



LION DIVERSIFIED HOLDINGS BERHAD

A Member of The Lion Group

(9428-T)

Laporan Tahunan
2006
Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth 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 30 November 2006 at 11.00 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2006. **Resolution 1**
2. To approve the payment of a final dividend of 5.0 sen per ordinary share tax exempt. **Resolution 2**
3. To approve the payment of Directors' fees amounting to RM188,000 (2005 : RM188,000). **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
Mr George Leong Chee Fook

Resolution 4
Resolution 5

5. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution:

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

Resolution 6

6. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

7. Special Business

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

- 7.1 Authority to Directors to issue shares

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

Resolution 8

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiaries 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 8 November 2006 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 where:
 - (a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
 - (b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower;

and it is made amongst others, based on the following information:

- (a) the nature of the Recurrent Transactions entered into; and
- (b) the class of related parties involved in the Recurrent Transactions and their relationship with the Company;

AND THAT authority conferred by this ordinary resolution shall continue to be in force until:

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

whichever is the earlier,

AND THAT the Directors be authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

7.3 Proposed Renewal of Authority for Share Buy-Back

“THAT subject always to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised to buy-back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

Resolution 10

- (i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up share capital of the Company at any point of time;
- (ii) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or the share premium of the Company; and
- (iii) the shares purchased are to be treated in either of the following manner:
 - (a) cancel the purchased ordinary shares; or
 - (b) retain the purchased ordinary shares as treasury shares held by the Company; or
 - (c) retain part of the purchased ordinary shares as treasury shares and cancel the remainder

(hereinafter referred to as the “Proposed Share Buy-Back”).

The treasury shares may be distributed as dividends to the shareholders and/or resold on Bursa Securities and/or subsequently cancelled.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:

- (i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next annual general meeting after the date it is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting of the Company,

whichever occurs first,

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient and/or enter into any and all agreements, arrangements and guarantee with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Listing Requirements of Bursa Securities, and all other relevant governmental and/or regulatory authorities."

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 28 November 2006 in respect of shares exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00 pm on 30 November 2006 in respect of transfers; and
- (c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 19 December 2006 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 30 November 2006.

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
8 November 2006

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 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.

3. Resolution 9

This approval will allow the Company and its subsidiaries 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 8 November 2006, 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 8 November 2006 enclosed together with the 2006 Annual Report.

4. Resolution 10

This approval will empower the Directors of the Company to purchase the Company's shares up to 10% of the issued and paid-up share capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next general meeting of the Company.

Details on the proposal are set out in the Circular to Shareholders dated 8 November 2006 enclosed together with the 2006 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

I. Directors standing for re-election/re-appointment at the Thirty-Sixth 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
Mr George Leong Chee Fook
- Pursuant to Section 129(6) of the Companies Act, 1965
(Re-appointment after attainment of 70 years of age)

Y. Bhg. Dato Murad Mohamed Hashim
- Further details of Directors standing for re-election/re-appointment are set out in the Directors' Profile on pages 8 and 9 of the 2006 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 2006. Details of attendance of the Directors are set out in the Directors' Profile on pages 8 and 9 of the 2006 Annual Report.

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

The Thirty-Sixth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 30 November 2006 at 11.00 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 @ Mansor bin Said Y. Bhg. Dato Murad Mohamed Hashim Mr Cheng Yong Kwang Mr George Leong Chee Fook
Secretaries	: Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
Company No.	: 9428-T
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel. Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	: Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
Principal Bankers	: Alliance Bank Malaysia Berhad RHB Bank Berhad Malayan Banking Berhad Kuwait Finance House (Malaysia) Bhd
Stock Exchange Listing	: Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	: LIONDIV
Bursa Securities Stock No.	: 2887
ISIN Code	: MYL2887OO007
Reuters Code	: LDIV.KL

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng

Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 63, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also the Chairman of the Executive Share Option Scheme Committee of the Company.

Tan Sri William Cheng has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre, computer, retail, trading, pulp and paper, plantation, and property and community development.

Tan Sri William Cheng is the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor.

Tan Sri William Cheng's other directorships in public companies are as follows :

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

His shareholdings in the Company are disclosed in page 106 of this Annual Report. By virtue of his substantial interest in the Company, he is deemed to be interested in the wholly-owned subsidiaries of the Company to the extent of the Company's interest, including the subsidiaries set out in page 107 of this Annual Report. He also has interests in certain companies which conduct similar business with the Company.

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

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

Heah Sieu Lay

Managing Director

Mr Heah Sieu Lay, a Malaysian, aged 53, was appointed to the Board on 5 June 2001. He is also a member of the Audit Committee of the Company.

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

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

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

Mr Heah has a direct shareholding of 500,000 ordinary shares of RM0.50 each in the Company.

Mr Heah attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

Dato' Ismail @ Mansor bin Said

Independent Non-Executive Director

Y. Bhg. Dato' Ismail @ Mansor bin Said, a Malaysian, aged 57, was appointed to the Board on 15 September 1995. Dato' Ismail is the Chairman of the Company's Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

Y. Bhg. Dato' Ismail received his Bachelor of Economics degree from the University of Malaya. Dato' Ismail was a member of Parliament (1978-1995), the Chairman of Public Accounts Committee (1985 to 1990), the Chairman of Majlis Amanah Rakyat (1987 to 1990) and the Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995).

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

He attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

Dato Murad Mohamed Hashim
Independent Non-Executive Director

Y. Bhg. Dato Murad Mohamed Hashim, a Malaysian, aged 73, was appointed to the Board on 19 May 2000. He is also the Chairman of the Company's Remuneration Committee.

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

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

Dato Murad attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

Cheng Yong Kwang
Non-Independent Non-Executive Director

Mr Cheng Yong Kwang, a Singaporean, aged 50, was appointed to the Board on 11 July 1994. He is a member of the Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee of the Company.

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

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

He is a Director of Lion Asiapac Limited, Singapore and a Commissioner of PT Lion Metal Works Tbk, Indonesia.

Mr Cheng has a direct shareholding of 2,272,173 ordinary shares of RM0.50 each in 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 business with the Company.

He attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

George Leong Chee Fook
Independent Non-Executive Director

Mr George Leong Chee Fook, a Malaysian, aged 60, was appointed to the Board on 5 June 2001. Mr George Leong is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

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

Mr George Leong attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2006.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) recognises the importance of practising good corporate governance to direct the businesses of the Group towards enhancing business prosperity and long term value for its shareholders. The Board is fully committed in 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 2006 except where otherwise stated herein.

1. DIRECTORS

The Board

The Board is entrusted with the responsibility in leading and directing the Group towards realising long term shareholders’ values. The Board retains full and effective control of the Group’s strategic plans, overseeing the conduct of the Group’s businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Group’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 2006, seven (7) Board Meetings were held and each Director has attended all Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

Board Composition and Balance

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

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

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

Board Committees

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

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

Supply of Information

The Board members in their individual capacities 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 Secretaries, who are responsible in 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 18 of this Annual Report.

Re-election of Directors

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

Directors' Training

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme and have subsequently accumulated the requisite points under the Continuing Education Programme ("CEP") as specified by Bursa Securities up to 31 December 2005.

The Directors are also encouraged to attend various external professional programmes necessary to keep abreast on issues facing the changing business environment within which the Group operates.

During the financial year, an in-house seminar entitled "Impact of Financial Reporting Standards on Corporate Malaysia" conducted by Messrs Ernst & Young, Malaysia ("Seminar"), on the new Financial Reporting Standards ("FRS") and a detailed briefing by the Company's Auditors on the FRS and the possible impact of the same on the financials of the Group moving forward ("Briefing") were attended by the Directors. The FRS would be effective in the next financial reporting year for the Group. The objective of the Seminar and the Briefing was to provide Directors with an overview on the updates and impact of the new and revised FRS and was aimed at helping Directors understand the business and financial implications on the adoption of the new and revised FRS on the financials of the Group.

Certain Directors have also attended other seminars and programmes other than that in relation to the FRS in furtherance of the CEP.

In addition, the Company arranges site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

The Board views the attendance of the Directors at the aforementioned seminars, programmes, Briefing and site visits as adequate to enhance their skills and knowledge to carry out their duties as Directors.

The Board will, on a continuous basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 18 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2006 are categorised as follows:

	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Director	35,000	1,000,000	1,035,000
Non-Executive Directors	224,000	269,000	493,000
	259,000	1,269,000	1,528,000
	259,000	1,269,000	1,528,000

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

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
25,000 & below	–	2
25,001 – 50,000	–	2
350,001 – 400,000	–	1
1,000,001 – 1,050,000	1	–

3. SHAREHOLDERS

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, 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 15 to 17 of this Annual Report.

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position and prospect through the annual financial statements and quarterly announcements to the Company's shareholders. The Board is also responsible in 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.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2006, 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.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 14 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 roles of both the external and internal auditors are further described in the Audit Committee Report.

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management scorecards and reporting 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 to clearly define limits of authority
- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis
- Review of key business variables and the monitoring of the achievements of the Group’s performance on a quarterly basis by the Board and the Audit Committee
- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis
- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

Mr Heah Sieu Lay
(Non-Independent Executive Director)

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

- **Secretaries**

The Secretaries of Lion Diversified Holdings Berhad, Ms Lim Kwee Peng 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 fulfill the requirements as prescribed in the Listing Requirements of Bursa Securities. The Chairman of the Audit Committee shall be an independent director appointed by the Board.

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

- (i) To consider the appointment, resignation and dismissal of external auditors and the audit fee.
- (ii) To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- (iii) To review and assess the annual and quarterly financial statements prior to the approval of the Board, 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 reviews/investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- (vii) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group.
- (viii) To consider the appointment of independent advisers for corporate proposals involving related parties.
- (ix) To assess the quality and effectiveness of the system of internal control and efficiency of operations, and to review the risk policy and implementation of the risk management framework.
- (x) To promptly report to Bursa Securities on any matter where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.
- (xi) To review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and be informed of any resignation of internal audit staff members and reasons thereof.
- (xii) To perform any other such function as may be agreed to by the Audit Committee and the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, nine (9) Audit Committee Meetings were held for which full attendance were recorded for all the members of the Audit Committee.

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

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

- **Financial Results**

- (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.
- (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes in accounting policies, 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, accounting issues and significant audit adjustments arising from the external audit.
- (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management’s response to the findings of the external auditors.
- (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.
- (e) Convened a meeting with the external auditors without the non-independent directors being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

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

NOMINATION COMMITTEE

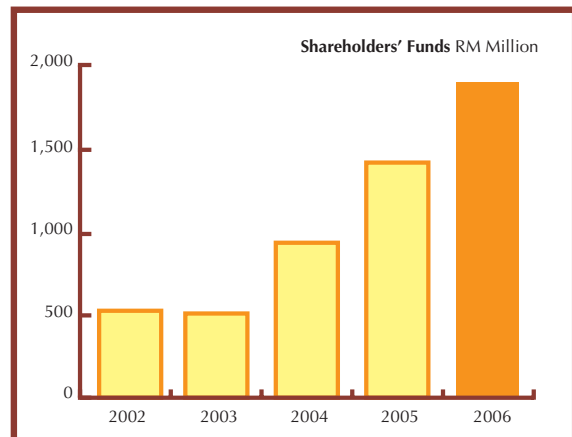
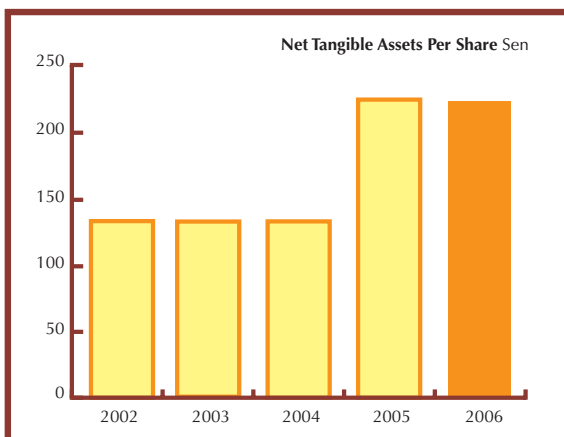
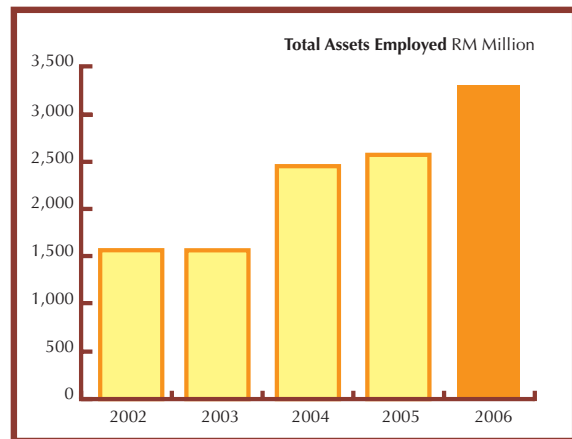
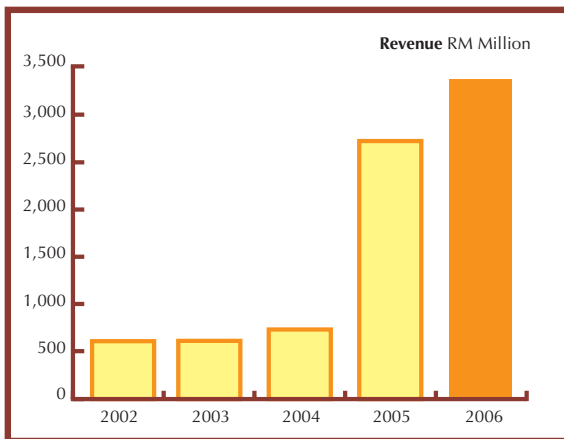
Chairman	:	Mr George Leong Chee Fook <i>(Independent Non-Executive Director)</i>
Members	:	Y. Bhg. Dato' Ismail @ Mansor bin Said <i>(Independent Non-Executive Director)</i> Mr Cheng Yong Kwang <i>(Non-Independent Non-Executive Director)</i>
Terms of Reference	:	<ul style="list-style-type: none"> To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

REMUNERATION COMMITTEE

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

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2002	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	615,031	616,906	753,160	2,728,738	3,367,544
Profit before taxation	6,453	27,373	443,992	597,308	603,710
Profit/(Loss) after taxation	(10,424)	7,038	418,031	560,879	527,929
Dividends:					
Rate (%)	0.1	0.1	10.0	12.0	18.0
Amount (net of tax)	125	126	17,510	22,317	53,235
Total assets employed	1,592,136	1,572,807	2,462,233	2,595,113	3,308,642
Shareholders' funds	512,645	505,543	943,832	1,425,621	1,906,239
Net tangible assets	471,129	468,318	768,307	1,242,929	1,528,296
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	135	134	135	227	223
Earnings/(Loss) per share	(2.3)	(0.2)	114.9	115.5	78.3



THE GROUP'S BUSINESSES



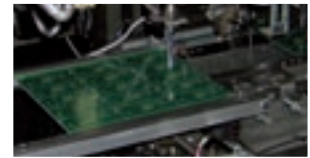
- The Group's investment in the retail industry is through its chain of 68 Parkson Department Stores, with 29 in Malaysia, 38 in China and 1 in Vietnam.
- *Pembabitan Kumpulan dalam industri peruncitan merangkumi 68 buah gedung Parkson iaitu 29 buah di Malaysia, 38 buah di China dan sebuah di Vietnam.*



- The 850-acre township of Bandar Mahkota Cheras being developed by the Group, comprising residential, and commercial including an up-market Town Centre.
- *Bandar Mahkota Cheras seluas 850 ekar yang dimajukan oleh Kumpulan merangkumi pembangunan hartanah kediaman dan komersil termasuk Pusat Bandar kelas tinggi.*



Likom, Melaka



Likom, Mexico



- The Group's computer operations under Likom with manufacturing facilities in Melaka and Mexico.
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico.*

PENYATA PENERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad bagi tahun kewangan yang berakhir 30 Jun 2006.

