



LION DIVERSIFIED HOLDINGS BERHAD

(formerly known as Chocolate Products (Malaysia) Berhad)

(9428-T)

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	7
Statement on Internal Control	10
Audit Committee Report	11
Nomination Committee	14
Remuneration Committee	14
5 Years' Group Financial Highlights	15
The Group's Businesses	16
Chairman's Statement:	
Bahasa Malaysia	17
English	19
Chinese	21
Financial Statements:	
Directors' Report	22
Income Statements	29
Balance Sheets	30
Consolidated Statement of Changes in Equity	31
Company Statement of Changes in Equity	33
Consolidated Cash Flow Statement	34
Company Cash Flow Statement	38
Notes to the Financial Statements	40
Statement by Directors	79
Statutory Declaration	79
Report of the Auditors	80
List of Group Properties	81
Analysis of Shareholdings	83
Material Contracts	86
Other Information	88
Notice of Nomination	Enclosed
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 3 December 2003 at 11.30 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2003. **Resolution 1**
2. To approve the payment of a first and final dividend of 0.05 sen per ordinary share less 28% Malaysian Income Tax. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM113,000 (2002 : RM91,000). **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 William H. J. Cheng **Resolution 4**
Y. Bhg. Dato' Ismail bin Said **Resolution 5**
5. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution:

"THAT Y. Bhg. Dato Murad Mohamed Hashim who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting."

Resolution 6
6. To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, has been received by the Company for the nomination of Messrs Ernst & Young, who have given their consent to act, for appointment as Auditors, and of the intention to propose the following ordinary resolution:

"THAT Messrs Ernst & Young be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the Directors."

Resolution 7
7. **Special Business**

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

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

Resolution 8

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 ("Recurrent Transactions") and with those related parties as detailed in paragraph 3.2 of the Circular to Shareholders of the Company dated 11 November 2003 subject to the following:

Resolution 9

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

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

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

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

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

DIVIDEND ENTITLEMENT

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

- a) shares deposited into the depositor's securities account before 12.30 pm on 2 December 2003 in respect of shares exempted from mandatory deposit;
- b) shares transferred into the depositor's securities account before 4.00 pm on 4 December 2003 in respect of transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

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

By Order of the Board

WONG YOKE LIN
YASMIN WEILI TAN BINTI ABDULLAH

Kuala Lumpur
11 November 2003

Notes:

1. Proxy

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time 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 will allow the Company to appoint Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers. Notice of Nomination is enclosed in this Annual Report.

4. Resolution 8

This authorisation will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

5. Resolution 9

This approval will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 11 November 2003, which are necessary for the Group's day-to-day operations and are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details on the proposal are set out in the Circular to Shareholders dated 11 November 2003 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

I. Directors standing for re-election/re-appointment at the Thirty-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 William H. J. Cheng
Y. Bhg. Dato' Ismail bin Said
- Pursuant to Section 129(6) of the Companies Act, 1965 (Re-appointment after attainment of 70 years of age)
Y. Bhg. Dato Murad Mohamed Hashim
- Further details of Directors standing for re-election/re-appointment are set out in the Directors' Profile on pages 5 and 6 of this Annual Report.

II. Details of attendance of Directors at Board Meetings

There were seven (7) Board Meetings held during the financial year ended 30 June 2003. Details of attendance of the Directors are set out in the Directors' Profile on pages 5 and 6 of this Annual Report.

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

The Thirty-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 3 December 2003 at 11.30 am.

CORPORATE INFORMATION

Board of Directors	: Y. Bhg. Tan Sri William H. J. Cheng (Chairman) Mr Heah Sieu Lay (Managing Director) Y. Bhg. Dato' Ismail bin Said Y. Bhg. Dato Murad Mohamed Hashim Mr Cheng Yong Kwang Mr George Leong Chee Fook
Secretaries	: Ms Wong Yoke Lin Puan Yasmin Weili Tan binti Abdullah
Company No.	: 9428-T
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-21622155, 03-21613166 Fax No. : 03-21623448 Homepage : http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos. : 03-21622155, 03-21648411 Fax No. : 03-21623448
Auditors	: PricewaterhouseCoopers 11th Floor, Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur
Principal Bankers	: Alliance Merchant Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad Utama Merchant Bank Berhad
Stock Exchange Listing	: Kuala Lumpur Stock Exchange
Stock Name	: LIONDIV
KLSE Stock No.	: 2887
Reuters Code	: LDIV.KL
ISIN Code	: MYL2887OO007

DIRECTORS' PROFILE

TAN SRI WILLIAM H. J. CHENG

Chairman, Non-Independent Non-Executive Director

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

Tan Sri William Cheng was appointed to the Board on 27 October 1989. He is also the Chairman of the Employee Share Option Scheme Committee. His other directorships in public companies are as follows :

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

Tan Sri William Cheng has an indirect shareholding of 232,016,501 ordinary shares of RM0.50 each in the Company. His shareholding in the subsidiaries of the Company is disclosed in page 85 in this Annual Report.

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

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

HEAH SIEU LAY

Managing Director, Non-Independent Executive Director

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

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

Mr Heah was appointed to the Board on 5 June 2001. He is the Chairman of the Risk Management Committee and a member of the Audit Committee of the Company. He is also a Director of Lion Industries Corporation Berhad, a public listed company.

Mr Heah attended six (6) of the seven (7) Board Meetings held during the financial year ended 30 June 2003.

DATO' ISMAIL BIN SAID

Independent Non-Executive Director

Aged 54, Y. Bhg. Dato' Ismail bin Said, a Malaysian, received his Bachelor of Economics degree from the University of Malaya.

Dato' Ismail was a member of Parliament (1978-1995), the Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995) and the Chairman of Majlis Amanah Rakyat (1987 to 1990).

Dato' Ismail was appointed to the Board on 15 September 1995 and is the Chairman of the Company's Audit Committee. He is also a member of the Nomination Committee and Remuneration Committee of the Company. Currently, he is also a Director of Ahmad Zaki Resources Berhad, a public listed company.

He attended all the seven (7) Board Meetings held during the financial year ended 30 June 2003.

DATO MURAD MOHAMED HASHIM

Non-Independent Non-Executive Director

Aged 70, Y. Bhg. Dato Murad Mohamed Hashim, a Malaysian, obtained his Bachelor of Arts degree in International Relations/Economics from the Boston University, Boston, United States of America and Masters of Business Administration Programme, Columbia University Graduate School of Business, New York, the United States of America.

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

Dato Murad was appointed to the Board on 19 May 2000 and is the Chairman of the Company's Remuneration Committee. Currently, he is also a Director of Mycom Berhad and Amalgamated Containers Berhad, both public listed companies.

He attended all the seven (7) Board Meetings held during the financial year ended 30 June 2003.

CHENG YONG KWANG

Non-Independent Non-Executive Director

Aged 47, Mr Cheng Yong Kwang, a Singaporean, is an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom ("ICSA") and obtained his fellowship from the ICSA in 1996. He received his diploma in Business Administration from the Sheffield Hallam University, United Kingdom.

Mr Cheng started his career in 1981 with the Lion Group and has held various senior positions in the Lion Group. He has more than 19 years of experience in finance and treasury operations both in the manufacturing and property development sectors. He is a Director of Lion Asiapac Limited, Singapore and an Appointed Commissioner of P T Lion Metal Works Tbk, Indonesia.

Mr Cheng was appointed to the Board on 11 July 1994 and is a member of the Risk Management Committee, Nomination Committee, Remuneration Committee and Employee Share Option Scheme Committee of the Company.

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

He attended all the seven (7) Board Meetings held for the financial year ended 30 June 2003.

GEORGE LEONG CHEE FOOK

Independent Non-Executive Director

Aged 57, Mr George Leong Chee Fook, a Malaysian, received his Bachelor of Economics (Honours) degree from the University of Malaya.

Mr George Leong joined Malaysian Industrial Development Authority ("MIDA") immediately after his graduation until December 2000 and was a Director of MIDA's offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA's headquarters.

Mr George Leong was appointed to the Board on 5 June 2001 and is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. He is also a Director of Stamford College Berhad, a public listed company.

Mr George Leong attended all the seven (7) Board Meetings held during the financial year ended 30 June 2003.

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2003.

1. DIRECTORS

The Board

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2003, seven (7) board meetings were held and each Director has attended at least 50% of the total board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Balance

The Board comprises 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 their behalf. These committees operate under approved terms of reference or guidelines, whenever required.

Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board

meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

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

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The members and terms of reference of the Nomination Committee are presented on page 14 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 14 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	Salary & Other Emoluments RM	Total RM
Executive			
Mr Heah Sieu Lay	25,000	1,037,000	1,062,000
Non-Executive			
Y. Bhg. Tan Sri William H. J. Cheng	15,000	-	15,000
Y. Bhg. Dato' Ismail bin Said	28,000	-	28,000
Y. Bhg. Dato Murad Mohamed Hashim	10,000	-	10,000
Mr Cheng Yong Kwang	10,000	-	10,000
Mr George Leong Chee Fook	25,000	-	25,000
	88,000	-	88,000
Total	113,000	1,037,000	1,150,000

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

Range of Remuneration (RM)	Executive	Non-Executive
15,000 & below	–	3
15,001 – 30,000	–	2
1,050,001 – 1,100,000	1	–

3. SHAREHOLDERS

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 11 to 13 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 10 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 of internal control and risk management, and in reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such internal control systems are designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The systems can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls.

Following the issuance of the KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies, the Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is regularly reviewed by the Board through its Audit Committee and assisted by the Internal Auditors.

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework of the Group has been put in place in the previous year and subsequently formalised via the Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring. The framework requires management at key operating companies to review and assess risks using the risk management scorecard approach. The Risk Management Committee periodically reviews these scorecards and reports the status to the Audit Committee.

Control and Monitoring Process

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

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

Members

- Y. Bhg. Dato' Ismail bin Said
(Chairman, Independent Non-Executive Director)
- Mr George Leong Chee Fook
(Independent Non-Executive Director)
- Mr Heah Sieu Lay
(Non-Independent Executive Director)

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

Secretaries

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

TERMS OF REFERENCE

• Membership

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

• Meetings and Minutes

The Audit Committee shall meet at least four (4) times annually and the Chief Internal Auditor and the Chief Financial Officer shall normally be invited to attend the meetings. At least once a year, the Audit Committee shall meet with the external auditors without the non-independent directors being present. The quorum shall be two (2) members who shall be independent directors.

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

• Authority

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

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

- **Duties**

The duties of the Audit Committee are:

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, eight (8) Audit Committee Meetings were held. Y. Bhg. Dato' Ismail bin Said and Mr George Leong Chee Fook attended all the meetings held in the financial year. Mr Heah Sieu Lay attended seven (7) out of the eight (8) meetings of the Audit Committee held for the financial year under review.

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

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

- **Financial Results**

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

- **Internal Audit**

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

- **External Audit**

- (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
- (b) Reviewed with external auditors the results of the audit and the audit report in particular, 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.

- **Risk Management**

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

- **Related Party Transactions**

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

NOMINATION COMMITTEE

- Chairman** : Mr George Leong Chee Fook
(Independent Non-Executive Director)
- Members** : Y. Bhg. Dato' Ismail bin Said
(Independent Non-Executive Director)
- Mr Cheng Yong Kwang
(Non-Independent Non-Executive Director)
- Terms of Reference** :
- To recommend to the Board, candidates for directorships in Lion Diversified Holdings Berhad
 - To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder
 - To recommend to the Board, directors to fill the seats on Board Committees
 - To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board
 - To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

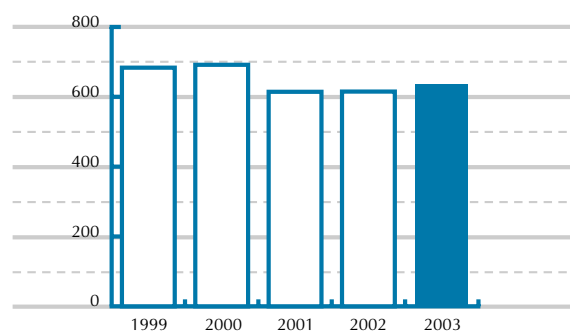
REMUNERATION COMMITTEE

- Chairman** : Y. Bhg. Dato Murad Mohamed Hashim
(Non-Independent Non-Executive Director)
- Members** : Y. Bhg. Dato' Ismail bin Said
(Independent Non-Executive Director)
- Mr Cheng Yong Kwang
(Non-Independent Non-Executive Director)
- Terms of Reference** :
- 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

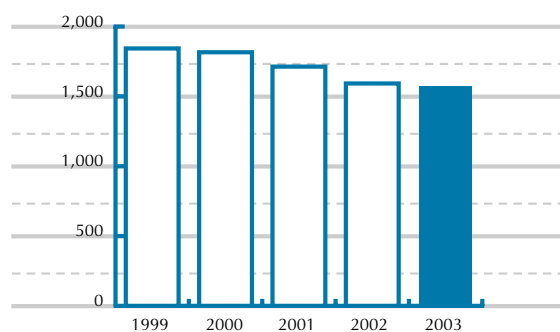
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	683,468	691,698	614,372	615,031	616,906
Profit/(loss) before taxation	(10,506)	(39,430)	21,063	6,453	27,373
Profit/(loss) after taxation	(12,292)	(54,047)	3,154	(10,424)	7,038
Dividends:					
Rate (%)	0.1	0.1	0.1	0.1	0.1
Amounts (net of tax)	125	125	125	125	125
Total assets employed	1,842,877	1,815,709	1,712,947	1,592,136	1,572,807
Shareholders' funds	636,533	603,256	602,298	512,645	505,543
Net tangible assets	586,524	562,148	560,417	471,129	468,318
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	168	161	161	135	134
Loss per share	(4.8)	(18.9)	(1.0)	(2.3)	(0.2)

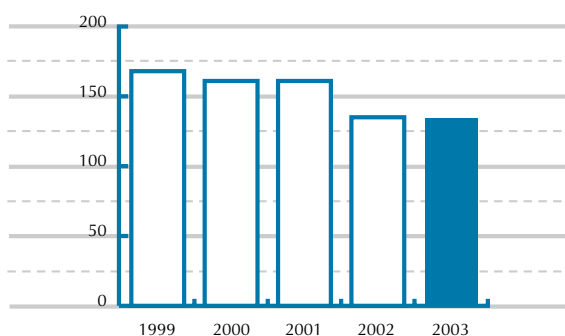
Revenue RM Million



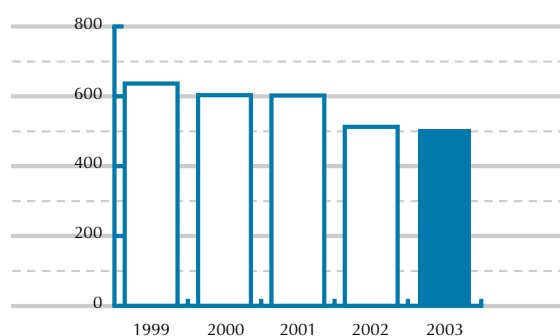
Total Assets Employed RM Million



Net Tangible Assets Per Share Sen



Shareholders' Funds RM Million



THE GROUP'S BUSINESSES



- Modern facilities in our breweries in China to produce quality beer.
- *Kelengkapan moden di kilang-kilang bir di China untuk menghasilkan bir yang berkualiti.*



- Range of beer produced for the domestic market in China.
- *Rangkaian bir yang dikeluarkan untuk pasaran tempatan di China.*



- Celebration of good times at Mahkota Parade with numerous exciting events and performances.
- *Suasana ceria di Mahkota Parade dengan pelbagai acara dan pertunjukan menarik.*

PENYATA Pengerusi

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

PRESTASI KEWANGAN

Untuk tahun kewangan yang ditinjau, Kumpulan telah mencatatkan peningkatan perolehan yang marginal berjumlah RM617 juta berbanding RM615 juta pada tahun lalu. Seperti pada tahun sebelumnya, perolehan Kumpulan disumbangkan oleh operasi-operasi bir di China dan pendapatan daripada pengurusan dua (2) buah pusat membeli-belah iaitu Subang Parade dan Mahkota Parade.

