza"), a subsidiary company (Note 2(v)). Lion Plaza is principally involved in property development.

During the previous financial year, the Company's equity interest in LLB Courts Sdn Bhd ("LLB Courts") was diluted from 100% to 48%. As a result, LLB Courts and its subsidiary company, Secomex Manufacturing (M) Sdn Bhd ("Secomex") ceased to be subsidiary companies of the Company. LLB Courts is principally an investment and property holding company and Secomex is principally involved in manufacturing and marketing of industrial gases.

The effects of the disposal/dilution of subsidiary companies on the financial results of the Group were as follows:

	Lion Plaza		LLB Courts
	2003 (Up to the date of disposal) RM'000	2002 RM'000	2002 (Up to the date of dilution) RM'000
Revenue	**225**	300	34,536
Operating income/(expenses)	**28**	30	(97,641)
Profit/(Loss) from operations	**253**	330	(63,105)
Finance costs	**(578)**	(481)	–
Loss before tax	**(325)**	(151)	(63,105)
Income tax expense	**–**	–	–
Loss after tax	**(325)**	(151)	(63,105)
Minority interests	**–**	–	–
Net loss attributable to shareholders of the Company	**(325)**	(151)	(63,105)

The effect of the disposal/dilution on the financial position of the Group were as follows:

	Lion Plaza		LLB Courts
	2003 (At the date of disposal) RM'000	2002 RM'000	2002 (At the date of dilution) RM'000
Net assets/(liabilities):			
Property, plant and equipment	**3**	2	148,166
Property development project	**55,113**	54,641	–
Long-term investments	**–**	–	336
Goodwill on consolidation	**–**	–	2
Inventories	**–**	–	206
Trade receivables	**18**	18	4,607
Other receivables, deposits and prepayments	**189**	17	138
Amount owing by other related companies	**494**	–	986
Cash and bank balances	**98**	3,067	–
Trade payables	**–**	–	(47,864)
Other payables, deposits and accruals	**(157)**	(608)	(169,340)
Amount owing to other related companies	**–**	–	(4,517)
Short-term borrowings	**–**	–	(117)
Tax liabilities	**(1)**	(1)	–
Deferred tax liabilities	**(4,639)**	(4,639)	–
Minority interests	**–**	–	2,011
Net assets/(liabilities)	**51,118**	52,497	(65,386)

19. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Unquoted investments - at cost (less accumulated amortisation of premium on acquisition of RM Nil (2002: RM181,819) for the Group)	**161,476**	135,107	**–**	25,632
Provision for diminution in value of investments	**–**	–	**–**	(25,508)
	161,476	135,107	**–**	124
Share in post-acquisition results	**(57,219)**	(74,780)	**–**	–
	104,257	60,327	**–**	124

The carrying value of the Group's investment in associated companies is represented by:

	The Group	
	2003	2002
	RM'000	RM'000
Share of net assets	**103,733**	60,327
Premium on acquisition	**524**	182
Accumulated amortisation of premium	**–**	(182)
	104,257	60,327

Included in the investment in associated companies is exchange gain of RM29,850,000 (2002: RM29,850,000) arising on year end translation of investment in foreign associated companies.

As of 30 June 2003, certain investment in associated companies of the Group with carrying values totalling RM10.3 million (2002: RM Nil) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The Group's share in results of certain associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM7.5 million (2002: RM170.9 million) and RM77.3 million (2002: RM26.0 million) respectively.

20. LONG-TERM INVESTMENTS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Shares quoted in Malaysia:				
At cost	**147,870**	4,854	**37,311**	4,823
Provision for diminution/foreseeable loss in value of investments	**(15,000)**	(2,000)	**(15,000)**	(2,000)
	132,870	2,854	**22,311**	2,823
Shares quoted outside Malaysia:				
At cost	**56**	56	**56**	56
Unquoted shares:				
At cost				
Ordinary shares	**35,823**	35,685	**400**	400
Unquoted preference shares	**43,613**	43,613	**43,613**	43,613
RCCPS*	**6,700**	–	**–**	–
Provision for diminution in value of investments	**(227)**	(227)	**–**	–
	85,909	79,071	**44,013**	44,013
Unquoted bonds (at cost, adjusted for accretion of interest) issued by:				
Former ultimate holding company, Amsteel	**89,568**	–	**38,993**	–
Former other related company, SCB	**117,331**	–	**–**	–
	206,899	–	**38,993**	–
Redeemable within one year (Note 26)	**(31,477)**	–	**(4,182)**	–
	175,422	–	**34,811**	–
Total	**394,257**	81,981	**101,191**	46,892
Market value of quoted shares	**36,160**	2,866	**8,868**	2,861

* *represent redeemable cumulative convertible preference shares issued by a former related company.*

Certain of the Group's investments with carrying values totalling RM406.6 million (2002: RM Nil) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The unquoted preference shares of RM43,613,000 in 2003 and 2002 represent 5-year cumulative redeemable preference shares of RM0.01 each ("RPS") in Likom Computer System Sdn Bhd ("LCS"), a related party of the Company.

The Company had on 29 January 2003 entered into a Conditional Agreement with LCS, with the consent of Likom Electronic Pte Ltd ("LEPL"), which supercedes the Conditional Redemption Agreement dated 13 December 2000 and Supplemental Agreement dated 10 July 2001 both made between the Company, LCS and LEPL, whereby the Company and LCS agreed to defer the redemption date of the RPS from 28 June 2001 to 28 December 2003 (Note 50 (a)).

The investment in unquoted bonds of the Company and of certain subsidiary companies bear a yield to maturity of 7.75% and 4.75% respectively.

The currency exposure profile of long-term investments is as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Ringgit Malaysia	**359,054**	46,869	**101,135**	46,836
Renminbi	**32,025**	31,934	**–**	–
Singapore Dollar	**3,178**	3,178	**56**	56
	394,257	81,981	**101,191**	46,892

21. DEFERRED TAX ASSETS/LIABILITIES

As mentioned in Note 4, in the previous financial year, the effects of timing differences which would give rise to net deferred tax assets are recognised generally on actual realisation. During the current financial year, the Company changed its accounting policy to recognise all taxable temporary differences pursuant to the adoption of MASB Standard 25: Income Taxes. Where such temporary differences would give rise to net deferred tax assets, the tax effects are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred Tax Assets

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At beginning of year	**–**	–	**–**	–
Acquisition of subsidiary companies	**33,185**	–	**–**	–
At end of year	**33,185**	–	**–**	–

The above deferred tax assets represent the tax effects on the unabsorbed capital allowances and unutilised tax losses of certain subsidiary companies.

As of 30 June 2003, the Group has unrecognised deferred tax assets totalling RM750 million (2002: RM54 million) in respect of the unabsorbed tax losses and unutilised capital allowances. This amount has not been recognised in the financial statements in view of the uncertainty of their recoverability.

The unabsorbed capital allowances and unutilised tax losses claimed are subject to the agreement of the tax authorities.

Deferred Tax Liabilities

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**36,941**	37,020	**3,036**	3,036
Disposal of subsidiary company	**(4,639)**	–	**–**	–
Acquisition of subsidiary companies	**240**	–	**–**	–
Net transfer from/(to) income statement (Note 11)	**15,321**	(79)	**–**	–
At end of year	**47,863**	36,941	**3,036**	3,036

The deferred tax liabilities are in respect of the following:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Timing differences of:				
Tax effects of the Group's acquisition cost over tax base cost of certain development properties	**2,882**	7,549	**–**	–
Excess of capital allowances over book depreciation of property, plant and equipment	**40,771**	25,545	**2,624**	3,051
Unutilised capital allowances and unabsorbed tax losses	**(171)**	(533)	**–**	(427)
Difference in method of recognising finance and administrative expenses for tax purposes and that used for accounting purposes	**851**	851	**–**	–
Tax effect of revaluation reserve	**3,134**	3,134	**–**	–
Others	**396**	395	**412**	412
	47,863	36,941	**3,036**	3,036

22. EXPENDITURE CARRIED FORWARD

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Proprietary technology and patents and development expenditure at cost:				
At beginning of year	**27,503**	18,258	**1,397**	1,553
Translation difference	**(8)**	–	**–**	–
Acquisition of subsidiary companies	**50,302**	–	**–**	–
Addition during the year	**68**	9,410	**66**	9
Write-offs	**–**	(165)	**–**	(165)
At end of year	**77,865**	27,503	**1,463**	1,397
Cumulative amortisation:				
At beginning of year	**(6,967)**	(5,255)	**(1,257)**	(1,257)
Translation difference	**4**	–	**–**	–
Acquisition of subsidiary companies	**(16,022)**	–	**–**	–
Amortisation for the year	**(5,261)**	(1,712)	**(66)**	–
At end of year	**(28,246)**	(6,967)	**(1,323)**	(1,257)
Net	**49,619**	20,536	**140**	140

Addition during the year includes the following expenses:

	The Group	
	2003	**2002**
	RM'000	**RM'000**
Depreciation of property, plant and equipment (Note 13)	**–**	4,992

23. GOODWILL

	The Group	
	2003	**2002**
	RM'000	**RM'000**
Goodwill on consolidation/Purchased goodwill		
At beginning of year	**245,748**	245,750
Acquisition of subsidiary companies	**259,494**	–
Effect on dilution of subsidiary companies	**–**	(2)
At end of year	**505,242**	245,748
Cumulative amortisation:		
At beginning of year	**(75,453)**	(65,615)
Acquisition of subsidiary companies	**(59,890)**	–
Amortisation for the year	**(13,308)**	(9,838)
At end of year	**(148,651)**	(75,453)
Net	**356,591**	170,295

The negative goodwill and purchased goodwill reported in the financial statements for 2002 have been offset in this report due to the fact that both the negative goodwill and purchased goodwill arose from the acquisition of the Group's steel operations in financial year 1995.

24. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Property:				
Completed units and industrial land for sale (net of provision for write down of RM1,918,000 (2002: RM5,131,000) for the Group)	**21,065**	20,584	**–**	7,503
Products at cost:				
Raw materials	**256,892**	104,995	**–**	–
Work-in-progress	**29,290**	9,561	**–**	–
Finished goods	**196,494**	71,327	**–**	–
General and consumable stores	**88,898**	56,667	**–**	–
Engineering spares	**33,969**	–	**–**	–
Trading merchandise	**5,836**	–	**–**	–
Goods-in-transit	**24,672**	43,444	**–**	–
	636,051	285,994	**–**	–
Less: Allowance for inventories obsolescence	**(12,387)**	(2,077)	**–**	–
	623,664	283,917	**–**	–
Net	**644,729**	304,501	**–**	7,503

Certain of the Group's inventories with carrying values totalling RM288.7 million (2002: RM Nil) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

As of 30 June 2003, the title to the industrial land for sale with carrying value of RM13.2 million (2002: RM Nil) has not been transferred to the said subsidiary company.

25. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS

Amount due by/(to) contract customers (denominated in Ringgit Malaysia), pertaining to a subsidiary company, consists of the following:

	The Group	
	2003	2002
	RM'000	RM'000
Contract cost	**677,896**	768,290
Profit attributable to work performed todate	**26,136**	31,924
Total	**704,032**	800,214
Progress billings	**(702,533)**	(796,450)
Amount due by contract customers	**1,499**	3,764

	The Group	
	2003	2002
	RM'000	RM'000
Contract cost	**178,456**	100,700
Profit attributable to work performed todate	**5,142**	2,796
Total	**183,598**	103,496
Progress billings	**(184,551)**	(104,533)
Amount due to contract customers	**(953)**	(1,037)

As of 30 June 2003, retentions held by customers for contract works amounted to RM6,192,000 (2002: RM5,686,000).

26. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Shares quoted in Malaysia:				
At cost	**2,549**	–	**–**	–
Provision for diminution in value of investments	**(1,802)**	–	**–**	–
	747	–	**–**	–
Unquoted bonds redeemable within one year (Note 20)	**31,477**	–	**4,182**	–
Total	**32,224**	–	**4,182**	–
Market value of quoted shares	**747**	–	**–**	–

The quoted shares represent the Group's investment which have been earmarked for disposal in the next twelve (12) months.

The short-term investments are denominated in Ringgit Malaysia.

27. TRADE RECEIVABLES

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**348,738**	260,592	**449**	1,414
Less: Allowance for doubtful receivables	**(24,245)**	(6,885)	**–**	(152)
	324,493	253,707	**449**	1,262
Retention monies	**6,192**	5,686	**–**	–
	330,685	259,393	**449**	1,262
Lease, hire-purchase and loan receivables	**18,406**	18,406	**–**	–
Less: Allowance for doubtful receivables	**(18,406)**	(18,406)	**–**	–
	–	–	**–**	–
	330,685	259,393	**449**	1,262

The credit period granted to the trade receivables are ranging from cash term to 90 days (2002: cash term to 90 days).

An allowance of RM24,245,000 (2002: RM6,885,000) for the Group and RM Nil (2002: RM152,000) for the Company have been made for estimated irrecoverable amounts. This allowance has been determined by reference to past default experience.