PRESTASI KEWANGAN

Tahun kewangan ini merupakan satu lagi tempoh pertumbuhan yang kukuh untuk Kumpulan. Kejayaan penyenaian operasi peruncitan China di Bursa Saham Hong Kong telah membuka peluang kepada Parkson China untuk membiayai aktiviti pengembangan agresifnya serta mengukuhkan lagi kedudukan semasa sebagai rangkaian gedung peruncitan terkemuka di peringkat antarabangsa. Kumpulan juga memperolehi manfaat daripada penyelesaian penyenaian dengan merekodkan keuntungan luar biasa berjumlah RM421 juta dan dana terkumpul mengukuhkan lagi kedudukan aliran tunai.

Parkson China yang memiliki 38 buah gedung di 26 buah bandar utama, terus menjana pertumbuhan dalam perolehan dan pendapatan yang membanggakan berikutan platform pengedaran nasionalnya bagi jenama-jenama berkualiti tinggi dan meningkatnya kuasa beli pengguna. Liberalisasi dalam pemilikan asing dalam industri peruncitan di China baru-baru ini telah membuka peluang kepada Kumpulan sama ada untuk mengambil alih gedung-gedung yang dimiliki oleh pihak ketiga yang bebas atau menguasai kepentingan minoriti dalam gedung secara usaha sama dengan rakan tempatan.

Di dalam negara, sektor perniagaan teras kita terus menjana pertumbuhan yang mantap dan meraih pendapatan yang positif. Penglibatan kita dalam pasaran peruncitan Vietnam telah menyaksikan pertumbuhan yang menggalakkan dan kita menjangka lebih banyak gedung-gedung baru akan dibuka dalam masa terdekat untuk meraih peluang-peluang daripada kepesatan pertumbuhan ekonominya. Pelaburan kita dalam sektor perkilangan besi keluli tidak menghasilkan pulangan yang positif pada tahun ini setelah industri besi keluli tempatan terjejas teruk akibat daripada kejatuhan harga besi keluli antarabangsa. Bagaimanapun, harganya telah kembali meningkat dan tinjauan bagi tahun hadapan kekal positif.

Bagi tahun dalam kajian, saya dengan sukacitanya melaporkan perolehan berjumlah RM3.4 bilion meningkat 23% daripada tahun sebelumnya. Prestasi kesemua segmen perniagaan utama adalah memberangsangkan, dengan perolehan segmen peruncitan melonjak 28%. Keuntungan operasi Kumpulan juga meningkat kepada RM254 juta berbanding RM196 juta yang dicatatkan tahun lalu. Dengan pendapatan luar biasa dan bahagian keputusan kewangan syarikat-syarikat sekutu, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM604 juta.

PERKEMBANGAN KORPORAT

Sepanjang dan berikutan akhir tahun kewangan, Kumpulan telah melaksanakan langkah-langkah korporat utama berikut:

- Dalam bulan September 2005, Syarikat telah selesai melupuskan anak syarikat milik penuhnya, Xtra Supercenter Sdn Bhd, sebuah syarikat yang terlibat dalam perniagaan pasar raya besar.
- Dalam bulan November 2005, Parkson Retail Group Limited ("Parkson Retail"), sebuah anak syarikat Kumpulan, telah berjaya disenaraikan di Bursa Saham Hong Kong. Berikutan penyenaian tersebut, kepentingan ekuiti Kumpulan dalam Parkson Retail berkurangan kepada 65.5%.
- Dalam bulan Oktober 2005, Syarikat telah memeterai perjanjian memudahkan dengan Megasteel Sdn Bhd ("Megasteel"), sebuah anak syarikat Lion Corporation Berhad di mana Syarikat bersetuju untuk membatalkan perjanjian pembekalan semasa, perjanjian pelesenan dan perjanjian-perjanjian lain berhubung projek Direct Reduced Iron dan melaksanakan perjanjian baru yang sama oleh Lion DRI Sdn Bhd, anak syarikat milik penuh Syarikat, yang akan diambil alih oleh Megasteel sepenuhnya menerusi satu perjanjian langganan dan perjanjian opsyen panggilan. Namun begitu, dalam bulan Ogos 2006, Syarikat mengumumkan bahawa semua pihak berkaitan secara bersama bersetuju untuk membatalkan kesemua perjanjian berkenaan.
- Dalam bulan Januari 2006, Syarikat mengumumkan cadangan pengambil alihan sejumlah 44% kepentingan ekuiti di dalam Parkson Retail Development Co Ltd, sebuah entiti yang dikawal secara bersama dengan 56% dimiliki oleh Kumpulan. Urusniaga tersebut diselesaikan dalam bulan Julai 2006.
- Dalam bulan Ogos 2006, Syarikat mengumumkan bahawa anak syarikat milik penuhnya, PRG Corporation Limited, melupuskan sejumlah 55,200,000 saham Parkson Retail mewakili 10% daripada modal terbitan dan berbayar Parkson Retail, melalui pelupusan kepada para pelabur secara tempahan buku (book-building). Jumlah dana kasar yang dijana oleh Syarikat daripada pelaksanaan pelupusan ini mencecah sehingga HK\$1,336 juta (sekitar RM641 juta).
- Dalam bulan September 2006, Syarikat telah mengumumkan langkah-langkah berikut:
 - (i) Cadangan pelupusan kepentingan ekuitinya dalam Parkson China, Malaysia dan Vietnam kepada East Crest International Limited, anak syarikat milik penuh Amalgamated Containers Berhad ("ACB") akan dipenuhi secara menerbitkan 3,799.73 juta saham biasa baru bernilai RM1.00 setiap satu dalam ACB pada harga terbitan RM1.00 sesaham dan Stok Pinjaman Berjamin Boleh Ubah Boleh Tebus dengan kadar Kupon 3.5% untuk tempoh 3 tahun berjumlah nilai nominal RM500 juta ("Cadangan Pelupusan");

- (ii) Cadangan pengambil alihan oleh Excel Step Investments Limited (“Excel Step”), anak syarikat milik penuh Lion Diversified Holdings Berhad (“LDHB”), sejumlah 42,318,772 saham biasa bernilai RM1.00 sesaham, mewakili 56.64% modal terbitan dan berbayar ACB, daripada Lion Corporation Berhad (“LCB”), dan Limpahjaya Sdn Bhd, anak syarikat milik penuh LCB, untuk pertimbangan tunai sehingga RM35.12 juta (“Cadangan Pengambil Alihan”);
- (iii) Cadangan pengagihan modal sehingga keseluruhan kepentingan ekuitinya dalam ACB kepada para pemegang saham LDHB sebaik sahaja Cadangan Pelupusan dan Cadangan Pengambil Alihan diselesaikan; dan
- (iv) Cadangan pengecualian kepada LDHB dan/atau Excel Step dari kewajipan untuk melaksanakan tawaran mandatori untuk baki saham dalam ACB yang belum dipegang oleh LDHB sebaik sahaja Cadangan Pelupusan dan Cadangan Pengambil Alihan diselesaikan.

Maklumat lanjut mengenai pelbagai cadangan korporat lain terdapat di muka surat 35 hingga 37 dalam Laporan Tahunan ini.

TINJAUAN OPERASI

Bahagian Peruncitan

Bagi tahun dalam kajian, Bahagian Peruncitan telah mencatatkan satu lagi keputusan kewangan yang cemerlang. Keuntungan operasi bagi tahun itu berjumlah RM201 juta berbanding RM125 juta pada tahun lalu sementara perolehan pula meningkat kepada RM2.9 bilion daripada RM2.3 bilion.

Selain daripada memiliki satu model perniagaan yang berjaya dibentuk sejak lebih kurang dua dekad lalu, Bahagian Peruncitan terus berusaha keras untuk mencapai kecemerlangan dan tahap piawai yang tinggi dalam memenuhi keperluan pengguna yang sering berubah dalam pelbagai pasaran. Gabungan barangan dan jenama yang bertepatan di gedung-gedung kita, penyediaan khidmat-khidmat khusus dan pembentukan kesetiaan tinggi kepada jenama “Parkson”, merupakan asas kekuatan dan kejayaan kita di kebanyakan wilayah yang kita beroperasi. Model perniagaan kita juga sentiasa diteliti serta dipertingkatkan dari semasa ke semasa dan telah berjaya mencapai kejayaan yang membanggakan terutamanya di China di mana secara konsisten margin yang diraih melepasi tahap biasa yang dicapai oleh industri. Pertumbuhan tahunan gedung yang sama juga lebih tinggi berbanding para pesaingnya.

Parkson Malaysia

Parkson Malaysia mempunyai 29 buah gedung membeli-belah yang terletak di lokasi-lokasi strategik di Semenanjung

Malaysia dan Malaysia Timur. Ia terus merekodkan prestasi yang memuaskan sepanjang tahun dalam kajian.

Dengan pelupusan perniagaan pasar raya besarnya yang tidak menguntungkan di bawah “Xtra” dalam tahun kewangan, Parkson Malaysia akan menumpu sumber-sumbernya yang ada untuk memaksimumkan pulangan menerusi perniagaan gedung membeli-belah yang menguntungkan. Bahagian ini juga akan terus mengambil pendirian yang agresif untuk menguasai pasaran yang lebih besar menerusi strategi-strategi yang berjaya dimajukan sejak beberapa tahun lalu dengan lebih menumpukan kepada peningkatan produktiviti jualan, pelarasan semula gabungan atau campuran barangan serta peragaan dengan memperkenalkan lebih banyak jenama antarabangsa, menambah kepelbagaiannya, dan memantau diskaun serta kekurangan stok.

Parkson China

Parkson memiliki dan mengurus sejumlah 38 buah gedung beli-belah di lokasi-lokasi utama di 26 buah bandar besar di China. Ia merupakan salah sebuah rangkaian gedung membeli-belah terbesar di China dengan mempunyai operasi di banyak wilayah dan mempunyai kedudukan yang kukuh di Beijing dan Shanghai (masing-masing dua buah gedung), Xian dan Chongqing (masing-masing tiga buah gedung).

Parkson China telah menempatkan diri sebagai gedung beli-belah tahap pertengahan dan pertengahan-tinggi dalam sektor gedung membeli-belah, menawarkan rangkaian produk yang luas dengan tumpuan utama ke arah fesyen produk “gaya hidup”, khususnya fesyen wanita dan kosmetik. Gabungan barangan dan jenama yang menepati citarasa serta produk-produk berkualiti tinggi dan mempunyai nilai baik, dan keupayaan membentuk kesetiaan kepada jenama “Parkson”, merupakan unsur-unsur penting dalam kejayaan perniagaan kita di pasaran yang luas dan pelbagai ini.

Setelah 12 tahun beroperasi di China, jenama “Parkson” terkenal sebagai jenama serantau. Kekuatan pertumbuhan jenama Parkson dipertingkatkan lagi menerusi promosi program Kad Kesetiaan Parkson. Sehingga kini, Parkson mempunyai lebih kurang 3 juta ahli kad kesetiaan dan lebih 100,000 pemegang kad kredit jenama bersama China Merchants Bank. Selain daripada membantu menjalinkan kesetiaan pelanggan dan mempertingkatkan imejnya, skim ini juga membolehkan pihak pengurusan membentuk pangkalan data bagi tujuan pemasaran langsung serta aktiviti-aktiviti mempromosikan jualan.

Di peringkat korporat, berikutan kejayaan penyenaian peruncitan Kumpulan di China dalam bulan November 2005, serta pelaksanaan penempatan saham yang disebutkan tadi, Kumpulan ketika ini, memegang sebanyak 55.5% ekuiti dalam Parkson Retail Group Limited. Kejayaan pengapungan saham telah meningkatkan profil imej Parkson di China dan kita percaya Parkson pada hari ini adalah peneraju gedung membeli-belah yang paling diiktiraf di China, dari kalangan komuniti antarabangsa serta domestik.

Parkson Vietnam

Dalam bulan Jun 2005, Kumpulan telah membuka gedung pertama Parkson di Bandar Ho Chi Minh, Vietnam. Selepas setahun beroperasi, prestasinya amat menggalakkan. Dalam usaha untuk terus meluaskan penguasaan pasaran serta meningkatkan pendapatan, operasi ini akan terus menekankan kepada pelarasan semula campuran atau gabungan ruang dan produk, mengkaji margin pembekal dan program-program promosi yang lain.

Pelan-pelan sedang disediakan untuk meluaskan perniagaan sedia ada dengan membuka lebih banyak gedung di lokasi-lokasi terpilih di Vietnam dalam beberapa tahun yang akan datang.

Bahagian Hartanah

Bahagian Hartanah kita terlibat dalam pembangunan kawasan perbandaran utama di Cheras yang dikenali sebagai 'Bandar Mahkota Cheras'. Terletak di lokasi strategik berhampiran Batu 10 Jalan Cheras, Kuala Lumpur, bandar baru bersepadu di atas tanah pegangan bebas seluas 850 ekar, menawarkan kehidupan gaya luar bandar lengkap berkualiti dengan pelbagai kemudahan sokongan.

Sehingga kini, Bahagian ini telah berjaya melancarkan lebih daripada 8,500 buah rumah kediaman dan akan membangunkan pusat bandar tersebut dengan memperkenalkan kedai pejabat mewah yang berkualiti. Projek itu terus menarik minat pembeli yang tinggi dan menikmati kadar langganan lebih daripada 90%.

Disebalik pasaran hartanah yang agak berhati-hati, Bahagian ini berjaya menjana keuntungan berjumlah RM24 juta berasaskan perolehan yang lebih rendah berjumlah RM140 juta.

Bahagian Komputer

Bahagian ini terlibat dalam menyediakan perkhidmatan pengeluaran peralatan asli integrasi setempat ("OEM") bagi pengeluaran bekas-bekas serta lampiran komputer peribadi dan perkhidmatan pengeluaran terutamanya sebagai OEM dalam pemasangan peralatan komputer dan komponen elektronik. Ia juga telah mempelbagaikan produknya dalam segmen-segmen bukan berasaskan komputer peribadi lain seperti peralatan audio visual, telekomunikasi, penggera-keselamatan dan produk suis elektrik dalam mengurangkan kebergantungan terhadap pasaran komputer peribadi.

Walaupun berdepan dengan persaingan sengit dan peningkatan harga barang mentah, namun pelbagai langkah agresif yang dilaksanakan pada masa lalu untuk mempertingkatkan kualiti barangannya menerusi kerja-kerja penyelidikan dan pembangunan berterusan bersama-sama dengan pengembangan rangkaian jurujual, telah membolehkan Bahagian ini mencatat hasil kewangan lebih baik dengan keuntungan operasi berjumlah RM24 juta berbanding RM14 juta pada tahun sebelumnya.

DIVIDEN

Dalam tahun kewangan, Syarikat telah membayar dividen sebanyak 4 sen sesaham ditolak cukai, kesemuanya berjumlah RM19.3 juta bagi tahun kewangan yang berakhir pada 30 Jun 2006.

Lembaga Pengarah mencadangkan dividen akhir sebanyak 5 sen sesaham, dikecualikan cukai, untuk kelulusan para pemegang saham pada Mesyuarat Agung Tahunan akan datang. Dividen berbayar bersih akan berjumlah RM34.0 juta.

Sekiranya diluluskan, jumlah dividen bagi tahun kewangan yang berakhir 30 Jun 2006 menjadi 9 sen sesaham, kesemuanya berjumlah sehingga RM53.3 juta berbanding 6 sen sesaham berjumlah RM22.3 juta pada tahun lalu.