Keuntungan sebelum cukai meningkat ketara kepada RM27.4 juta berbanding RM6.5 juta pada tahun lalu. Prestasi yang mengalakkan ini, sebahagian besarnya disumbangkan oleh keuntungan tinggi dari operasi-operasi bir di China. Kecekapan pengeluaran yang semakin baik dan juga usaha pengurangan kos yang berterusan membolehkan Bahagian Bir ini mencapai keuntungan sebanyak RM20.1 juta berbanding RM4.5 juta pada tahun lalu.

Demi kemajuan, Kumpulan akan terus mengenalpasti dan mencari peluang-peluang perniagaan baru di dalam negara dan di China untuk menggantikan perniagaan teras yang telah dilupuskan dan memastikan pelaburan kesemua pemegang saham dilindungi.

PERKEMBANGAN KORPORAT

Dalam dan selepas akhir tahun kewangan semasa, Kumpulan telah terlibat dan melaksanakan usaha-usaha berikut:

- a) Cadangan Skim Penyusunan Semula Seluruh Kumpulan ("SPSSK") yang dilaksanakan oleh Amsteel Corporation Berhad, Lion Industries Corporation Berhad, Silverstone Corporation Berhad dan Lion Corporation Berhad, antaranya melibatkan pegangan saham Syarikat, telah dilaksanakan dalam tahun kewangan semasa. Dengan pelaksanaan SPSSK pada bulan Mac 2003, Syarikat telah menjadi sebuah anak syarikat Lion Industries Corporation Berhad.
- b) Berikutan dengan kelulusan yang diperolehi daripada para pemegang saham dan pihak berkuasa berkaitan, cadangan pelupusan Subang Parade telah selesai pada akhir tahun kewangan. Opsyen panggilan bagi pelupusan Mahkota Parade melibatkan balasan tunai berjumlah RM146.59 juta masih belum diputuskan.

- c) Pada 9 September 2003, Kumpulan mengumumkan bahawa ia telah memeterai satu cadangan perkongsian strategik dengan Interbrew S.A. melalui cadangan pelupusan 50% kepentingan ekuiti dalam perniagaan bir di China ("Cadangan Pelupusan"). Pada masa yang sama, Kumpulan telah mengumumkan cadangan pengambilalihan Kumpulan Peruncitan Parkson, Kumpulan Komputer Likom, projek Mahkota Cheras dan saham Lion Corporation Berhad, dirujuk sebagai "Cadangan Pengambilalihan". Maklumat terperinci Cadangan Pelupusan dan Cadangan Pengambilalihan dinyatakan pada halaman 77 dan 78 Laporan Tahunan ini.

TINJAUAN PRESTASI

Bahagian Hartanah

Pada tahun tinjauan, kompleks membeli-belah Subang Parade dan Mahkota Parade, masing-masing terletak di Subang Jaya dan Melaka, terus menjana aliran pendapatan sewaan yang mantap biarpun menghadapi persaingan sengit daripada pesaing sedia ada di sekitarnya.

Bahagian ini berjaya meraih perolehan dan keuntungan yang lebih tinggi dalam tahun kewangan semasa. Kadar penyewaan dapat dikekalkan walaupun wabak Sindrom Pernafasan Akut Teruk ("SARS") telah memberikan kesan yang teruk kepada sektor peruncitan.

Berikutan dengan selesainya pelupusan Subang Parade pada bulan Jun 2003, hasil operasi Bahagian ini dijangka akan lebih rendah dalam tahun kewangan akan datang.

Bahagian Bir

Bahagian Bir terus terjejas dengan persaingan yang sengit dan kos pemasaran yang tinggi dalam pasaran di China. Dalam tahun kewangan yang ditinjau, perolehan yang dilaporkan adalah rendah sedikit. Bagaimanapun, dengan kecekapan pengeluaran dan juga langkah pengurangan kos yang sedang dilaksanakan, keuntungan yang tinggi telah dicatatkan dalam tahun semasa.

Berikutan dengan minat mendalam yang ditunjukkan oleh syarikat-syarikat antarabangsa dalam pasaran bir di China dan ramalan pulangan yang kurang memuaskan dalam jangkamasa sederhana, Bahagian ini akan mengambil langkah strategik dengan pengilang bir antarabangsa untuk berkongsi kepakaran teknikal dan pemasaran.

DIVIDEN

Lembaga Pengarah telah mengesyorkan dividen kasar pertama dan akhir sebanyak 0.05 sen (2002 : 0.05 sen) sesaham, ditolak cukai pendapatan untuk kelulusan dalam Mesyuarat Agung Tahunan yang akan datang. Jumlah dividen berbayar jika diluluskan akan berjumlah RM0.1 juta (2002: RM0.1 juta).

PROSPEK

Cadangan pelupusan operasi-operasi bir seperti yang diumumkan selepas akhir tahun kewangan bukan hanya membolehkan Kumpulan mengurangkan pinjaman tetapi juga menyediakan peluang untuk memberikan pulangan menarik daripada pelaburan berkenaan.

Dengan jangkaan ekonomi domestik yang akan mengekalkan pertumbuhannya dan ekonomi China yang diramal terus berkembang, langkah Kumpulan memasuki pelbagai perniagaan baru dijangka akan meningkatkan pendapatannya.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan tulus ikhlas kepada pihak pengurusan dan kesemua kakitangan di atas dedikasi dan iltizam anda sekalian kepada Kumpulan.

Saya juga ingin mengucapkan ribuan terima kasih kepada para pelanggan yang dihargai, pembiaya, sekutu perniagaan, pihak berkuasa kerajaan dan pemegang saham atas sokongan dan keyakinan mereka yang berterusan.

Akhir sekali, saya ingin mengambil peluang ini untuk mengucapkan terima kasih kepada para pengarah yang telah memberikan sumbangan yang tidak ternilai sepanjang tahun ini.

TAN SRI WILLIAM H. J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

For the year under review, the Group recorded a marginally higher revenue of RM617 million as against RM615 million last year. As in the previous year, the Group's revenue was contributed by our brewery operations in China and management income from our two (2) shopping centres namely, Subang Parade and Mahkota Parade.

Profit before taxation rose significantly to RM27.4 million compared to RM6.5 million last year. The commendable performance was largely attributed to higher profits recorded in our China Brewery operations. Improvement in production efficiencies as well as on-going cost cutting exercises undertaken have enabled the Division to achieve a profit of RM20.1 million as against RM4.5 million last year.

Moving forward, the Group will continue to identify and seek out new business opportunities both locally and in China to replace core businesses that have been divested and ensure that all shareholders' investments are safeguarded.

CORPORATE DEVELOPMENTS

During and subsequent to the financial year-end, the Group was involved in and undertook the following exercises:

- a) The proposed Group Wide Restructuring Scheme ("GWRS") undertaken by Amsteel Corporation Berhad, Lion Industries Corporation Berhad, Silverstone Corporation Berhad and Lion Corporation Berhad involving the shareholdings in the Company was implemented during the financial year. Upon the implementation of the GWRS in March 2003, the Company became a subsidiary of Lion Industries Corporation Berhad.
- b) Subsequent to the approvals obtained from the shareholders and the relevant authorities, the proposed disposal of Subang Parade had been completed at the end of the financial year. The call option for the disposal of Mahkota Parade for a cash consideration of RM146.59 million is still pending.
- c) On 9 September 2003, the Group announced that it had entered into a proposed strategic partnership with Interbrew S.A. with the proposed disposal of 50% equity interest in its brewery

business in China ("Proposed Disposal"). At the same time, the Group also announced its proposed acquisition of the Parkson Retail Group, Likom Computer Group, Mahkota Cheras project and Lion Corporation Berhad shares, collectively referred to as the "Proposed Acquisitions". Full details of the Proposed Disposal and Proposed Acquisitions are set out on pages 77 and 78 of this Annual Report.

REVIEW OF OPERATIONS

Property Division

For the year under review, Subang Parade and Mahkota Parade located at Subang Jaya and Melaka respectively, continue to generate a steady stream of rental income despite intense competition from existing competitors within their vicinity.

The Division managed to achieve a higher revenue and profit for the current financial year. Occupancy rates were also well maintained despite the outbreak of the Severe Acute Respiratory Syndrome ("SARS") that had adversely impacted the retailing sector.

Following the completion of the disposal of Subang Parade in June 2003, the operating results for this Division are expected to be lower in the next financial year.

Brewery Division

Our Brewery Division continued to be affected by the intense competition and high marketing costs in the China brewery market. Marginally lower revenue was reported in the financial year under review. However, with the improvement in production efficiencies as well as the on-going cost cutting exercise undertaken by our Brewery Division, a higher profit was registered for the current year.

In view of the recent keen interest shown by international players in the China brewery market and the less than satisfactory returns expected in the medium term, the Group will enter into strategic tie-ups with international brewers to tap their technical and marketing expertise.

DIVIDEND

The Board is recommending a first and final gross dividend of 0.05 sen (2002 : 0.05 sen) per share, less tax, for approval at the forthcoming Annual General Meeting. The total dividend payable for the financial year, if approved, will amount to RM0.1 million (2002 : RM0.1 million).

PROSPECTS

The proposed disposal of its brewery operations, as announced subsequent to the financial year end will not only enable the Group to further pare down its borrowings but also provide an opportunity to realise its investments at an attractive return.

With the domestic economy expected to maintain its sustained growth and the Chinese economy to expand further, the move by the Group into the various new businesses is expected to enhance its earnings position.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to the management and all employees for their dedication and commitment to the Group.

I would also like to extend our sincere thanks to all our valued customers, financiers, business associates, government authorities and shareholders for their continued support and confidence.

Last but not least, I would like to take this opportunity to thank my fellow Directors for their invaluable contribution throughout the year.

TAN SRI WILLIAM H. J. CHENG
Chairman



主席报告

我谨代表董事部，欣然提呈金狮多元控股截至2003年6月30日为止的财政年度的常年报告及经审核财务报告。

财务表现

在本财政年度，本集团的收入略有增加，从上一年度的6亿1千500万零吉增加到6亿1千700万零吉。和上一年度一样，本集团的收入来自中国的酿酒部以及首邦百利及皇冠百利的两个购物中心之管理收入。

税前利润增加到2千740万零吉，上一年度是650万零吉。这种值得赞许的表现，主要是我们在中国的酿酒部业务赚取更高的利润。酿酒部改善生产效率以及不断采取削减成本的措施，使其利润从上一年度的450万零吉增加到本年度的2千零10万零吉。

展望未来，本集团将继续鉴定和寻找在本地和在中国的新商业机会，以取代已经脱售的核心业务，及确保所有股东的投资获得保障。

企业发展

在本财政年度和本财政年度后，本集团涉及下述的活动：

- 建议中的整个金狮集团的重组计划（“重组计划”）在本财政年度内执行，参与重组者包括合钢实业、金狮工业、银石盾机构和金狮机构。此涉及本公司股权分配的重组计划于2003年3月执行后，本公司成为了金狮工业的子公司。
- 由于获得股东和有关当局的批准，建议中脱售首邦百利的工作在本财政年度结束前完成。以购买选择权方式为现金总额1亿4千659万零吉出售皇冠百利的计划还没有落实。
- 在2003年9月9日，本集团宣布，它已经和Interbrew S.A. 公司达致建议中的策略伙伴关系，建议脱售在中国的酿酒业的50% 股权给后者（“建议中的脱售”）。与此同时，本集团也宣布建议收购百威零售集团、丽康电脑集团、皇冠蕪赖计划以及金狮机构的股票，这些合称“建议中的收购”。建议中的脱售和建议中的收购之详情，列在本常年报告第77页及78页。

业务检讨

产业部

在受检讨的一年内，分别坐落在梳邦再也和马六甲的首邦百利和皇冠百利，尽管面对着它们周围的现有竞争者的激烈竞争，继续取得稳定的租金收入。

在这个财政年度内，这个部门取得更高的收入和利润。尽管严重急性呼吸系统综合症（又名非典型肺炎）对零售产业产生不利影响，这两个广场仍保持高租用率。

随着在2003年6月完成脱售首邦百利，在下一个财政年度，预料这部门的业绩将会减少。

酿酒部

在本财政年度，我们的酿酒部继续受到中国酿酒市场剧烈竞争和高销售成本的不利影响，使其营业额略为减少，不过，由于我们的酿酒部改善生产效率和采取削减成本的措施，因此得以在这一年内获得较高的利润。

鉴于国际性酿酒公司最近对中国酿酒市场深感兴趣，以及预料在中期内酿酒业的回酬会不令人满意，本集团将与这些国际酿酒公司建立策略伙伴关系，以掌握其科技与行销的专能。

股息

董事会建议，派发一次过终期股息每股0.05仙（2002年为每股0.05仙）扣除所得税，此建议必须获得将召开的常年股东大会批准。如果获得批准，本财政年度分发的股息总额是10万零吉（2002年度为10万零吉）。

展望

在本财政年度后宣布的出售酿酒业业务，不仅将使本集团能够进一步削减债务，也将提供机会，让这投资取得吸引人的回酬。

由于国内经济预料将持续成长，以及中国经济将进一步扩展，本集团如果投入各项新的业务，预料将会加强其盈利地位。

鸣谢

我谨代表董事部，真诚感谢管理层和全体雇员，对本集团所作出忠诚的承诺与奉献。

我也要真诚感谢所有尊贵的客户、金融机构、商业伙伴、政府机构和股东们，继续支持我们以给予我们信心。

最后，我也要借这个机会感谢董事们在过去一年中所作出的宝贵贡献。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2003

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Group is principally involved in beer brewing and property management. The Company is an investment holding company. The principal activities of the subsidiary companies are shown in Note 35 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year except for the disposal of the Subang Parade shopping mall by Lion Subang Parade Sdn Bhd, a wholly-owned subsidiary of the Company.