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**274,805**	247,417	**449**	1,262
Renminbi	**55,880**	11,976	**–**	–
	330,685	259,393	**449**	1,262

As of 30 June 2003, the receivables of the Group amounting to RM49.2 million (2002: RM Nil) have been charged as security, by way of floating charge, for borrowings obtained by the Group (Notes 34 and 36).

The Group has no significant concentration of credit risks that may arise from exposure to a single customer or to groups of customers.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	**277,097**	166,878	**89,682**	74,612
Less: Allowance for doubtful receivables	**(44,736)**	(39,745)	**(30,811)**	(25,811)
Less: Interest in suspense	**–**	(112)	**–**	(59)
	232,361	127,021	**58,871**	48,742
Refundable deposits	**9,621**	8,189	**836**	799
Prepayments	**78,354**	76,181	**886**	1,137
Sale proceeds receivable	**158,800**	–	**–**	–
	479,136	211,391	**60,593**	50,678

The sale proceeds receivable is in respect of the disposal of a shopping mall known as Subang Parade by a subsidiary company. The total proceeds (denominated in Ringgit Malaysia) is analysed as follows:

	The Group 2003 RM'000
Total proceeds from disposal	**223,410**
Deposit received	**(22,340)**
	201,070
Amount receivable after 12 months	**(42,270)**
Amount receivable within 12 months	**158,800**

As of 30 June 2003, the other receivables, deposits and prepayments with carrying value of RM66.4 million (2002: RM Nil) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

The currency exposure profile of other receivables, deposits and prepayments is as follows:

	The Group		**The Company**	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Ringgit Malaysia	**357,628**	175,390	**54,783**	39,868
Renminbi	**121,290**	36,001	**5,810**	10,810
Singapore Dollar	**218**	–	**–**	–
	479,136	211,391	**60,593**	50,678

29. ULTIMATE HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS

As of 30 June 2002, the immediate holding company was Umatrac Enterprises Sdn Bhd ("Umatrac"). The Directors regarded Amsteel Corporation Berhad ("Amsteel") as its ultimate holding company. Both the companies are incorporated in Malaysia.

Upon the implementation of the Group Wide Restructuring Scheme ("GWRS") of the Company in March 2003, Umatrac and Amsteel ceased to be holding companies of the Company and became related parties of the Company.

Other related companies in 2002 refer to subsidiary companies of Amsteel, the former ultimate holding company, which became related parties subsequent to the implementation of GWRS.

(a) Amount owing by ultimate holding company and amount owing by/to other related companies

The amount owing by ultimate holding company comprises:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amount owing by ultimate holding company	–	1,394,274	–	450,092
Less: Allowance for doubtful receivables	–	(418,120)	–	(230,740)
Less: Interest in suspense	–	(41,796)	–	(18,814)
	–	934,358	–	200,538

The amount owing by/to other related companies comprises:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amount owing by other related companies	–	358,085	–	13,958
Less: Interest in suspense	–	(7,390)	–	(574)
	–	350,695	–	13,384
Amount owing to other related companies	–	142,855	–	77,501

The amount owing by the ultimate holding company and amount owing by/to other related companies in 2002, which bear interest at 1% above the respective companies' cost of funds, arose mainly from progress billings, inter-company sales, prior years' inter-company advances and expenses paid on behalf and have no fixed repayment terms.

(b) Amount owing by/to subsidiary companies

The amount owing by/to subsidiary companies comprises:

	The Company	
	2003 RM'000	2002 RM'000
Amount owing by subsidiary companies	**1,393,378**	1,002,359
Less: Allowance for doubtful receivables	**(110,088)**	(88)
	1,283,290	1,002,271
Amount owing to subsidiary companies	**242,700**	250,629

The amounts owing by/to subsidiary companies arose mainly from inter-company advances, novation of debts, interest and dividend receivable and payable and contract billings which during the year amounted to RM Nil (2002: RM754,000) in respect of construction contracts undertaken by a subsidiary company.

The amount owing by subsidiary companies are either interest-free or bear interest at 1% or 8% (2002: either interest-free or bear interest at rates ranging from nominal value to 1%) per annum and have no fixed repayment terms.

The amount owing by a subsidiary company under liquidation of RM5,810,000 (2002: RM10,810,000) (net of allowance for doubtful receivables) is included in other receivables, deposits and prepayments.

The amount owing to subsidiary companies are either interest-free or bear interest at 1% or 8% (2002: either interest-free or bear interest at rates ranging from 0.01% to 12%) per annum and have no fixed repayment terms.

The currency exposure profile of balances owing by subsidiary companies is as follows:

	The Company	
	2003	**2002**
	RM'000	**RM'000**
Ringgit Malaysia	**1,188,492**	971,218
Renminbi	**1,827**	1,770
Singapore Dollar	**92,971**	29,283
	1,283,290	1,002,271

The currency exposure profile of balances owing to subsidiary companies is as follows:

	The Company	
	2003	**2002**
	RM'000	**RM'000**
Ringgit Malaysia	**184,935**	250,629
United States Dollar	**57,765**	–
	242,700	250,629

Significant transactions of the Company and subsidiary companies with related parties/former related companies, in addition to those disclosed in Notes 6, 8 and 9, are as follows:

		The Group		The Company	
Name of Company	**Nature**	**2003 RM'000**	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
* LFIB	Sales of goods	**12,335**	9,366	**–**	–
* Posim Petroleum Marketing Sdn Bhd	Purchase of consumables	**757**	1,229	**–**	–
* LDHB	Interest expense	**–**	2,129	**–**	–
** Amalgamated Rolling Mill Sdn Bhd	Purchase of raw materials	**10,273**	10,537	**–**	–
** Singa Logistics Sdn Bhd	Transportation charges	**5,320**	4,489	**–**	–
** Bandar Akademia Sdn Bhd	Progress billings for contract work	**5,262**	10,038	**–**	–

(Forward)

Name of Company	Nature	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
** Parkson Corporation Sdn Bhd	Rental income	**4,835**	37	–	–
** Amsteel	Interest income	–	83,586	–	37,154
	Less: Interest in suspense	–	(41,796)	–	(18,814)
	Net	–	41,790	–	18,340
** Lion Tooling Sdn Bhd	Purchase of tooling	**3,995**	2,056	–	–
** Lion Metal Industries Sdn Bhd	Rental expense	**770**	719	–	–
** Ayer Keroh Resort Sdn Bhd	Progress billings for contract work	**659**	–	–	–
	Interest income	–	621	–	–
	Less: Interest in suspense	–	(297)	–	–
	Net	–	324	–	–
** Araprop Development Sdn Bhd	Progress billings for contract work	**373**	10,273	–	–
	Interest expense	–	1,172	–	1,172
** Amsteel Equity Capital Sdn Bhd	Rental income	**121**	238	**121**	238
** SCB	Purchase of raw materials	**10**	37,095	–	–
	Sales of goods	–	178,991	–	–
	Interest income	–	12,490	–	–
	Less: Interest in suspense	–	(5,952)	–	–
	Net	–	6,538	–	–
	Interest expense	–	2,394	–	2,394
** Sukhothai Food Sdn Bhd	Interest income	–	969	–	969
	Less: Interest in suspense	–	(493)	–	(493)
	Net	–	476	–	476
** Andalas Development Sdn Bhd	Interest income	–	833	–	–
	Less: Interest in suspense	–	(422)	–	–
	Net	–	411	–	–

* *Became subsidiary companies subsequent to the implementation of GWRS in March 2003.*

** *Became related parties subsequent to the implementation of GWRS in March 2003.*

The Directors of the Company are of the opinion that the above 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.

(c) Amount owing by/to associated companies

The amounts owing by/to associated companies arose mainly from advances and have no fixed repayment terms. The amounts owing by associated companies of the Group are interest-free (2002: interest-free) whilst the amounts owing to associated companies of the Group for 2002 were interest-free or bear interest at 9% per annum.

The amount owing by associated company of the Company for 2003 was interest-free (2002: interest-free) whilst the amount owing to associated company of the Company for 2002 bears interest at 9% per annum.

The currency exposure profile of balances owing by associated companies is as follows:

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Ringgit Malaysia	**3**	1,132	**3**	1,132
Renminbi	**30,328**	28,500	**–**	–
Singapore Dollar	**–**	4,707	**–**	–
	30,331	34,339	**3**	1,132

30. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Fixed deposits with:				
Licensed banks:				
Restricted	**16,875**	102	**11,450**	–
Unrestricted	**221,895**	83,758	**400**	5,730
	238,770	83,860	**11,850**	5,730
Licensed financial institutions	**4,526**	500	**–**	–
Housing Development Accounts	**15,029**	12,479	**8,682**	6,198
Cash and bank balances:				
Restricted	**3,075**	–	**2,119**	–
Unrestricted	**116,770**	14,170	**110**	196
	378,170	111,009	**22,761**	12,124

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure has been fully settled.

Included in deposits with licensed banks and bank balances of the Group and of the Company are amounts totalling RM19.9 million (2002: RM0.1 million) and RM13.6 million (2002: RM Nil), respectively, have been earmarked for the purposes of repayment of borrowings, LICB Bonds and USD Debts (Notes 34 to 36) and pledged as security for bank guarantees granted.

The average effective interest rates during the financial year were as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Fixed deposits with:				
Licensed banks	**2.5%**	2.6%	**2.4%**	2.5%
Licensed financial institutions	**3.0%**	3.2%	**–**	–

Deposits of the Group and of the Company have an average maturity of 23 days (2002: 24 days).

The currency exposure profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Ringgit Malaysia	**269,830**	93,143	**22,761**	12,124
Renminbi	**108,238**	15,812	**–**	–
Singapore Dollar	**102**	2,054	**–**	–
	378,170	111,009	**22,761**	12,124

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

31. TRADE PAYABLES

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	**290,154**	217,258	**598**	1,730
Retention monies	**6,561**	14,325	**1,486**	1,197
	296,715	231,583	**2,084**	2,927

The normal credit period granted to the Group and the Company for trade purchases are ranging from cash term to 60 days (2002: cash term to 60 days).

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
Ringgit Malaysia	**212,087**	222,043	**2,084**	2,927
Renminbi	**82,396**	9,540	**–**	–
Others	**2,232**	–	**–**	–
	296,715	231,583	**2,084**	2,927

32. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Other payables and deposits	**606,225**	805,227	**9,648**	1,838
Accrued expenses	**158,524**	96,006	**724**	72,620
	764,749	901,233	**10,372**	74,458

Included in other payables, deposits and accruals of the Group are taxes payable (other than corporate tax) of the subsidiary companies in the People's Republic of China amounting to RM126 million (2002: RM Nil).

Included in other payables, deposits and accruals of the Group as of 30 June 2002 are:

(a) amounts totalling RM208 million relating to cost for acquisition of plant and equipment of a subsidiary company.

A portion of this amount has been settled with the balance being rescheduled during the financial year (Note 37);

(b) an amount of RM169 million representing advance billings received together with interest accrued from a related party in respect of construction contracts which bear interest at 9.1% per annum. This amount was settled as part of the GWRS;

(c) amounts totalling RM280 million representing interest accrued relating to certain of the principal borrowings. These amounts were restructured as part of the GWRS and scheme of arrangement undertaken by a subsidiary company; and

(d) an amount of RM5.5 million representing refundable deposit received from a former related party pursuant to a proposed sale of office space/business suites to be developed by a subsidiary company to the said related party. This amount was settled as part of the GWRS.

The currency exposure profile of other payables, deposits and accruals is as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**360,191**	853,319	**10,372**	74,458
Renminbi	**404,458**	44,642	**–**	–
Others	**100**	3,272	**–**	–
	764,749	901,233	**10,372**	74,458

33. LEASE AND HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Lease and hire-purchase	**1,707**	455	**–**	–
Portion due within one year	**(419)**	(150)	**–**	–
Non-current portion	**1,288**	305	**–**	–

The non-current portion of the lease and hire-purchase obligations are payable as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Financial years ending 30 June:				
2004	**–**	117	**–**	–
2005	**419**	117	**–**	–
2006 and thereafter	**869**	71	**–**	–
	1,288	305	**–**	–

Lease and hire-purchase obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 3.5% to 11.0% (2002: 6.5% to 10.0%) per annum.

34. SHORT-TERM BORROWINGS

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Short-term loans from financial institutions:				
Secured	**30,560**	11,377	**–**	–
Unsecured	**32,188**	1,019,905	**–**	132,331
Bank overdrafts:				
Secured	**71,319**	–	**–**	–
Unsecured	**2,519**	159,843	**–**	1,294
Bills payable	**108,478**	84,704	**–**	–
Portion of long-term loans due within one year (Note 36):				
Secured	**196,209**	63,390	**–**	–
Unsecured	**7,766**	620,108	**–**	100,000
	449,039	1,959,327	**–**	233,625

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13), investment properties (Note 14) and other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 3.8% to 9.5% (2002: 4.3% to 12.0%) per annum.