PROSPEK

Meskipun terdedah kepada kesan kenaikan harga minyak dan ketegangan politik di beberapa tempat di dunia, ekonomi negara-negara serantau terutamanya China dijangka akan terus mempamerkan pertumbuhan kukuh. Parkson China berada pada kedudukan yang amat baik untuk terus berkembang pesat menerusi peluasan gedung-gedung sedia ada dan pembukaan gedung-gedung yang diambil alih.

Di masa hadapan, operasi perniagaan teras kita yang lain dijangka akan kekal menguntungkan. Sehubungan itu, Lembaga Pengarah yakin bahawa Kumpulan akan terus mempamerkan prestasi yang cemerlang.

Berikutan dengan pelaksanaan aktiviti-aktiviti korporat seperti yang dinyatakan sebelum ini, Kumpulan akan menyelaraskan segmen-segmen perniagaan terasnya untuk mewujudkan sebuah platform yang akan dapat mengoptimumkan struktur modal dan memberi nilai yang lebih tinggi kepada para pelaburnya. Oleh demikian, Kumpulan akan terus meneroka setiap usaha dan cara untuk merungkai nilai yang ada di dalam perniagaannya.

PENGHARGAAN

Akhir sekali, saya ingin merakamkan penghargaan yang tulus ikhlas kepada ahli-ahli Lembaga Pengarah, pihak pengurusan dan kakitangan Kumpulan di atas komitmen, dedikasi dan sumbangan mereka demi pertumbuhan dan kejayaan Kumpulan. Saya juga ingin mengucapkan ribuan terima kasih kepada para pelanggan yang dihargai, para pembiaya, sekutu perniagaan, pihak Kerajaan dan para pemegang saham atas sokongan dan keyakinan berterusan mereka terhadap Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad for the financial year ended 30 June 2006.

FINANCIAL PERFORMANCE

It has been another year of solid growth for the Group. The successful listing of our China retail operations on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") has set the stage for Parkson China to fund its aggressive expansion drive and further strengthen its current position as the premiere international department store chain. The Group also benefited from the completion of the listing exercise to record an exceptional gain of RM421 million and the proceeds therefrom have considerably improved its already strong cashflow position.

Parkson China, with 38 stores in 26 major cities continues to generate impressive growth in revenue and earnings on the back of its national distribution platform for high quality brands and the rising consumer affluence. The recent liberalisation of foreign ownership in the retail industry in China has also provided the Group with an opportunity to either acquire stores owned by independent third parties or acquire the minority interests in its present joint-venture stores with local partners.

On the local front, our core business sectors continue to generate healthy growth and positive earnings. Our foray into the Vietnamese retail market has yielded encouraging growth and we expect to open more new stores soon to capitalise on the fast-growing economy there. Our investment in the local steel manufacturing sector did not yield positive returns this year as the local steel industry was badly affected by the plunge in international steel prices. However, prices have rebounded since then and the outlook for next year remains positive.

For the year under review, I am pleased to report a Group revenue of RM3.4 billion, up 23% from the previous year. All major business segments performed satisfactorily, with the retailing segment achieving a 28% jump in revenue. Operating profit of the Group was also higher at RM254 million as against RM196 million recorded last year. Together with the exceptional gain and share in results of its associates, the Group achieved a profit before taxation of RM604 million.

CORPORATE DEVELOPMENTS

During and subsequent to the financial year-end, the Group had undertaken the following significant corporate exercises:

- In September 2005, the Company completed the disposal of its wholly-owned subsidiary, Xtra Supercenter Sdn Bhd, a company involved in the hypermarket business.
- In November 2005, Parkson Retail Group Limited ("Parkson Retail"), a subsidiary of the Group, was successfully listed on the Hong Kong Stock Exchange. Subsequent to the listing, the Group's equity interest in Parkson Retail was reduced to 65.5%.
- In October 2005, the Company entered into a facilitation agreement with Megasteel Sdn Bhd ("Megasteel"), a subsidiary of Lion Corporation Berhad pursuant to which the Company agreed to cancel the existing supply agreement, the licensing agreement and other agreements in respect of the Direct Reduced Iron project and procure the execution of similar new agreements by Lion DRI Sdn Bhd, a wholly-owned subsidiary of the Company which will be acquired by Megasteel entirely pursuant to a subscription agreement and a call option agreement. However, in August 2006, the Company announced that the parties mutually agreed to terminate all the agreements.
- In January 2006, the Company announced the proposed acquisition of a 44% equity interest in Parkson Retail Development Co Ltd, a 56% owned jointly controlled entity of the Group. The transaction was completed in July 2006.
- In August 2006, the Company announced that its wholly-owned subsidiary, PRG Corporation Limited, disposed of 55,200,000 Parkson Retail shares representing 10% of the issued and paid-up capital of Parkson Retail, via a placement to investors by a book-building exercise. The total gross proceeds raised by the Company from the disposal amounted to HK\$1,336 million (approximately RM641 million).
- In September 2006, the Company announced the following:
 - (i) Proposed disposals of its equity interests in Parkson China, Malaysia and Vietnam to East Crest International Limited, a wholly-owned subsidiary of Amalgamated Containers Berhad ("ACB") to be satisfied by the issuance of 3,799.73 million new ordinary shares of RM1.00 each in ACB at the issue price of RM1.00 per share and RM500 million nominal value 3-year 3.5% coupon redeemable convertible secured loan stock ("Proposed Disposals");

- (ii) Proposed acquisition by Excel Step Investments Limited (“Excel Step”), a wholly-owned subsidiary of Lion Diversified Holdings Berhad (“LDHB”), of up to 42,318,772 ordinary shares of RM1.00 each, representing 56.64% of the issued and paid-up share capital of ACB, from Lion Corporation Berhad (“LCB”), and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB for a cash consideration of up to RM35.12 million (“Proposed Acquisition”);
- (iii) Proposed capital distribution of up to its entire equity interest in ACB upon the completion of the Proposed Disposals and Proposed Acquisition, to the shareholders of LDHB; and
- (iv) Proposed exemptions to LDHB and/or Excel Step from the obligation to undertake a mandatory offer for the remaining shares in ACB not already held by LDHB upon completion of the Proposed Disposals and the Proposed Acquisition.

Full details of the various other corporate proposals are contained in pages 35 to 37 of this Annual Report.

REVIEW OF OPERATIONS

Retail Division

For the year under review, the Retail Division achieved another set of impressive results. Operating profit for the year was RM201 million as against RM125 million last year whilst revenue rose to RM2.9 billion from RM2.3 billion.

Besides having a successful business model developed and honed over nearly two decades, the Retail Division continues to strive for high standards and excellence in meeting the changing needs of consumers in the various diverse markets. Having the right merchandise mix and brand mix in our stores, providing personalised services and creating strong loyalties to the “Parkson” brand have been the cornerstone of our strength and success in the various regions we operate. Our business model is also constantly being refined and improved upon and have met with considerable success especially in China where margins have consistently exceeded the industry norm and same store year-on-year growth has been superior as compared to its competitors.

Parkson Malaysia

Parkson Malaysia operates domestically through 29 department stores strategically located throughout Peninsular Malaysia and in East Malaysia. It continues to record satisfactory performance for the year under review.

With the disposal of its unprofitable hypermarket business under “Xtra” during the financial year, Parkson Malaysia will focus its resources towards maximising returns on its profitable department store business. The Division will continue to pursue an aggressive stance to secure a bigger market share through the successful strategies developed over the last few years with more focus on improving its selling floor productivity, re-alignment of merchandise mix and display via the introduction of more internationally renowned brands, improvement in assortment, and close monitoring of discount and stock shrinkages.

Parkson China

Parkson owns and manages 38 stores in prime locations in 26 major cities in China. It is one of the largest department store chains in China with presence in numerous provinces and has a particularly strong position in Beijing (two stores), Shanghai (two stores), Xian (three stores) and Chongqing (three stores).

Parkson China has positioned itself in the middle to middle-upper end of the department store sector, offering a wide range of products with main focus on fashion “lifestyle” products, in particular ladies’ fashion and cosmetics. Having the right merchandise mix and brand mix in the stores, offering products with high quality and good value, and the ability to create strong loyalty to the “Parkson” brand have been crucial to the success of our business in this huge and diverse market.

With its 12 years of established operations in China, the “Parkson” brand is a well-known regional brand. The growing strength of the Parkson brand recognition is further promoted through the Parkson Loyalty Card programme. To date, Parkson has about 3 million Parkson loyalty card members and over 100,000 co-branded China Merchants Bank credit card holders. Apart from helping to foster customer loyalty and enhance its image, the scheme also enables management to maintain a database for direct marketing and sales promotional activities.

On the corporate front, subsequent to the successful debut of the Group’s China retail arm in November 2005, and the share placement exercise mentioned earlier, the Group

currently has a 55.5% equity stake in Parkson Retail Group Limited. The successful floatation has raised the profile of the Parkson image in China and we believe Parkson today is the most recognised leading department store operator in China amongst the international and domestic community.

Parkson Vietnam

In June 2005, the Group opened its first flagship store under the Parkson banner in Ho Chi Minh City, Vietnam. The performance after a year's operation has been very encouraging. In order to gain further market share and boost earnings, the operation will continue to undertake space and product mix re-alignment, vendor's margin review and other promotional programmes.

Plans are in the pipeline to expand the existing business by opening more stores in choice locations in Vietnam over the next few years.

Property Division

Our Property Division is involved in the development of a major township in Cheras known as 'Bandar Mahkota Cheras'. Strategically located off 10th mile Jalan Cheras, Kuala Lumpur, the 850-acre freehold self-contained township offers quality country living complete with a range of supporting amenities.

Todate, the Division has successfully launched more than 8,500 units of residential properties and will progressively develop the towncentre through the introduction of quality upmarket shop offices. The project continued to attract strong interest and enjoyed a good take-up rate of more than 90%.

Despite the cautious property market, the Division generated a profit of RM24 million on a lower revenue of RM140 million.

Computer Division

This Division is involved in the provision of integrated one-stop original equipment manufacturing ("OEM") services for the production of personal computer casings and enclosures, and the provision of manufacturing services especially as OEM for the assembly of computer peripherals and electronics components. It has also diversified its product range into other non-PC segments such as audio visual equipment, telecommunication, security-alarm and electrical switching products to reduce its dependence on the PC market.

Despite the intense competition and the increase in raw material prices faced by the Division, the aggressive measures introduced in the past to enhance the quality of its products through continuous research and development together with expansion of its dealers network have enabled the Division to achieve a better set of financial

results with operating profit at RM24 million as against RM14 million in the previous year.

DIVIDENDS

During the financial year, the Company paid an interim dividend of 4 sen per share, less tax, amounting to RM19.3 million in respect of the financial year ended 30 June 2006.

The Board is pleased to recommend a final dividend of 5 sen per share, tax-exempt, for the approval of shareholders at the forthcoming Annual General Meeting. Net dividend payable will amount to RM34.0 million.

If approved, total dividends for the financial year ended 30 June 2006 will be 9 sen per share amounting to RM53.3 million as compared to 6 sen per share amounting to RM22.3 million last year.

PROSPECTS

Notwithstanding the impact of rising oil prices and political unrest in certain parts of the world, regional economies, especially China is expected to continue with its strong growth. Parkson China is well-positioned to grow at a faster pace through the expansion of its current stores and newly-acquired stores.

Moving forward, our other core business operations are expected to remain profitable and as such, the Board is confident that the Group will continue to show commendable performance.

Pursuant to the corporate exercises mentioned earlier, the Group will streamline its core business segments in order to create a platform that will optimise its capital structure and bring higher value to its shareholders. As such, the Group will continue to explore all avenues to unlock the inherent value of its businesses.

ACKNOWLEDGEMENT

On a final note, I would like to take this opportunity to express my sincere appreciation to the members of the Board, the management team and employees for their continued commitment, dedication and contribution to the growth and success of the Group. I also wish to extend the Board's appreciation to our valued customers, bankers, business associates, the Government and shareholders for their continued support and confidence in the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司，截至2006年6月30日为止的会计年度之常年报告及经审核财务报告。

财务表现

这是本集团取得稳固成长的另一个年头。我们在中国的零售业务成功的在香港股票交易所上市，使中国百盛有资金推动雄心勃勃的扩展计划，及进一步加强它目前作为首要的国际性百货公司连锁店的地位。本集团也从这项成功挂牌行动中受惠，取得4亿2千100万令吉的额外盈利，这笔资金也改善它原本已经很强固的现金流动地位。

中国百盛在中国的26个大城市拥有38家百货公司，它在中国全国各地分销高品质品牌产品以及中国消费者日益富裕的背景之下，继续在营业额及盈利方面取得可观的成长。中国最近放宽外国人对中国零售业拥有权的条例，也为本集团提供机会，收购由外界拥有的百货公司，或在与中国当地的伙伴联营的现有的百货公司中，收购少数权益者拥有的股权。

在本地方面，我们的核心业务继续取得健全的成长和盈利。我们进军越南的零售市场，已经取得令人鼓舞的成长，我们预期不久之后会有更多新分店开张，以从迅速成长的经济中得利。由于本地钢铁业受到国际价格大跌的冲击，我们在本地钢铁制造业的投资，今年没有取得积极的成果。不过，随着钢铁价格之后反弹，明年会有良好的展望。

我欣然提呈，在本会计年度，本集团的营业额比去年上扬了23%，达到34亿令吉。所有主要的业务组都有满意的表现，零售组的营业额上扬了28%。本集团的营业利润也较去年的1亿9千600百万令吉高，达到2亿5千400百万令吉。加上特别利润和分享联号公司的业绩，本集团共取得6亿400万令吉的税前利润。

企业发展

在本会计年度及会计年度后，本集团采取了下述重大企业措施：

- 在2005年9月，本公司完成脱售其从事霸级市场业务的独资子公司Xtra Supercenter Sdn Bhd。

- 在2005年11月，本集团子公司百盛商业集团有限公司（“百盛商业集团”）成功在香港股票交易所上市。在挂牌之后，本集团在该公司的股权减少到65.5%。
- 在2005年10月，本公司和金狮机构有限公司的子公司“美佳钢铁私人有限公司”达成一项便利协议，在协议之下，本公司同意取消与还原铁计划有关的现有的供应协议、执照协议以及其他协议，而和本公司的独资子公司Lion DRI Sdn Bhd缔结类似的新协议；而根据认购协议和回购选择权协议，它将由“美佳钢铁私人有限公司”收购。不过，在2006年8月，本公司宣布，各有关各造同意，终止所有协议。
- 在2006年1月，本公司宣布，建议收购百盛商业发展有限公司的44%股权；该公司的56%股权由本集团拥有。有关交易在2006年7月完成。
- 在2006年8月，本公司宣布，它的独资子公司PRG Corporation Limited在账目筹资计划下，通过配售给投资者的方式，脱售百盛商业集团的5千520万股股票，等于百盛商业集团的发行资本及缴足资本的10%。本公司从这项售股中所筹措到的毛收入总额共港币13亿3千600万元（约6亿4千100万令吉）。
- 在2006年9月，本公司宣布以下事项：
 - (i) 建议把它在中国、马来西亚和越南的百盛公司拥有的股权出售给合营货柜有限公司（“合营货柜”）的独资子公司East Crest International Limited，收购资金由合营货柜发行每股面值1令吉的37亿9千973万新普通股，每股发行价1令吉，以及面值5亿令吉的3年期、年利率3.5%的可赎回可转换为担保债券股支付（“建议中的出售”）；
 - (ii) 建议由金狮多元控股有限公司（“金狮多元控股”）的独资子公司Excel Step Investments Limited（“Excel Step”）以现金3千512万令吉向金狮机构有限公司（“金狮机构”）及其独资子公司Limpahjaya Sdn Bhd收购合营货柜最高56.64%的股权42,318,772股面值1令吉的普通股（“建议中的收购”）；