CHANGE OF NAME

On 10 February 2003, the Company changed its name from Chocolate Products (Malaysia) Berhad to Lion Diversified Holdings Berhad.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation	7,038	379
Minority interests	(7,645)	-
Net (loss)/profit for the financial year	<u>(607)</u>	<u>379</u>

DIVIDENDS

The dividends paid by the Company since 30 June 2002 were as follows:

In respect of the financial year ended 30 June 2002 as proposed in the Directors' report of that financial year a first and final gross dividend of 0.05 sen per share on 348,403,501 ordinary shares, less income tax of 28%, paid on 31 December 2002

RM'000

125

For the financial year ended 30 June 2003, the Directors now recommend the payment of a first and final gross dividend of 0.05 sen per share on 348,403,501 ordinary shares, less income tax of 28%, amounting to RM125,425, subject to approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

Subsequent to the financial year ended 30 June 2003, the issued and paid-up share capital of the Company was increased from RM174,201,750.50 to RM174,310,750.50 by the issue of 218,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share for cash pursuant to the Employee Share Option Scheme of the Company.

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

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

In accordance with Article 98 of the Company's Articles of Association, Tan Sri William H. J. Cheng and Dato' Ismail bin Said retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the Directors' remuneration as disclosed in Note 10 to 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 33 to the financial statements.

DIRECTORS' INTERESTS

The Director's interests in shares in the Company at the end of the financial year were as follows:

<u>Indirect interest</u>	Nominal value per ordinary share	Number of shares			As at 30.6.2003
		As at 1.7.2002	Acquired	Disposed	
Tan Sri William H. J. Cheng	RM0.50	232,016,501	207,209,445	(207,209,445)	232,016,501

The Directors' interests in shares in related companies at the end of the financial year were as follows:

<u>Direct interest</u>	Nominal value per ordinary share	As at 1.7.2002	Number of shares			As at 30.6.2003
			Acquired	Disposed	Capital reconstruction	
Tan Sri William H. J. Cheng						
Lion Industries Corporation Berhad	RM1.00	1,680	-	(1,260)	(420)	-
Dato Murad Mohamed Hashim						
LLB Strategic Holdings Berhad	RM1.00	450,000	-	-	N/A	450,000

Indirect interest

Tan Sri William H. J. Cheng

Lion Industries Corporation Berhad	RM1.00	342,179,285	356,516,556	(288,522,327)	(85,519,822)	324,653,692
------------------------------------	--------	-------------	-------------	---------------	--------------	-------------

<u>Indirect interest</u>	Nominal value per ordinary share	As at 1.7.2002	Number of shares			As at 30.6.2003
			Acquired	Disposed		
Tan Sri William H. J. Cheng						
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
Lion Forest Industries Berhad	RM1.00	178,102,171	170,097,271	(171,169,271)	-	177,030,171
Sabah Forest Industries Sdn Bhd						
- Ordinary shares Class 'A'	RM1.00	752,532,412	-	-	-	752,532,412
- Ordinary shares Class 'B'	RM0.10	7,525,324,120	-	-	-	7,525,324,120
Soga Sdn Bhd	RM1.00	4,332,078	-	-	-	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	-	-	-	99,750
LDH Investment Pte Ltd	SGD1.00	4,500,000	-	-	-	4,500,000
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	-	-	-	4,500,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	-	-	-	1,000,000

DIRECTORS' INTERESTS (Continued)

	Nominal value per preference share	Number of shares			As at 30.6.2003
		As at 1.7.2002	Acquired	Disposed	
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	-	-	400,000

	Nominal value per deferred share	Number of shares			As at 30.6.2003
		As at 1.7.2002	Acquired	Disposed	
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	-	-	146,000,000

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

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

N/A – Not Applicable

EMPLOYEE SHARE OPTION SCHEME ('ESOS')

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

The main features of the ESOS are:

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

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

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

Granted on	Subscription price per share	Balance as at 1.7.2002	Granted	Exercised	Lapsed	Balance as at 30.6.2003
19.6.2000	RM0.65	371,000	-	-	(24,000)	347,000

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and 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 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 the Company misleading or inappropriate.

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 affect the ability of the Group or the Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or 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 or the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 6 and 38(a) to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made except as disclosed in Note 39 to the financial statements.

HOLDING AND ULTIMATE HOLDING COMPANY

Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, ceased being the ultimate holding company during the financial year. As at the end of the financial year, the Directors regard Lion Industries Corporation Berhad, a quoted company incorporated in Malaysia, as the holding and ultimate holding company.

In accordance with a resolution of the Board of Directors dated 16 October 2003

TAN SRI WILLIAM H. J. CHENG
CHAIRMAN

HEAH SIEU LAY
MANAGING DIRECTOR

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue:					
- continuing operations		587,695	588,093	25,100	9,850
- discontinued operations	6	29,211	26,938	-	-
	7	616,906	615,031	25,100	9,850
Other operating income	8	10,407	8,456	8,090	6,616
Changes in inventories of work in progress and finished goods		3,201	(1,235)	-	-
Raw materials and consumables used		(279,084)	(295,605)	-	-
Staff costs		(63,237)	(57,539)	(152)	(269)
Depreciation and amortisation expenses		(73,566)	(66,438)	-	-
Selling, marketing and promotional expenses		(95,873)	(97,377)	-	-
Other operating expenses		(64,594)	(68,725)	(17,344)	(1,788)
Allowance for losses on investments	9	(2,034)	(1,000)	(2,034)	(1,000)
Profit from operations	6, 10	52,126	35,568	13,660	13,409
Finance costs	11	(26,319)	(31,632)	(7,201)	(13,089)
Share of results of associated company		1,566	2,517	-	-
Profit from ordinary activities before taxation		27,373	6,453	6,459	320
Taxation:	12				
- Company and subsidiary companies		(19,731)	(16,042)	(6,080)	-
- Associated company		(604)	(835)	-	-
Profit/(loss) from ordinary activities after taxation		7,038	(10,424)	379	320
Minority interests		(7,645)	2,530	-	-
Net (loss)/profit for the financial year		(607)	(7,894)	379	320
Loss per share (sen)	13	(0.2)	(2.3)		
Dividend per share (sen)	31	0.05	0.05	0.05	0.05

The notes on pages 40 to 78 form part of these financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
NON CURRENT ASSETS					
Property, plant and equipment	14	699,416	691,680	-	-
Investment properties	15	146,513	369,991	-	-
Investments in subsidiary companies	16	-	-	90,100	90,100
Investment in associated company	17	50,288	49,326	-	-
Other investments	18	32,225	-	32,225	-
Intangible assets	19	37,225	41,516	-	-
Long term receivable	20	42,270	-	-	-
		1,007,937	1,152,513	122,325	90,100
CURRENT ASSETS					
Inventories	21	134,492	117,220	-	-
Other investments	22	7,720	-	7,720	-
Receivables	23	299,258	227,161	473,179	560,554
Deposits, cash and bank balances	24	123,400	95,242	2,034	1,760
		564,870	439,623	482,933	562,314
LESS: CURRENT LIABILITIES					
Payables	25	440,954	429,782	26,715	65,729
Short term borrowings (interest bearing)	26	274,413	148,268	106,187	29,946
Taxation		31,570	22,011	1,919	166
		746,937	600,061	134,821	95,841
NET CURRENT (LIABILITIES)/ASSETS					
		(182,067)	(160,438)	348,112	466,473
		825,870	992,075	470,437	556,573
CAPITAL AND RESERVES					
Share capital	27	174,202	174,202	174,202	174,202
Reserves	28	331,341	338,443	296,235	295,981
Shareholders' funds		505,543	512,645	470,437	470,183
MINORITY INTERESTS					
		223,914	222,988	-	-
		729,457	735,633	470,437	470,183
NON CURRENT LIABILITIES					
Term loans (interest bearing)	29	96,413	243,750	-	86,390
Deferred taxation	30	-	12,692	-	-
		96,413	256,442	-	86,390
		825,870	992,075	470,437	556,573
Net tangible assets per share (RM)		1.34	1.35		

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

2003	Note	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Revaluation reserves RM'000	Reserves		Total RM'000
						Capital reserves RM'000	Non-distributable Accumulated losses RM'000	
At 1 July 2002		174,202	330,603	129,263	31,239	18,065	(170,727)	512,645
Translation difference on net equity of foreign subsidiary companies		-	-	(1,281)	-	-	-	(1,281)
Revaluation reserves:								
- provision for impairment losses on investment property	15	-	-	-	(5,089)	-	-	(5,089)
- realisation on disposal of investment property		-	-	-	(25,909)	-	25,909	-
Net (loss)/gain not recognised in income statement		-	-	(1,281)	(30,998)	-	25,909	(6,370)
Appropriation from income statement to capital reserves		-	-	-	-	941	(941)	-
Net loss for the financial year		-	-	-	-	-	(607)	(607)
Dividend for the financial year ended 30 June 2002	31	-	-	-	-	-	(125)	(125)
At 30 June 2003		<u>174,202</u>	<u>330,603</u>	<u>127,982</u>	<u>241</u>	<u>19,006</u>	<u>(146,491)</u>	<u>505,543</u>

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 (Continued)

	Note	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Revaluation reserves RM'000	Reserves		Total RM'000
						Capital reserves RM'000	Non-distributable Accumulated losses RM'000	
2002								
At 1 July 2001		174,202	330,603	129,597	112,539	16,378	(161,021)	602,298
Translation difference on net equity of foreign subsidiary companies		-	-	(334)	-	-	-	(334)
Revaluation reserves:								
- provision for impairment losses on investment properties	15	-	-	-	(71,300)	-	-	(71,300)
- deferred tax on investment property held for sale	30	-	-	-	(10,000)	-	-	(10,000)
Net loss not recognised in income statement		-	-	(334)	(81,300)	-	-	(81,634)
Appropriation from income statement to capital reserves		-	-	-	-	1,687	(1,687)	-
Net loss for the financial year		-	-	-	-	-	(7,894)	(7,894)
Dividend for the financial year ended 30 June 2001		-	-	-	-	-	(125)	(125)
At 30 June 2002		<u>174,202</u>	<u>330,603</u>	<u>129,263</u>	<u>31,239</u>	<u>18,065</u>	<u>(170,727)</u>	<u>512,645</u>

The notes on pages 40 to 78 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	Share capital RM'000	Reserves		Total RM'000
			Share premium RM'000	Non-distributable Accumulated losses RM'000	
2003					
At 1 July 2002		174,202	330,603	(34,622)	470,183
Net profit for the financial year		-	-	379	379
Dividend for the financial year ended 30 June 2002	31	-	-	(125)	(125)
At 30 June 2003		<u>174,202</u>	<u>330,603</u>	<u>(34,368)</u>	<u>470,437</u>
2002					
At 1 July 2001		174,202	330,603	(34,817)	469,988
Net profit for the financial year		-	-	320	320
Dividend for the financial year ended 30 June 2001		-	-	(125)	(125)
At 30 June 2002		<u>174,202</u>	<u>330,603</u>	<u>(34,622)</u>	<u>470,183</u>

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	2003 RM'000	2002 RM'000
NET CASH FLOW FROM OPERATING ACTIVITIES	A	97,154	72,958
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,886	11,095
Purchase of property, plant and equipment		(62,430)	(45,278)
Purchase of proprietary technology and patents		(202)	(4,308)
Net repayments to related companies		-	(772)
Acquisition of a subsidiary company	B	(2,280)	-
Additional investment in a subsidiary company		(4,436)	-
Proceeds from disposal of investment property	6	22,340	-
Proceeds from investment in bonds		198	-
Net cash flow used in investing activities		(44,924)	(39,263)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(125)	(125)
Repayment of short term borrowings		(14,140)	(23,186)
Repayment of long term loans		(52,292)	(28,678)
Proceeds from short term borrowings and long term loans drawdown		42,423	10,832
Movement in deposits earmarked for loan repayment		2,400	6,700
Net cash flow used in financing activities		(21,734)	(34,457)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	C	30,496	(762)

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 (Continued)

	2003 RM'000	2002 RM'000
A NET CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the financial year	(607)	(7,894)
Adjustments for:		
Taxation	20,335	16,877
Minority interests	7,645	(2,530)
Depreciation of property, plant and equipment	68,934	61,765
Property, plant and equipment written off/written down	3,558	5,332
Loss on disposal of property, plant and equipment	97	1
Allowance for diminution in value of investments	1,802	-
Amortisation of goodwill on consolidation	265	386
Amortisation of proprietary technology and patents	4,367	4,287
Allowance for doubtful debts	747	8,888
Allowance for obsolete inventories	334	4,560
Interest expense	26,319	31,632
Interest income	(6,659)	(5,250)
Share of results of associated company	(1,566)	(2,517)
	<hr/>	<hr/>
	125,571	115,537
Changes in working capital:		
Inventories	(9,506)	(11,333)
Receivables	3,809	9,329
Payables	21,042	14,108
	<hr/>	<hr/>
	140,916	127,641
Interest paid	(19,172)	(28,227)
Interest received	3,447	1,040
Tax paid - net	(28,037)	(27,496)
	<hr/>	<hr/>
Net cash flow from operating activities	<u>97,154</u>	<u>72,958</u>

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 (Continued)

	2003 RM'000	2002 RM'000
B ACQUISITION OF A SUBSIDIARY COMPANY *		
The fair values of assets and liabilities of the subsidiary company acquired were as follows:		
Property, plant and equipment	24,933	-
Inventories	8,100	-
Receivables	5,466	-
Intangible assets	139	-
Cash and bank balances	4,368	-
Payables	(31,342)	-
Short term borrowings	(2,755)	-
Taxation	(557)	-
	<hr/>	<hr/>
	8,352	-
Minority interests	(1,704)	-
	<hr/>	<hr/>
Cost of acquisition	6,648	-
Less: Cash and bank balances in subsidiary company acquired	(4,368)	-
	<hr/>	<hr/>
Net cash outflow from acquisition of a subsidiary company	<u>2,280</u>	<u>-</u>

* On 8 July 2002, Lion Brewing Group Co Ltd ('Lion Brewing') and Consitrade (M) Sdn Bhd ('Consitrade') entered into agreements with Jinkeda Group Co Ltd ('Jinkeda') for the acquisition by Lion Brewing of a 54.6% equity interest and Consitrade of a 25% equity interest in Jinhua Lion Brewery Co Ltd ('Jinhua') from Jinkeda for a total cash consideration of RM6.6 million. The acquisition of Jinhua was completed on 30 December 2002.

The effect of the above acquisition on the financial results of the Group during the financial year have not been disclosed separately as it is not material to the Group.