The currency exposure profile of short-term borrowings is as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**342,735**	1,042,236	**–**	233,625
Renminbi	**69,726**	8,273	**–**	–
United States Dollar	**36,578**	908,818	**–**	–
	449,039	1,959,327	**–**	233,625

35. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
LICB Bonds issued to Scheme Creditors:				
Amount issued	**328,397**	–	**328,397**	–
Accreted interest	**28,655**	–	**28,655**	–
	357,052	–	**357,052**	–
LICB Bonds issued to subsidiary companies:				
Amount issued	**–**	–	**74,969**	–
Accreted interest	**–**	–	**6,556**	–
	–	–	**81,525**	–
USD Debts issued to Scheme Creditors:				
Amount issued	**162,334**	–	**–**	–
Accreted interest	**12,342**	–	**–**	–
	174,676	–	**–**	–
USD Debts issued to subsidiary company, Harta (L) ("LICB Debts"):				
Amount issued	**–**	–	**162,336**	–
Accreted interest	**–**	–	**12,969**	–
Paid during the year	**–**	–	**(1,520)**	–
	–	–	**173,785**	–
	531,728	–	**612,362**	–

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Portion payable within one year:				
LICB Bonds issued to:				
- Scheme Creditors	(152,981)	–	(152,981)	–
- subsidiary companies	–	–	(20,248)	–
USD Debts issued to:				
- Scheme Creditors	(31,555)	–	–	–
- subsidiary company	–	–	(30,385)	–
	(184,536)	–	(203,614)	–
Non-current portion	347,192	–	408,748	–
Borrowing costs (net of amortisation of RM1.9 million) *	(15,005)	–	(15,005)	–
Net	332,187	–	393,743	–

The non-current portion of the LICB Bonds and USD Debts is repayable as follows:

	The Group		The Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Financial years ending 30 June:				
2005	49,264	–	59,478	–
2006	16,969	–	19,593	–
2007 and thereafter	280,959	–	329,677	–
	347,192	–	408,748	–

* *Borrowing costs represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.*

Pursuant to the implementation of GWRS during the financial year, the Group issued RM denominated bonds ("LICB Bonds") and USD denominated consolidated and rescheduled debts ("USD Debts") to the Scheme Creditors as part of the settlement of debts (Note 2).

The LICB Debts issued by the Company to Harta (L) serves as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

Both the LICB Bonds and USD Debts constitute direct, unsubordinated and secured obligations of the Group.

The principal terms and conditions of the LICB Bonds and USD Debts are as follows:

(i) The LICB Bonds are only transferable to persons who are the first holders of the LICB Bonds issued by the Company whilst the USD Debts are freely transferable.

(ii) The tranches of LICB Bonds and USD Debts are as follows:

	Class	Nominal Amount RM'000	Net Present Value RM'000	Tenure (years)	Cash Yield to Maturity (per annum)
Issued by the Company:					
LICB Bonds					
- to Scheme Creditors	A	89,620	78,728	2	6.00%
	B	325,390	249,669	9	5.75%
		415,010	328,397		
- to subsidiary companies	B	97,705	74,969	9	5.75%
		512,715	403,366		
USD Debts ("LICB Debts")					
- to subsidiary company, Harta (L)	B	206,348	162,336	9	5.25%
Issued by subsidiary company, Harta (L):					
USD Debts					
- to Scheme Creditors	B	204,463	162,334	9	5.00%

The LICB Bonds and USD Debts are payable annually on 31 December of each calendar year and is subject to late payment charge of 1% per annum above the cash yield to maturity.

(iii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LICB Bonds and USD Debts issued by the Group:

(a) The assets included in the proposed divestment programme for the Group. If there is an existing charge on any such assets, the Security Trustee will take a lower priority security interest.

(b) The Amsteel Bonds and Amsteel shares attached to the Amsteel Bonds received by the Company (Note 20).

(c) The Redemption Account held by the Company. The Redemption Account will capture the "Dedicated Cash Flows".

Dedicated Cash Flows means cash flows from the following sources:

(i) net surplus proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently a charge, if applicable;

(ii) net proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently no charge;

(iii) proceeds from the redemption of the Amsteel Bonds;

(iv) any Back-End Amount and Loyalty Payment received by the Company as a holder of the Amsteel Bonds;

(v) net proceeds from the disposal of Amsteel shares received by the Company pursuant to the GWRS for the Group;

(vi) net proceeds from the disposal of equity-kicker shares attached to the Amsteel Bonds;

(vii) dividend payments from Sabah Forest Industries Sdn Bhd from year 2002 to 2011; and

(viii) subject to the proportions allocated to holders of the LICB Bonds and the USD Debts, net proceeds from the disposal of any residual assets (other than assets in the proposed divestment programme for the Group) of the Group.

Monies captured in the Redemption Account can only be used towards redemption of the LICB Bonds and repayment of the USD Debts (including payment of taxes, fees and other costs relating to the GWRS) and cannot be utilised for any other purposes.

LICB Bonds and USD Debts rank pari passu amongst each other over the Securities held by the Security Trustee under items (a) to (c) above.

In addition, the following are securities provided in respect of the USD Debts issued by Harta (L), a subsidiary company:

(a) Assignment of all the rights attaching to the LICB Debts to Harta (L), including the rights to receive payments from the Company and rights to other entitlements;

(b) A debenture over the LICB Debts of Harta (L);

(c) A charge over the Redemption Account of Harta (L). The Redemption Account will capture the proceeds from the repayment of the LICB Debts; and

(d) Corporate guarantee by the Company to the Facility Agent for the benefit of holders of the USD Debts.

LICB Bonds and USD Debts rank pari passu with all other unsecured and unsubordinated creditors of the Company in respect of the Company's assets which are not part of the Securities and Dedicated Cash Flows.

36. LONG-TERM BORROWINGS

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Outstanding loans:				
Secured:				
Principal	**1,750,702**	63,390	**–**	–
Portion due within one year (Note 34)	**(196,209)**	(63,390)	**–**	–
	1,554,493	–	**–**	–
Unsecured:				
Principal	**40,909**	663,338	**–**	100,000
Portion due within one year (Note 34)	**(7,766)**	(620,108)	**–**	(100,000)
	33,143	43,230	**–**	–
Non-current portion	**1,587,636**	43,230	**–**	–

The non-current portion of the long-term borrowings is repayable as follows:

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Financial years ending 30 June:				
2004	**–**	40,000	**–**	–
2005	**85,073**	500	**–**	–
2006	**70,719**	1,000	**–**	–
2007 and thereafter	**1,431,844**	1,730	**–**	–
	1,587,636	43,230	**–**	–

The long-term borrowings pertaining to certain subsidiary companies in 2003 are secured against property, plant and equipment (Note 13), investment properties (Note 14) and fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings pertaining to a subsidiary company in 2002 are secured by a charge on the investment property (Note 14) and a fixed and floating charge over the other assets of the said subsidiary company and is guaranteed by the Company.

The long-term borrowings bear interest at rates ranging from 3.1% to 10.0% (2002: 6.0% to 9.8%) per annum.

The currency exposure profile of long-term borrowings is as follows:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**651,563**	43,230	**–**	–
United States Dollar	**886,978**	–	**–**	–
Renminbi	**49,095**	–	**–**	–
	1,587,636	43,230	**–**	–

37. DEFERRED LIABILITIES

	The Group	
	2003	**2002**
	RM'000	**RM'000**
Deferred payables	**134,329**	–
Security deposits	**3,186**	3,528
	137,515	3,528

Deferred payables pertaining to a subsidiary company represent the restructured liabilities pertaining to the acquisition of plant and equipment (Note 32). The amounts are unsecured and interest-free.

The deferred liabilities are denominated in Ringgit Malaysia.

The deferred payables are repayable as follows:

	The Group	
	2003	**2002**
	RM'000	**RM'000**
Financial years ending 30 June:		
2005	**38,118**	–
2006	**47,371**	–
2007	**48,840**	–
	134,329	–

38. SHARE CAPITAL

	The Group and The Company	
Ordinary shares of RM1.00 each	**2003 RM'000**	**2002 RM'000**
Authorised:		
At beginning of year	**1,000,000**	1,000,000
Capital Reconstruction	**(250,000)**	–
At end of year	**750,000**	1,000,000
Issued and fully paid:		
At beginning of year	**593,380**	593,380
Capital Reconstruction	**(148,345)**	–
Issuance of shares	**234,200**	–
At end of year	**679,235**	593,380

Pursuant to the implementation of the GWRS mentioned in Note 2, the issued and paid-up share capital of the Company was increased from RM593,380,035 divided into 593,380,035 ordinary shares of RM1.00 each to RM679,235,465 divided into 679,235,465 ordinary shares of RM1.00 each by way of:

(a) a capital reduction of RM0.25 in each existing issued and fully paid-up ordinary shares of RM1.00 each in the Company;

(b) the issuance of 1 new ordinary share of RM0.75 at par for cash;

(c) a capital consolidation on the basis of every 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each thereby consolidating 593,380,036 ordinary shares of RM0.75 each into 445,035,027 ordinary shares of RM1.00 each; and

(d) the issuance of 234,200,438 new ordinary shares of RM1.00 each at par as part of the settlement of debts.

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

The new ordinary shares issued were listed and quoted on the Kuala Lumpur Stock Exchange with effect from 31 March 2003.

The Executive Share Option Scheme ("ESOS") of the Company became effective on 15 May 2000 and the main features of the ESOS are as follows:

(a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Companies Commission of Malaysia, with an option to renew for a further period of 5 years upon the recommendation of the option committee.

(b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.

(c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Industries Corporation Berhad ("LICB") Group with at least 12 months of service.

(d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.

(e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LICB shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.

(f) The option is non-assignable.

(g) The shares to be allotted under the ESOS shall rank pari passu in all respects with the then existing shares of the Company.

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:

Exercisable from	Subscription price per share RM	Balance as of 1.7.2002	Granted	Exercised	Lapsed	Adjustment *	Unissued shares as of 30.6.2003
19.5.2000	1.00	3,756,000	–	–	(418,000)	(804,000)	2,534,000

The exercise period for the options will lapse on 14 May 2005.

* *Adjustment pursuant to the Capital Reconstruction in the Company.*

39. RESERVES

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax exempt income mentioned in Note 11, the Company has sufficient tax credits to frank the payment of dividends of approximately RM44.6 million (2002: RM40.3 million) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 28% on the gross amount of the additional dividend paid.

40. PRIOR YEAR ADJUSTMENTS

As mentioned in Note 4, with effect from 1 July 2002, the Group and the Company adopted MASB Standard 25: Income Taxes pursuant to which the deferred tax liabilities totalling RM3,134,000 on revaluation surplus of an investment property and RM22,480,000 in respect of excess of capital allowances claimed over book depreciation of property, plant and equipment of certain subsidiary companies, which were not recognised in the financial statements of the Group in the previous financial years has now been recognised by way of retrospective adjustment.

Accordingly, the following accounts in prior years have been restated to reflect the effect of the accounting change:

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
The Group			
As of 1 July 2001			
Deferred tax liabilities	11,406	25,614	37,020
Revaluation reserve	62,685	(3,134)	59,551
Accumulated loss	(394,432)	(22,480)	(416,912)
As of 30 June 2002			
Deferred tax liabilities	11,327	25,614	36,941
Revaluation reserve	62,685	(3,134)	59,551
Accumulated loss	(586,626)	(22,480)	(609,106)

41. DIVIDENDS

A first and final dividend of 0.1%, less tax, amounting to RM427,234 proposed in respect of ordinary shares in previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

The Directors propose a first and final dividend of 0.5%, less tax, amounting to RM2.45 million in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the financial statements. Gross dividends per share during the financial year is 0.5 sen (2002: 0.1 sen).

42. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Cash and bank balances (Note 30) (unrestricted)	**116,770**	14,170	**110**	196
Fixed deposits with (Note 30):				
Licensed banks (unrestricted)	**221,895**	83,758	**400**	5,730
Licensed financial institutions	**4,526**	500	**–**	–
Housing Development Accounts (Note 30)	**15,029**	12,479	**8,682**	6,198
Bank overdrafts (Note 34)	**(73,838)**	(159,843)	**–**	(1,294)
	284,382	(48,936)	**9,192**	10,830

43. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors or substantial shareholders of the Company or its subsidiary companies or persons connected to such Directors or substantial shareholders have interest, excluding those parties disclosed as related companies in Notes 18, 19 and 29.

Significant transactions undertaken with related parties are as follows:

(a) Sales and purchase of assets, goods and services and interest

		The Group		The Company	
Name of Company	**Nature**	**2003 RM'000**	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Megasteel Sdn Bhd	Sales of goods and gases	**166,412**	170,852	**–**	–
	Purchase of raw materials and electricity	**101,623**	166,858	**–**	–
	Interest expense	**–**	9,912	**–**	–
Angkasa Hong Leong Pte Ltd	Sales of goods	**41,753**	18,229	**–**	–
Lion Holdings Pte Ltd	Purchase of raw materials	**20,350**	897	**–**	–

(Forward)

Name of Company	Nature	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
Hubei Jinlongquan (Group) Co Ltd group	Purchase of raw materials and consumables	**15,800**	–	**–**	–
Likom Computer System Sdn Bhd	Rental income	**7,307**	7,866	**7,307**	7,866
	Interest income	**1,871**	1,548	**1,871**	1,548
Bright Steel Sdn Bhd	Sales of goods	**6,552**	6,416	**–**	–
Affin Insurance Brokers Sdn Bhd	Insurance premium	**3,469**	2,803	**–**	–
Silverstone Berhad	Trade sales	**991**	–	**–**	–
Messer Griesheim GmbH	Purchase of plant and machinery	**–**	159,600	**–**	–
Narajaya Sdn Bhd	Progress billings for contract work	**–**	10,065	**–**	–

The Directors of the Company are of the opinion that the above 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.