- (iii) 在完成“建议中的出售”和“建议中的收购”之后，建议把它在合营货柜的最高全部股权分配给金狮多元控股的股东们；
- (iv) 在完成“建议中的出售”和“建议中的收购”之后，建议金狮多元控股以及/或是Excel Step豁免履行强制性献议收购尚未由金狮多元控股所持有的合营货柜的股票之义务。

与本公司的各种其他建议有关的详情，列在本年度报告的第35页至37页。

业务检讨

零售组

在本会计年度，零售组再一次创下佳绩。营业利润从上一年的1亿2千500万令吉增加到本年度的2亿100万令吉，营业额从上一年的23亿令吉增加到本会计年度的29亿令吉。

零售组在过去大约20年来建立起成功的商业典范；除此之外，它继续致力于追求更高水准和更加卓越，以应付各种不同市场的消费者不断变化的需求。我们的百货公司拥有适当的商品组合和品牌组合，提供个人化的服务，以及创造了消费者对“百盛”品牌的忠诚；这一切是我们各个区域营业的强项和取得成功的基石。我们的商业典范不断改良与改善，取得不俗的成功，尤其是在中国。与竞争者比较，我们在中国的盈利率较高，同一家百货公司年对年的成长率也比同行高。

马来西亚百盛

马来西亚百盛在国内经营29家百货公司，分布在马来西亚半岛和东马各地的策略性地点。在本会计年度，它继续取得令人满意的表现。

随着在本会计年度内出售在Xtra名下无利可图的霸级市场业务，马来西亚百盛把其资源集中在回酬更大的百货公司业务。本组将透过过去几年成功建立起来的策略，继续采取进取性的立场，以取得更大的市场份额。这些成功的策略包括更加集中于提高售货面积的生产力；通过推介更多国际知名品牌、改进货品种类、以及密切监督折扣和存货，以重组商品的组合及展示。

中国百盛

百盛在中国的26个大城市的首要地点拥有和经营38家百货公司。它是中国最大的百货连锁店集团之一，在各省市开设百货公司，特别是在北京(2家)、上海(2家)、西安(3家)和重庆(3家)。

中国百盛把本身定位为中档至中高档百货公司，提供各种系列的商品，主要集中在时尚“生活方式”产品，主要是女装服装和化妆品。这些百货公司拥有适当的商品组合和品牌组合，提供高品质产品和物有所值，创造了对“百盛”品牌的强烈忠诚，这是我们在中国这个庞大且多元市场取得成功的关键。

百盛在中国已经经营了12年，“百盛”成为闻名的地区区域性品牌。通过“百盛会员卡”计划，日益强化的百盛品牌进一步受到公认。今天，百盛会员卡拥有约3百万名会员，和超过10万人拥有我们和中国招商银行联合推出的联名信用卡。此计划除了协助提高客户的忠诚度和提升百盛的形象之外，也使到管理层能够保存资料库，以便进行直接销售及展开促销活动。

在企业结构方面，随着本集团在中国的零售组于2005年11月成功上市，以及在上面提到的配售措施，本集团目前在百盛商业集团拥有55.5%股权。成功挂牌已提高百盛在中国的形象，我们深信，在国际上和在国内，大家公认百盛是在中国居领先地位的百货公司经营者。

越南百盛

在2005年6月，本集团在越南的胡志明市，在百盛名下开设了第一家百盛旗舰百货公司。经过一年的经营，表现非常令人鼓舞。为了取得更大的市场份额和提高盈利，百盛将继续进行空间和产品组合的重组，利润率检讨以及推动其他促销活动。

我们正在规划，要在未来几年，在越南各地的上选地点开设更多的百货公司。

产业组

我们的产业组在蕉赖区发展一个主要市镇，称为皇冠城(Bandar Mahkota Cheras)。这个可以自给自足的新镇位于吉隆坡蕉赖路10英里的策略地点，拥有850依格的永久地契土地，提供高品质的田园式居住环境，且拥有一系列休闲设施。

今天，本组成功的推展8千500多个单位的住宅产业，并将逐步发展市中心，兴建高品质的商店办事处。这项计划吸引强烈购兴，出售率超过90%。

尽管产业市场持谨慎态度，本组在比上一年度较少的1亿4千万令吉营业额中，取得2千400万令吉的利润。

电脑组

本组提供综合性一站式原件代工服务，生产个人电脑外壳及附件，以及提供制造业服务，尤其是提供装配电脑周边产品及电子部件的原件代工服务。它也把业务多元化，进军非个人电脑领域，诸如音响器材、电讯、警铃及电子按钮产品，以降低对个人电脑市场的依赖。

尽管本组面对激烈竞争，以及原料起价，它在过去通过持续研发提高产品的品质，加上扩大代理商网络，使本组取得更佳的业绩，本年度的营业利润是2千400万令吉；上一个年度则只有1千400万令吉。

股息

在截止2006年6月30日为止的会计年度内，本公司派发每股4仙须扣税的中期股息，总额为1千930万令吉。

董事部欣然建议、派发每股5仙、免税终期股息，必须获得将召开的常年股东大会批准，应付净股息将是3千400万令吉。

如果获得股东大会批准，在2006年6月30日结束的财政年度的股息总额将是每股9仙，相等于5千330万令吉。上一个年度的股息是每股6仙，总额为2千230万令吉。

展望

尽管石油价格上涨以及世界某些地区政治动荡，本地区各经济体(尤其是中国)预料将持续取得强劲的经济成长。中国百盛处于很好的地位，可以通过其现有的百货公司和新近收购的百货公司取得更加快速的成长。

展望未来，我们的其他业务预料将继续有利可图，这样一来，董事部深信，本集团将继续取得可观的成长。

通过上述企业措施，本集团将合理化其核心业务，以创造一个平台，让其资本结构最优化，为股东们带来更高的价值。这样，本集团将继续探讨各种途径，让其业务的固有价值大放异彩。

鸣谢

最后，我要借这个机会，对董事们、管理层及雇员们表达我最真诚的谢意，感谢他们对本集团的成长与成功作出贡献。我也要代表董事部向客户、金融机构、商业伙伴、政府及股东们致谢，感谢他们继续支持本集团和对本集团有信心。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2006

For The Financial Year Ended 30 June 2006

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit after taxation	527,929	90,939
Minority interests	(57,054)	–
Net profit for the year	<u>470,875</u>	<u>90,939</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the disposal of subsidiaries resulting in a gain of RM436 million to the Group as disclosed in Note 14(b) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 30 June 2005 were as follows:

	RM'Million
(i) In respect of the financial year ended 30 June 2005 as reported in the Directors' Report of that year, a first and final dividend of 12% (6.0 sen per share) less 28% taxation was paid on 15 December 2005	22.3
(ii) In respect of the financial year ended 30 June 2006, an interim dividend of 8% (4.0 sen per share) less 28% taxation was paid on 19 May 2006	19.3
	<u>41.6</u>

DIVIDENDS (Continued)

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2006, of 10% (5.0 sen per share), tax exempt amounting to a dividend payable of RM34.0 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2007.

DIRECTORS

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

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

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

Dato Murad Mohamed Hashim, being over the age of 70 years, retires at the forthcoming Annual General Meeting pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as Director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2005	Acquired	Disposed	30.6.2006
Direct Interest				
Tan Sri William H.J. Cheng	43,319,910	60,476,232	(17,800,000)	85,996,142
Cheng Yong Kwang	1,968,046	813,953	(1,251,500)	1,530,499
Heah Sieu Lay	500,000	–	–	500,000
Indirect Interest				
Tan Sri William H.J. Cheng	271,610,331	107,676,657	(50,192,200)	329,094,788

DIRECTORS' INTERESTS (Continued)

In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of the:

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

	1.7.2005	Number of RM1.00 Nominal Value ICULS		30.6.2006
		Acquired	Converted	
Direct Interest				
Tan Sri William H.J. Cheng	16,009,560	–	(16,009,560)	–
Indirect Interest				
Tan Sri William H.J. Cheng	92,529,000	–	(92,529,000)	–

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

	1.7.2005	Number of RM1.00 Nominal Value RCULS		30.6.2006
		Acquired	Converted	
Direct Interest				
Tan Sri William H.J. Cheng	–	36,000,000	(36,000,000)	–
Cheng Yong Kwang	–	1,337,840	(700,000)	637,840
Indirect Interest				
Tan Sri William H.J. Cheng	98,500,000	–	(62,500,000)	36,000,000
Cheng Yong Kwang	1,337,840	–	(1,337,840)	–

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

Indirect Interest

	Nominal Value Per Ordinary Share	1.7.2005	Number of Shares		30.6.2006
			Acquired	Disposed	
Tan Sri William H.J. Cheng					
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	–	–	8,000,000
Hamba Research & Development Co Ltd	NT\$10.00	980,000	–	–	980,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Likom CMS Sdn Bhd	RM1.00	10,000	–	–	10,000
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
Parkson Retail Group Limited	HKD0.10	–	361,560,000	–	361,560,000

* Shares in companies incorporated in Singapore do not have a par value

DIRECTORS' INTERESTS (Continued)

	Nominal Value Per Preference Share	Number of Shares			30.6.2006
		1.7.2005	Acquired	Disposed	
Tan Sri William H.J. Cheng					
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	–	–	400,000
Investments in the People's Republic of China					
	Currency	1.7.2005	Acquired	Disposed	30.6.2006
Tan Sri William H.J. Cheng					
Anshan Tianxing Parkson Shopping Centre Co Ltd	Rmb	–	5,100,000	–	5,100,000
Chongqing Wanyou Parkson Plaza Co Ltd	Rmb	21,000,000	–	–	21,000,000
Dalian Tianhe Parkson Shopping Centre Co Ltd	Rmb	60,000,000	–	–	60,000,000
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	–	6,000,000	–	6,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	18,000,000	–	–	18,000,000
Nanning Brilliant Parkson Commercial Co Ltd	Rmb	–	10,200,000	–	10,200,000
Parkson Retail Development Co Ltd	USD	9,340,000	–	–	9,340,000
Qingdao No. 1 Parkson Co Ltd	Rmb	122,750,000	1,751,580	–	124,501,580
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xi'an Chang'an Parkson Store Co Ltd	Rmb	–	5,100,000	–	5,100,000
Xi'an Lucky King Parkson Plaza Co Ltd	Rmb	16,580,000	13,000,000	–	29,580,000
Xi'an Shidai Parkson Store Co Ltd	Rmb	–	7,650,000	–	7,650,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Yangzhou Parkson Plaza Co Ltd	Rmb	35,553,700	–	–	35,553,700

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related companies during and at the end of the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM247,717,457.00 to RM339,788,393.50 by way of:

- (i) the conversion of RM109,437,680 nominal value of ICULS into 127,253,085 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share; and
- (ii) the conversion of RM48,924,360 nominal value of RCULS into 56,888,788 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

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

EXECUTIVE SHARE OPTION SCHEME (“ESOS”)

During the year, the Company implemented a new ESOS for the benefit of eligible executive directors and executive employees of the Group which was approved by the shareholders on 24 August 2005 and implemented on 1 September 2005.

The salient features and other terms of the ESOS are as follows:

- (a) Executive directors and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.
- (b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS subject to the following being complied with:
 - (i) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to executive directors and senior management; and
 - (ii) not more than 10% of the shares available under the scheme shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), holds 20% or more of the issued and paid-up capital of the Company.
- (c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.
- (d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

No options were granted pursuant to the ESOS during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (Continued)

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made, except as disclosed under Events Subsequent to Balance Sheet Date.

SIGNIFICANT EVENTS

- (a) On 6 July 2005, the Company entered into a Summary of Principal Terms with GCH Retail (Malaysia) Sdn Bhd ("GCHR"), for the disposal of the entire issued and paid-up share capital of Xtra Supercenter Sdn Bhd, a wholly-owned subsidiary of the Company, to GCHR for a total cash consideration of RM1.00 and the assumption by GCHR of net liabilities amounting up to RM15 million. The disposal was completed in September 2005.
- (b) On 18 August 2005, Parkson Retail Development Co Ltd, a jointly controlled entity of the Company signed sale and purchase agreements with:
 - (i) Beijing Parkson Shopping Center Co Ltd ("BPSC") for the acquisition of BPSC's business, assets and liabilities for a cash consideration of Rmb1.00 (equivalent to approximately RM0.46); and
 - (ii) Shanxi Zhongyue Parkson Co Ltd ("Shanxi Zhongyue") for the acquisition of Shanxi Zhongyue's business, assets and liabilities for a cash consideration of Rmb10 million (equivalent to approximately RM4.6 million).

The acquisitions were completed in August 2005.

SIGNIFICANT EVENTS (Continued)

- (c) On 22 August 2005, PRG Corporation Limited entered into a sale and purchase agreement for the acquisition of the entire interest in Step Summit Limited, a company incorporated in Hong Kong SAR, for a total cash consideration of USD65.40 million (equivalent to approximately RM245.59 million). Step Summit Limited had earlier entered into equity transfer agreements for the acquisition of the following:
- (i) 60% equity interests in Guizhou Shenqi Parkson Retail Development Co Ltd;
 - (ii) 100% equity interests in Shanghai Hongqiao Parkson Development Co Ltd; and
 - (iii) 100% equity interests in Hefei Parkson Xiaoyao Plaza Co Ltd.

All the above companies are involved in retailing in the People's Republic of China ("PRC").

PRG Corporation Limited was incorporated on 20 July 2005 in the British Virgin Islands and is a wholly-owned subsidiary of the Company.

The acquisitions was completed in October 2005.

- (d) On 22 August 2005, Chongqing Wanyou Parkson Plaza Co Ltd, a subsidiary of the Company, signed a sale and purchase agreement with Chongqing Wanyou Store Plaza Co Ltd for the acquisition of the business, assets and liabilities of Chongqing Wanyou Store Plaza Co Ltd and its branch, for a total cash consideration of Rmb2.00 (equivalent to approximately RM0.92). The acquisition was completed in November 2005.
- (e) On 22 August 2005, Parkson Retail Group Limited ("Parkson Retail"), submitted an application to The Stock Exchange of Hong Kong Limited ("HKEx") for its listing on the Main Board of the HKEx. Parkson Retail was incorporated on 3 August 2005 in the Cayman Islands and was a wholly-owned subsidiary of PRG Corporation Limited which in turn was a wholly-owned subsidiary of the Company. On 30 November 2005, Parkson Retail was listed on the HKEx. The total gain resulting from the listing and dilution of interest in Parkson Retail amounted to RM421 million.
- (f) On 1 September 2005, the Company implemented an Executive Share Option Scheme ("ESOS") of up to 15% of the issued and paid-up share capital of the Company at any one time for the executive directors and executive employees of the Company and its subsidiaries which are not dormant, who meet the criteria of eligibility for the participation as set out in the Bylaws of the ESOS.
- (g) On 14 September 2005, Exonbury Limited, a subsidiary of the Company, signed a sale and purchase agreement with Mr Feng Jian Yu for the acquisition of the entire issued share capital of Hong Kong Fen Chai Investment Limited for a total consideration of Rmb65 million (equivalent to approximately RM29.90 million). The acquisition was completed in September 2005.
- (h) On 24 October 2005, the Company and Megasteel Sdn Bhd ("Megasteel"), a subsidiary of Lion Corporation Berhad, entered into a Facilitation Agreement pursuant to which the Company agreed to cancel the existing Supply Agreement, Licensing Agreement, both dated 12 January 2005, and an agreement dated 17 May 2005 entered into between the Company and Midrex Technologies Inc., Kobe Steel Limited and Ansah Sdn Bhd respectively in respect of the direct reduced iron project ("DRI Project") and procure the execution of similar new agreements by Lion DRI Sdn Bhd, a wholly-owned subsidiary of the Company, which will be acquired by Megasteel entirely pursuant to the Subscription Agreement and the Call Option Agreement executed on 24 October 2005.