The notes on pages 40 to 78 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 (Continued)

	2003 RM'000	2002 RM'000
C ANALYSIS OF CASH AND CASH EQUIVALENTS		
At beginning of financial year	73,698	74,460
Net increase/(decrease) in cash and cash equivalents during the financial year	30,496	(762)
At end of financial year	<u>104,194</u>	<u>73,698</u>
Represented by:		
Deposits, cash and bank balances	123,400	95,242
Bank overdrafts	(17,206)	(17,144)
	<u>106,194</u>	<u>78,098</u>
Less: Deposits earmarked for loan repayment	(2,000)	(4,400)
	<u>104,194</u>	<u>73,698</u>

The notes on pages 40 to 78 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	379	320
Adjustments for:		
Allowance for doubtful debts	16,000	1,000
Allowance for diminution in value of investments	1,802	-
Taxation	6,080	-
Interest expense	7,201	13,089
Interest income	(8,040)	(6,606)
Dividend income	(25,100)	(9,850)
	<u>(1,678)</u>	<u>(2,047)</u>
Changes in working capital:		
Receivables	6	473
Payables	(81)	-
	<u>(1,753)</u>	<u>(1,574)</u>
Interest paid	-	(9,531)
Interest received	30	118
Tax paid	(99)	(47)
	<u>(1,822)</u>	<u>(11,034)</u>
Net cash flow used in operating activities		
	<u>(1,822)</u>	<u>(11,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net advances to holding, subsidiary and related companies	(8,700)	(5,620)
Dividend received	20,872	9,332
Proceeds from investment in bonds	198	-
	<u>12,370</u>	<u>3,712</u>
Net cash flow from investing activities		
	<u>12,370</u>	<u>3,712</u>

The notes on pages 40 to 78 form part of these financial statements.

COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003 (Continued)

	2003 RM'000	2002 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(125)	(125)
Movement in deposits earmarked for loan repayment	(640)	7,550
Repayment of term loans	(10,149)	-
	<hr/>	<hr/>
Net cash flow (used in)/from financing activities	(10,914)	7,425
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		
	(366)	103
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		
	1,510	1,407
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		
	1,144	1,510
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Deposits, cash and bank balances	2,034	1,760
Less: Deposits earmarked for loan repayment	(890)	(250)
	<hr/>	<hr/>
	1,144	1,510
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 40 to 78 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Group is principally involved in beer brewing and property management. The Company is an investment holding company. The principal activities of the subsidiary companies are shown in Note 35 to the financial statements.

The number of employees in the Group and the Company as at 30 June 2003 was 7,795 (2002: 7,569) employees and 3 (2002: 3) employees respectively.

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 addresses of the registered office and principal place of business of the Company are:

Registered office

Level 46, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Principal place of business

Lot F36, First Floor, Subang Parade
5, Jalan SS 16/1
Subang Jaya
47500 Petaling Jaya

2 GOING CONCERN

The Group incurred a loss after taxation and minority interests of RM607,000 during the financial year ended 30 June 2003. At that date, current liabilities of the Group exceeded current assets by RM182,067,000. As disclosed in Note 39 to the financial statements, the Group has entered into agreements to rationalise the Group structure and principal activities.

The Directors are of the opinion that the rationalisation scheme referred to above will be successfully implemented. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

3 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 the individual policy statements in Note 4 to the financial statements.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

The new applicable approved accounting standards adopted in these financial statements are as follows:

- MASB Standard 22 'Segment Reporting'
- MASB Standard 24 'Financial Instruments: Disclosure and Presentation'
- MASB Standard 25 'Income Taxes'

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative figures have been adjusted or extended to conform with changes in presentation due to the requirements of the new MASB Standards 22 'Segment Reporting' and 25 'Income Taxes' that have been applied retrospectively.

The effects of the application of MASB Standard 22 are shown in Note 36 to the financial statements.

The effects of the requirements of MASB Standard 25 have been reflected in Note 12 to the financial statements.

Comparatives are not disclosed upon first application of MASB Standard 24, as permitted by the Standard.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. 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. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method. Under the acquisition method, the results of subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies net assets are determined and these values are reflected in the consolidated financial statements.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

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

(b) Associated companies

Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the results of associated companies for the period. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill on acquisition, where applicable.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with the Group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the fair value of the net assets of subsidiary companies at the date of acquisition. Goodwill is amortised systematically over the period of time during which the benefits are expected to accrue but not exceeding 20 years. During the financial year, the Group changed its accounting policy to amortise the goodwill over 25 years to be in line with its holding company. The effect of the change is however, not material.

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

(d) Investments

Investments in subsidiaries and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments are shown at cost and allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities (within current assets) are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(e) Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is higher of an asset's net selling price and value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

Investment properties consist of freehold and leasehold properties held for long term rental yields and are stated at valuation less provision for any impairment loss. It is the Group's policy to appraise the investment properties periodically and at least once in every five years by independent professional valuers based on market value. In respect of each individual property, any surplus arising therefrom will be taken to the revaluation reserve. A deficit or impairment loss is charged to the income statement to the extent that it is in excess of amount outstanding in the revaluation reserve. On subsequent sale of the property, the reserve is realised through retained earnings.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land and construction in progress are not depreciated. Leasehold land is amortised in equal instalments over the periods of the respective leases which range from 50 to 99 years. Other property, plant and equipment are depreciated over their estimated useful lives on the straight line basis at the following annual rates:

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

(h) Inventories

Inventories comprising raw materials, consumables stores, work-in-progress, finished goods and developed industrial land held for re-sale, are stated at the lower of cost and net realisable value.

Cost of raw materials, consumable stores, work-in-progress and finished goods is determined using the weighted average basis. For work-in-progress and finished goods, cost represents materials, direct labour and an appropriate proportion of production overheads.

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

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(i) Intangible assets

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on review of material outstanding amounts at the year end.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

(m) Revenue recognition

Revenue from sale of goods are recognised upon delivery of products and customer acceptance, net of sales taxes and discounts, and after eliminating sales within the Group.

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

Rental and interest income are recognised on the accruals basis.

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

(n) Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the transaction dates or at contracted rates, where applicable. At balance sheet date, monetary assets and liabilities resulting from foreign currency transactions are translated into Ringgit Malaysia at exchange rates ruling at that date or at contracted rates, where applicable. Exchange differences arising therefrom are dealt with through the income statement.

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

(ii) Translation of foreign currency operations

In the Group accounts, assets and liabilities of overseas subsidiaries are translated into Ringgit Malaysia at the exchange rates ruling at the balance sheet date. Results of operations of those foreign entities are translated at average rates for the financial year that best approximates the exchange rates at the dates of the transactions. Exchange differences are dealt with through the Exchange Fluctuation Reserves.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currencies (Continued)

The principal closing rates used in translation of foreign currencies amounts were as follows:

<u>Foreign currencies</u>	30.6.2003	30.6.2002
	RM	RM
1 USD (United States of America)	3.80	3.80
1 SGD (Singapore)	2.15	2.14
1 Rmb (People's Republic of China)	0.46	0.46

(o) Financial instruments

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statement associated with each item.

(ii) Fair value estimation for disclosure purposes

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(p) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, results, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, results, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group financial risk management policies.

(i) Foreign currency exchange risk

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

(ii) Interest rate risk

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

(iii) Market risk

For key product purchases, the Group establishes floating and fixed priced levels that the Group considers acceptable. The Group does not face significant exposure from the risk of changes in debt and equity prices.

(iv) Credit risk

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

(v) Liquidity and cash flow risk

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

6 DISCONTINUED OPERATIONS

On 24 December 2002, Lion Subang Parade Sdn Bhd, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the disposal of its shopping mall known as Subang Parade and the related freehold land held in the District of Petaling, Selangor. As a result, provision for impairment losses on this investment property have been made in the previous and current financial years.

The disposal was deemed completed on 16 June 2003 upon fulfillment of the conditions precedent and the Subang Parade shopping mall was handed over to the purchaser on 21 August 2003. Consequently, the Group had ceased its operations in the management of the Subang Parade shopping mall.

6 DISCONTINUED OPERATIONS (Continued)

The impairment losses relating to the disposal of the Subang Parade shopping mall for the financial year were as follows:

	GROUP	
	2003	2002
	RM'000	RM'000
Impairment of investment property (Note 15)	<u>5,089</u>	<u>50,900</u>

The effect of the disposal of the Subang Parade shopping mall on the results of the Group for the financial year was as follows:

	GROUP	
	2003	2002
	RM'000	RM'000
Revenue	29,211	26,938
Operating costs	<u>(9,171)</u>	<u>(9,645)</u>
Profit from operations *	20,040	17,293
Finance costs	<u>(1,846)</u>	<u>(488)</u>
Profit before taxation	18,194	16,805
Taxation	<u>(5,500)</u>	<u>(5,182)</u>
Profit after taxation	<u>12,694</u>	<u>11,623</u>

The profit from continuing and discontinued operations of the Group is analysed as follows:

	GROUP	
	2003	2002
	RM'000	RM'000
- continuing operations	32,086	18,275
- discontinued operations *	<u>20,040</u>	<u>17,293</u>
Profit from operations	<u>52,126</u>	<u>35,568</u>

The effect of the disposal of the Subang Parade shopping mall on the financial position of the Group was as follows:

	GROUP
	At date of disposal
	RM'000
Investment property disposed (Note 15)	(218,389)
Plant and equipment disposed	(2,121)
Net proceeds from disposal #	<u>220,510</u>
Gain/(loss) on disposal	<u>-</u>

6 DISCONTINUED OPERATIONS (Continued)

	GROUP At date of disposal RM'000
# The net proceeds from disposal comprise of:	
Deposit received upon signing of sale and purchase agreement	22,340
Sale proceeds receivable within 12 months (Note 23)	158,800
Sale proceeds receivable after 12 months (Note 20)	42,270
Expenses directly attributable to the disposal	(2,900)
	<u>220,510</u>

7 REVENUE

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Sale of goods	563,450	565,597	-	-
Sale of industrial land	433	207	-	-
Rental and related income	53,023	49,227	-	-
Dividend income from unquoted investments in subsidiary companies	-	-	25,100	9,850
	<u>616,906</u>	<u>615,031</u>	<u>25,100</u>	<u>9,850</u>

8 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Interest income on:				
- amounts owing from subsidiary companies	-	-	5,062	2,521
- amounts owing from related companies	32	4,037	-	3,967
- unquoted bonds	2,945	-	2,945	-
- short term deposits and others	3,682	1,213	33	118
	<u>6,659</u>	<u>5,250</u>	<u>8,040</u>	<u>6,606</u>
Other income	3,748	3,206	50	10
	<u>10,407</u>	<u>8,456</u>	<u>8,090</u>	<u>6,616</u>

9 ALLOWANCE FOR LOSSES ON INVESTMENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Allowance for doubtful debts arising from the restructuring scheme (Note 38(a)) on amounts owing by certain related companies	(232)	(1,000)	(232)	(1,000)
Allowance for diminution in value of quoted investments	(1,802)	-	(1,802)	-
	(2,034)	(1,000)	(2,034)	(1,000)

10 PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
The following items have been charged/ (credited) in arriving at profit from operations:				
Directors' remuneration (Note 33)	1,150	91	113	91
Auditors' remuneration	404	400	7	8
Property, plant and equipment:				
- depreciation	68,934	61,765	-	-
- written off/written down	3,558	5,332	-	-
- loss on disposal	97	1	-	-
Rental of land and buildings	2,057	1,488	-	-
Allowance for doubtful debts:				
- subsidiary companies	-	-	15,768	-
- others	515	7,888	-	-
Allowance for obsolete inventories	334	4,560	-	-
Amortisation of goodwill on consolidation	265	386	-	-
Amortisation of proprietary technology and patents	4,367	4,287	-	-

11 FINANCE COSTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense on:				
- amounts owing to holding and related companies	-	(3,074)	-	(2,720)
- amounts owing to subsidiary companies	-	-	(92)	(838)
- bank borrowings	(26,079)	(28,558)	(6,869)	(9,531)
- others	(240)	-	(240)	-
	<u>(26,319)</u>	<u>(31,632)</u>	<u>(7,201)</u>	<u>(13,089)</u>

12 TAXATION

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Taxation for the financial year comprises:				
Company and subsidiary companies				
Arising in Malaysia:				
Current taxation				
- current year tax charge	(9,859)	(7,751)	(4,500)	-
- under provision in prior years	(1,969)	(702)	(1,580)	-
	<u>(11,828)</u>	<u>(8,453)</u>	<u>(6,080)</u>	<u>-</u>
Arising outside Malaysia:				
Current year tax charge	(7,903)	(7,589)	-	-
	<u>(19,731)</u>	<u>(16,042)</u>	<u>(6,080)</u>	<u>-</u>
Associated company				
Arising outside Malaysia:				
Current year tax charge	(604)	(835)	-	-
	<u>(604)</u>	<u>(835)</u>	<u>-</u>	<u>-</u>
Total	<u>(20,335)</u>	<u>(16,877)</u>	<u>(6,080)</u>	<u>-</u>

12 TAXATION (Continued)

The explanation of the relationship between tax expense and the Group's and Company's profit from ordinary activities before taxation is as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit from ordinary activities before taxation	<u>27,373</u>	<u>6,453</u>	<u>6,459</u>	<u>320</u>
Tax calculated at the Malaysian tax rate of 28%	(7,664)	(1,807)	(1,809)	(90)
Tax effects of:				
- different tax rates in other countries	859	1,188	-	-
- expenses not deductible for tax purposes	(4,631)	(9,332)	(5,491)	(2,150)
- income not subject to tax	697	711	2,800	2,240
- previously unrecognised tax losses used to reduce current year tax	68	97	-	-
- Under provision in prior years	(1,969)	(702)	(1,580)	-
- Deferred tax assets not recognised in current/prior year	(7,695)	(7,032)	-	-
Tax expense	<u>(20,335)</u>	<u>(16,877)</u>	<u>(6,080)</u>	<u>-</u>

Subject to agreement by the tax authorities, the Group and the Company has unabsorbed tax losses available for carry forward amounting to approximately RM140 million (2002: RM114 million) and RM56,000 (2002: RM56,000) respectively. The benefits of the tax losses will only be obtained if the Company and the relevant subsidiary companies derive future assessable income of a nature and of amounts sufficient for the losses to be utilised.

13 LOSS PER SHARE

The loss per share is calculated by dividing the Group's net loss for the financial year of RM607,000 (2002: RM7,894,000) by the number of ordinary shares of the Company in issue during the financial year of 348.4 million (2002: 348.4 million).