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

	The Group 2003 RM'000	The Group 2002 RM'000	The Company 2003 RM'000	The Company 2002 RM'000
Receivables:				
Included in trade receivables	**128,874**	129,953	**–**	–
Included in other receivables	**56,188**	45,029	**39,776**	36,383
Payables:				
Included in trade payables	**140**	2,784	**139**	–
Included in other payables	**93,681**	200,469	**863**	–

(b) Share options granted and remuneration payable to Directors

The options over ordinary shares of the Company granted to Executive Directors of the Group during the financial year are as follows:

	Unexercised options as of 30 June 2003
Datuk Cheng Yong Kim	**132,000**
Dato' Kamaruddin @ Abas bin Nordin*	**60,000**

* *Executive Director of a subsidiary company.*

The share options were given to the Directors on the same terms and conditions as those offered to other employees of the Company (Note 38).

The details of the remuneration of the Directors of the Company are disclosed in Note 7.

44. SEGMENTAL INFORMATION

(a) Business Segments:

The Group's activities are classified into five (5) major business segments:

- Steel – manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products;
- Property and construction – property development and management and construction works;
- Timber extraction and pulp and paper – integrated wood-based activities and pulp and paper mill operations;
- Beverage – manufacture and sale of beer and non-alcoholic drinks; and
- Others – investment holding, treasury business, trading and distributions of building materials, lubricants, spark plugs and automotive components and education services, none of which are of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and rental income from other business segments. These transactions are conducted on arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, expenditure carried forward and plantation development expenditure.

The Group

2003

	Steel RM'000	Property and construction RM'000	Timber extraction and pulp and paper RM'000	Beverage RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External revenue	1,541,154	86,838	99,195	203,205	84,157	–	2,014,549
Inter-segment revenue	8,300	3,146	–	–	–	(11,446)	–
Total revenue	1,549,454	89,984	99,195	203,205	84,157	(11,446)	2,014,549
Results							
Segment results	119,016	22,171	1,663	13,138	(42,343)	–	113,645
Unallocated costs							(3,243)
Profit from operations							110,402
Finance costs							(131,439)
Share in results of associated companies	–	–	–	1,215	(10,648)	–	(9,433)
Income from other investments							29,553
Impact of GWRS							120,363
Profit before tax							119,446
Income tax expense							(47,121)
Profit after tax							72,325
Minority interests							(877)
Net profit for the year							71,448
Assets							
Segment assets	2,283,478	1,190,468	1,620,469	1,091,056	265,286	–	6,450,757
Investment in associated companies	–	–	–	50,288	53,969	–	104,257
Unallocated corporate assets							43,843
Consolidated total assets							6,598,857
Liabilities							
Segment liabilities	2,155,717	629,081	35,744	502,737	409,261	–	3,732,540
Unallocated liabilities							148,643
Consolidated total liabilities							3,881,183
Other Information							
Capital additions	35,991	365	6,250	20,372	10,810	–	73,788
Depreciation and amortisation	56,772	3,704	10,002	22,379	10,361	–	103,218
Other non-cash expenses	25	1,529	229	1,240	27,275	–	30,298

The Group

2002	**Steel RM'000**	**Property and construction RM'000**	**Others RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Revenue					
External revenue	1,287,889	102,975	68,435	–	1,459,299
Inter-segment revenue	–	3,121	–	(3,121)	–
Total revenue	1,287,889	106,096	68,435	(3,121)	1,459,299
Results					
Segment results	105,199	14,120	(30,221)	–	89,098
Unallocated costs					(3,467)
Profit from operations					85,631
Finance costs					(158,558)
Share in results of associated companies	–	–	(23,176)	–	(23,176)
Income from other investments					55,549
Impact of GWRS					(155,270)
Loss before tax					(195,824)
Income tax expense					(6,458)
Loss after tax					(202,282)
Minority interests					10,515
Net loss for the year					(191,767)
Assets					
Segment assets	2,804,754	1,168,204	122,991	–	4,095,949
Investment in associated companies	–	–	60,327	–	60,327
Unallocated corporate assets					8,497
Consolidated total assets					4,164,773
Liabilities					
Segment liabilities	2,123,419	1,143,457	172,911	–	3,439,787
Unallocated corporate liabilities					81,558
Consolidated total liabilities					3,521,345
Other Information					
Capital additions	19,385	528	167,528	–	187,441
Depreciation and amortisation	34,752	3,945	26,927	–	65,624
Other non-cash expenses	1,866	3,081	14,375	–	19,322

(b) Geographical Segments:

The Group operates in three (3) main geographical areas:

- Malaysia – manufacture and distribution of steel products, property development and management, construction works, timber extraction and pulp and paper and building materials and consumables;
- People's Republic of China – manufacture and sale of beer and non-alcoholic drinks; and
- Others – investment holding.

	Revenue		Total Assets		Capital Additions	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Malaysia	**1,371,059**	1,189,350	**5,359,818**	3,996,907	**43,092**	179,734
People's Republic of China	**237,052**	70,893	**1,194,167**	157,038	**30,696**	7,707
Others	**406,438**	199,056	**44,872**	10,828	**–**	–
	2,014,549	1,459,299	**6,598,857**	4,164,773	**73,788**	187,441

In determining the geographical segments of the Group, revenue are based on the country in which the customer is located. Total assets and capital additions are determined based on where the assets are located.

45. CONTINGENT LIABILITIES

(a) Contingent liabilities (unsecured) in respect of guarantees or indemnities given by the Group and the Company for borrowings and other credit facilities obtained and utilised by certain subsidiary companies and an associated company are as follows:

	The Group		The Company	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Subsidiary companies	**–**	–	**3,230**	278,852
Associated company	**–**	190,635	**–**	190,635
	–	190,635	**3,230**	469,487

(b) Contingent liabilities (unsecured) in one of the subsidiary companies acquired during the year, Sabah Forest Industries Sdn. Bhd. ("SFI"), are as follows:

	The Group	
	2003 RM'000	**2002 RM'000**
Legal claims in respect of the termination of contracts for the extraction and sale of timber	**313,300**	–

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

(c) As of 30 June 2002, Lion Plaza Sdn Bhd, a wholly-owned subsidiary company, is contingently liable in respect of a third party fixed charge over the land included in property development projects (Note 17) in favour of an offshore bank as security for banking facilities granted to Avenel, an associated company of the Company.

Pursuant to the implementation of GWRS, the Group has disposed of its entire equity interest in Lion Plaza Sdn Bhd during the financial year (Note 2 (v)).

(d) As of 30 June 2002, a sub-contractor has filed a legal claim against JOPP Builders Sdn Bhd, a wholly-owned subsidiary company, for the sum of RM1.6 million for alleged wrongful and unilateral termination of contract awarded. The sub-contractor also claimed a total of RM10.6 million for loss of profit and uncertified works performed in addition to the sum of RM1.6 million for which provision has been made in the financial statements.

The legal claim was fully settled for an amount of RM4.5 million as part of the GWRS.

46. COMMITMENTS

(a) Capital commitments

As of the end of the financial year, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for:				
Acquisition of land	**100,366**	100,366	**–**	–
Acquisition of plant and machinery	**10,778**	25,613	**–**	–
	111,144	125,979	**–**	–
Approved but not contracted for:				
Acquisition of plant and machinery	**18,653**	14,881	**–**	–
Plantation development expenditure	**17,164**	–	**–**	–
	35,817	14,881	**–**	–
	146,961	140,860	**–**	–

(b) Undertaking to subscribe shares

As of 30 June 2002, the Company and a subsidiary company of the ultimate holding company entered into shareholders' undertaking agreements with certain financial institutions to fully subscribe for ordinary shares of Avenel, an associated company. The purpose of the said undertakings is to enable Avenel to obtain loan facilities of up to RM860 million at such time or from time to time as Avenel may request.

Pursuant to the implementation of GWRS, the Group has disposed of its entire equity interest in Avenel during the financial year (Note 2 (iv)).

(c) Lease commitment

	The Group		The Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Financial years ending 30 June:				
2003	–	10,200	–	–
2004 to 2006	–	37,500	–	–
2007 to 2011	–	77,100	–	–
	–	124,800	–	–

The above commitment represents lease agreement entered into by Amsteel Mills, a subsidiary company, with Antara Steel Mills Sdn Bhd ("Antara") in conjunction with the execution of a Conditional Exchange of Asset Agreement. The lease agreement was terminated during the financial year upon the completion of the acquisition of Antara as explained in Note 2(a).

47. FINANCIAL INSTRUMENTS

Financial Instruments

The principal financial assets of the Group are deposits and bank balances, trade and other receivables.

The significant financial liabilities include trade and other payables, bank borrowings, LICB Bonds and USD Debts.

The accounting policies applicable to the major financial instruments are as disclosed in Note 4.

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, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

(i) Foreign currency risk

The Group has exposure to foreign currency risk as a result of its trade sales and purchases, borrowings and USD Debts. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Renminbi.

The imposition of currency controls via pegging of Ringgit Malaysia to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation.

The currency exposure of Renminbi is limited as Renminbi is the functional currency of the subsidiary companies incorporated in the People's Republic of China.

(ii) Interest rate risk

The Group's significant interest-bearing financial assets and financial liabilities are mainly its deposits placements and also its obligations comprising borrowings, LICB Bonds and USD Debts.

The deposits placements as of balance sheet date, which are interest-bearing, are short-term and therefore its exposure to the effects of future changes in prevailing level of interest rates is limited.

The borrowings, LICB Bonds and USD Debts of the Group as of 30 June 2003 are fixed and floating rate financial liabilities as disclosed in Notes 34 to 36.

(iii) Market risk

The Group has in place policies to manage the Group's exposure to fluctuation in the prices of the key raw materials used in the operations.

(iv) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of 30 June 2003, is the carrying amount of these receivables as disclosed in the balance sheet.

(v) Liquidity risk

The Group practices 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.

(vi) 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.

Fair Values

The fair values of short-term financial assets and financial liabilities reported in the balance sheet approximate their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The fair values of long-term financial assets and financial liabilities are determined based on market conditions or by discounting the relevant cash flows using the current interest rates for similar instruments at balance sheet date. There is no material difference between the fair values and carrying values of these assets and liabilities as of the balance sheet date except for the quoted shares, which quoted market prices are used to determine the fair value:

	2003			
	The Group		The Company	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Long-term investments:				
- quoted shares	132,926	36,160	22,367	8,868

No disclosure is made for other investments (unquoted investments) as it is not practicable to determine the fair values of these investments because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

48. SUBSIDIARY COMPANIES

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Property Division			
* Amble Legacy Sdn Bhd	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	**94**	94	Dormant
* Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development
Berkat Timor Sdn Bhd	**100**	100	Property development
Citibaru Sendirian Berhad	**100**	100	Property development
* Crest Wonder Sdn Bhd	**100**	100	Investment holding
JOPP Builders Sdn Bhd	**100**	100	Contractor for construction and civil engineering works
LLB Bina Sdn Bhd	**100**	100	Property development
LLB Damai Holdings Sdn Bhd	**100**	88	Investment holding
LLB Indah Permai Sdn Bhd	**100**	100	Property development
Lion Courts Sdn Bhd	**100**	100	Investment and property holding
Lion Klang Parade Bhd	**100**	100	Property holding and development
# Lion Plaza Sdn Bhd	**–**	100	Property development
Malim Jaya (Melaka) Sdn Bhd	**100**	100	Property development
Malim Courts Property Development Sdn Bhd	**100**	100	Property development and investment holding
* Matrix Control Sdn Bhd	**100**	100	Investment holding
Mcken Sdn Bhd	**100**	100	Property development
PM Holdings Sdn Bhd	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	**100**	100	Provision of management consultancy services

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Property Division			
Sharikat Pengangkutan East West Sdn Bhd	**100**	100	Provision of management consultancy services
Soga Sdn Bhd	**94**	94	Property development
Sucorp Enterprise Sdn Bhd	**100**	100	Investment holding
Sumber Realty Sdn Bhd	**100**	100	Property development and investment holding
Syarikat Pekan Baru Kemajuan Berhad	**100**	100	Property development
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development
* Trial Jubilant Sdn Bhd	**100**	100	Investment holding
Worldwide Unilink Education and Consultancy Sdn Bhd (formerly known as LLB Damai Sdn Bhd)	**100**	88	Dormant
Steel Division			
* Amsteel Mills Sdn Bhd	**99**	99	Manufacture and marketing of steel bars, wire rods and hot briquetted iron
* Amsteel Mills Marketing Sdn Bhd	**99**	99	Marketing and sales of steel related products
* Amsteel Mills Realty Sdn Bhd	**99**	99	Investment holding
* Antara Steel Mills Sdn Bhd	**99**	–	Manufacture of steel and related products
* LLB Steel Industries Sdn Bhd	**100**	100	Investment holding
* Steelcorp Sdn Bhd	**99**	99	Investment holding