The parties to the Facilitation Agreement, Subscription Agreement and Call Option Agreement (collectively "Agreements") have mutually agreed to terminate the Agreements on 18 August 2006 in view of the non-fulfillment of the conditions precedent in the Agreements.

- (i) On 8 November 2005, Sichuan Shishang Parkson Retail Development Co Ltd with a total registered capital of Rmb15 million (equivalent to approximately RM6.9 million) was incorporated by Parkson Supplies Pte Ltd, a subsidiary of the Company, to operate a retail store in Chengdu, Sichuan Province, the PRC.

SIGNIFICANT EVENTS (Continued)

- (j) On 23 January 2006, Shanghai Lion Parkson Investment Consultant Co Ltd (“Shanghai Lion”), a wholly-owned subsidiary of Parkson Retail, which in turn is a subsidiary of the Company, and the China Arts & Crafts, China Arts & Crafts Culture and Arts & Crafts Exhibition (collectively “China Arts & Crafts Companies”) entered into a legally binding Preliminary Framework Agreement under which the China Arts & Crafts Companies agreed to dispose of their 44% equity interest in Parkson Retail Development Co Ltd to Shanghai Lion (“Acquisition of Parkson Retail”). The Acquisition of Parkson Retail was completed in July 2006.
- (k) On 19 May 2006, the Company announced that, Sea Coral Limited, a wholly-owned subsidiary of the Company, had on 18 May 2006 completed the acquisitions of the entire equity interest in Tianjin Parkson Retail Development Co Ltd and Changchun Parkson Retail Development Co Ltd for a consideration of Rmb10 million (equivalent to approximately RM4.6 million) each.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 30 August 2006, the Company announced that, PRG Corporation Limited, a wholly-owned subsidiary of the Company, had on 29 August 2006 disposed of 55,200,000 ordinary shares of HKD0.10 each representing 10% of the equity interest in Parkson Retail Group Limited via a placement to investors by way of a book-building exercise. The total gross proceeds raised by the Group from the disposal amounted to approximately HKD1,336 million (equivalent to approximately RM641 million).
- (b) On 18 September 2006, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) had removed the ICULS from the Official List of Bursa Malaysia subsequent to the full conversion of the ICULS into ordinary shares of RM0.50 each in the Company.

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

HEAH SIEU LAY
Managing Director

Kuala Lumpur, Malaysia
26 September 2006

STATEMENT BY DIRECTORS

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

We, **TAN SRI WILLIAM H.J. CHENG** and **HEAH SIEU LAY**, being two of the Directors of LION DIVERSIFIED HOLDINGS BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 40 to 102 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

TAN SRI WILLIAM H.J. CHENG
Chairman

HEAH SIEU LAY
Managing Director

Kuala Lumpur, Malaysia
26 September 2006

STATUTORY DECLARATION

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

I, **HEAH SIEU LAY**, being the Director primarily responsible for the financial management of LION DIVERSIFIED HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 102 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **HEAH SIEU LAY** at
Kuala Lumpur in the Federal Territory
on 26 September 2006

HEAH SIEU LAY

Before me,

W-217
P. SETHURAMAN

COMMISSIONER FOR OATHS

Kuala Lumpur

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

We have audited the financial statements set out on pages 40 to 102. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 30 June 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

TAN SOO YAN
1307/03/08 (J/PH)
Partner

Kuala Lumpur, Malaysia
26 September 2006



INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	3,367,544	2,728,738	116,653	64,429
Other income	4	135,275	62,169	11,347	7,031
Changes in inventories		8,836	12,120	-	-
Raw materials and consumables used		(234,439)	(185,627)	-	-
Purchase of trading merchandise		(2,250,190)	(1,692,674)	-	-
Property development expenditure		(98,474)	(119,546)	-	-
Staff costs	5	(159,554)	(134,358)	(1,916)	(2,494)
Depreciation and amortisation		(70,624)	(68,735)	(138)	(82)
Promotional and advertising expenses		(132,881)	(108,749)	-	-
Rental expenses		(194,541)	(148,487)	-	-
Other expenses		(117,081)	(148,371)	(19,622)	(936)
Profit from operations	6	253,871	196,480	106,324	67,948
Finance costs	7	(20,701)	(33,107)	(14,737)	(23,597)
Share of results of associates		(127,888)	21,110	-	-
Share of results of jointly controlled entities		62,217	33,488	-	-
Gain on disposal of subsidiaries	14	436,211	-	250	-
Gain on disposal of discontinued operations	8	-	379,337	-	-
Profit before taxation		603,710	597,308	91,837	44,351
Taxation:	9				
Company and subsidiaries		(78,112)	(55,925)	(898)	(9,795)
Associates		21,209	30,034	-	-
Jointly controlled entities		(18,878)	(10,538)	-	-
Profit after taxation		527,929	560,879	90,939	34,556
Minority interests		(57,054)	(4,355)	-	-
Net profit for the year		470,875	556,524	90,939	34,556
Earnings per share (sen):					
Basic	10(a)	78.3	115.5		
Diluted	10(b)	64.5	76.1		
Gross dividends per ordinary share in respect of the year (sen)	11	9.0	6.0	9.0	6.0

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

BALANCE SHEETS

AS AT 30 JUNE 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	725,514	441,258	238,663	836
Land held for property development	13	99,169	60,362	–	–
Investments in subsidiaries	14	–	–	685,007	628,469
Investments in associates	15	167,620	273,746	432	432
Investments in jointly controlled entities	16	93,187	63,581	–	–
Other investments	17	56,482	72,274	46,188	61,975
Intangible assets	18	377,943	182,692	–	–
Deferred tax assets	19	33,434	25,545	–	–
		1,553,349	1,119,458	970,290	691,712
CURRENT ASSETS					
Property development costs	13	55,279	108,487	–	–
Inventories	20	258,632	262,777	–	–
Other investments	17	17,833	7,206	17,219	5,336
Trade receivables	21	89,612	117,306	–	–
Other receivables	22	308,558	329,113	620,997	803,662
Tax recoverable		9,334	6,552	4,969	3,562
Deposits, cash and bank balances	23	1,016,045	644,214	136,451	38,854
		1,755,293	1,475,655	779,636	851,414
CURRENT LIABILITIES					
Trade payables	24	422,707	391,042	–	–
Other payables	25	378,174	402,375	996,034	841,920
Borrowings	26	128,990	158,563	1,109	4,278
Tax payable		24,091	31,169	–	–
		953,962	983,149	997,143	846,198
NET CURRENT ASSETS/(LIABILITIES)		801,331	492,506	(217,507)	5,216
		2,354,680	1,611,964	752,783	696,928

BALANCE SHEETS

AS AT 30 JUNE 2006 (Continued)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
FINANCED BY:					
Share capital	30	339,788	247,717	339,788	247,717
Share premium		305,114	236,970	305,114	236,970
Other reserves	31	19,573	125,020	10,163	120,193
Retained profits	32	1,241,764	815,914	55,104	5,738
Shareholders' funds		1,906,239	1,425,621	710,169	610,618
Minority interests		363,034	59,952	–	–
		2,269,273	1,485,573	710,169	610,618
Borrowings	26	58,798	104,447	42,614	86,310
Deferred tax liabilities	19	26,609	21,944	–	–
Non-current liabilities		85,407	126,391	42,614	86,310
		2,354,680	1,611,964	752,783	696,928
Net assets per share attributable to ordinary equity holders of the parent (RM)		2.79	2.63		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

Note	← Non-Distributable →						Retained Profits RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserves RM'000	Capital Reserves RM'000	Equity Components RM'000			
At 1 July 2004	231,365	224,685	60,552	2,606	143,906	280,718	943,832	
Translation difference:								
On net equity of foreign subsidiaries	-	-	2,145	-	-	-	2,145	
Realisation on disposal of discontinued operations	8	-	(64,294)	-	-	-	(64,294)	
ESOS	685	1,004	-	-	-	-	1,689	
Conversion of ICULS	14,795	10,653	-	-	(23,405)	-	2,043	
Conversion of RCULS	872	628	-	-	(308)	-	1,192	
Appropriation of profit to capital reserves	-	-	-	3,818	-	(3,818)	-	
Net profit for the year	-	-	-	-	-	556,524	556,524	
Dividends	-	-	-	-	-	(17,510)	(17,510)	
At 30 June 2005	247,717	236,970	(1,597)	6,424	120,193	815,914	1,425,621	
Translation difference:								
On net equity of foreign subsidiaries	-	-	1,131	-	-	-	1,131	
Conversion of ICULS	63,627	43,584	-	-	(100,000)	-	7,211	
Conversion of RCULS	28,444	24,560	-	-	(10,030)	-	42,974	
Appropriation of profit to capital reserves	-	-	-	3,452	-	(3,452)	-	
Net profit for the year	-	-	-	-	-	470,875	470,875	
Dividends	11	-	-	-	-	(41,573)	(41,573)	
At 30 June 2006	339,788	305,114	(466)	9,876	10,163	1,241,764	1,906,239	

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Equity Components RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
At 1 July 2004		231,365	224,685	143,906	(11,308)	588,648
ESOS		685	1,004	–	–	1,689
Conversion of ICULS		14,795	10,653	(23,405)	–	2,043
Conversion of RCULS		872	628	(308)	–	1,192
Net profit for the year		–	–	–	34,556	34,556
Dividends		–	–	–	(17,510)	(17,510)
At 30 June 2005		247,717	236,970	120,193	5,738	610,618
Conversion of ICULS		63,627	43,584	(100,000)	–	7,211
Conversion of RCULS		28,444	24,560	(10,030)	–	42,974
Net profit for the year		–	–	–	90,939	90,939
Dividends	11	–	–	–	(41,573)	(41,573)
At 30 June 2006		339,788	305,114	10,163	55,104	710,169

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	603,710	597,308	91,837	44,351
Adjustments for:				
Gain on disposal of subsidiaries/ discontinued operations	(436,211)	(379,337)	(250)	–
Depreciation and amortisation	70,624	68,735	138	82
Property, plant and equipment written off	1,778	3,014	–	–
Gain on disposal of property, plant and equipment	(638)	(260)	–	–
Gain on disposal of other investments	(3)	(238)	–	–
Impairment loss in value of unquoted investment	–	13,127	–	–
(Reversal of)/Provision for doubtful debts	(1,282)	4,464	16,573	–
Bad debts (recovered)/written off	(913)	173	(1,121)	–
Provision for/(Reversal of) stock obsolescence	1,298	(392)	–	–
Unrealised exchange gain	(1,176)	–	–	–
Interest expense	20,701	33,107	14,737	23,597
Interest income	(30,139)	(18,305)	(9,896)	(7,031)
Dividend income	(237)	(107)	(116,653)	(64,429)
Share of results of associates	127,888	(21,110)	–	–
Share of results of jointly controlled entities	(62,217)	(33,488)	–	–
Operating profit/(loss) before working capital changes	293,183	266,691	(4,635)	(3,430)
Changes in working capital:				
Inventories	10,631	15,961	–	–
Receivables	55,678	(206,999)	3,032	(108,921)
Payables	(45,617)	120,462	24,477	(1,395)
Property development costs	18,987	5,823	–	–
Cash generated from/(used in) operations	332,862	201,938	22,874	(113,746)
Interest received	28,491	15,912	5,345	1,587
Interest paid	(12,779)	(31,778)	(2,613)	(9,143)
Taxes paid	(88,223)	(54,435)	–	–
Net cash generated from/(used in) operating activities	260,351	131,637	25,606	(121,302)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of discontinued operations	–	326,003	–	–
Disposal of subsidiaries	(1,469)	–	250	–
Proceeds from listing of a subsidiary	866,654	–	–	–
Deposits, cash and bank balances in a ceased controlled subsidiary	–	(22,654)	–	–
Proceeds from disposal of investment properties	–	70,000	–	–
Proceeds from disposal of property, plant and equipment	5,132	15,580	–	–
Purchase of property, plant and equipment	(336,698)	(71,673)	(237,965)	(334)
Advances from subsidiaries	–	–	370,046	238,848
Acquisition of subsidiaries	(195,759)	(8,581)	–	–
Acquisition of a jointly controlled entity	–	(88)	–	–
Proceeds from disposal of other investments	6,789	36,217	5,552	5,020
Purchase of other investments	–	(31,508)	–	(30,432)
Deferred payment of acquisition of subsidiaries	(138,534)	(124,609)	(138,534)	(124,609)
Dividend received	–	–	114,348	51,799
Net cash generated from investing activities	206,115	188,687	113,697	140,292
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(41,573)	(17,510)	(41,573)	(17,510)
Capital contribution from minority shareholders	–	1,377	–	–
Issue of shares pursuant to ESOS	–	1,689	–	1,689
Repayment of bank borrowings	(58,048)	(67,589)	–	–
Drawdown of bank borrowings	6,255	7,676	–	–
Repayment of hire purchase	(1,671)	(1,200)	(133)	(77)
Net cash used in financing activities	(95,037)	(75,557)	(41,706)	(15,898)
NET INCREASE IN CASH AND CASH EQUIVALENTS	371,429	244,767	97,597	3,092
Effects of changes in exchange rates	402	–	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	644,214	399,447	38,854	35,762
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 23)	1,016,045	644,214	136,451	38,854

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office and principal place of business of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the financial year were 8,730 (2005: 7,679) and 11 (2005: 15) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 September 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

(b) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Consolidation (Continued)

(ii) Associates

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

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

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

(iii) Jointly Controlled Entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

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

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

(c) Goodwill

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

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

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

For business combinations for which the agreement date is on or after 1 January 2006, goodwill is not amortised, but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in Subsidiaries, Associates and Jointly Controlled Entities

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

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

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

Construction in progress is not depreciated. Leasehold lands are depreciated over the period of the respective leases which range from 20 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

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

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

(i) Land Held for Property Development

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

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

(ii) Property Development Costs

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Land Held for Property Development and Property Development Costs (Continued)

(ii) Property Development Costs (Continued)

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

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

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

(g) Inventories

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

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

(h) Cash and Cash Equivalents

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

(i) Leases

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

(i) Finance Leases

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

(ii) Operating Leases

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

(j) Provisions for Liabilities

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

(k) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

(l) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee Benefits (Continued)

(iii) Equity Compensation Benefits

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

(m) Government Grants

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

(n) Revenue Recognition

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

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

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

(ii) Sale of Industrial Land and Completed Properties

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

(iii) Interest Income

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

(iv) Rental Income

Rental is recognised on the accrual basis.

(v) Dividend Income

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

(vi) Development Properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign Currencies

(i) Foreign Currency Transactions

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

All exchange rate differences are taken to the income statement.

(ii) Foreign Entities

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

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

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

		2006	2005
		RM	RM
United States Dollar	("USD")	3.67	3.80
Singapore Dollar	("SGD")	2.31	2.24
Chinese Renminbi	("Rmb")	0.46	0.46
Hong Kong Dollar	("HKD")	0.47	0.49

(p) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately.