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

14 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Long term leasehold land and buildings RM'000	Short term leasehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Construction in progress RM'000	Total RM'000
NET BOOK VALUE AT 1 JULY 2001	5,582	247,912	409,478	12,792	14,620	34,211	724,595
Additions	-	2,217	2,416	954	4,429	35,262	45,278
Reclassification	-	2,838	43,749	(59)	636	(47,164)	-
Disposals/written off/written down	-	(1,981)	(12,825)	(1,019)	(603)	-	(16,428)
Depreciation charge	(155)	(9,545)	(46,096)	(2,862)	(3,107)	-	(61,765)
NET BOOK VALUE AT 30 JUNE 2002	<u>5,427</u>	<u>241,441</u>	<u>396,722</u>	<u>9,806</u>	<u>15,975</u>	<u>22,309</u>	<u>691,680</u>
Acquisition of a subsidiary company	-	6,117	12,640	539	169	5,468	24,933
Additions	-	1,496	4,033	1,891	893	54,117	62,430
Reclassification	-	4,070	22,179	467	2,142	(28,858)	-
Disposals/written off/written down	-	(672)	(8,345)	(458)	(702)	(516)	(10,693)
Depreciation charge	(155)	(9,970)	(52,226)	(2,193)	(4,390)	-	(68,934)
NET BOOK VALUE AT 30 JUNE 2003	<u>5,272</u>	<u>242,482</u>	<u>375,003</u>	<u>10,052</u>	<u>14,087</u>	<u>52,520</u>	<u>699,416</u>
<u>At 30 June 2003</u>							
Cost	6,823	313,176	662,190	21,143	28,460	52,520	1,084,312
Accumulated depreciation	(1,551)	(70,694)	(287,187)	(11,091)	(14,373)	-	(384,896)
Net book value	<u>5,272</u>	<u>242,482</u>	<u>375,003</u>	<u>10,052</u>	<u>14,087</u>	<u>52,520</u>	<u>699,416</u>
<u>At 30 June 2002</u>							
Cost	6,823	299,680	634,688	19,024	30,458	22,309	1,012,982
Accumulated depreciation	(1,396)	(58,239)	(237,966)	(9,218)	(14,483)	-	(321,302)
Net book value	<u>5,427</u>	<u>241,441</u>	<u>396,722</u>	<u>9,806</u>	<u>15,975</u>	<u>22,309</u>	<u>691,680</u>

- (a) The titles to certain short term leasehold land have not been transferred to the subsidiary companies as at 30 June 2003.
- (b) Properties, plant and equipment of certain subsidiaries amounting to RM70.5 million (2002: RM83.1 million) have been charged as security for term loan facilities obtained by the Group (Notes 26 and 29).

15 INVESTMENT PROPERTIES

	GROUP	
	2003 RM'000	2002 RM'000
Land and buildings, at valuation:		
At 1 July	369,991	441,291
Provision for impairment losses:		
- freehold (Note 6)	(5,089)	(50,900)
- long term leasehold	-	(20,400)
	<hr/>	<hr/>
	364,902	369,991
Disposals (Note 6)	(218,389)	-
	<hr/>	<hr/>
At 30 June	146,513	369,991
	<hr/> <hr/>	<hr/> <hr/>
Comprising:		
- freehold	-	223,478
- long term leasehold	146,513	146,513
	<hr/>	<hr/>
Total	146,513	369,991
	<hr/> <hr/>	<hr/> <hr/>

The investment properties consist of commercial shopping complexes. The investment properties were revalued in 1999 by the Directors based on valuations carried out by a firm of professional valuers using the open market value basis. The properties have been charged as security for syndicated term loan and overdraft facilities obtained by subsidiary companies (Notes 26 and 29).

The title to the long term leasehold land has not been transferred to the subsidiary company as at 30 June 2003.

The freehold land and buildings, comprising the Subang Parade shopping mall, was disposed of during the financial year (Note 6).

16 INVESTMENTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	111,154	111,154
Less: Allowance for diminution in value	(21,054)	(21,054)
	<hr/>	<hr/>
	90,100	90,100
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary companies are listed in Note 35 to the financial statements.

The above investments in subsidiary companies have been pledged as security for term loan facilities obtained

17 INVESTMENT IN ASSOCIATED COMPANY

	GROUP	
	2003 RM'000	2002 RM'000
Unquoted investment, at cost	46,624	46,624
Group's share of post acquisition retained profits	3,664	2,702
	<u>50,288</u>	<u>49,326</u>
Group's share of net assets, excluding goodwill	50,288	49,326
Goodwill	-	-
	<u>50,288</u>	<u>49,326</u>

The details of the associated company are as follows:

Name	Country of incorporation	Principal activities	Group's effective interest	
			2003	2002
Ningbo Lion Brewery Co Ltd	People's Republic of China	Beer brewing	44.71%	44.71%

18 OTHER INVESTMENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unquoted bonds issued by:				
- ultimate holding company	21,991	-	21,991	-
- former ultimate holding company	14,262	-	14,262	-
	<u>36,253</u>	<u>-</u>	<u>36,253</u>	<u>-</u>
Accrued interest	2,945	-	2,945	-
	<u>39,198</u>	<u>-</u>	<u>39,198</u>	<u>-</u>
Less: Bonds redeemable within one year (Note 22)	(6,973)	-	(6,973)	-
	<u>32,225</u>	<u>-</u>	<u>32,225</u>	<u>-</u>

The unquoted bonds issued by the ultimate holding company and former ultimate holding company bear a yield to maturity of 5.75% and 4.75% per annum respectively.

The carrying values at the balance sheet date of these investments approximated their fair values.

19 INTANGIBLE ASSETS

	GROUP	
	2003 RM'000	2002 RM'000
Goodwill on consolidation	5,848	5,848
Accumulated amortisation	(1,479)	(1,214)
	4,369	4,634
Pre-production expenditure	18,421	18,421
Proprietary technology and patents	50,302	49,961
Accumulated amortisation	(35,867)	(31,500)
	32,856	36,882
Total	37,225	41,516

20 LONG TERM RECEIVABLE

The long term receivable comprises of sale proceeds receivable from the disposal of the Subang Parade shopping mall during the financial year (Note 6) and is analysed as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Total proceeds receivable	201,070	-
Less: Amount receivable within 12 months (Note 23)	(158,800)	-
Amount receivable after 12 months	42,270	-

The current portion of the sale proceeds receivable of RM158,800,000 was collected subsequent to the financial year end in August 2003.

The long term portion of the sale proceeds receivable of RM42,270,000 should be paid by the purchaser within 11 months of the extended completion date as prescribed under the Sale and Purchase Agreement, the extended completion date being 18 August 2003.

The carrying value at the balance sheet date of the long term receivable approximated the fair value.

21 INVENTORIES

	GROUP	
	2003 RM'000	2002 RM'000
At cost:		
Industrial land	13,193	13,404
Raw materials	80,826	71,941
Work-in-progress	19,057	15,933
Finished goods	7,813	4,965
Consumable stores	7,220	7,679
At net realisable value:		
Consumable stores	6,383	3,298
Total	134,492	117,220

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

	GROUP	
	2003 RM'000	2002 RM'000
Consumable stores	10,463	7,858

Certain industrial land lots of a subsidiary company amounting to RM7.8 million (2002: RM7.9 million) have been charged as security for term loan facilities obtained by the Group (Note 29). The title to the industrial land has not been transferred to the subsidiary company as at 30 June 2003.

22 OTHER INVESTMENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Shares quoted in Malaysia, at cost	2,549	-	2,549	-
Less: Allowance for diminution in value of investments	(1,802)	-	(1,802)	-
	747	-	747	-
Unquoted bonds - portion redeemable within 1 year (Note 18)	6,973	-	6,973	-
	7,720	-	7,720	-
Market value of quoted shares	747	-	747	-

The carrying values at the balance sheet date of these investments approximated their fair values.

23 RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	56,346	51,353	-	-
Less: Allowance for doubtful debts	(11,524)	(11,009)	-	-
	44,822	40,344	-	-
Amounts owing by subsidiary companies	-	-	542,817	523,385
Less: Allowance for doubtful debts	-	-	(72,911)	(57,143)
	-	-	469,906	466,242
Amounts owing by related companies	55	97,698	-	95,296
Less: Allowance for doubtful debts	-	(7,000)	-	(7,000)
	55	90,698	-	88,296
Amounts owing by associated company	1,829	5,198	-	-
Other receivables, deposits and prepayments	91,972	87,782	2,178	4,921
Less: Allowance for doubtful debts	(2,263)	(2,263)	-	-
	89,709	85,519	2,178	4,921
Sale proceeds receivable from disposal of Subang Parade shopping mall (Note 20)	158,800	-	-	-
Tax recoverable	4,043	5,402	1,095	1,095
Total	299,258	227,161	473,179	560,554

The receivables of the Group and of the Company amounting to RM4.8 million (2002: RM12.1 million) and RM3.3 million (2002: RM6.0 million) respectively have been pledged as security, by way of floating charge, for term loan facilities obtained by the Group (Note 29).

The amounts owing by subsidiary companies are unsecured, have no fixed terms of repayment and interest is charged at the rate of 1.0% (2002: 0.1% to 5.5%) per annum.

The amount owing by associated company and other receivables are unsecured, interest free and have no fixed terms of repayment.

The amounts owing by related companies are unsecured, have no fixed terms of repayment and interest is charged at the rate of 8.0% (2002: 8.0% to 9.0%) per annum.

23 RECEIVABLES (Continued)

The currency exposure profile of financial assets within receivables is as follows:

	CURRENCY EXPOSURE			
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
<u>Functional currency</u>				
At 30 June 2003				
<u>Group</u>				
Ringgit Malaysia	190,652	-	-	190,652
Chinese Renminbi	-	108,388	-	108,388
Others	-	-	218	218
	<u>190,652</u>	<u>108,388</u>	<u>218</u>	<u>299,258</u>
<u>Company</u>				
Ringgit Malaysia	<u>467,076</u>	<u>1,000</u>	<u>5,103</u>	<u>473,179</u>

The normal credit terms of trade receivables extended by the Group ranged from cash to 30 days.

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

24 DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with licensed banks	32,101	13,434	1,474	1,174
Deposits with licensed finance companies	4,326	7,812	-	-
Cash and bank balances:				
- Malaysia	1,795	1,873	560	586
- Overseas	85,178	72,123	-	-
Total	<u>123,400</u>	<u>95,242</u>	<u>2,034</u>	<u>1,760</u>

Included in overseas cash and bank balances are cash and bank balances of the subsidiary companies in the People's Republic of China which are subject to the exchange control restrictions of that country. The 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.

Included in deposits with licensed banks of the Group and of the Company are deposits amounting to RM2.0 million (2002: RM4.4 million) and RM0.89 million (2002: RM0.25 million) respectively, which have been earmarked for the purposes of loan repayment.

24 DEPOSITS, CASH AND BANK BALANCES (Continued)

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

	CURRENCY EXPOSURE			
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
<u>Functional currency</u>				
At 30 June 2003				
<u>Group</u>				
Ringgit Malaysia	38,222	-	-	38,222
Chinese Renminbi	-	83,570	1,583	85,153
Others	-	-	25	25
	<u>38,222</u>	<u>83,570</u>	<u>1,608</u>	<u>123,400</u>
<u>Company</u>				
Ringgit Malaysia	2,034	-	-	2,034

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

	GROUP 2003 %	COMPANY 2003 %
Deposits with licensed banks	3.1	3.1
Deposits with licensed finance companies	2.3	-

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

25 PAYABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	73,663	65,991	-	-
Other payables and accruals	367,116	310,018	10,102	2,197
Amount owing to holding company	-	35,655	-	35,655
Amounts owing to subsidiary companies	-	-	16,453	13,082
Amounts owing to related companies	175	18,118	160	14,795
Total	<u>440,954</u>	<u>429,782</u>	<u>26,715</u>	<u>65,729</u>

25 PAYABLES (Continued)

Included in other payables and accruals are taxes payable (other than corporate tax) of the subsidiary companies in the People's Republic of China amounting to RM125.7 million (2002: RM119.7 million).

The amounts owing to holding company and related companies are unsecured, have no fixed terms of repayment and interest free (2002: interest charged at 8.0% to 9.5% per annum).

The amounts owing to subsidiary companies are unsecured, have no fixed terms of repayment and interest is charged on certain amounts owing to subsidiary companies at 1.0% (2002: 9.5%) per annum.

The normal credit terms of trade and other payables granted to the Group ranged from cash to 60 days.

The currency exposure profile of financial liabilities within payables is as follows:

	CURRENCY EXPOSURE			
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
<u>Functional currency</u>				
At 30 June 2003				
<u>Group</u>				
Ringgit Malaysia	34,316	-	-	34,316
Chinese Renminbi	-	406,546	-	406,546
Others	-	-	92	92
	34,316	406,546	92	440,954
<u>Company</u>				
Ringgit Malaysia	26,715	-	-	26,715

26 SHORT TERM BORROWINGS (INTEREST BEARING)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured:				
Bank overdrafts	17,206	17,144	-	-
Short term loans	20,227	26,995	-	-
Term loans - portion repayable within one year (Note 29)	196,209	58,551	106,187	29,946
Unsecured:				
Bankers' acceptances	3,570	11,115	-	-
Short term loans	29,435	34,463	-	-
Term loans - portion repayable within one year (Note 29)	7,766	-	-	-
Total	274,413	148,268	106,187	29,946

Contractual terms of short term borrowings

	<u>Contractual interest rate at balance sheet date (per annum)</u>	<u>Functional currency</u>	<u>Currency exposure</u>	<u>Maturity profile ≤1 year RM'000</u>
<u>At 30 June 2003</u>				
<u>Group</u>				
Secured:				
Bank overdrafts	BLR + 1.25%	RM	RM	17,206
Short term loans	6%	Rmb	Rmb	20,227
Term loans - current	9%	RM	RM	159,631
Term loans - current	SIBOR + 1.75%	RM	USD	36,578
Unsecured:				
Bankers' acceptances	4%	Rmb	Rmb	3,570
Short term loans	6%	Rmb	Rmb	29,435
Term loans - current	5%	Rmb	Rmb	7,766
				274,413
<u>Company</u>				
Secured:				
Term loans - current	9%	RM	RM	106,187

The short term borrowings are secured against certain land and buildings (Note 14) and investment properties (Note 15) of the Group.

The interest charged on the short term borrowings ranged from 3.1% to 10.0% (2002: 3.7% to 9.5%) per annum during the financial year.

27 SHARE CAPITAL

	GROUP AND COMPANY	
	2003	2002
	RM'000	RM'000
Authorised:		
1,000,000,000 ordinary shares of 50 sen each	500,000	500,000
Issued and fully-paid:		
348,403,501 ordinary shares of 50 sen each	174,202	174,202

The main features of the Company's Employee Share Option Scheme ('ESOS') are as follows:

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

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

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

	GROUP AND COMPANY	
	2003	2002
	'000	'000
At beginning of financial year	371	392
Granted	-	-
Exercised	-	-
Lapsed	(24)	(21)
At end of financial year	347	371

As at 30 June 2003, there were 347,000 unissued ordinary shares under options granted pursuant to the ESOS at an exercise price of RM0.65 each.