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Others			
* Amarod Corporation Sdn Bhd	**100**	100	Manufacture of pre-stressed concrete wire and strand (yet to commence operations as of 30 June 2003)
* Hebei Weiyuan Heilen Bio-Chemical Co Ltd (incorporated in the People's Republic of China)	**33**	33	Manufacture of industrial chemicals and related products
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	**76**	76	Investment holding
* Huangshi Heilen Pharmaceutical Co Ltd (incorporated in the People's Republic of China) (under liquidation)	**36**	36	Manufacture and packaging of pharmaceutical products (ceased operations)
Kisan Agency Sdn Bhd	**100**	100	Property development (yet to commence operations as of 30 June 2003)
LLB Enterprise Sdn Bhd	**69**	69	Dormant
LLB Nominees Sdn Bhd	**100**	100	Investment holding
LLB Strategic Holdings Berhad	**90**	90	Investment holding
LLB Suria Sdn Bhd	**100**	100	Investment holding
LLB Harta (M) Sdn Bhd	**100**	100	Managing of debts novated from LICB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by LICB and certain of its subsidiary companies
LLB Harta (L) Limited	**100**	100	Treasury business
* LLB Venture Sdn Bhd	**100**	100	Dormant
* Lion Biotech Pte Ltd (incorporated in Singapore)	**61**	61	Investment holding
* Lion Motor Venture Sdn Bhd	**100**	100	Investment holding
Marvenel Sdn Bhd	**70**	70	Investment holding
Sepang Education Centre Sdn Bhd	**90**	90	Commercial college for higher education

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Others			
* Shanghai Lion Plastic Industrial Co Ltd (incorporated in the People's Republic of China)	**68**	68	Manufacture and marketing of plastic components and related products
* Slag Aggregate Sdn Bhd	**100**	100	Dormant
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China)	**56**	56	Manufacture of meters for motor vehicles and after sales services
Lion Forest Industries Berhad	**83**	–	Investment holding
* ^ Lion Diversified Holdings Berhad	**59**	–	Investment holding
Subsidiary Companies of Lion Forest Industries Berhad			
Timber Extraction and Pulp and Paper Division			
Sabah Forest Industries Sdn Bhd	**81**	–	Integrated wood-based activities and pulp and paper mill operations
Sabah Pulp and Paper Mill Sdn Bhd	**81**	–	Dormant
SFI Paper Pte Ltd (incorporated in Singapore)	**81**	–	Dormant
Others			
Fabulous Contour Sdn Bhd	**83**	–	Dormant
Ototek Sdn Bhd	**58**	–	Trading and distribution of lubricants, spark plugs and automotive components
Posim Agricultural Products Sdn Bhd	**83**	–	Dormant
Posim Marketing Sdn Bhd	**83**	–	Trading, servicing, hiring and distribution of industrial machines and equipment
Posim Petroleum Marketing Sdn Bhd	**83**	–	Trading and distribution of petroleum products
Posim Petroleum Products Sdn Bhd	**83**	–	Manufacturing of petroleum products
SC Nominees Sdn Bhd	**83**	–	Investment holding
Stoller Chemical Company (M) Sdn Bhd	**83**	–	Dormant

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Subsidiary Companies of Lion Diversified Holdings Berhad			
Property Division			
* Lion Mahkota Parade Sdn Bhd	**59**	–	Property management and operation of food court
* Lion Subang Parade Sdn Bhd	**59**	–	Property management
* Megavest Sdn Bhd	**59**	–	Property and housing development
* Urban Resources Sdn Bhd	**59**	–	Property development
Beverage Division			
* Beijing CPB Foodstuff Co Ltd (incorporated in the People's Republic of China)	**25**	–	Ceased operations
* Hubei Jinlongquan Brewery Co Ltd (incorporated in the People's Republic of China)	**35**	–	Beer brewing
* Hubei Lion Brewery Co Ltd (incorporated in the People's Republic of China)	**35**	–	Beer brewing
* Hunan DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	**32**	–	Beer brewing
* Jiangsu DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	**32**	–	Beer brewing
* Jinhua Lion Brewery Co Ltd (incorporated in the People's Republic of China)	**32**	–	Production and marketing of beer and non-alcoholic drinks
* Jinlongquan Brewery (Xiaogan) Co Ltd (incorporated in the People's Republic of China)	**20**	–	Manufacture and sale of beer and non-alcoholic drinks
* Lion Brewing Group Co Ltd (incorporated in the People's Republic of China)	**32**	–	Beer brewing

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Subsidiary Companies of Lion Diversified Holdings Berhad			
Beverage Division			
* Pingyang Lion Beer Co Ltd (incorporated in the People's Republic of China)	**32**	–	Beer brewing
* Shandong DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	**35**	–	Beer brewing
* Shanghai DEbier Management Consulting Co Ltd (incorporated in the People's Republic of China)	**59**	–	Management consulting services
* Wenzhou Double Deer Beer Marketing Co Ltd (incorporated in the People's Republic of China)	**32**	–	Sale and marketing of beer and other beverages
* Wenzhou Lion Brewery R & D Co Ltd (incorporated in the People's Republic of China)	**32**	–	Provision of technical assistance and undertaking research and development works
* Zhejiang YanDangShan Lion Brewery Co Ltd (incorporated in the People's Republic of China)	**32**	–	Beer brewing
* Zhu Zhou DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	**40**	–	Beer brewing and mineral water bottling
Others			
* Bingkisan Jaya Sdn Bhd	**59**	–	Dormant
* Consitrade (M) Sdn Bhd	**59**	–	Investment holding
* CPB Enterprise Sdn Bhd	**59**	–	Ceased operations
* CPB Far East Limited (incorporated in Hong Kong)	**59**	–	Dormant
* CPB Investment AG (incorporated in Switzerland)	**59**	–	Investment holding

(Forward)

Name of Company	Effective Percentage Ownership 2003 %	2002 %	Principal Activities
Subsidiary Companies of Lion Diversified Holdings Berhad			
Others			
* CP Properties Sdn Bhd	**59**	–	Dormant
* DEbier Sdn Bhd	**59**	–	Investment holding
* Force Ten Sdn Bhd	**59**	–	Dormant
* Gemmo Pte Ltd (incorporated in Singapore)	**59**	–	Investment holding
* Gesto Pte Ltd (incorporated in Singapore)	**59**	–	Dormant
* Graimpi Sdn Bhd	**59**	–	Investment holding
* Grand Tours & Travel Service Sdn Bhd	**59**	–	Dormant
* Hypervest Sdn Bhd	**59**	–	Dormant
* Indobaru Sdn Bhd	**59**	–	Dormant
* Jatitrade Sdn Bhd	**59**	–	Dormant
* LDH Investment Pte Ltd (incorporated in Singapore)	**35**	–	Investment holding
* LDH Management Sdn Bhd	**59**	–	Investment holding and operation of food court
* LDH Manufacturing Sdn Bhd	**59**	–	Ceased operations
* LDH Trading Sdn Bhd	**59**	–	Ceased operations
* LDH (S) Pte Ltd (incorporated in Singapore)	**59**	–	Investment holding
* Le Chocolatier Boutique (M) Sdn Bhd	**59**	–	Dormant
* Pavlova Investment Pte Ltd (incorporated in Singapore)	**59**	–	Investment holding
* Pattervest Sdn Bhd	**59**	–	Dormant
* United Brands Trading Sdn Bhd	**59**	–	Dormant

* *The financial statements of these companies were examined by auditors other than the auditors of the Company.*

\# *Ceased to be a subsidiary company and became a related party during the financial year.*

^ *Without qualifying their opinion, the auditors of Lion Diversified Holdings Berhad ("LDHB") had, as a matter of emphasis, drawn attention to the financial position of the LDHB group as of 30 June 2003 that the LDHB group incurred a loss after taxation and minority interests of RM607,000 and the LDHB group's current liabilities exceeded its current assets by RM182 million and that the directors of LDHB are implementing a scheme involving the rationalisation of the group structure and principal activities.*

49. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2003 %	2002 %	Principal Activities
Avenel Sdn Bhd	30 June	Malaysia	–	25	Investment holding
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**49**	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2003)
Changchun Fawer-Lion Auto Electromechanical Co Ltd	31 December	People's Republic of China	**50**	50	Manufacture of carburettors
CH-Lion Reinforcing Steel Sdn Bhd	31 December	Malaysia	**20**	20	Cutting and bending steel bars for sale
LLB Courts Sdn Bhd	30 September	Malaysia	–	48	Investment and property holding
Kamiya Corporation Sdn Bhd	30 June	Malaysia	**19**	19	Property development (yet to commence operations as of 30 June 2003)
Lion Asia Investment Pte Ltd	30 June	Singapore	**20**	20	Investment holding
Parkson Venture Pte Ltd	30 June	Singapore	**26**	26	Investment holding
Sereka Jaya Sdn Bhd	31 December	Malaysia	**35**	35	Property development (yet to commence operations as of 30 June 2003)
Teck Chiang Investment Pte Ltd	30 June	Singapore	**50**	50	Property development and investment holding (yet to commence operations as of 30 June 2003)
# Tianjin Huali Motor Co Ltd	31 December	People's Republic of China	**25**	25	Manufacture of commercial vehicles
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**50**	50	Mixed commercial property development cum cash and carry retail business
# Hubei Zenith Heilen Pharmaceutical Co Ltd	31 December	People's Republic of China	**15**	15	Manufacture and sale of pharmaceutical products

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2003 %	2002 %	Principal Activities
Associated Company of Lion Forest Industries Berhad					
Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	**17**	–	Assembly of Isuzu range of motor vehicles
Associated Company of Lion Diversified Holdings Berhad					
Ningbo Lion Brewery Co Ltd	31 December	People's Republic of China	**26**	–	Beer brewing

Except for Sereka Jaya Sdn Bhd, the financial statements of all the associated companies were examined by auditors other than the auditors of the Company.

\# *The Group has not accounted for the investment in these associated companies under the equity method of accounting as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in their management. Accordingly, the investment costs or group costs have been included under long-term investments (Note 20).*

50. SUBSEQUENT EVENTS

Subsequent to the financial year-end:

(a) On 3 July 2003, the Company obtained the approval from the shareholders of the Company for the proposed deferment of the redemption date of the 43,613,000 5-year cumulative redeemable preference shares in LCS held by the Company from 28 June 2001 to 28 December 2003 (Note 20).

(b) On 6 September 2003, LLB Nominees Sdn Bhd ("LLB Nominees"), a wholly-owned subsidiary company of the Company, had entered into a conditional sale and purchase agreement with Lion Diversified Holdings Berhad ("LDHB") to dispose of the following investments:

(i) 18% equity interest in Parkson Investment Pte Ltd; and
(ii) 20% equity interest in Parkson Venture Pte Ltd

The aggregate sales consideration for the above disposals amounting to RM23.85 million is to be satisfied by a cash consideration of RM19.07 million of which RM11.90 million is in deferred payment and the issuance of RM4.78 million nominal value of 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS").

A put and call option agreement was entered into by the Company with Tan Sri William H. J. Cheng ("TSWC") for the disposal of the RM4.78 million RCULS received by LLB Nominees pursuant to the disposal to TSWC or his nominees at an exercise price of RM2.39 million and RM2.39 million RCULS on 15 December 2005 and 15 December 2006 respectively.

(c) The following subsequent events are pertaining to a public listed subsidiary company, LDHB:

(i) On 5 September 2003, LDH Management Sdn Bhd ("LDHM") and Graimpi Sdn Bhd ("Graimpi"), both subsidiary companies of LDHB, and Horsinvest Holding Co Ltd ("Horsinvest") entered into:

- a conditional sale and purchase agreement to dispose of the following to Horsinvest for a total cash consideration of USD131.5 million:

  - 50% equity interest in the paid-up ordinary shares in DEbier Sdn Bhd by Graimpi; and

  - 50% equity interest in the paid-up ordinary shares and 50% interest in the preference shares in Consitrade (M) Sdn Bhd by LDHM;

- a call and put option agreement wherein Graimpi and LDHM further propose to dispose of the remaining 50% interest in the ordinary shares in DEbier Sdn Bhd by Graimpi and the remaining 50% interest each in the ordinary shares and the preference shares in Consitrade (M) Sdn Bhd by LDHM to Horsinvest for a total cash consideration of USD131.5 million and a return component.

(ii) On 6 September 2003, LDHB entered into several conditional sale and purchase agreements in relation to the following:

- the proposed acquisition by LDHB of the Parkson retail group which involves the acquisition of the entire equity interests in a group of six (6) companies incorporated in Singapore, three (3) companies incorporated in Malaysia, and one (1) company incorporated in Hong Kong ("Parkson Retail Group"), which are retail based companies in the People's Republic of China and Malaysia, directly or through subsidiary companies of Amsteel, Lion Asia Investment Pte Ltd ("LAI") or the Company, for a total consideration of RM431.82 million and the settlement of the net inter-company balances due by the acquiree companies to the vendors totalling RM67.39 million to be satisfied by a cash consideration of RM399.21 million of which RM249.21 million is in deferred payment and the issuance of RM100 million RCULS to Amsteel, LAI and LLB Nominees.