(q) Financial Instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial Instruments (Continued)

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Marketable Securities

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

(iii) Trade Receivables

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

(iv) Trade Payables

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

(v) Interest-Bearing Borrowings

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

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

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

(vi) Irredeemable and Redeemable Convertible Unsecured Loan Stocks

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial Instruments (Continued)

(vii) Equity Instruments

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

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

3. REVENUE

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Department stores operations	2,892,878	2,200,528	–	–
Sale of goods	332,897	272,613	–	–
Property development	121,082	188,456	–	–
Sale of industrial land and completed properties	20,450	67,034	–	–
Gross dividend from other investments	237	107	237	107
Gross dividend from subsidiaries	–	–	116,416	64,322
	3,367,544	2,728,738	116,653	64,429

4. OTHER INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income from:				
Amounts owing from subsidiaries	–	–	2,903	3,385
Unquoted investment in bonds	1,648	2,035	1,648	2,035
Short term deposits and others	28,491	16,270	5,345	1,611
	30,139	18,305	9,896	7,031
Rental income	33,098	16,796	–	–
Other income	72,038	27,068	1,451	–
	135,275	62,169	11,347	7,031

Included in other income of the Group are promotion income, credit card handling fees, administration fees and government grants granted to certain retail subsidiaries of the Group. Various government grants have been granted by the local authorities in the People's Republic of China to reward the subsidiaries for their contributions to the local economy and there were no unfulfilled conditions or contingencies attached to these government grants.

5. STAFF COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages, salaries and bonuses	125,407	105,792	1,627	2,020
Pension costs - defined contribution plans	13,470	12,960	225	278
Other staff related expenses	20,677	15,606	64	196
	159,554	134,358	1,916	2,494

Included in staff costs of the Group and of the Company are executive Director's remuneration as further disclosed in Note 6(a).

6. PROFIT FROM OPERATIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration:				
- Company	15	10	15	10
- Subsidiaries	1,265	752	709	300
Directors' remuneration (Note a)	1,528	1,387	1,188	1,118
Depreciation and amortisation:				
- Property, plant and equipment	58,868	61,564	138	82
- Goodwill	11,756	7,171	-	-
Property, plant and equipment written off	1,778	3,014	-	-
Bad debts written off	222	173	-	-
(Reversal of)/Provision for doubtful debts:				
- Subsidiaries	-	-	16,573	-
- Others	(1,282)	4,464	-	-
Impairment loss in value of unquoted investment	-	13,127	-	-
Bad debts recovered	(1,135)	-	(1,121)	-
Provision for/(Reversal of) stock obsolescence	1,298	(392)	-	-
Exchange gain:				
- Realised	(1,234)	(2,351)	(330)	-
- Unrealised	(1,176)	-	-	-
Gain on disposal of property, plant and equipment	(638)	(260)	-	-
Gain on disposal of other investments	(3)	(238)	-	-

6. PROFIT FROM OPERATIONS (Continued)
(a) Directors' remuneration

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of the Company				
Executive:				
Fees	35	35	35	35
Salary and other emoluments	894	823	894	823
Pension costs - defined contribution plans	106	107	106	107
	1,035	965	1,035	965
Non-executive:				
Fees	224	153	153	153
Salary and other emoluments	240	240	-	-
Pension costs - defined contribution plans	29	29	-	-
	493	422	153	153
Total	1,528	1,387	1,188	1,118

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

	Number of Directors	
	2006	2005
Executive Director:		
RM950,001 - RM1,000,000	-	1
RM1,000,001 - RM1,050,000	1	-
Non-executive Directors:		
RM50,000 and below	4	4
RM300,001 - RM350,000	-	1
RM350,001 - RM400,000	1	-

7. FINANCE COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expense on:				
Amounts owing to subsidiaries	-	-	4,186	4,641
Bank borrowings	9,955	13,990	-	-
Amounts owing to related parties	76	103	15	14
ICULS (Note 28)	540	634	540	634
RCULS (Note 29)	5,495	5,586	5,495	5,586
Deferred payments	4,485	12,714	4,485	12,714
Hire purchase	150	80	16	8
	20,701	33,107	14,737	23,597

8. DISCONTINUED OPERATIONS

On 30 September 2004, LDH Management Sdn Bhd and Graimpi Sdn Bhd disposed of the remaining 50% interests in two of the associates, namely Consitrade (M) Sdn Bhd and DEbier Sdn Bhd for a total cash consideration of USD131.50 million (equivalent to approximately RM499.70 million) and a return component of RM12.43 million. The two associates were operating in the beverage segment.

The share of results of the two associates were as follows:

	2005 RM'000
Share of results	11,069
Share of taxation	2,054

The share of net assets of the two associates were as follows:

Share of net assets	197,087
Transfer from exchange fluctuation reserves	(64,294)
Net assets disposed	132,793
Total disposal proceeds:	
Cash consideration	499,700
Return component	12,430
Gain on disposal to the Group	379,337

9. TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Company and subsidiaries				
Income tax:				
Malaysian tax	20,387	22,862	833	9,535
Foreign tax	55,041	40,213	-	-
	75,428	63,075	833	9,535
Under provision in prior years:				
Malaysian income tax	759	2,657	65	260
Foreign income tax	-	4	-	-
	76,187	65,736	898	9,795
Deferred tax (Note 19):				
Relating to origination and reversal of temporary differences	1,925	(9,811)	-	-
	78,112	55,925	898	9,795

9. TAXATION (Continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Associates				
Income tax:				
Malaysian tax	–	4,227	–	–
Foreign tax	109	2,208	–	–
	109	6,435	–	–
Deferred tax	(21,318)	(36,469)	–	–
	(21,209)	(30,034)	–	–
Jointly controlled entities				
Foreign income tax	18,878	10,538	–	–
	75,781	36,429	898	9,795

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	603,710	597,308	91,837	44,351
Tax calculated at a tax rate of 28% (2005: 28%)	169,039	167,246	25,714	12,418
The effects of:				
Different tax rates in other countries	547	4,162	–	–
Tax assessed at a lower tax rate of 20%	–	(200)	–	–
Expenses not deductible for tax purposes	15,122	15,897	5,971	2,527
Income not subject to tax	(126,963)	(119,905)	(30,852)	(5,410)
Utilisation of previously unrecognised tax losses	(347)	(470)	–	–
Under provision of tax expense in prior years	759	2,661	65	260
Deferred tax assets not recognised in current/prior year	2,122	3,507	–	–
Deferred tax assets over/(under) recognised in prior years	15,502	(36,469)	–	–
Tax expense for the year	75,781	36,429	898	9,795

10. EARNINGS PER SHARE

(a) Basic

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

	Group	
	2006	2005
Net profit for the year (RM'000)	470,875	556,524
Weighted average number of ordinary shares in issue ('000)	601,318	481,953
Basic earnings per share (sen)	78.3	115.5

(b) Diluted

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

	Group	
	2006 RM'000	2005 RM'000
Net profit for the year	470,875	556,524
After-tax effect of interest on ICULS and RCULS	4,345	4,478
Adjusted net profit for the year	475,220	561,002

	Group	
	2006 '000	2005 '000
Weighted average number of ordinary shares in issue	601,318	481,953
Effect of dilution:		
ICULS and RCULS	135,905	255,270
Adjusted weighted average number of ordinary shares in issue and issuable	737,223	737,223

	Group	
	2006 Sen	2005 Sen
Diluted earnings per share	64.5	76.1

11. DIVIDENDS

	Group/Company			
	Amount		Gross Dividend per Ordinary Share	
	2006 RM'000	2005 RM'000	2006 Sen	2005 Sen
First and final dividend, less 28% taxation	–	22,317	–	6.0
Interim dividend, less 28% taxation	19,256	–	4.0	–
Final dividend, tax exempt	33,979	–	5.0	–
	53,235	22,317	9.0	6.0

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2006, of 10% (5.0 sen per share), tax exempt amounting to a dividend payable of RM34.0 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2007.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
Cost								
At 1 July 2005	13,207	408,439	107,874	8,498	190,164	37,358	11,150	776,690
Additions	–	91	17,862	888	35,261	3,572	280,482	338,156
Disposals	–	(126)	(4,534)	(719)	(8,168)	–	(141)	(13,688)
Write off	–	–	(3,520)	–	(18,984)	(155)	(191)	(22,850)
Acquisition of subsidiaries	–	–	15,022	862	13,947	2,750	73	32,654
Disposal of a subsidiary	–	–	(5,717)	(111)	(11,946)	(8,437)	–	(26,211)
Reclassification	–	61	2,830	(8)	6,262	–	(9,145)	–
Exchange differences	–	4,840	(915)	3	242	(33)	–	4,137
At 30 June 2006	13,207	413,305	128,902	9,413	206,778	35,055	282,228	1,088,888
Accumulated Depreciation								
At 1 July 2005	2,911	120,228	64,518	3,331	122,945	21,499	–	335,432
Charge for the year	263	15,272	14,803	1,341	24,211	2,978	–	58,868
Disposals	–	–	(3,410)	(492)	(5,292)	–	–	(9,194)
Write off	–	–	(3,230)	–	(17,687)	(155)	–	(21,072)
Acquisition of subsidiaries	–	–	9,411	313	6,293	1,373	–	17,390
Disposal of a subsidiary	–	–	(4,486)	(107)	(8,796)	(6,043)	–	(19,432)
Exchange differences	–	1,630	(500)	9	176	67	–	1,382
At 30 June 2006	3,174	137,130	77,106	4,395	121,850	19,719	–	363,374
Net Book Value								
At 30 June 2006	10,033	276,175	51,796	5,018	84,928	15,336	282,228	725,514
At 30 June 2005	10,296	288,211	43,356	5,167	67,219	15,859	11,150	441,258

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Long Term Leasehold Land and Buildings RM'000	Short Term Leasehold Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
Details at 1 July 2004								
Cost	13,255	468,271	140,249	8,414	180,099	62,780	5,482	878,550
Accumulated depreciation	2,652	106,803	75,871	4,826	124,768	38,019	–	352,939
Depreciation charge for 2005	264	24,766	13,472	1,016	16,736	5,310	–	61,564

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Construction In Progress RM'000	Total RM'000
Cost				
At 1 July 2005	917	1	–	918
Additions	–	3	237,962	237,965
At 30 June 2006	917	4	237,962	238,883
Accumulated Depreciation				
At 1 July 2005	82	–	–	82
Charge for the year	138	–	–	138
At 30 June 2006	220	–	–	220
Net Book Value				
At 30 June 2006	697	4	237,962	238,663
At 30 June 2005	835	1	–	836
Details at 1 July 2004				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Depreciation charge for 2005	82	–	–	82

- (a) The strata title to a certain building of a subsidiary with an aggregate net book value of RM2.31 million (2005: RM2.37 million) has not been registered in the name of the subsidiary of the Group.
- (b) The net book value of the long term leasehold land and buildings of which strata titles have yet to be obtained by a subsidiary is RM4.84 million (2005: RM4.98 million) as at the balance sheet date.
- (c) The net book value of the buildings pledged for bank borrowings was RM26.83 million (2005: RM22.95 million) as at the balance sheet date.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (d) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM338,156,000 (2005: RM74,877,000) and RM237,965,000 (2005: RM918,000) respectively of which RM1,458,000 (2005: RM3,204,000) and RM Nil (2005: RM584,000) respectively were acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under hire purchase and finance lease arrangements as at the balance sheet date are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Plant and machinery	–	95	–	–
Motor vehicles	1,353	1,691	641	697
Office equipment, furniture and fittings	3,796	2,674	–	–
	5,149	4,460	641	697

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS
(a) Land Held for Property Development

	Group	
	2006 RM'000	2005 RM'000
Freehold land, at cost		
At 1 July	60,362	49,760
Additions	38,807	10,602
At 30 June	99,169	60,362

(b) Property Development Costs

Property development costs at 1 July:		
Freehold land	112,265	120,205
Development costs	111,693	8,393
	223,958	128,598
Costs incurred during the year:		
Freehold land	–	–
Development costs	75,110	114,830
	75,110	114,830

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)
(b) Property Development Costs (Continued)

	Group	
	2006 RM'000	2005 RM'000
Costs recognised in income statement:		
At 1 July	(123,232)	(3,686)
Recognised during the year	(98,474)	(119,546)
At 30 June	(221,706)	(123,232)
Transferred to inventories	(22,083)	(11,709)
Property development costs at 30 June	55,279	108,487

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

The title in respect of the land has not been transferred to the subsidiary as at 30 June 2006.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	704,529	649,523
Less: Accumulated impairment losses	(19,522)	(21,054)
	685,007	628,469

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	100	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	100	100
CPB Far East Limited * (Deregistered)	Hong Kong SAR	Dormant	-	100
LDH Trading Sdn Bhd	Malaysia	Ceased operations	100	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	100	100
Park Avenue Fashion Sdn Bhd (Formerly known as Force Ten Sdn Bhd)	Malaysia	Operations of department stores	-	100
Le Chocolatier Boutique (M) Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
Urban Resources Sdn Bhd	Malaysia	Property development	100	100
Megavest Sdn Bhd	Malaysia	Property development and management	100	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	99.99	99.99
Likom CMS Sdn Bhd *	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	99.98	99.98
Likom Caseworks Sdn Bhd *	Malaysia	Manufacturing of computer casings	100	100
Exonbury Limited * @	Hong Kong SAR	Investment holding	-	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	100	100
Parkson Glomart Pte Ltd *	Singapore	Investment holding	100	100
Parkson Investment Pte Ltd * @	Singapore	Investment holding	-	100
Parkson Management Pte Ltd *	Singapore	Investment holding	100	100
Parkson Supplies Pte Ltd * @	Singapore	Investment holding	-	100
Parkson Venture Pte Ltd *	Singapore	Investment holding	100	100
Serbadagang Holdings Sdn Bhd *	Malaysia	Investment holding	100	100
Parkson Corporation Sdn Bhd *	Malaysia	Operations of department stores	100	100
Xtra Supercenter Sdn Bhd *	Malaysia	Operations of hypermarkets	-	100
Qingdao No.1 Parkson Co Ltd	People's Republic of China	Property development and operations of department stores	52.6	52.6
CP Properties Sdn Bhd	Malaysia	Investment holding	100	100
LDH (S) Pte Ltd *	Singapore	Investment holding	100	100
LDH Investment Pte Ltd *	Singapore	Investment holding	60	60
Hamba Research & Development Co Ltd *	Taiwan	Research and development of computer and electronic manufacturing equipment	98	98
Lion DRI Sdn Bhd	Malaysia	Dormant	100	100
Sea Coral Limited *	Hong Kong SAR	Investment holding	100	100
Well Morning Limited *	Hong Kong SAR	Dormant	100	100
PRG Corporation Limited *	British Virgin Islands	Investment holding	100	-

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
<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 * (In liquidation - voluntary)	Malaysia	Dormant	100	100
<u>Subsidiary of LDH Investment Pte Ltd</u>				
Beijing CPB Foodstuff Co Ltd * (Liquidated - voluntary)	People's Republic of China	Ceased operations	-	70
<u>Subsidiaries of Graimipi Sdn Bhd</u>				
Pavlova Investment Pte Ltd *	Singapore	Dormant	100	100
Gemmo Pte Ltd *	Singapore	Investment holding	100	100
<u>Subsidiary of Gemmo Pte Ltd</u>				
Gesto Pte Ltd *	Singapore	Dormant	100	100
<u>Subsidiaries of Lion Subang Parade Sdn Bhd</u>				
Bingkisan Jaya Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100
Hypervest Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100
Jatitrade Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100
Pattervest Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100
Indobaru Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	100	100
LDH Management Sdn Bhd	Malaysia	Investment holding and property development	100	100
<u>Subsidiaries of LDH Management Sdn Bhd</u>				
Viroy Management Services Sdn Bhd (Formerly known as Grand Tours & Travel Service Sdn Bhd)	Malaysia	Dormant	100	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
<u>Subsidiaries of LDH Management Sdn Bhd (Continued)</u>				
Shanghai DEBier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	100	100
<u>Subsidiary of Likom Caseworks Sdn Bhd</u>				
Likom Caseworks USA Inc *	United States of America	Wholesaling of computer products	100	100
<u>Subsidiary of Likom Caseworks USA Inc</u>				
Likom de Mexico S.A. de C.V *	Mexico	Assembling of electronic components used in computers	100	100
<u>Subsidiaries of Exonbury Limited</u>				
Dalian Parkson Retail Development Co Ltd * @	People's Republic of China	Operations of department stores	-	90 *3 10
Shanghai Nine Sea Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores, food and beverage and entertainment business	100	100
Wuxi Sanyang Parkson Plaza Co Ltd * @	People's Republic of China	Operations of department stores	60	-
Yangzhou Parkson Plaza Co Ltd ^ * @	People's Republic of China	Operations of department stores	55	-
Shanghai Lion Parkson Investment Consultant Co Ltd *	People's Republic of China	Provision of investment and consultancy services	100	100
Hong Kong Fen Chai Investment Limited *	Hong Kong SAR	Investment holding	100	-
Xi'an Lucky King Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	51 *1 40	- -
Parkson Investment Holdings Co Ltd *	People's Republic of China	Investment holding	70 *2 30	- -
<u>Subsidiary of Parkson Pacific Pte Ltd</u>				
Mianyang Fulin Parkson Plaza Co Ltd * @	People's Republic of China	Operations of department stores	-	60