28 RESERVES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-distributable:				
Share premium	330,603	330,603	330,603	330,603
Exchange fluctuation reserves	127,982	129,263	-	-
Revaluation reserves	241	31,239	-	-
Capital reserves	19,006	18,065	-	-
	477,832	509,170	330,603	330,603
Accumulated losses	(146,491)	(170,727)	(34,368)	(34,622)
Total	331,341	338,443	296,235	295,981

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

29 TERM LOANS (INTEREST BEARING)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured:				
Term loans	262,709	295,489	106,187	116,336
Less: portion repayable within one year (Note 26)	(196,209)	(58,551)	(106,187)	(29,946)
	66,500	236,938	-	86,390
Unsecured:				
Term loans	37,679	6,812	-	-
Less: portion repayable within one year (Note 26)	(7,766)	-	-	-
	29,913	6,812	-	-
Total	96,413	243,750	-	86,390

29 TERM LOANS (INTEREST BEARING) (Continued)

Contractual terms of term loans

	Contractual interest rate at balance sheet date (per annum)	Functional currency	Currency exposure	Maturity profile		Total carrying amount RM'000
				1-5 year RM'000	>5 year RM'000	
<u>At 30 June 2003</u>						
<u>Group</u>						
Term loans - non current						
- secured	SIBOR + 1.75%	RM	USD	47,318	-	47,318
- secured	5%	Rmb	Rmb	19,182	-	19,182
- unsecured	5%	Rmb	Rmb	24,404	5,509	29,913
				90,904	5,509	96,413

Pursuant to the debt restructuring agreements entered into between the Company, its affected subsidiary companies and lenders in December 2000, certain bank borrowings and facilities of the Group have been restructured. As a result, the term loans of the Company are secured by way of:

- fixed and floating charge over the Company's and certain of its subsidiary companies' present and future assets;
- debenture comprising first fixed charge over a subsidiary company's leasehold properties;
- charge over the investment properties of subsidiary companies; and
- undertaking from certain subsidiary companies to upstream and pay all dividends received from the beverage division, after settlement of their bank borrowings, to the Company.

The facility also contain covenants which require the Company to limit the bank borrowings to a predetermined ratio of shareholders' funds.

Syndicated term loans and overdraft facilities obtained by subsidiary companies are secured by way of:

- first party first fixed charge over the investment properties of the subsidiary companies;
- assignment over the rental proceeds from the investment properties of the subsidiary companies; and
- debenture comprising first fixed and floating charge over a subsidiary company's present and future assets.

The secured long term loans of the other subsidiary companies are secured against certain land and buildings (Note 14) of the Group. Interest charged on the secured term loans ranged from 3.1% to 9.3% (2002: 3.7% to 9.3%) per annum during the financial year.

Interest charged on the unsecured term loans ranged from 3.0% to 10.0% (2002: 5.9% to 10.0%) per annum during the financial year.

Estimated fair values

The carrying values at the balance sheet date of these term loans approximated their fair values.

30 DEFERRED TAXATION

	GROUP	
	2003 RM'000	2002 RM'000
At beginning of financial year	12,692	2,692
Reclassified as current	(12,692)	-
Charged to revaluation reserves	-	10,000
	<hr/>	<hr/>
At end of financial year	-	12,692
	<hr/> <hr/>	<hr/> <hr/>

In the previous financial year, the deferred tax liability provided for in the financial statements represents the amount charged to revaluation reserves for investment property held for sale. The deferred tax liability has been reclassified as current tax liability upon the deemed disposal of the investment property during the financial year.

31 DIVIDEND

	GROUP AND COMPANY			
	2003		2002	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Proposed first and final dividend	0.05	125	0.05	125
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June 2003 of 0.05 sen (2002: 0.05 sen) per share, less income tax of 28%, amounting to RM125,425 (2002: RM125,425) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 30 June 2004 when approved by shareholders.

32 HOLDING AND ULTIMATE HOLDING COMPANY

Amsteel Corporation Berhad, a quoted company incorporated in Malaysia, ceased being the ultimate holding company during the financial year. As at the end of the financial year, the Directors regard Lion Industries Corporation Berhad (formerly known as Lion Land Berhad), a quoted company incorporated in Malaysia, as the holding and ultimate holding company.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The transactions were carried out on terms and conditions no more favourable to the related party than those extended to unrelated parties unless otherwise stated.

(a) Transactions with group related companies and related parties:

	Nature	GROUP	
		2003 RM'000	2002 RM'000
Former ultimate holding company			
Amsteel Corporation Berhad*	Interest expense	-	1,796
Related companies			
Parkson Corporation Sdn Bhd*	Rental income	6,579	6,306
Ayer Keroh Resort Sdn Bhd*	Interest income	-	4,471
Lion Klang Parade Bhd	Interest income	32	1,074
Lion Ipoh Parade Sdn Bhd*	Interest income	-	1,265
JOPP Builders Sdn Bhd	Interest income	-	1,055
Amsteel Capital Holdings Sdn Bhd*	Interest expense	-	820
Related party			
Hubei Jinlongquan (Group) Co Ltd group	Purchase of raw materials and consumables	47,397	31,318

Related companies in 2003 refer to members of the Lion Industries Corporation Berhad (formerly known as Lion Land Berhad) group of companies. Related companies in 2002 refer to members of the Amsteel Corporation Berhad group of companies which became related parties subsequent to the implementation of the Group Wide Restructuring Scheme (Note 38(a)) in March 2003 (indicated by *).

Hubei Jinlongquan (Group) Co Ltd is a corporate shareholder which holds a 40% equity stake in certain subsidiary companies of the Group, namely Hubei Jinlongquan Brewery Co Ltd and Hubei Lion Brewery Co Ltd.

Balances with holding and related companies as at the end of the financial year are disclosed in Notes 23 and 25 to the financial statements.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Transactions with Directors of the Company:

The details of the remuneration of the Directors of the Company are as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<u>Directors' fees</u>				
Executive Director:				
Heah Sieu Lay	25	18	25	18
Non-Executive Directors:				
Tan Sri William H. J. Cheng	15	15	15	15
Dato' Ismail bin Said	28	20	28	20
Cheng Yong Kwang	10	10	10	10
Dato Murad Mohamed Hashim	10	10	10	10
George Leong Chee Fook	25	18	25	18
	88	73	88	73
<u>Salary and other emoluments</u>				
Executive Director:				
Heah Sieu Lay	1,037	-	-	-
Total	1,150	91	113	91

34 CONTINGENT LIABILITIES - UNSECURED

Contingent liabilities of the Company in respect of guarantees given to financial institutions for credit facilities granted to a subsidiary company amounted to RM83.9 million (2002: RM92.7 million).

35 LIST OF SUBSIDIARY COMPANIES

Name	Country of incorporation	Principal activities	Equity interest	
			2003	2002
<u>Subsidiary companies</u>				
LDH Manufacturing Sdn Bhd (formerly known as Chocolate Products Manufacturing Sdn Bhd)	Malaysia	Ceased operations	100%	100%
LDH Trading Sdn Bhd (formerly known as Chocolate Products Trading Sdn Bhd)	Malaysia	Ceased operations	100%	100%
Lion Mahkota Parade Sdn Bhd	Malaysia	Property management and operation of foodcourt	99.99%	99.99%
Megavest Sdn Bhd	Malaysia	Property and housing development	100%	100%
Lion Subang Parade Sdn Bhd	Malaysia	Property management	100%	100%
Urban Resources Sdn Bhd	Malaysia	Property development	100%	100%
LDH (S) Pte Ltd (formerly known as Chocolate Products (S) Pte Ltd) *	Singapore	Investment holding	100%	100%
CPB Far East Limited *	Hong Kong	Dormant	100%	100%
CP Properties Sdn Bhd	Malaysia	Dormant	100%	100%
Force Ten Sdn Bhd	Malaysia	Dormant	100%	100%
Graimpi Sdn Bhd	Malaysia	Investment holding	100%	100%
Le Chocolatier Boutique (M) Sdn Bhd	Malaysia	Dormant	100%	100%
LDH Investment Pte Ltd (formerly known as Chocolate Investment Pte Ltd) *	Singapore	Investment holding	60%	60%
<u>Subsidiaries of Lion Subang Parade Sdn Bhd</u>				
LDH Management Sdn Bhd (formerly known as Chocolate Products Management Sdn Bhd)	Malaysia	Investment holding and operation of foodcourt	100%	100%
Bingkisan Jaya Sdn Bhd *	Malaysia	Dormant	100%	100%

35 LIST OF SUBSIDIARY COMPANIES (Continued)

Name	Country of incorporation	Principal activities	Equity interest	
			2003	2002
<u>Subsidiaries of Lion Subang Parade Sdn Bhd (Continued)</u>				
Hypervest Sdn Bhd *	Malaysia	Dormant	100%	100%
Indobaru Sdn Bhd *	Malaysia	Dormant	100%	100%
Jatitrade Sdn Bhd *	Malaysia	Dormant	100%	100%
Pattervest Sdn Bhd *	Malaysia	Dormant	100%	100%
<u>Subsidiaries of LDH Management Sdn Bhd</u>				
Consitrade (M) Sdn Bhd	Malaysia	Investment holding	100%	100%
Grand Tours & Travel Service Sdn Bhd	Malaysia	Dormant	100%	100%
<u>Subsidiaries of Consitrade (M) Sdn Bhd</u>				
Zhu Zhou DEbier Brewery Co Ltd	People's Republic of China	Beer brewing and mineral water bottling	68.5%	68.5%
Hubei Lion Brewery Co Ltd	People's Republic of China	Beer brewing	60%	60%
Hubei Jinlongquan Brewery Co Ltd	People's Republic of China	Beer brewing	60%	60%
Shandong DEbier Brewery Co Ltd	People's Republic of China	Beer brewing	60%	60%
Hunan DEbier Brewery Co Ltd	People's Republic of China	Beer brewing	55%	55%
Jiangsu DEbier Brewery Co Ltd	People's Republic of China	Beer brewing	55%	55%
Shanghai DEbier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	100%	100%
Pingyang Lion Beer Co Ltd	People's Republic of China	Beer brewing	-	55%

35 LIST OF SUBSIDIARY COMPANIES (Continued)

Name	Country of incorporation	Principal activities	Equity interest	
			2003	2002
<u>Subsidiaries of LDH Manufacturing Sdn Bhd</u>				
CPB Enterprise Sdn Bhd	Malaysia	Ceased operations	100%	100%
CPB Investment AG *	Switzerland	Investment holding	100%	100%
<u>Subsidiary of CPB Enterprise Sdn Bhd</u>				
United Brands Trading Sdn Bhd	Malaysia	Dormant	100%	100%
<u>Subsidiary of LDH Investment Pte Ltd</u>				
Beijing CPB Foodstuff Co Ltd (formerly known as Beijing Vochelle Foodstuff Co Ltd) *	People's Republic of China	Ceased operations	70%	70%
<u>Subsidiary of Graimpi Sdn Bhd</u>				
DEbier Sdn Bhd	Malaysia	Investment holding	100%	100%
<u>Subsidiaries of DEbier Sdn Bhd</u>				
Lion Brewing Group Co Ltd	People's Republic of China	Beer brewing	55%	55%
Pavlova Investment Pte Ltd *	Singapore	Investment holding	100%	100%
Gemmo Pte Ltd *	Singapore	Investment holding	100%	100%
<u>Subsidiaries of Lion Brewing Group Co Ltd</u>				
Wenzhou Double Deer Beer Marketing Co Ltd	People's Republic of China	Sale and marketing of beer and other beverages	75% 25%#	75% 25%#
Zhejiang YanDangShan Lion Brewery Co Ltd	People's Republic of China	Beer brewing	90% 10%#	90% 10%#
Wenzhou Lion Brewery R&D Co Ltd (formerly known as Wenzhou Double Deer Brewery Research Institute Co Ltd)	People's Republic of China	Provision of technical assistance and undertaking research and development works	90% 10%#	90% 10%#
Pingyang Lion Beer Co Ltd +	People's Republic of China	Beer brewing	54.6% 25%@	- -

35 LIST OF SUBSIDIARY COMPANIES (Continued)

Name	Country of incorporation	Principal activities	Equity interest	
			2003	2002
<u>Subsidiaries of Lion Brewing Group Co Ltd (Continued)</u>				
Jinhua Lion Brewery Co Ltd ^^	People's Republic of China	Production and marketing of beer and non-alcoholic drinks	54.6% 25%[@]	- -
Wenzhou Double Deer Corporate Management and Consulting Co Ltd (Deregistered on 24 June 2003)	People's Republic of China	Provision of consulting services	- -	90% 10% [#]
Wenzhou Double Deer Material Sourcing Co Ltd (Deregistered on 26 June 2003)	People's Republic of China	Sourcing of raw materials for beer brewing, machinery and parts	- -	90% 10% [#]
<u>Subsidiary of Gemmo Pte Ltd</u>				
Gesto Pte Ltd *	Singapore	Dormant	100%	100%
<u>Subsidiary of Hubei Jinlongquan Brewery Co Ltd</u>				
Jinlongquan Brewery (Xiaogan) Co Ltd	People's Republic of China	Manufacture and sale of beer and non-alcoholic drinks	55.56%	55.56%

* Not audited by PricewaterhouseCoopers, Malaysia.

Holding in equity by Pingyang Lion Beer Co Ltd, a subsidiary company in which the Group has a 79.6% (2002 : 55%) equity interest.

@ Holding in equity by Consitrade (M) Sdn Bhd, a wholly-owned subsidiary of the Group.

+ Refer to Note 38(b) to the financial statements for details of the Group's acquisitions during the financial year.

^^ Refer to Note 38(c) to the financial statements for details of the Group's acquisitions during the financial year.