- the proposed acquisition by LDHB of the Likom companies from Ributasi Holdings Sdn Bhd which involves:

  - the acquisition of the entire issued and paid-up capital of Likom Caseworks Sdn Bhd ("LCW"), for a total consideration of RM105.70 million ("Proposed Acquisition of LCW"); and

  - the proposed subscription of 9,998 ordinary shares of RM1.00 each in Diverse Arcadia Sdn Bhd ("DASB"), representing 99.98% of the equity interest therein at a subscription price of RM9,998 or RM1.00 per share for cash and the assumption of all DASB's obligations to pay to LCS the purchase price amounting to RM25.43 million for the proposed acquisition of LCS's business ("Proposed Subscription of DASB Shares").

  (The Proposed Acquisition of LCW and the Proposed Subscription of DASB Shares are collectively referred to as "Proposed Acquisition of Likom Group");

  The Proposed Acquisition of Likom Group at a total consideration of RM131.13 million is to be satisfied by the issuance of RM78.82 million nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stock ("ICULS") and issuance of 60.82 million (RM52.31 million in value) new ordinary shares of RM0.50 each in LDHB ("LDHB Shares") at an issue price of RM0.86 per share.

- the proposed acquisition by LDHM from Narajaya Sdn Bhd of the development project known as Bandar Mahkota Cheras located off the 10th mile Jalan Cheras in Kuala Lumpur for a total consideration of RM156.78 million to be satisfied by a cash payment of RM55 million, and the issuance of 47.21 million (RM40.60 million in value) new LDHB Shares at an issue price of RM0.86 per share and RM61.18 million ICULS.

- the proposed acquisition from Amsteel of up to 226.85 million ordinary shares of RM1.00 each in Lion Corporation Berhad, representing approximately 24.68% of the equity interest therein for a cash consideration of up to RM226.85 million or RM1.00 per share.

(iii) On 9 September 2003, LDHB announced:

- a proposed bonus issue of 278,722,801 LDHB Shares on the basis of four (4) new LDHB Shares for every five (5) existing LDHB Shares held via capitalisation of the share premium account of LDHB ("Proposed Bonus Issue"); and

- the proposed capital distribution of RM139,361,400 on the basis of RM0.40 for every one (1) existing LDHB Share held by way of cancellation of the 278,722,801 new LDHB Shares issued pursuant to the Proposed Bonus Issue.

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** (formerly known as Lion Land Berhad) state that, in their opinion, the accompanying balance sheets and the related 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 the 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,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
29 October 2003

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

I, **DATUK CHENG YONG KIM,** the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD** (formerly known as Lion Land Berhad), do solemnly and sincerely declare that the accompanying balance sheets and the related 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.

DATUK CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **DATUK CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 29th day of October, 2003.

Before me,

W-217
P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

MATERIAL CONTRACTS
INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 12 December 2000 between the Company of the one part and Amsteel Corporation Berhad ("Amsteel"), a company wherein a Director and certain major shareholders of the Company have an interest, Ayer Keroh Resort Sdn Bhd ("AKR"), Ambang Jaya Sdn Bhd, Umatrac Enterprises Sdn Bhd ("Umatrac") and Parkson Corporation Sdn Bhd ("Parkson") (collectively "LDHB Vendors"), all of which are subsidiaries of Amsteel, of the other part, and a Third Supplemental Agreement dated 8 October 2001, Fourth Supplemental Agreement dated 26 March 2002 and Fifth Supplemental Agreement dated 3 September 2002 between the Company, LDHB Vendors and Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary of the Company, to include (i) Amsteel Mills as a co-purchaser and the disposal by the LDHB Vendors and the acquisition by the Company and Amsteel Mills of a total of 207,209,445 ordinary shares of RM0.50 each in Chocolate Products (Malaysia) Berhad[(a)] ("LDHB"), representing 59.47% equity interest in LDHB in the proportion of 28% and 72% respectively for a consideration of RM201,501,369 to be satisfied by netting-off the existing balances owing by other company(ies) within the Lion Group to the Company's Scheme Companies or owing by the Company's Scheme Companies to other company(ies) within the Lion Group, which are proposed to be addressed under the proposed corporate restructuring exercise, proposed divestment programme and proposed debt restructuring exercise for the Group; and (ii) that the LDHB Vendors shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the LDHB Group in the People's Republic of China and upon the terms therein contained.

2. Conditional Share Sale Agreement dated 19 October 2000, First Supplemental Agreement dated 8 October 2001, Second Supplemental Agreement dated 3 September 2002 and Third Supplemental Agreement dated 7 January 2003 between the Company and Akurjaya Sdn Bhd, a subsidiary of Amsteel, for the disposal by the Company of 3,418,860 ordinary shares of RM1.00 each representing 100% equity interest in Lion Plaza Sdn Bhd for a total consideration of RM35,661,000 to be satisfied by RM0.76 million cash and an issuance of RM34.90 million in net present value (RM53.52 million in nominal amount) of Amsteel bonds together with up to 1.48 million detachable new ordinary shares of RM1.00 each in Amsteel as equity kicker shares; and that Akurjaya shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the Amsteel Group in the People's Republic of China and upon the terms therein contained.

3. Conditional Deferment Agreement dated 29 January 2003 made between the Company and Likom Computer System Sdn Bhd ("LCS"), a company wherein a major shareholder of the Company has an interest, with the consent of Likom Electronic Pte Ltd ("LEPL"), a company wherein a Director and certain major shareholders of the Company have an interest, which supercedes the Conditional Redemption Agreement dated 13 December 2000 and Supplemental Agreement dated 10 July 2001 both made between the Company, LCS and LEPL, whereby the Company and LCS agreed to defer the redemption date of the 43,613,000 5-year cumulative redeemable preference shares of RM0.01 each in LCS held by the Company from 28 June 2001 to 28 December 2003, subject to the terms and conditions therein contained.

4. Conditional Agreement dated 8 July 2002 between Lion Brewing Group Co Ltd ("Lion Brewing") and Consitrade (M) Sdn Bhd ("Consitrade"), both subsidiaries of LDHB which is in turn a subsidiary of the Company wherein a Director and certain major shareholders of the Company have an interest, and Jinkeda Group Co Ltd, a major shareholder of Lion Brewing and Consitrade, for the acquisition by Lion Brewing and Consitrade of 54.6% and 25% equity interest respectively in Jinhua Lion Brewery Co Ltd for a cash consideration of Rmb5.11 million (equivalent to approximately RM2.35 million) and Rmb2.34 million (equivalent to approximately RM1.07 million) respectively.

5. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between the Amsteel Group Vendors (comprising Ambang Jaya Sdn Bhd ("Ambang Jaya"), Angkasa Marketing (Singapore) Pte Ltd ("AMS"), Natvest Parkson Sdn Bhd ("Natvest"), Sukhothai Food Sdn Bhd ("Sukhothai"), Timuriang Sdn Bhd ("Timuriang") and Parkson Retail Consulting And Management Sdn Bhd ("PRetail")) of the first part, LLB Nominees Sdn Bhd ("LLBN"), of the second part, Lion Asia Investment Pte Ltd ("LAI") of the third part, Amsteel of the fourth part, collectively companies wherein a Director and certain major shareholders of the Company have an interest, the Company of the fifth part, and LDHB, a company wherein a Director and certain major shareholders of the Company have an interest, of the sixth part for the acquisition by LDHB of:

   a) 14,800,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Venture Pte Ltd from Natvest (20%), Sukhothai (18.2%), PRetail (11.8%), LLBN (20%) and LAI (30%);

b) 10,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Investment Pte Ltd from Natvest (18%), Sukhothai (27%), PRetail (7%), LLBN (18%) and LAI (30%);

c) 100 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Supplies Pte Ltd from Natvest (70%) and LAI (30%);

d) 1,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Glomart Pte Ltd from Timuriang (70%) and LAI (30%);

e) 2 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Pacific Pte Ltd from AMS;

f) 50,000,002 ordinary shares of RM1.00 each representing 100% equity interest in Parkson Corporation Sdn Bhd from Timuriang;

g) 500,000 ordinary shares of RM1.00 each representing 100% equity interest in Xtra Supercenter Sdn Bhd from Timuriang;

h) 2 ordinary shares of RM1.00 each representing 100% equity interest in Serbadagang Holdings Sdn Bhd from Timuriang;

i) 4,500,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Management Pte Ltd from Natvest (70%) and LAI (30%); and

j) 2 ordinary shares of HKD1.00 each representing 100% equity interest in Exonbury Limited from Ambang Jaya (50% of the shares are held through Benavon Nominee Limited);

for a total consideration of RM431.82 million and the settlement of the net inter-company balances due by the target companies to the vendors totalling RM67.39 million to be satisfied by a cash consideration of RM399.21 million (of which RM150 million shall be paid on completion and RM249.21 million in deferred payment) and the issuance of RM100 million nominal value of 5-year 2% redeemable convertible unsecured loan stock by LDHB to Amsteel, LAI and LLBN.

6. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Ributasi Holdings Sdn Bhd, a company in which a Director and certain major shareholders of the Company have an interest, of the one part, and LDHB of the other part, for the acquisition by LDHB of 4,935,000 ordinary shares of RM1.00 each representing 100% equity interest in Likom Caseworks Sdn Bhd for a total consideration of RM105.7 million to be satisfied by the issuance of RM63.53 million nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stocks ("LDHB ICULS") and RM42.17 million in value of new ordinary shares of RM0.50 each in LDHB ("New LDHB Shares") at RM0.86 per share.

7. Conditional Subscription Agreement dated 6 September 2003 between LDHB of the first part, Diverse Arcadia Sdn Bhd ("Diverse Arcadia") of the second part and LCS, a company wherein a Director and certain major shareholders of the Company have an interest, of the third part, to subscribe for 9,998 ordinary shares representing 99.98% equity interest in Diverse Arcadia for a total subscription sum of RM9,998 or RM1.00 per share and the assumption of all the obligations of Diverse Arcadia to pay LCS the purchase price of RM25.43 million for the proposed acquisition by Diverse Arcadia of LCS's business and assets pursuant to the sale and purchase agreement dated 6 September 2003 between LCS of the one part and Diverse Arcadia of the other part, to be satisfied by the issuance of RM15.29 million nominal value of LDHB ICULS and RM10.14 million in value of New LDHB Shares at RM0.86 per share.

8. Conditional Sale and Purchase Agreement dated 6 September 2003 between Narajaya Sdn Bhd ("Narajaya") of the first part, a company wherein a Director and certain major shareholders of the Company have an interest, LDH Management Sdn Bhd, a wholly-owned subsidiary of LDHB, of the second part and LDHB of the third part, for the acquisition of the development project known as Mahkota Cheras Project (which comprises 192 pieces of land less the excluded units, the development rights, the development liabilities, subject to, *inter alia*, the substitution of cash assets amounting to RM48.39 million, the collection by Narajaya of trade receivables amounting to RM25,621,159 and payment thereof to LDH Management Sdn Bhd, the covenant by Narajaya to deliver the fixed assets to LDH Management Sdn Bhd) all as at 25 March 2003 for a total consideration of RM156,781,323 to be satisfied by cash of RM6,611,970, RM40,601,323 in value of New LDHB Shares at RM0.86 per share, RM61.18 million nominal value of LDHB ICULS and cash of RM48,388,030.00 to substitute the cash assets.

9. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Amsteel, AMS and Umatrac of the one part ("Vendors"), collectively companies wherein a Director and certain major shareholders of the Company have an interest and LDH (S) Pte Ltd, a wholly-owned subsidiary of LDHB, of the other part, for the acquisition by LDH (S) Pte Ltd of up to a maximum of 226,849,626 ordinary shares of RM1.00 each representing approximately 24.68% equity interest in Lion Corporation Berhad ("LCB") which are not accepted by the eligible shareholders of LCB (i.e. excluding Tan Sri William Cheng Heng Jem and Datuk Cheng Yong Kim and parties acting in concert with them) pursuant to a renounceable restricted offer for sale of 226.8 million ordinary shares of RM1.00 each in LCB to be undertaken by the Vendors, at the price of RM1.00 per share in cash.

10. Letter of Offer dated 9 June 2003 between Amsteel Mills and Sabah Forest Industries Sdn Bhd ("SFI"), a 97.78% owned subsidiary of Lion Forest Industries Berhad, which is in turn a subsidiary 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 Amsteel Mills ("Facility") to finance the completion of Amsteel Mills' 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 Amsteel Mills.

Note:

(a) Chocolate Products (Malaysia) Berhad changed its name to Lion Diversified Holdings Berhad with effect from 10 February 2003.

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company has registered with the Securities and Exchange Commission of the United States of America a Level 1 Sponsored American Depositary Receipt ("ADR") Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company's trading symbol on the US OTC Market is LICUY and its CUSIP number is 53620V100.

The depositary bank for the ADR Programme is The Bank of New York and the sole custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad ("MBB"), Kuala Lumpur.