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
<u>Subsidiary of Parkson Glomart Pte Ltd</u>				
Shanghai Parkson Decorations Industry Co Ltd * (Liquidated - voluntary)	People's Republic of China	Dormant	-	100
<u>Subsidiaries of Parkson Investment Pte Ltd</u>				
Rosenblum Investments Pte Ltd *	Singapore	Investment holding	100	100
Nanning Brilliant Parkson Commercial Co Ltd * @	People's Republic of China	Operations of department stores	-	51
Parkson Retail Development Co Ltd ^ *	People's Republic of China	Operations of department stores	*4 56	*4 56
<u>Subsidiary of Parkson Management Pte Ltd</u>				
Sichuan Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	100	90
<u>Subsidiary of Parkson Supplies Pte Ltd</u>				
Chongqing Wanyou Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	70	70
Mianyang Fulin Parkson Plaza Co Ltd * @	People's Republic of China	Operations of department stores	60	-
Sichuan Shishang Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	100	-
<u>Subsidiaries of Serbadagang Holdings Sdn Bhd</u>				
Dalian Tianhe Parkson Shopping Centre Co Ltd # *	People's Republic of China	Operations of department stores	60	60
Wuxi Sanyang Parkson Plaza Co Ltd * @	People's Republic of China	Operations of department stores	-	60
Xi'an Lucky King Parkson Plaza Co Ltd * @	People's Republic of China	Operations of department stores	-	51
Yangzhou Parkson Plaza Co Ltd ^ * @	People's Republic of China	Operations of department stores	-	55

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
<u>Subsidiary of Shanghai Lion Parkson Investment Consultant Co Ltd</u>				
Beijing Century Parkson E-business Co Ltd *	People's Republic of China	Research and development of computer software	99 *3 1	99 *3 1
<u>Subsidiaries of Parkson Corporation Sdn Bhd</u>				
Parkson Vietnam Co Ltd +	Vietnam	Operations of department stores	100	100
Park Avenue Fashion Sdn Bhd (Formerly known as Force Ten Sdn Bhd)	Malaysia	Operations of department stores	100	-
<u>Subsidiary of CP Properties Sdn Bhd</u>				
Aktif Lifestyle Stores Sdn Bhd	Malaysia	Operations of department stores	100	100
<u>Subsidiaries of Aktif Lifestyle Stores Sdn Bhd</u>				
Aktif-Sunway Sdn Bhd	Malaysia	Operations of department stores	80	80
Octon Electronics Sdn Bhd	Malaysia	Ceased operations	100	100
Sunbeam Bakeries Sdn Bhd	Malaysia	Ceased operations	100	100
<u>Subsidiaries of Step Summit Limited</u>				
Guizhou Shenqi Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	60	-
Shanghai Hongqiao Parkson Development Co Ltd *	People's Republic of China	Operations of department stores	100	-
Hefei Parkson Xiaoyao Plaza Co Ltd *	People's Republic of China	Operations of department stores	100	-
<u>Subsidiary of Hefei Parkson Xiaoyao Plaza Co Ltd</u>				
Anshan Tianxing Parkson Shopping Centre Co Ltd *	People's Republic of China	Operations of department stores	51	-
<u>Subsidiaries of Sea Coral Limited</u>				
Dalian Parkson Retail Development Co Ltd * @	People's Republic of China	Operations of department stores	100	-

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
<u>Subsidiaries of Sea Coral Limited (Continued)</u>				
Nanning Brilliant Parkson Commercial Co Ltd * @	People's Republic of China	Operations of department stores	51	-
Tianjin Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	100	-
Changchun Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	100	-
<u>Subsidiaries of Xi'an Lucky King Parkson Plaza Co Ltd</u>				
Xi'an Shidai Parkson Store Co Ltd ^ *	People's Republic of China	Operations of department stores	51	-
Xi'an Chang'an Parkson Store Co Ltd ^ *	People's Republic of China	Operations of department stores	51	-
<u>Subsidiary of PRG Corporation Limited</u>				
Parkson Retail Group Limited + £	Cayman Islands	Investment holding	65.5	-
<u>Subsidiary of Parkson Retail Group Limited</u>				
Grand Parkson Retail Group Limited *	British Virgin Islands	Investment holding	100	-
<u>Subsidiaries of Grand Parkson Retail Group Limited</u>				
Exonbury Limited * @	Hong Kong SAR	Investment holding	100	-
Parkson Supplies Pte Ltd * @	Singapore	Investment holding	100	-
Parkson Investment Pte Ltd * @	Singapore	Investment holding	100	-
Step Summit Limited *	Hong Kong SAR	Investment holding	100	-
Global Heights Investment Limited *	British Virgin Islands	Investment holding	100	-
<u>Subsidiary of Parkson Retail Development Co Ltd</u>				
Xinjiang Youhao Parkson Development Co Ltd ^ *	People's Republic of China	Operations of department stores	51	51

14. INVESTMENTS IN SUBSIDIARIES (Continued)

All the companies are audited by Ernst & Young Malaysia except for those marked + which are audited by a member firm of Ernst & Young International, and those marked * which are audited by other firms.

- *1 Holding in equity by Hong Kong Fen Chai Investment Limited
- *2 Holding in equity by Parkson Investment Pte Ltd
- *3 Holding in equity by Shanghai Nine Sea Parkson Plaza Co Ltd
- *4 42% held by Parkson Investment Pte Ltd and 14% held by Rosenblum Investments Pte Ltd
- ^ By virtue of joint venture agreements and articles of association, the Group has joint control over the economic activities of these companies. Accordingly, the Group reports its interests in these companies in accordance with FRS 131²⁰⁰⁴: Financial Reporting of Interest in Joint Ventures
- £ Listed on The Stock Exchange of Hong Kong Limited
- @ Being part of the reorganisation pursuant to the listing exercise of Parkson Retail
- # In financial year 2005, the Group ceased to have management control over Dalian Tianhe Parkson Shopping Centre Co Ltd. Accordingly, the investment had been accounted as Other Investments (Note 17)

The cessation of control of the above subsidiary had the following effects on the Group's financial results for financial year 2005:

	Up to date of cessation of control RM'000
Revenue	67,498
Profit before tax	2,601
Net profit for the year	922

The cessation of control had the following effects on the financial position of the Group at the end of financial year 2005:

	As at date of cessation of control RM'000
Property, plant and equipment	79,461
Deferred tax assets	1,498
Inventories	9,502
Trade and other receivables	27,749
Deposits, cash and bank balances	22,654
Trade and other payables	(82,143)
Borrowings	(16,065)
Net assets	42,656
Minority interest	(19,560)
Reclassified to other investments	23,096

14. INVESTMENTS IN SUBSIDIARIES (Continued)
(a) Acquisition of Subsidiaries

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

- (i) the acquisition of 100% equity interest in Step Summit Limited incorporated in Hong Kong SAR, for a total cash consideration of USD65.40 million (equivalent to approximately RM245.59 million). Step Summit Limited has the following subsidiaries:
 - 60% equity interest in Guizhou Shenqi Parkson Retail Development Co Ltd;
 - 100% equity interest in Shanghai Hongqiao Parkson Development Co Ltd; and
 - 100% equity interest in Hefei Parkson Xiaoyao Plaza Co Ltd.
- (ii) the acquisition of 100% equity interest in Hong Kong Fen Chai Investment Limited for a total consideration of Rmb65 million (equivalent to approximately RM29.90 million).
- (iii) the acquisitions of 100% equity interest in Tianjin Parkson Retail Development Co Ltd and Changchun Parkson Retail Development Co Ltd for a consideration of Rmb10 million (equivalent to approximately RM4.6 million) each.

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

	2006
	RM'000
Revenue	541,229
Profit from operations	47,408
Net profit for the year	<u>27,514</u>

The acquisitions had the following effects on the financial position of the Group as at the balance sheet date:

	30 June
	2006
	RM'000
Property, plant and equipment	12,367
Deferred tax assets	6,251
Purchased goodwill	9,822
Inventories	9,870
Trade and other receivables	58,625
Deposits, cash and bank balances	107,793
Trade and other payables	(166,959)
Short term borrowings	(22,773)
Tax payable	(3,688)
Deferred tax liabilities	(56)
Minority interests	(18,771)
Group's share of net liabilities	<u>(7,519)</u>

14. INVESTMENTS IN SUBSIDIARIES (Continued)
(a) Acquisition of Subsidiaries (Continued)

The fair values of the assets acquired and liabilities assumed from the acquisitions are as follows:

	2006 RM'000
Property, plant and equipment	15,264
Deferred tax assets	5,149
Purchased goodwill	10,446
Inventories	10,969
Trade and other receivables	45,638
Deposits, cash and bank balances	88,889
Trade and other payables	(174,022)
Short term borrowings	(23,420)
Tax payable	(5,000)
Minority interests	(9,212)
	<hr/>
Group's share of net liabilities	(35,299)
Goodwill on acquisitions	319,947
	<hr/>
Cost of acquisitions	284,648
	<hr/>
Purchase consideration paid in cash	284,648
Cash and cash equivalents of subsidiaries acquired	(88,889)
	<hr/>
Net cash outflow of the Group	195,759
	<hr/> <hr/>

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

- (i) Exonbury Limited and Shanghai Nine Sea Parkson Plaza Co Ltd set up Dalian Parkson Retail Development Co Ltd, which was incorporated on 15 April 2005, to carry out the retail business in Dalian in the PRC for the acquisition of Dalian Zhong Sheng Co Ltd's business at a cash consideration of Rmb20 million.
- (ii) the acquisition of 98% equity interest in Hamba Research & Development Co Ltd in Taiwan for a cash consideration of RM1.00.
- (iii) the acquisition of 100% equity interest in Lion DRI Sdn Bhd incorporated in Malaysia for a cash consideration of RM2.00.
- (iv) the acquisition of 100% equity interest in Sea Coral Limited incorporated in Hong Kong SAR for a total cash consideration of HKD1.00.
- (v) the acquisition of 100% equity interest in Well Morning Limited incorporated in Hong Kong SAR for a total cash consideration of HKD1.00.

The above acquisitions had the following effects on the Group's financial results for the previous financial year:

	2005 RM'000
Revenue	7,525
Loss from operations	(2,945)
Net loss for the year	(2,926)
	<hr/> <hr/>

14. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

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

	30 June 2005 RM'000
Property, plant and equipment	203
Deferred tax assets	1,786
Purchased goodwill	4,164
Other investments	1,062
Trade and other receivables	415
Deposits, cash and bank balances	349
Trade and other payables	(11,884)
Minority interests	1,551
	<hr/>
Group's share of net liabilities	(2,354)
	<hr/> <hr/>

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

	2005 RM'000
Property, plant and equipment	129
Deferred tax assets	1,786
Purchased goodwill	4,235
Trade and other receivables	468
Deposits, cash and bank balances	152
Trade and other payables	(9,482)
Short term borrowings	(190)
	<hr/>
Fair value of total net liabilities	(2,902)
Less : Minority interests	1,532
	<hr/>
Group's share of net liabilities	(1,370)
Goodwill on acquisitions	10,103
	<hr/>
Cost of acquisitions	8,733
	<hr/> <hr/>
Purchase consideration paid in cash	8,733
Cash and cash equivalents of subsidiaries acquired	(152)
	<hr/>
Net cash outflow of the Group	8,581
	<hr/> <hr/>

14. INVESTMENTS IN SUBSIDIARIES (Continued)
(b) Disposal of Subsidiaries

	Group	
	2006	2005
	RM'000	RM'000
Gain on disposal of hypermarket operations (Note i)	15,083	-
Gain on disposal/dilution of retail operations (Note ii)	421,128	-
	436,211	-

- (i) During the financial year, the Company disposed of its entire equity interest in Xtra Supercenter Sdn Bhd, a wholly-owned subsidiary of the Company for a total cash consideration of RM1.00 as well as the assumption by the purchaser of net liabilities amounting up to RM15 million.

The disposal had the following effects on the Group's financial results and position for the financial year:

	Group	
	2006	2005
	RM'000	RM'000
Revenue	7,651	131,445
Loss from operations	(5,177)	(5,698)
Net loss for the year	(5,183)	(5,722)
Property, plant and equipment	6,779	6,793
Inventories	3,353	11,051
Trade and other receivables	2,270	2,170
Deposits, cash and bank balances	1,469	2,833
Trade and other payables	(28,867)	(46,918)
Borrowings	-	(209)
Net liabilities disposed	(14,996)	(24,280)
Negative goodwill on consolidation	(87)	(87)
	(15,083)	(24,367)
Total disposal proceeds settled by cash	*	
Gain on disposal of subsidiary	15,083	
Cash consideration, representing cash inflow of the Company	*	
Cash and cash equivalents of subsidiary disposed	(1,469)	
Net cash outflow of the Group	(1,469)	

* Represents RM1.00

14. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Disposal of Subsidiaries (Continued)

- (ii) In connection with the listing exercise of Parkson Retail Group Limited ("Parkson Retail") on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"), the Group underwent a corporate reorganisation. The reorganisation has resulted in the Company transferring its entire interest in Exonbury Limited, Parkson Investment Pte Ltd and Parkson Supplies Pte Ltd to a subsidiary.

On 30 November 2005, Parkson Retail was listed on the Main Board of HKEx. The listing involved, amongst others, the offering of a combination of new shares for subscription and the existing shares for sale in Parkson Retail by way of public offer to the public in Hong Kong and placement to professionals, institutions and/or other investors in Hong Kong and overseas.

Upon listing of Parkson Retail on the HKEx, the Group's equity interest in Parkson Retail was reduced to 65.5% and this had resulted in a gain of RM421 million.

- (iii) During the financial year, the Company disposed of its entire issued and paid-up share capital of Park Avenue Fashion Sdn Bhd, a wholly-owned subsidiary of the Company, to another subsidiary for a total consideration of RM250,002.