36 SEGMENTAL INFORMATION - GROUP

(a) Primary reporting - business segments

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

- Beverage - manufacture and sale of beer and non-alcoholic drinks
- Property - property management
- Investment holding

	Beverage RM'000	Property RM'000	Investment holding RM'000	Total RM'000
2003				
REVENUE				
Total revenue	563,450	53,456	-	616,906
Inter-segment revenue	-	-	-	-
External revenue	<u>563,450</u>	<u>53,456</u>	<u>-</u>	<u>616,906</u>
RESULTS				
Segment results	20,147	33,335	(1,356)	52,126
Unallocated expenses/income				-
Profit from operations				52,126
Finance costs				(26,319)
Share of results of associated company	1,566	-	-	1,566
Profit before taxation				27,373
Income tax expense				(20,335)
Profit after taxation				7,038
Minority interests				(7,645)
Net loss for the financial year				<u>(607)</u>
<u>Assets</u>				
Segment assets	1,091,056	385,111	42,309	1,518,476
Investment in associated company	50,288	-	-	50,288
Unallocated assets				4,043
Total assets				<u>1,572,807</u>
<u>Liabilities</u>				
Segment liabilities	502,738	186,294	122,748	811,780
Unallocated liabilities				31,570
Total liabilities				<u>843,350</u>

36 SEGMENTAL INFORMATION - GROUP (Continued)
(a) Primary reporting - business segments (Continued)

	Beverage RM'000	Property RM'000	Investment holding RM'000	Total RM'000
2003				
<u>Other information</u>				
Capital expenditure	62,357	275	-	62,632
Depreciation	68,272	662	-	68,934
Amortisation of goodwill	265	-	-	265
Amortisation of proprietary technology and patents	4,367	-	-	4,367
Non-cash expenses (other than depreciation and amortisation)				
- Property, plant and equipment written off/written down	3,555	3	-	3,558
- Allowance for doubtful debts	437	78	232	747
- Allowance for obsolete inventories	334	-	-	334
	<u>62,357</u>	<u>275</u>	<u>-</u>	<u>62,632</u>
2002				
REVENUE				
Total revenue	565,597	49,434	-	615,031
Inter-segment revenue	-	-	-	-
External revenue	<u>565,597</u>	<u>49,434</u>	<u>-</u>	<u>615,031</u>
RESULTS				
Segment results	4,510	29,334	1,724	35,568
Unallocated expenses/income				-
Profit from operations				35,368
Finance costs				(31,632)
Share of results of associated company	2,517	-	-	2,517
Profit before taxation				6,453
Income tax expense				(16,877)
Loss after taxation				(10,424)
Minority interests				2,530
Net loss for the financial year				<u>(7,894)</u>

36 SEGMENTAL INFORMATION - GROUP (Continued)
(a) Primary reporting - business segments (Continued)

	Beverage RM'000	Property RM'000	Investment holding RM'000	Total RM'000
2002				
<u>Assets</u>				
Segment assets	1,038,675	408,400	90,333	1,537,408
Investment in associated company	49,326	-	-	49,326
Unallocated assets				5,402
				<hr/>
Total assets				1,592,136
				<hr/> <hr/>
<u>Liabilities</u>				
Segment liabilities	456,973	189,439	175,388	821,800
Unallocated liabilities				34,703
				<hr/>
Total liabilities				856,503
				<hr/> <hr/>
<u>Other information</u>				
Capital expenditure	49,346	240	-	49,586
Depreciation	61,064	701	-	61,765
Amortisation of goodwill	386	-	-	386
Amortisation of proprietary technology and patents	4,287	-	-	4,287
Non-cash expenses (other than depreciation and amortisation)				
- Property, plant and equipment written off/written down	5,324	8	-	5,332
- Allowance for doubtful debts	7,741	147	1,000	8,888
- Allowance for obsolete inventories	4,560	-	-	4,560
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Segment assets consist primarily of property, plant and equipment, investment properties, other investments, intangible assets, inventories, receivables, deposits, cash and bank balances.

Segment liabilities comprise operating liabilities and exclude taxation.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

36 SEGMENTAL INFORMATION - GROUP (Continued)
(b) Secondary reporting - geographical segments

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

- Malaysia - mainly property management and investment holding
- People's Republic of China - manufacture and sale of beer and non-alcoholic drinks

	Malaysia RM'000	People's Republic of China RM'000	Unallocated assets RM'000	Total RM'000
2003				
Revenue from external customers	54,277	562,629	-	616,906
Total assets	429,106	1,139,658	4,043	1,572,807
Capital expenditure	275	62,357	-	62,632
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2002				
Revenue from external customers	50,421	564,610	-	615,031
Total assets	503,406	1,083,328	5,402	1,592,136
Capital expenditure	240	49,346	-	49,586
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

37 CAPITAL COMMITMENTS

	GROUP	
	2003 RM'000	2002 RM'000
Approved and contracted for:		
- acquisition of unquoted investments	-	17,150
	<u> </u>	<u> </u>

38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The group wide restructuring scheme undertaken by Amsteel Corporation Berhad ('Amsteel'), Lion Industries Corporation Berhad (formerly known as Lion Land Berhad) ('LICB'), Lion Corporation Berhad and Silverstone Corporation Berhad (formerly known as Angkasa Marketing Berhad) (collectively the 'Lion Group') ('GWRS') was implemented on 14 March 2003 and consequent thereto the Company and its subsidiary companies became subsidiary companies of LICB.

Upon the implementation of the GWRS, the amounts owing by related companies were settled through the issuance of shares and bonds by LICB and Amsteel to the Company.

- (b) On 5 November 2001, Lion Brewing Group Co Ltd ('Lion Brewing'), a 55% owned subsidiary of DEbier Sdn Bhd ('DEbier') which is in turn a wholly-owned subsidiary of the Company, entered into 2 separate agreements with:
- (i) Consitrade (M) Sdn Bhd ('Consitrade'), a wholly-owned subsidiary of the Company, for the acquisition of 30% equity interest in Pingyang Lion Beer Co Ltd ('Pingyang'), a 55% owned subsidiary of Consitrade, for a cash consideration of Rmb11.78 million (equivalent to approximately RM5.41 million); and
 - (ii) Jinkeda Group Co Ltd ('Jinkeda') in the People's Republic of China for the acquisition of 24.6% equity interest in Pingyang for a cash consideration of Rmb9.66 million (equivalent to approximately RM4.44 million).

The above acquisitions were completed on 18 December 2002.

- (c) On 8 July 2002, Lion Brewing and Consitrade entered into agreements with Jinkeda for the acquisition by Lion Brewing of a 54.6% equity interest and Consitrade of a 25% equity interest in Jinhua Lion Brewery Co Ltd ('Jinhua') from Jinkeda for a total cash consideration of RM6.6 million. The acquisition of Jinhua was completed on 30 December 2002.
- (d) On 21 October 2002,
- (i) Lion Subang Parade Sdn Bhd ('Lion Subang'), a wholly-owned subsidiary of the Company, accepted a letter of offer from Hektar Premier Sdn Bhd (formerly known as Onyee Holdings Sdn Bhd) ('Purchaser') in relation to the proposed disposal of the shopping mall known as Subang Parade and the related freehold land held in the District of Petaling, Selangor, to the Purchaser for a cash consideration of RM223.4 million ('Proposed Disposal of Subang Parade'); and
 - (ii) Lion Mahkota Parade Sdn Bhd ('Lion Mahkota'), a 99.99% owned subsidiary of the Company, signed a call option agreement with the Purchaser in relation to the proposed disposal of the shopping mall known as Mahkota Parade and the related leasehold land held in the District of Melaka Tengah, Melaka, to the Purchaser for a cash consideration of RM146.5 million ('Proposed Call Option'). The Purchaser released and discharged its rights and obligations in relation to the Proposed Call Option to Hektar Black Sdn Bhd ('Hektar Black') on 1 August 2003 pursuant to a Novation and Assignment Agreement signed between Lion Mahkota, Lion Subang and Hektar Black.

The Proposed Disposal of Subang Parade was deemed completed on 16 June 2003 and the Proposed Call Option in relation to the proposed disposal of Mahkota Parade is pending exercise by Hektar Black.

38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Continued)

- (e) In the previous financial year, Consitrade had entered into an agreement for the dilution of its equity interest in Ningbo Lion Brewery Co Ltd ('Ningbo') by 10.29% ('Equity Dilution Interest') from 55% to 44.71% with an option to purchase the Equity Dilution Interest. Consitrade had commenced arbitration proceedings in the People's Republic of China against Zhejiang Zhedong Beer Co Ltd in relation to the buy-back of equity in Ningbo. This matter is pending the announcement of the award from the China International Economic and Trade Arbitration Centre.

39 SUBSEQUENT EVENTS

- (a) On 5 September 2003, LDH Management Sdn Bhd ('LDHM'), Graimpi Sdn Bhd ('Graimpi') and Horsinvest Holding Co Ltd ('Horsinvest') had entered into:

- (i) a conditional sale and purchase agreement to dispose of the following to Horsinvest for a total cash consideration of USD131,500,000:
- 50% equity interest in the paid-up ordinary shares in DEbier by Graimpi ('Interest in DEbier'); and
 - 50% equity interest in the paid-up ordinary shares and 50% interest in the preference shares in Consitrade by LDHM ('Interest in Consitrade');
- (ii) a call and put option agreement wherein Graimpi and LDHM further propose to dispose of the remaining Interest in DEbier by Graimpi and the remaining Interest in Consitrade by LDHM to Horsinvest for a total cash consideration of USD131,500,000 and a return component

(collectively referred to as the 'Proposed Disposal and Strategic Partnership').

- (b) On 6 September 2003, the Company had entered into several conditional sale and purchase agreements for:

- (i) the proposed acquisition by the Company of the Parkson retail group which involves the acquisition of the entire equity interests in a group of six (6) companies incorporated in Singapore, three (3) companies incorporated in Malaysia, and one (1) company incorporated in Hong Kong SAR ('Parkson Retail Group'), which are retail based companies in the People's Republic of China and Malaysia and are held directly or through subsidiary companies of Amsteel Corporation Berhad ('Amsteel'), Lion Asia Investment Pte Ltd ('LAI') and Lion Industries Corporation Berhad ('LICB'), 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 was in deferred payment and the issuance of RM100 million nominal value of 5-year 2% coupon redeemable unsecured loan stock payable to Amsteel, LAI and LICB ('Proposed Acquisition of Parkson Retail Group');

- (ii) the proposed acquisition by the Company of the Likom companies which involves:

- a. the acquisition of the entire issued and paid-up capital of Likom Caseworks Sdn Bhd ('LCW'), for a total consideration of RM105.70 million ('Proposed Acquisition of LCW'); and
- b. the proposed subscription of 9,998 ordinary shares of RM1.00 each in Diverse Arcadia Sdn Bhd ('DASB') ('DASB Shares'), representing approximately 100% 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 Likom Computer System Sdn Bhd ('LCS') the purchase price amounting to RM25.43 million for the proposed acquisition of LCS's business ('Proposed Subscription of DASB').

39 SUBSEQUENT EVENTS (Continued)

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

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

- (iii) the proposed acquisition by LDHM of the development project known as Bandar Mahkota Cheras located off the 10th mile Jalan Cheras in Kuala Lumpur ('Mahkota Cheras Project') for a total consideration of RM156.78 million to be satisfied by a cash payment of RM55 million, 47.12 million (RM40.60 million in value) new LDHB Shares at an issue price of RM0.86 each and RM61.18 million ICULS ('Proposed Acquisition of Mahkota Cheras'); and
 - (iv) the proposed acquisition of up to 226.85 million ordinary shares of RM1.00 each in Lion Corporation Berhad ('LCB') ('LCB Shares'), representing approximately 24.68% of the equity interest therein for a cash consideration of up to RM226.85 million or RM1.00 per share ('Proposed Acquisition of LCB Shares').
- (c) On 9 September 2003, the Company announced its 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 the Company ('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 ('Proposed Capital Distribution').

The Proposed Acquisition of Parkson Retail Group, Proposed Acquisition of Likom Group, Proposed Acquisition of Mahkota Cheras and Proposed Acquisition of LCB Shares are collectively referred to as the Proposed Acquisitions.

The Proposed Disposal and Strategic Partnership, Proposed Acquisitions, Proposed Bonus Issue and Proposed Capital Distribution are subject to the approvals, where applicable, being obtained from:

- (i) the Securities Commission;
 - (ii) the Foreign Investment Committee;
 - (iii) the Ministry of International Trade and Industry;
 - (iv) the Controller of Foreign Exchange of Bank Negara Malaysia;
 - (v) the Controller of Housing appointed under the Housing Developments Act 1989 and the Housing Developments (Control and Licensing) Regulations 1966;
 - (vi) the Kuala Lumpur Stock Exchange;
 - (vii) the shareholders of the Company;
 - (viii) the sanction of the High Court of Malaya for the Proposed Capital Distribution; and
 - (ix) any other relevant authorities, if required.
- (d) Subsequent to the financial year ended 30 June 2003, the issued and paid-up share capital of the Company was increased from RM174,201,750.50 to RM174,310,750.50 by the issue of 218,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share for cash pursuant to the Employee Share Option Scheme of the Company.

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

We, **Tan Sri William H. J. Cheng** and **Heah Sieu Lay**, two of the Directors of Lion Diversified Holdings Berhad (formerly known as Chocolate Products (Malaysia) Berhad), state that, in the opinion of the Directors, the financial statements set out on pages 29 to 78 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 16 October 2003

TAN SRI WILLIAM H. J. CHENG
CHAIRMAN

HEAH SIEU LAY
MANAGING DIRECTOR

Kuala Lumpur

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

I, **Heah Sieu Lay**, the Director primarily responsible for the financial management of Lion Diversified Holdings Berhad (formerly known as Chocolate Products (Malaysia) Berhad), do solemnly and sincerely declare that the financial statements set out on pages 29 to 78 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.

HEAH SIEU LAY

Subscribed and solemnly declared by the abovenamed **Heah Sieu Lay** before me at Kuala Lumpur in Malaysia on 16 October 2003.

W-217
P. SETHURAMAN

COMMISSIONER FOR OATHS

Kuala Lumpur

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

(formerly known as Chocolate Products (Malaysia) Berhad)

We have audited the financial statements set out on pages 29 to 78. 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 auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

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

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Notes 2 and 39 to the financial statements which explain the financial position of the Group and the Company and that the Directors are implementing a scheme involving the rationalisation of the Group structure and principal activities.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 35 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ERIC OOI LIP AUN
(No. 1517/06/04 (J))
Partner of the firm

Kuala Lumpur
16 October 2003

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2003

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1. Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	College (11)	5.3	1992
2. PT 501 Kawasan Bandar XLII Daerah Melaka Tengah Melaka	Leasehold 18.7.2101	5.30 hectares	Land and building	Office and shopping complex (10)	146.5	April 1999
3. 234, Wu Tian Street Wenzhou City Zhejiang, China	Leasehold 28.2.2045	7.58 hectares	Industrial land and building	Office, factory and warehouse (9-15)	46.9	January 1995
4. 89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	10.63 hectares	Industrial land and building	Office, factory and warehouse (7)	36.4	December 1995
5. 89, Chang Ning Road Jing Men City Hubei, China	Leasehold 31.12.2045	22.52 hectares	Industrial land and building	Office, factory and warehouse (8-25)	29.8	December 1995
6. 28, Hongqi North Road Zhuzhou City Hunan, China	Leasehold 31.12.2045	4.42 hectares	Industrial land and building	Office, factory and warehouse (6-15)	6.2	December 1995
7. 96, Shaoshan Road Changsha City Hunan, China	Leasehold 13.12.2044	4.08 hectares	Industrial land and building	Office, factory and warehouse (6-15)	40.0	December 1994
8. Quan Fang Tou Kunyang Village Pingyang City Zhejiang, China	Leasehold 30.4.2046	4.49 hectares	Industrial land and building	Office, factory and warehouse (15)	14.1	March 1996
9. 10, Li Shan Road Yi Yuan District Shangdong, China	Leasehold 31.12.2046	3.60 hectares	Industrial land and building	Office, factory and warehouse (15)	21.1	1 January 1997
10. 19, Huanxi Road Diao Pu Village Tai Xing City Jiangsu, China	Leasehold 30.6.2046	9.00 hectares	Industrial land and building	Office, factory and warehouse (8)	29.9	1 July 1996
11. 10 Wangziher Lin Changsha Hunan, China	Leasehold 7.4.2050	6.36 hectares	Industrial land and building	Office, factory and warehouse (4)	0.9	1999

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
12. 198, Chengzhan Road Xiaonan District Xiaogan Hubei, China	Leasehold 31.12.2046	5.20 hectares	Industrial land and building	Office, factory and warehouse (5-7)	3.5	1997
13. 124 Jingshui Road Da Jing Town Yue Qing City Zhejiang, China	Leasehold 12.2.2043	1.15 hectares	Industrial land and building	Office, factory and warehouse (5-20)	7.7	2000
14. Xiguan Shuangxi Road (W) Jinhua City Zhejiang, China	Leasehold 26.12.2051	4.56 hectares	Industrial land and building	Office, factory and warehouse (10-20)	6.0	December 2002