As at 15 October 2003, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	Lot 7736, HS(D) 159945 Johor Bahru, Johor	Freehold	152 sq metres	3-storey shophouse	31	0.1	June 1991
2.	PT 19268 Mukim of Bukit Raja Klang, Selangor	Freehold	1.0 hectare	Commercial land for future development	–	2.3	27 September 1993
3.	PT 19263 Mukim of Bukit Raja Klang, Selangor	Freehold	0.5 hectare	Commercial land where development is in progress	–	3.1	27 September 1993
4.	Melaka Technology Park PT 3852, HS(D) 34924 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	37.6 hectares	Factory buildings	11	101.5	September 1994
5.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.6 hectare	Commercial land where development is in progress	–	8.4	30 October 1992
6.	Lot 2764, 2835 & 3680 Mukim 14 Seberang Perai Pulau Pinang	Freehold	0.1 hectare	Land where development is in progress	–	0.3	June 1991
7.	Taman Supreme 39 Titles Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land for future development	–	7.3	June 1991
8.	Lot 1110, 1111 & 2870 Mukim of Petaling District of Petaling Selangor	Freehold	8,114 sq metres	Industrial land	–	0.3	June 1991
9.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	4.9 hectares	Land where development is in progress	–	9.0	June 1991
10.	Lot 1553, Section 2 Bandar Tanjung Tokong Pulau Pinang	Freehold	0.5 hectare	Land & buildings	4	3.3	June 1991
11.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land where development is in progress	–	2.6	June 1991
12.	Lot 11233 HS(D) 60874 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land for future development	–	0.1	June 1991
13.	Lot 7623 Kepong Utara Mukim of Batu Kuala Lumpur	Leasehold 30.3.2086	4.9 hectares	Land where development is in progress	–	14.8	30 June 1990

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
14.	Mukim 17 North East District Batu Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land for future development	–	31.8	June 1991
15.	PT 19261 Mukim of Bukit Raja Klang, Selangor	Freehold	4.2 hectares	Office and shopping complex	9	189.0	April 1999
16.	Lot 408, 937 & 2090 Mukim of Plentong Johor Bahru	Freehold	2.8 hectares	Agriculture land for future development	–	0.2	June 1991
17.	PT 798 & 885 Mukim of Jerai District of Jempol Negeri Sembilan	Freehold	0.1 hectare	Land where development is in progress	–	0.4	6 September 1994
18.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	26	41.7	22 October 1994
19.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land & buildings	26	0.3	22 October 1994
20.	PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor	Leasehold 29.3.2087	10.4 hectares	Industrial land	–	9.0	22 October 1994
21.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	8	10.0	22 October 1994
22.	Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	3	245.1	1996
23.	Beijing Lu, Fengxi Town Qingpu County Shanghai, China	Leasehold 30.6.2043	7.1 hectares	Office & factory buildings	9	3.3	1 July 1993
24.	27 Nanheng Street Fuxingzhuang Hedong District Tianjin, China	Leasehold 19.12.2045	33,411 sq metres	Industrial land, office & factory	6-17	12.2	December 1995
25.	Tong Xian County Beijing, China	Leasehold 2.7.2045	2.9 hectares	Industrial land & buildings	9	18.0	July 1995
26.	186, Yellow River Road Zhejiazhuang New and Hi-Tech Industrial Development Zone Hebei, China	Leasehold 1.6.2026	20,100 sq metres	Industrial land & buildings	6-7	4.9	June 1996
27.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold					
	- PLO 417, Jalan Gangsa Satu	17.6.2052	6.3)	Industrial land & buildings	10	13.4)	September 2002
	- PLO 218, Jalan Gangsa Satu	26.12.2056	4.4)		5	14.0)	
	- PLO 277, Jalan Gangsa Satu	29.9.2038	6.5) hectares		5-20	16.4)	

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
28.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land & buildings	4	9.2	September 2002
29.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	27,720 sq feet	Residential	4	1.0	September 2002
30.	11 & 15, Jalan Dahlia 3, Bukit Dahlia 81700 Pasir Gudang, Johor	Leasehold 2.2.2092	30,967 sq feet	Bungalow	10	0.5	September 2002
31.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	11,832 sq feet	Residential	11	0.3	September 2002
32.	Blok 2-4, 17 & 18 Taman Cendana 81700, Pasir Gudang, Johor	Leasehold 28.4.2093	210,972 sq feet	Residential	5-6	10.1	September 2002
33.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	33,162 sq feet	Residential	9	1.7	September 2002
34.	No. 40A, Jalan Pandan 3/2 Pandan Jaya, Cheras, 55100 Kuala Lumpur	Leasehold 5.5.2087	178 sq metres	Shophouse buildings	14	0.2	September 2002
35.	PT 4004/HS(D) KK123/85 Taman Sri Guchil Kuala Krai, Kelantan	Freehold	148.65 sq metres	Double storey shophouse	3	0.1	September 2002
36.	3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land & buildings	14	1.0	March 2003
37.	Lot 72, Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land & buildings	9	8.3	March 2003
38.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land & buildings	18	0.1	March 2003
39.	Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam, Selangor	Freehold	2,716 sq feet	Building	5	0.4	March 2003
40.	50, Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land & building	5	0.2	March 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
41.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land & building	4	0.7	March 2003
42.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	–	1.6	March 2003
43.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land & buildings	15-18	51.7	March 2003
44.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	–	1.5	March 2003
45.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	–	21.8	March 2003
46.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	–	0.1	March 2003
47.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land & buildings	15–18		
48.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land & buildings	15–18	429.5	March 2003
49.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land & buildings	15–18		
50.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land & buildings	15–18	0.1	March 2003
51.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	–	15.3	March 2003
52.	Kampung Sebuboh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	–	14.7	March 2003
53.	Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	11	5.3	March 2003

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
54. PT 501 Kawasan Bandar XLII Daerah Melaka Tengah Melaka	Leasehold 18.7.2101	5.30 hectares	Land & buildings	10	146.5	March 2003
55. 234, Wu Tian Street Wenzhou Zhejiang, China	Leasehold 28.2.2045	7.58 hectares	Industrial land & buildings	9-15	46.9	March 2003
56. 89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	10.63 hectares	Industrial land & buildings	7	36.4	March 2003
57. 89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	22.52 hectares	Industrial land & buildings	8-25	29.8	March 2003
58. 28, Hongqi North Road Zhuzhou City Hunan, China	Leasehold 31.12.2045	4.42 hectares	Industrial land & buildings	6-15	6.2	March 2003
59. 96, Shaoshan Road Changsha City Hunan, China	Leasehold 13.12.2044	4.08 hectares	Industrial land & buildings	6-15	40.0	March 2003
60. Quan Fang Tou Kunyang Village Pingyang City Zhejiang, China	Leasehold 30.4.2046	4.49 hectares	Industrial land & buildings	15	14.1	March 2003
61. 10, Li Shan Road Yi Yuan District Shangdong, China	Leasehold 31.12.2046	3.60 hectares	Industrial land & buildings	15	21.1	March 2003
62. 19, Huanxi Road Diao Pu Village Tai Xing City Jiangsu, China	Leasehold 30.6.2046	9.00 hectares	Industrial land & buildings	8	29.9	March 2003
63. 10, Wangziher Lin Changsha Hunan, China	Leasehold 7.4.2050	6.36 hectares	Industrial land & buildings	4	0.9	March 2003
64. 198, Chengzhan Road Xiaonan District Xiaogan Hubei, China	Leasehold 31.12.2046	5.20 hectares	Industrial land & buildings	5-7	3.5	March 2003
65. 124, Jingshui Road Da Jing Town Yue Qing City Zhejiang, China	Leasehold 12.2.2043	1.15 hectares	Industrial land & buildings	5-20	7.7	March 2003
66. Xiguan Shuangxi Road (W) Jinhua City Zhejiang, China	Leasehold 26.12.2051	4.56 hectares	Industrial land & buildings	10-20	6.0	March 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2003

Authorised Share Capital	:	RM750,000,000
Issued and Paid-up Capital	:	RM679,235,465
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	2,208	6.57	120,702	0.02
100 - 1,000	12,258	36.50	7,171,188	1.06
1,001 - 10,000	16,409	48.86	55,783,863	8.21
10,001 - 100,000	2,415	7.19	62,635,359	9.22
100,001 - less than 5% of issued shares	291	0.87	195,616,642	28.80
5% and above of issued shares	2	0.01	357,907,711	52.69
	33,583	100.00	679,235,465	100.00

Thirty Largest Registered Shareholders as at 15 October 2003

	Registered Shareholders	No. of shares	% of shares
1.	Lion Corporation Berhad	282,576,909	41.60
2.	Lembaga Tabung Angkatan Tentera	75,330,802	11.09
3.	Lion Construction & Engineering Sdn Bhd	17,432,392	2.57
4.	Allianz General Insurance Malaysia Berhad	8,442,058	1.24
5.	Mayang Jati (M) Sdn Bhd	6,951,344	1.02
6.	Pembinaan Mitrajaya Sdn Bhd	6,577,055	0.97
7.	Malaysian Trustee Berhad LLB Scheme	5,424,201	0.80
8.	Menta Construction Sdn Bhd	5,292,556	0.78
9.	BHLB Trustee Berhad TA Comet Fund	4,756,250	0.70
10.	PMB Jaya Sdn Bhd	4,570,384	0.67
11.	HSBC Nominees (Asing) Sdn Bhd BOA (M) Bhd for Lancaster Trading Co Ltd	4,570,237	0.67
12.	Geopancar Sdn Bhd	4,500,000	0.66
13.	Nam Fatt Corporation Berhad	4,229,537	0.62

Registered Shareholders		No. of shares	% of shares
14.	HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Lion Holdings Sdn Bhd	4,000,500	0.59
15.	PLB-KH Bina Sdn Bhd	3,600,556	0.53
16.	Ryoden (Malaysia) Sdn Bhd	3,063,994	0.45
17.	Lim Bee Guat	2,514,041	0.37
18.	Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreichische Volksbanken AG	2,250,000	0.33
19.	Bond Electrical (Kuala Lumpur) Sdn Bhd	2,230,157	0.33
20.	AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (BK 6/191-1)	2,227,844	0.33
21.	Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for Amanvest (M) Sdn Bhd (220013)	2,212,500	0.33
22.	Southern Steel Berhad	2,108,152	0.31
23.	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,000,000	0.29
24.	United Overseas Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koo Kow Kiang @ Ko Keck Ting (MPG)	2,000,000	0.29
25.	Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for LLB Suria Sdn Bhd (JPMC Labuan)	1,906,502	0.28
26.	Allianz Life Insurance Malaysia Berhad	1,876,100	0.28
27.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (Memo)	1,870,000	0.28
28.	Cimsec Nominees (Tempatan) Sdn Bhd Pengurusan Danaharta Nasional Berhad	1,766,732	0.26
29.	Cobrain Holdings Sdn Bhd	1,544,149	0.23
30.	Employees Provident Fund Board	1,469,812	0.22

Substantial Shareholders as at 15 October 2003

Substantial Shareholders		Direct Interest		Indirect Interest		
		No. of shares	% of shares	No. of shares	% of shares	No. of options[(1)]
1.	Tan Sri Cheng Heng Jem	–	–	322,253,692	47.44	–
2.	Lion Realty Private Limited	–	–	317,007,885	46.67	–
3.	Datuk Cheng Yong Kim	443,689	0.07	317,088,273	46.68	307,000
4.	Lion Development (Penang) Sdn Bhd	225,257	0.03	308,438,024	45.41	–
5.	Horizon Towers Sdn Bhd	122,290	0.02	305,295,781	44.95	–
6.	Lion Corporation Berhad	282,576,909	41.60	22,718,872	3.35	–
7.	Lembaga Tabung Angkatan Tentera	75,330,803	11.09	340,500	0.05	–

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:

	Nominal value per ordinary share	Direct Interest		Indirect Interest		
		No. of shares	% of shares	No. of shares	% of shares	No. of options[(1)]
Datuk Cheng Yong Kim						
The Company	RM1.00	443,689	0.07	317,088,273	46.68	307,000
Related Company Lion Diversified Holdings Berhad	RM0.50	–	–	232,016,501	66.55	–
Dato' Kamaruddin @ Abas bin Nordin						
The Company	RM1.00	1,500	^	-	-	148,000

Notes:

^ - Negligible

(1) Options granted pursuant to the Company's Executive Share Option Scheme at an option price of RM1.00 per share.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM60,330 (2002: RM50,000).