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2003

Authorised Share Capital	: RM500,000,000.00
Issued and Paid-up Capital	: RM174,310,750.50
Class of Shares	: Ordinary shares of RM0.50 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	86	0.56	2,593	negligible
100 to 1,000	5,781	37.87	5,316,867	1.53
1001 to 10,000	8,050	52.74	33,599,755	9.64
10,001 to 100,000	1,235	8.09	33,384,923	9.57
100,001 to less than 5% of issued shares	110	0.72	69,107,918	19.82
5% and above of issued shares	2	0.02	207,209,445	59.44
	<u>15,264</u>	<u>100.00</u>	<u>348,621,501</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 15 October 2003

Registered Shareholders	No. of Shares	% of Shares
1 AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	149,190,800	42.79
2 Lion Industries Corporation Berhad	58,018,645	16.64
3 Lion Corporation Berhad	15,283,000	4.38
4 Lembaga Tabung Angkatan Tentera	13,200,771	3.79
5 RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	4,428,000	1.27
6 Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxemburg S.A. for Osterreichische Volksbanken AG	2,900,000	0.83
7 HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Ng Boon Bee	2,163,900	0.62
8 HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Bhd for Lion Holdings Sdn Bhd	1,970,000	0.57
9 United Overseas Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (MKL)	1,534,800	0.44
10 Menteri Kewangan Malaysia Section 29 (SICDA)	1,348,347	0.39
11 AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (BK 6/190-2)	1,000,000	0.29
12 RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (LPSB 981086)	1,000,000	0.29
13 Chong Ah Him @ Chong Kum Kwan	993,700	0.29
14 Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for Ace Synergy Insurance Berhad (CDAM23-990350)	924,000	0.27
15 Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd (01-00016-000)	829,000	0.24
16 HSBC Nominees (Asing) Sdn Bhd Barings (Guernsey) Ltd for Asset Holder PCC No. 2 Limited (Ashmore EEPIC)	792,000	0.23
17 OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Ng Kok Hin	752,100	0.22

Registered Shareholders (Continued)		No. of Shares	% of Shares
18	OSK Nominees (Asing) Sdn Berhad TISCO Securities Hong Kong Limited	734,000	0.21
19	Wong Chooi Leng	646,000	0.19
20	Chua Teck Chye	605,000	0.17
21	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (471897)	600,000	0.17
22	Au Yong Mun Yue	550,000	0.16
23	Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for Choong Lye Hock Estates Sdn Berhad (CDAM 36-200748)	450,000	0.13
24	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Kah Khuin (473368)	355,000	0.10
25	Au-Yong Wai Leong	350,000	0.10
26	Au-Yong Wai Meng	350,000	0.10
27	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Tan Choon Piew (CCTS)	342,000	0.10
28	Eng Nominees (Asing) Sdn Bhd Kim Eng Ong Asia Securities Pte Ltd for Low Chor Chuan	329,900	0.09
29	Eng Nominees (Asing) Sdn Bhd UOB Kay Hian Private Limited for Lim Seong Nam (Margin)	329,000	0.09
30	Tan Lee Hwa	325,000	0.09

Substantial Shareholders as at 15 October 2003

Substantial Shareholders	Direct Interest		Indirect Interest		
	No. of Shares	% of Shares	No. of Shares	% of Shares	
1	Tan Sri William H. J. Cheng	-	-	232,016,501	66.55
2	Datuk Cheng Yong Kim	-	-	232,016,501	66.55
3	Lion Realty Pte Ltd	-	-	232,016,501	66.55
4	Lion Development (Penang) Sdn Bhd	1,097,889	0.31	228,984,612	65.68
5	Horizon Towers Sdn Bhd	-	-	220,555,945	63.27
6	Lion Corporation Berhad	13,283,000	3.81	207,272,945	59.46
7	Amsteel Mills Sdn Bhd	149,190,800	42.79	-	-
8	Lion Industries Corporation Berhad	58,018,645	16.64	149,190,800	42.79
9	LLB Steel Industries Sdn Bhd	-	-	149,190,800	42.79
10	Steelcorp Sdn Bhd	-	-	149,190,800	42.79
11	Datuk Lim Kheng Kim	28,695,945	8.23	-	-

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:

Tan Sri William H. J. Cheng

	Nominal Value Per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM0.50	-	-	232,016,501	66.55
Related Company					
Lion Industries Corporation Berhad	RM1.00	-	-	322,253,692	47.44

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Conditional agreement dated 8 July 2002 between Lion Brewing Group Co Ltd, Consitrade (M) Sdn Bhd and Jinkeda Group Co Ltd, the major shareholder of subsidiary companies, for the acquisition by Lion Brewing Group Co Ltd and Consitrade (M) Sdn Bhd from Jinkeda Group Co Ltd of 54.6% and 25% equity interest respectively in Jinhua Lion Brewery Co Ltd for a cash consideration of Rmb5,110,000 (equivalent to approximately RM2,350,000) and Rmb2,340,000 (equivalent to approximately RM1,070,000) respectively.
2. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between the Amsteel Corporation Berhad Group Vendors (comprising Ambang Jaya Sdn Bhd, Angkasa Marketing (Singapore) Pte Ltd, Natvest Parkson Sdn Bhd, Sukhothai Food Sdn Bhd, Timuriang Sdn Bhd and Parkson Retail Consulting and Management Sdn Bhd) of the first part, LLB Nominees Sdn Bhd of the second part, Lion Asia Investment Pte Ltd of the third part, Lion Industries Corporation Berhad of the fourth part, Amsteel Corporation Berhad of the fifth part, collectively companies in which a Director and certain major shareholders of the Company have an interest, and Lion Diversified Holdings Berhad of the sixth part for the acquisition of:
 - a. 14,800,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Venture Pte Ltd from Natvest Parkson Sdn Bhd (20%), Sukhothai Food Sdn Bhd (18.2%), Parkson Retail Consulting and Management Sdn Bhd (11.8%), LLB Nominees Sdn Bhd (20%) and Lion Asia Investment Pte Ltd (30%);
 - b. 10,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Investment Pte Ltd from Natvest Parkson Sdn Bhd (18%), Sukhothai Food Sdn Bhd (27%), Parkson Retail Consulting and Management Sdn Bhd (7%), LLB Nominees Sdn Bhd (18%) and Lion Asia Investment Pte Ltd (30%);
 - c. 100 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Supplies Pte Ltd from Natvest Parkson Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%);
 - d. 1,000,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Glomart Pte Ltd from Timuriang Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%);
 - e. 2 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Pacific Pte Ltd from Angkasa Marketing (Singapore) Pte Ltd;
 - f. 50,000,002 ordinary shares of RM1.00 each representing 100% equity interest in Parkson Corporation Sdn Bhd from Timuriang Sdn Bhd;
 - g. 500,000 ordinary shares of RM1.00 each representing 100% equity interest in Xtra Supercenter Sdn Bhd from Timuriang Sdn Bhd;
 - h. 2 ordinary shares of RM1.00 each representing 100% equity interest in Serbadagang Holdings Sdn Bhd from Timuriang Sdn Bhd;
 - i. 4,500,000 ordinary shares of SGD1.00 each representing 100% equity interest in Parkson Management Pte Ltd from Natvest Parkson Sdn Bhd (70%) and Lion Asia Investment Pte Ltd (30%); and
 - j. 2 ordinary shares of HKD1.00 each representing 100% equity interest in Exonbury Limited from Ambang Jaya Sdn Bhd (50% of the shares are held through Benavon Nominee Limited);

for a total consideration of RM431,820,000.00 and the settlement of the net inter-company balances due by the target companies to the vendors totalling RM67,390,000.00 to be satisfied by a cash consideration of RM399,210,000.00 million (of which RM150,000,000.00 shall be paid on completion and RM249,210,000.00 in deferred payment) and the issuance of RM100,000,000.00 nominal value of 5-year 2% redeemable convertible unsecured loan stock by Lion Diversified Holdings Berhad to Amsteel Corporation Berhad, Lion Asia Investment Pte Ltd and LLB Nominees Sdn Bhd.

3. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Ribusasi Holdings Sdn Bhd, a company in which a Director and certain major shareholders of the Company have an interest, of the one part and Lion Diversified Holdings Berhad of the other part for the acquisition by the Company of 4,935,000 ordinary shares of RM1.00 each representing 100% equity interest in Likom Caseworks Sdn Bhd for a total consideration of RM105,700,000.00 to be satisfied by the issuance of RM63,530,000.00 nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stocks and RM42,170,000.00 by way of the allotment and issuance of new ordinary shares in Lion Diversified Holdings Berhad at RM0.86 per share.
4. Conditional Subscription Agreement dated 6 September 2003 between Lion Diversified Holdings Berhad of the first part, Diverse Arcadia Sdn Bhd of the second part and Likom Computer System Sdn Bhd, a company in which a Director cum major shareholder of the Company have an interest, of the third part to subscribe for 9,998 ordinary shares representing 99.99% equity interest in Diverse Arcadia Sdn Bhd for a total subscription sum of RM9,998.00 or RM1.00 per share and the assumption of all the obligations of Diverse Arcadia Sdn Bhd to pay Likom Computer System Sdn Bhd the purchase price of RM25,430,000.00 for the proposed acquisition of Likom Computer System Sdn Bhd's business and assets pursuant to the sale and purchase agreement dated 6 September 2003 between Likom Computer System Sdn Bhd of the one part and Diverse Arcadia Sdn Bhd of the other part to be satisfied by the issuance of RM15,290,000.00 nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stocks to be issued by Lion Diversified Holdings Berhad and RM10,140,000.00 by way of allotment and issuance of new ordinary shares in Lion Diversified Holdings Berhad at RM0.86 per share.
5. Conditional Sale and Purchase Agreement dated 6 September 2003 between Narajaya Sdn Bhd, a company in which a Director and certain major shareholders of the Company have an interest, of the first part, LDH Management Sdn Bhd (formerly known as Chocolate Products Management Sdn Bhd) a wholly-owned subsidiary of Lion Diversified Holdings Berhad of the second part and Lion Diversified Holdings Berhad of the third part for the acquisition of the development project known as Mahkota Cheras Project (which comprises 192 pieces of land less the excluded units, the development rights, the development liabilities, subject to, inter alia, the substitution of cash assets amounting to RM48,390,000.00, the collection by Narajaya Sdn Bhd of trade receivables amounting to RM25,621,159.00 and payment thereof to LDH Management Sdn Bhd, the covenant by Narajaya Sdn Bhd to deliver the fixed assets to LDH Management Sdn Bhd) all as at 25 March 2003 for a total consideration of RM156,781,323.00 to be satisfied by cash of RM6,611,970.00, RM40,601,323.00 by way of allotment and issuance of new ordinary shares in Lion Diversified Holdings Berhad at RM0.86 per share, RM61,180,000.00 nominal value of 5-year 2% coupon irredeemable convertible unsecured loan stocks to be issued by Lion Diversified Holdings Berhad and cash of RM48,388,030.00 to substitute the cash assets.
6. Conditional Sale and Purchase of Shares Agreement dated 6 September 2003 between Amsteel Corporation Berhad, Angkasa Marketing (Singapore) Pte Ltd and Umatrac Enterprises Sdn Bhd, companies in which a Director and certain major shareholders have an interest of the one part ("Vendors") and LDH (S) Pte Ltd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad of the other part, for the acquisition by LDH (S) Pte Ltd of up to a maximum of 226,849,626 ordinary shares of RM1.00 each representing approximately 24.68% equity interest in Lion Corporation Berhad, which are not accepted by the eligible shareholders of Lion Corporation Berhad (i.e. excluding Tan Sri William H. J. Cheng and Datuk Cheng Yong Kim and parties acting in concert with them) pursuant to a renounceable restricted offer for sale of 226,849,626 ordinary shares of RM1.00 each in Lion Corporation Berhad to be undertaken by the Vendors, at the price of RM1.00 per share in cash.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM38,000 (2002: RM20,000).

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) Beverage related The sale and purchase of beverage such as beer and other related products and services including wheat, bottles, stickers, boxes and other raw materials, consumable and packing materials	Hubei Jinlongquan (Group) Co Ltd Group ^(d)	47,397
b) Property-based The provision of storage, leasing and rental of properties	Amsteel Corporation Berhad Group ("Amsteel Group") ^(b)	6,579
c) Others 1) The provision of management and support, training and education, legal and other related services	Amsteel Group ^(b) Silverstone Corporation Berhad Group ^(b) Lion Industries Corporation Berhad Group ^(a)	676 5 338 <u>1,019</u>
2) The obtaining of insurance and the underwriting of risks	Lembaga Tabung Angkatan Tentera Group ^(c)	279
3) The provision of security services and security communication equipment	Amsteel Group ^(b)	617

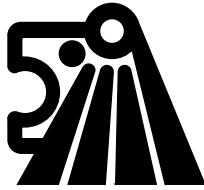
Note:

"Group" includes subsidiary and associated companies

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

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL AS AT 30 SEPTEMBER 2003

(RM Million)	Proposed Utilisation	Utilisation Status	
		Actual	Unutilised/ Outstanding
Disposal of a shopping mall known as Subang Parade together with the freehold land, for a cash consideration of RM223.41 million:			
(i) To retire the debts due to financial institutions	73.28	72.54	0.74
(ii) To part pay inter-company balances	118.33	76.79	41.54
(iii) To part pay trade and other payables	16.00	13.95	2.05
(iv) To defray estimated expenses arising from the implementation of the disposal	15.80	6.67	9.13
	223.41	169.95	53.46



NARAJAYA

SDN. BHD. (100905-A)

NOTICE OF NOMINATION

A member of The Lion Group

10 October 2003

The Board of Directors
Lion Diversified Holdings Berhad
Level 46, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Dear Sirs

Change of Auditors

We, being the shareholder of Lion Diversified Holdings Berhad, hereby gives notice pursuant to Section 172(11) of the Companies Act, 1965 of our intention to nominate Messrs Ernst & Young for appointment as auditors of Lion Diversified Holdings Berhad and to propose the following as an ordinary resolution to be tabled at the forthcoming Thirty-Third Annual General Meeting of Lion Diversified Holdings Berhad to replace the retiring auditors, Messrs PricewaterhouseCoopers.

"That Messrs Ernst & Young be and are hereby appointed as the auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully
NARAJAYA SDN BHD

Director

FORM OF PROXY

I/We

I.C. No./Company No.

of

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

.....

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-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 3 December 2003 at 11.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Y. Bhg. Tan Sri William H. J. Cheng		
5. To re-elect as Director, Y. Bhg. Dato' Ismail bin Said		
6. To re-appoint as Director, Y. Bhg. Dato Murad Mohamed Hashim		
7. To appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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

As witness my/our hand thisday 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.