(II) 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
(a) **Steel related**		
(i) The sale of steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")[(1)]	166,412
	Lion Teck Chiang Limited Group[(1)]	41,753
	Lion Forest Industries Berhad Group ("LFIB Group")[(1)]	18,503
	Amalgamated Containers Berhad Group ("ACB Group")[(1)]	6,552
	Amsteel Corporation Berhad Group ("Amsteel Group")[(1)]	67,020
		300,240
(ii) The purchase of scrap iron and other related products and services	LCB Group[(1)]	101,796
	Silverstone Corporation Berhad Group ("SCB Group")[(1)]	10
	Amsteel Group[(1)]	10,284
	Lion Holdings Pte Ltd Group[(1)]	20,350
	ACB Group[(1)]	773
	Ributasi Holdings Sdn Bhd Group ("Ributasi Group")[(3)]	177
		133,390
(iii) The purchase of machinery, spare parts, tools and dies and other related products and services	Amsteel Group[(1)]	3,995
(iv) The provision of storage, leasing and rental of properties	Amsteel Group[(1)]	770
	ACB Group[(1)]	362
	LFIB Group[(1)]	360
		1,492
(v) The provision of marketing, distribution and transportation services	Amsteel Group[(1)]	5,320
	Peringkat Prestasi (M) Sdn Bhd Group[(2)]	1,362
	Lembaga Tabung Angkatan Tentera Group ("LTAT Group")[(2)]	69
		6,751

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Property-based		
(i) The provision of storage, leasing, rental of properties and related services	Ributasi Group[3]	7,307
	Amsteel Group[1]	2,774
	SCB Group[1]	112
		10,193
(ii) The award of contracts, nomination of sub-contractors and consultants for property projects	Amsteel Group[1]	6,294
	LCB Group[1]	812
		7,106
(iii) The provision of building maintenance, project management, security, sales and marketing and other related services	Lion Diversified Holdings Berhad Group[1]	338
(c) Others		
(i) The provision of management and support, training and education and other related services	Lion Development (Penang) Sdn Bhd Group[1]	1,492
	SCB Group[1]	42
	Amsteel Group[1]	1
		1,535
(ii) The obtaining of insurance and the underwriting of risks	LTAT Group[2]	3,469
(iii) The provision of security services and security communication equipment	Amsteel Group[1]	616
(iv) The purchase of motor vehicles, component parts and other related products and services	LFIB Group[1]	1,136
	SCB Group[1]	14
	LCB Group[1]	16
		1,166
(v) The purchase of office equipment, furniture and other industrial and consumer products	Amsteel Group[1]	111
	LCB Group[1]	55
	Ributasi Group[3]	83
		249

Notes:

"Group" includes subsidiary and associated companies.

(1) Company in which a Director and certain major shareholders of the Company have an interest.
(2) Major shareholder of the Company as defined in the Listing Requirements of the Kuala Lumpur Stock Exchange.
(3) Company in which a Director and a major shareholder of the Company have an interest.

(III) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC")

(a) Status of Compliance on Restructuring of Organisational and Financial Management System

Further to the recommendations put forth by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") to strengthen the Group's Organisational and Financial Management System, the Group had over the past two (2) years taken active steps to adopt the recommendations in order to enable the operations to be run efficiently and effectively. These steps include the recruitment of experienced and capable personnel to head the various Public Listed Companies ("PLCs") within the Lion Group as well as the streamlining of the management reporting system. All material recommendations by PwC as set out in the Circular to Shareholders dated 9 January 2003 have been complied with.

1. Organisation Structure

As proposed by PwC, the Lion Group's organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, PLC Management level and also the structure at the various Key Operating Companies ("KOCs") level.

1.1 Group Management Structure

The Group Executive Chairman heads and oversees the Group's functions and his primary duties include, amongst others, the setting of overall strategic and business directions for the Lion Group to ensure shareholders values are achieved and also to ensure that the objectives of the Group Wide Restructuring Scheme ("GWRS") are met. In the discharge of his duties, he is supported by the various high level committee including the Group Investment Committee and the Group Management Committee. Members of these committees comprise Group Directors, Group Executive Directors and the Managing Directors of the PLCs. The post of Group Finance Director is currently overseen by a Group Executive Director.

1.2 Lion Industries Corporation Berhad ("LICB") Management Structure

The LICB's management structure is headed by a well balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director who is accountable for the financial performance and profitability of LICB as well as the implementation of various strategic business plans and objectives of the LICB Group. Together with the Financial Controller, he is also responsible for overseeing the divestment plans of the LICB Group. The Chief Executive Officer ("CEO") and General Managers of the various KOCs also report directly to him. The Board is also supported by the Audit Committee, the majority of whom are independent Directors, as well as being assisted by the internal audit function.

1.3 KOC Organisation Structure

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team include the Financial Controller and also the heads of department for manufacturing, sales and marketing as well as management information system and human resources.

2. FINANCIAL MANAGEMENT

The recommendations from PwC to streamline the reporting processes for our China operations as well as to meet the stringent reporting requirements of the GWRS have largely been put in place via the enhancement in the reporting packages in terms of consistency and completeness. The management is also working closely with the Monitoring Accountants to ensure LICB's financial performance is reported to lenders in a timely and comprehensive manner.

The LICB Group's financial management system has been further strengthened following the establishment of the Corporate Risk Management framework which seeks to identify, evaluate, control and monitor various risk profiles faced by the Group.

(b) Status of Proposed Divestment Programme ("PDP")

(i) Stages of the assets to be divested

Assets to be Divested	PDP (Per GWRS)	Completed Before December 2002	Subsequent to December 2002: Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 03): Actual Jan-June 2003	Projected: Projected July to Dec 2003	Projected Jan to Dec 2003
	RM'million	RM'million	RM'million	RM'million (a)	RM'million (b)	RM'million (a) + (b)
By December 2002						
Unlisted shares in pharmaceutical company	2.0	2.0	–	–	–	–
Unlisted shares in automotive company	29.4	29.4	–	–	–	–
Listed shares in financial services company	2.5	–	2.5	2.5	–	2.5
	33.9					
By December 2003						
Shares in unlisted companies, industrial land, office block and shoplots in Parade and shopping centre	174.3	–	11.0	–	* 174.3	174.3
By Decemebr 2004						
Shares in unlisted companies and shoplots in Parade and shopping centre	45.4	–	–	–	–	–
By December 2005						
Shares in unlisted company, factories and apartment	9.7	–	–	–	–	–
By December 2006						
Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre	278.0	–	–	–	–	–
Total	**541.3**	**31.4**	**13.5**	**2.5**	**174.3**	**176.8**

* *The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LICB Bonds and USD Debts. Lenders consent will also be sought to enable the Group to reschedule its redemption/repayments of LICB Bonds and USD Debts.*

(ii) Transactions completed during the financial period (January-June 2003)

The transactions completed during the financial period are as follows:
a) The disposal of listed shares in financial services company:
- The gross and net divestment proceeds are RM2.5 million; and
- All the proceeds have been received in the current financial period.

b) The disposal of office block:
- The gross and net divestment proceeds are RM11 million and RM10 million respectively; and
- All the proceeds have been received in July 2003.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received was used to redeem/repay the LICB Bonds and USD Debts.

(c) Issues Affecting the Joint-Venture Companies of Lion Group in the People's Republic of China ("PRC")

(i) Affecting Amsteel Corporation Berhad ("Amsteel")

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	Retail enterprises to restructure the shareholding ratio between the joint venture parties and/or the term of operation and/or business scope as required by the State Council in the PRC.		Submitted the application to maintain or restructure the shareholding ratio and/or the term of operation and/or business scope for approval as required on the following dates:	
		Shanghai Ninesea Parkson Plaza Co Ltd (Amsteel Group's interest holding : 100%)*	December 2001	Approval from the relevant authorities had been obtained. Issue resolved.
		Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%)	7 December 2001	Approval from the relevant authorities had been obtained. Issue resolved.
		Wuxi Sanyang Parkson Co Ltd (Amsteel Group's equity holding : 60%)	20 November 2001	Approval from the relevant authorities had been obtained. Issue resolved.
		Yangzhou Parkson Plaza Co Ltd (Amsteel Group's equity holding : 55%)	25 December 2001	Approval from the relevant authorities had been obtained. Issue resolved.
		Dalian Tianhe Parkson Shopping Center Co Ltd (Amsteel Group's equity holding : 60%)	26 December 2001	Approval from the Ministry of Foreign Trade and Economic Corporation ("MOFTEC") for the restructuring was obtained on 28 July 2003. Pending procurement of business licence to complete restructuring.
		Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%)	7 December 2001	Awaiting approval from the relevant authorities in the PRC for restructuring. The JV Co will endeavour to obtain the approval by 30 June 2004.
		Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%)	3 December 2001	

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
		Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%)	20 February 2002	Approval from the State Economic and Trade Commission was obtained on 14 February 2003 and submission has been made to the MOFTEC on 8 May 2003 for approval to amend the Joint Venture Agreement and the JV Co's Articles of Association.
2.	Land Use Right(s) for land(s) ("LUR") to be transferred by the PRC Party to the JV Co as the PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint venture agreement.	Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%)	The Management of Amsteel Group had liaised with the PRC Party, Li Feng (Xian) Real Estate Development Co Ltd ("LFXR"), to transfer the LUR of the land located at No. 119, Dong Da Jie, Bei Lin District, Xian, Shanxi Province, PRC to the JV Co.	The LUR certificate has been issued and the JV Co is in the process of procuring the registration of the same in the JV Co's name.
3.	Shortfall in capital to be contributed by the Amsteel Group.	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%)	The Management of Amsteel Group is required to inject such amount to make up for the shortfall of Rmb2.19 million (equivalent to approximately RM1.00 million) ("Shortfall").	The Amsteel Group has injected the payment for the Shortfall on 21 October 2002. The JV Co expects to procure the capital verification from certified auditor by 31 December 2003.
4.	The PRC party has not obtained the LUR or Property Ownership Right(s) for building(s) ("POR") certificate in its favour for property leased by the PRC Party to the JV Co or the lease of the LUR or POR to the JV Co has not been registered with the relevant authorities in the PRC.	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%)	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Mianyang Fulin Real Estate Development Co Ltd ("SMF"), to register the lease of the building located at No. 17, An Chang Lu, Mianyang City, Sichuan Province, PRC.	The lease is expected to be registered by 30 June 2004. In the meantime, SMF has given its undertaking that it shall be responsible to register the lease and will indemnify the JV Co against loss due to non-registration of the lease.

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
		Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%)	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Hezheng Company Limited by Shares ("SHC"), to obtain the POR certificate for the building located at No. 31, Zong Fu Lu, Jinjiang District, Chengdu City, Sichuan Province, PRC, leased by the PRC Party to the JV Co.	SHC will endeavour to transfer the POR certificate in its favour by 30 June 2004. SHC has been requested by the Amsteel Group to issue a letter to state that SHC shall compensate the Amsteel Group for any damages suffered in the event SHC fails to procure the transfer.
		Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%)	The Management of Amsteel Group had liaised with the PRC Party, Chongqing Wangyu Economic Industry Development Corporation ("CWE"), to obtain the POR certificate in its favour for the building located at No. 77, Da Ping Changjiang Er Lu, Yuzhong District, Chongqing, PRC and leased by the PRC Party to the JV Co.	By a letter dated 8 March 2001, the CWE agreed to compensate Amsteel Group if there is any damage arising from the non-transfer of the POR in its name. In addition, the parent company of CWE and owner of the building, authorised CWE to lease the building to the JV Co.
5.	The PRC Party borrowed Rmb17,803,000 from the JV Co and as security, the PRC Party pledged its 40% equity interest in the JV Co to Amsteel Group. The pledge has not been registered with the relevant authorities.	Dalian Tianhe Parkson Shopping Center Co Ltd (Amsteel Group's equity holding : 60%)	The Management of Amsteel Group had liaised with the management of JV Co to take steps to register the pledge of the equity interest by the PRC Party, Dalian Tianhe Plaza Company Limited ("DTP").	The repayment of the loan to the JV Co by DTP has been further extended to 31 December 2003. The Management of the Amsteel Group is considering of requesting DTP to provide other security in lieu of the pledge.

* *The Amsteel Group contributed 100% of the registered capital of this co-operative joint-venture and is entitled to all the profit of the joint-venture after the joint-venture pays a guaranteed after-tax-profit of USD3.0 million from the first year to the fourth year and a 4% annual increase over the USD3.0 million starting from the fifth year.*

(ii) Affecting Lion Industries Corporation Berhad ("LICB")

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	The amount of JV Co's capital had exceeded the authorised limit of the provincial MOFTEC amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOFTEC in Beijing, PRC.	Tianjin Huali Motor Co Ltd ("THM") (LICB Group's equity holding : 25%)	THM's existing total investment is USD60.24 million (equivalent to approximately RM228.91 million). The Management of LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co from MOFTEC in Beijing through the provincial MOFTEC for the excess of USD30.24 million (equivalent to approximately RM114.91 million).	The provincial MOFTEC had requested the JV Co to rely on the letter of approval dated 11 September 1995 from the provincial MOFTEC, in that the capital of the JV Co has been properly approved. It is the duty of the provincial MOFTEC to apply for endorsement from the MOFTEC in Beijing. The LICB Group expects to obtain the endorsement by 30 June 2004.
2.	POR to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of joint venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company ("HZJ"), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, Yang Wan Lu, Jimen City, Hubei Province, PRC to the JV Co.	The Management of LICB Group is in the process of procuring HZJ to transfer the ownership of the POR to the JV Co by 30 June 2004.
3.	The lease of the land by the PRC Party to the JV Co has not been registered with the relevant authorities in PRC.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with HZJ to register the lease over the land located at No. 132, Yang Wan Lu, Jimen City, Hubei Province, PRC with the relevant authorities.	The Management of LICB Group is in the process of procuring HZJ to obtain the approval for the lease by 30 June 2004.

FORM OF PROXY

I/We ....

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

of ....

being a member/members of LION INDUSTRIES CORPORATION 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 Seventy-Third Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 3.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Y. Bhg. Tan Sri Dato' Musa bin Hitam		
5. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Renewal of 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 for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.