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Quoted shares in Malaysia, at cost	226,766	226,766	432	432
Unquoted investments, at cost	6,118	5,565	-	-
Share of post-acquisition reserves	(65,264)	41,415	-	-
	167,620	273,746	432	432
Market value of quoted shares	139,696	206,705	266	393

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

	Group	
	2006 RM'000	2005 RM'000
Share of net (liabilities)/assets	(14,126)	84,558
Share of goodwill in associates	127,979	135,421
	113,853	219,979
Goodwill on acquisition	53,767	53,767
	167,620	273,746

15. INVESTMENTS IN ASSOCIATES (Continued)

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
Lion Corporation Berhad #	Malaysia	Investment holding	22.6	24.5
Inner Mongolia Leader Parkson Plaza Co Ltd	People's Republic of China	Ceased operations	25	25
Shanghai Nine Sea Lion Properties Management Co Ltd	People's Republic of China	Property management	35	35

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

Listed on the Main Board of Bursa Malaysia

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2006 RM'000	2005 RM'000
Unquoted investments, at cost	72,166	53,212
Share of post-acquisition reserves	21,021	10,369
	93,187	63,581

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entities are as follows:

	2006	2005
	RM'000	RM'000
Revenue	664,031	330,587
Expenses, including finance costs	601,814	297,099
	2006	2005
	RM'000	RM'000
Non-current assets	164,057	120,793
Current assets	145,453	73,291
Current liabilities	(170,144)	(128,270)
Non-current liabilities	(46,179)	(2,233)
Net assets	93,187	63,581

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities	Country of Incorporation	Principal Activities	Equity Interest	
			2006 %	2005 %
Parkson Retail Development Co Ltd	People's Republic of China	Operations of department stores	56	56
Yangzhou Parkson Plaza Co Ltd	People's Republic of China	Operations of department stores	55	55
Xinjiang Youhao Parkson Development Co Ltd	People's Republic of China	Operations of department stores	51	51
Xi'an Shidai Parkson Store Co Ltd *	People's Republic of China	Operations of department stores	51	–
Xi'an Chang'an Parkson Store Co Ltd *	People's Republic of China	Operations of department stores	51	–
Panareno Sdn Bhd	Malaysia	Property development and property investment	35	35

All the jointly controlled entities are not audited by Ernst & Young, Malaysia

* Being newly acquired interest during the year. Although the Group has ownership of the entities indirectly through a subsidiary of more than half of the voting power of the subject entities, the joint venture agreements established joint control over the subject entities. The joint venture agreements ensure that no single venturer is in a position to control the activity unilaterally.

17. OTHER INVESTMENTS

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long Term Investments					
<u>Unquoted</u>					
Bonds	(a)	15,756	31,543	15,756	31,543
Shares:					
In Malaysia		325	328	–	–
Outside Malaysia		9,969	9,969	–	–
	(b)	10,294	10,297	–	–
<u>Quoted</u>					
Shares in Malaysia		30,432	30,434	30,432	30,432
		56,482	72,274	46,188	61,975

17. OTHER INVESTMENTS (Continued)

		Group		Company	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Short Term Investments					
<u>Unquoted</u>					
Bonds	(a)	16,622	4,739	16,622	4,739
<u>Quoted</u>					
Shares:					
In Malaysia		597	597	597	597
Outside Malaysia		614	1,070	–	–
	(c)	1,211	1,667	597	597
Debenture outside Malaysia		–	800	–	–
		17,833	7,206	17,219	5,336
Total Investments					
<u>Unquoted</u>					
Bonds		32,378	36,282	32,378	36,282
Shares:					
In Malaysia		325	328	–	–
Outside Malaysia		9,969	9,969	–	–
		10,294	10,297	–	–
<u>Quoted</u>					
Shares:					
In Malaysia		31,029	31,031	31,029	31,029
Outside Malaysia		614	1,070	–	–
		31,643	32,101	31,029	31,029
Debenture outside Malaysia		–	800	–	–
		74,315	79,480	63,407	67,311
Market value of:					
Quoted shares		24,438	31,702	23,824	30,631
Quoted debentures		–	856	–	–
(a) <u>Unquoted bonds</u>					
Unquoted bonds, at cost		36,451	36,451	36,451	36,451
Accrued interests		8,530	6,882	8,530	6,882
		44,981	43,333	44,981	43,333
Less: Redeemed		(12,603)	(7,051)	(12,603)	(7,051)
		32,378	36,282	32,378	36,282
Less: Bonds redeemable within one year		(16,622)	(4,739)	(16,622)	(4,739)
		15,756	31,543	15,756	31,543

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

17. OTHER INVESTMENTS (Continued)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(b) <u>Unquoted shares</u>				
Unquoted shares, at cost:				
In Malaysia	325	328	–	–
Outside Malaysia	23,096	23,096	–	–
	23,421	23,424	–	–
Less: Accumulated impairment losses	(13,127)	(13,127)	–	–
	10,294	10,297	–	–

As disclosed in Note 14, in the previous financial year, the Group ceased to have management control over Dalian Tianhe Parkson Shopping Centre Co Ltd. Accordingly, the carrying amount of the investment amounted RM10.0 million was accounted as Other Investments.

The Directors are of the opinion that the impairment loss of RM13.1 million is adequate and no further impairment is required as the Directors are actively engaged in efforts to regain control of the investment.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(c) <u>Quoted shares</u>				
Quoted shares, at cost:				
In Malaysia	2,549	2,549	2,549	2,549
Outside Malaysia	614	1,070	–	–
	3,163	3,619	2,549	2,549
Less: Accumulated impairment losses	(1,952)	(1,952)	(1,952)	(1,952)
	1,211	1,667	597	597

18. INTANGIBLE ASSETS

	Group	
	2006 RM'000	2005 RM'000
Goodwill		
Goodwill on consolidation:		
At 1 July	166,176	156,073
Acquisition of subsidiaries	319,947	10,103
Realisation upon disposal/dilution of retail operations	(130,778)	–
At 30 June	355,345	166,176
Purchased goodwill:		
At 1 July	24,759	20,524
Acquisition of subsidiaries/operations	10,446	4,235
At 30 June	35,205	24,759
Less: Accumulated amortisation		
At 1 July	(8,243)	(1,072)
Recognised in income statement	(11,756)	(7,171)
Disposal/dilution of retail operations	7,392	–
At 30 June	(12,607)	(8,243)
Total	377,943	182,692

19. DEFERRED TAX

	Group	
	2006 RM'000	2005 RM'000
At 1 July	3,601	(6,498)
Acquisition of subsidiaries	5,149	1,786
Recognised in income statement	(1,925)	9,811
Cessation of control of a subsidiary	–	(1,498)
At 30 June	6,825	3,601
Presented after appropriate offsetting as follows:		
Deferred tax assets	33,434	25,545
Deferred tax liabilities	(26,609)	(21,944)
	6,825	3,601

19. DEFERRED TAX (Continued)

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

Deferred Tax Assets of the Group:

	Provisions RM'000
At 1 July 2005	25,545
Recognised in income statement	2,740
Acquisition of subsidiaries	5,149
	<hr/>
At 30 June 2006	33,434
	<hr/> <hr/>
At 1 July 2004	16,208
Recognised in income statement	9,049
Acquisition of subsidiaries	1,786
Cessation of control of a subsidiary	(1,498)
	<hr/>
At 30 June 2005	25,545
	<hr/> <hr/>

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM'000
At 1 July 2005	(21,944)
Recognised in income statement	(4,665)
	<hr/>
At 30 June 2006	(26,609)
	<hr/> <hr/>
At 1 July 2004	(22,706)
Recognised in income statement	762
	<hr/>
At 30 June 2005	(21,944)
	<hr/> <hr/>

Deferred tax assets has not been recognised in respect of the following items:

	Group	
	2006 RM'000	2005 RM'000
Unabsorbed capital allowances	25,000	25,000
Unused tax losses	170,000	157,000
	<hr/> <hr/>	<hr/> <hr/>

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) & (5B) of Income Tax Act, 1967.

20. INVENTORIES

	Group	
	2006	2005
	RM'000	RM'000
Cost		
Merchandise inventories	160,663	164,306
Industrial land	3,846	5,860
Properties held for sale	45,746	51,915
Raw materials	119	547
Work-in-progress	484	885
Finished goods	6,584	6,693
Consumable stores	5,411	886
	222,853	231,092
Net realisable value		
Finished goods	13,531	17,755
Work-in-progress	1,359	1,848
Raw materials	20,889	12,082
	258,632	262,777

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

	Group	
	2006	2005
	RM'000	RM'000
Finished goods	14,116	18,279
Work-in-progress	1,441	1,997
Raw materials	23,019	13,449
	28,576	33,725

The title to the industrial land has yet to be transferred to a subsidiary as at 30 June 2006.

21. TRADE RECEIVABLES

	Group	
	2006	2005
	RM'000	RM'000
Trade receivables	85,160	116,382
Accrued billings in respect of property development costs	7,421	5,182
Less: Provision for doubtful debts	(2,969)	(4,258)
	89,612	117,306

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

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

22. OTHER RECEIVABLES

		Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts owing by subsidiaries	(a)	–	–	620,002	693,252
Sundry receivables	(b)	135,297	121,057	26	20
Deposits	(c)	55,328	153,266	604	105,140
Investment deposit	(d)	96,530	–	–	–
Prepayment		13,135	23,738	13	4,923
Amounts owing by capital holders of subsidiaries		–	17,761	–	–
Amounts owing by associates		–	4,452	–	–
Amounts owing by related parties		696	3,885	352	327
Amount owing by a jointly controlled entity		7,572	4,954	–	–
		308,558	329,113	620,997	803,662

(a) Amounts owing by subsidiaries

	Company	
	2006 RM'000	2005 RM'000
Amounts outstanding	715,625	772,302
Less: Provision for doubtful debts	(95,623)	(79,050)
	620,002	693,252

The amounts owing by subsidiaries are unsecured, have no fixed terms of repayment and interest is charged at the rate of 1.0% (2005: 1.0%) per annum.

(b) Sundry receivables

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amount outstanding	135,462	122,859	26	20
Less: Provision for doubtful debts	(165)	(1,802)	–	–
	135,297	121,057	26	20

(c) Included in the deposits of the Group and of the Company is an amount of RM Nil (2005: RM103.95 million) paid to Midrex Technologies Inc. in relation to the supply agreement for a hot direct reduced iron plant.

(d) The RM96.53 million investment deposit was paid to the China Arts & Crafts Companies for the proposed acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd, a jointly controlled entity of the Group, details of which are set out in Note 36.

22. OTHER RECEIVABLES (Continued)

The amounts owing by capital holders of subsidiaries in 2005 were secured against certain assets of the capital holders and have no fixed terms of repayment. Certain amounts bear interest at the rate of 4.5% to 6.5% per annum.

The amounts owing by associates and a jointly controlled entity are unsecured, interest free and have no fixed terms of repayment.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2005: 8.0%) per annum.

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits, cash and bank balances:				
Cash on hand and at banks	441,141	156,769	5,814	2,178
Deposits with:				
Licensed banks	546,431	294,463	130,637	36,676
Licensed finance companies	28,473	192,982	–	–
Cash and cash equivalents	1,016,045	644,214	136,451	38,854

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China which amounted to RM329.2 million (2005: RM208.0 million) at balance sheet date are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

Fixed deposits amounting to RM120.7 million (2005: RM22.5 million) are pledged with financial institutions for banking facilities extended to the Company.

The following deposits and bank balances, which arose from a property development project, are registered under the vendor's name.

	Group	
	2006 RM'000	2005 RM'000
Deposits with licensed banks	26,960	49,650
Bank balances	16,997	23,737
	43,957	73,387

Included in bank balances of a subsidiary is an amount of RM13.81 million (2005: RM21.63 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use for other operations.

23. CASH AND CASH EQUIVALENTS (Continued)

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Licensed banks	3.2	2.6	2.7	2.4
Licensed finance companies	2.8	2.7	-	-

Deposits of the Group and of the Company have an average maturity of 60 days (2005: 30 days). Bank balances are deposits held at call with licensed banks.

24. TRADE PAYABLES

	Group	
	2006 RM'000	2005 RM'000
Trade payables	422,707	391,042

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

25. OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sundry payables	233,348	189,911	-	-
Accruals	143,686	63,516	26,756	2,319
Amounts owing to subsidiaries	-	-	968,998	705,312
Amounts owing to capital holders of subsidiaries	-	12,975	-	-
Amounts owing to related parties	1,140	1,924	280	240
Deferred payments	-	134,049	-	134,049
	378,174	402,375	996,034	841,920

The amounts owing to subsidiaries are unsecured, have no fixed terms of repayment and interest is charged on certain amounts at 1.0% (2005: 1.0%) per annum.

The amounts owing to capital holders of subsidiaries in 2005 were unsecured, have no fixed terms of repayment and interest was charged on certain amounts at 5.6% per annum.

The amounts owing to related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2005: 8.0%) per annum.

The deferred payments bear interest at rate of 7% per annum.

26. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short Term Borrowings				
Secured:				
Hire purchase payables (Note 27)	1,397	1,550	117	117
Short term loans	96,636	115,213	-	-
	98,033	116,763	117	117
Unsecured:				
Bankers' acceptances	11,467	11,252	-	-
ICULS (Note 28)	-	2,191	-	2,191
RCULS (Note 29)	992	1,970	992	1,970
Short term loans	18,498	26,387	-	-
	30,957	41,800	992	4,161
	128,990	158,563	1,109	4,278
Long Term Borrowings				
Secured:				
Hire purchase payables (Note 27)	1,566	1,636	282	399
Unsecured:				
ICULS (Note 28)	-	5,520	-	5,520
RCULS (Note 29)	42,332	80,391	42,332	80,391
Term loans	14,900	16,900	-	-
	57,232	102,811	42,332	85,911
	58,798	104,447	42,614	86,310
Total Borrowings				
Hire purchase payables (Note 27)	2,963	3,186	399	516
Other borrowings	184,825	259,824	43,324	90,072
	187,788	263,010	43,723	90,588
Maturity of other borrowings (excluding hire purchase payables):				
Within one year	127,593	157,013	992	4,161
More than one year and less than two years	2,000	2,000	-	-
More than two years and less than five years	55,232	97,061	42,332	85,911
Five years or more	-	3,750	-	-
	184,825	259,824	43,324	90,072

26. BORROWINGS (Continued)

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Bankers' acceptances	4.0 to 5.7	3.9 to 8.0	–	–
ICULS	7.0	7.0	7.0	7.0
RCULS	7.0	7.0	7.0	7.0
Short term loans	4.5 to 8.2	4.5 to 8.0	–	–
Term loans	5.7 to 6.0	5.7 to 6.0	–	–

The borrowings are secured against certain buildings of the Group.

27. HIRE PURCHASE PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Minimum lease payments:				
Not later than one year	1,570	1,806	132	132
Later than one year and not later than five years	1,657	1,740	320	453
Later than five years	42	–	–	–
	3,269	3,546	452	585
Less: Future finance charges	(306)	(360)	(53)	(69)
Present value of finance lease liabilities	2,963	3,186	399	516
Present value of finance lease liabilities:				
Not later than one year	1,397	1,550	117	117
Later than one year and not later than five years	1,529	1,636	282	399
Later than five years	37	–	–	–
	2,963	3,186	399	516
Analysed as:				
Due within one year (Note 26)	1,397	1,550	117	117
Due after one year (Note 26)	1,566	1,636	282	399
	2,963	3,186	399	516

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 3.3% to 7.7% (2005: 3.3% to 7.7%) per annum.

28. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the acquisition of new operations in 2004, the Company issued RM140 million nominal value 5-year 2% coupon irredeemable convertible unsecured loan stocks ("ICULS") as part of the settlement. The terms of the ICULS are as follows:

(a) Conversion Rights and Rate

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

(b) Conversion Period

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

(c) Coupon Rate

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

(d) Redeemability

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

(e) Ranking

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

The ICULS are listed on the Main Board of Bursa Malaysia. On 18 September 2006, Bursa Malaysia had removed the ICULS from the Official List of Bursa Malaysia subsequent to the full conversion of the ICULS into ordinary shares of RM0.50 each in the Company.

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

	Group/Company	
	2006	2005
	RM'000	RM'000
Nominal value:		
At 1 July	109,438	134,886
Redeemed during the year	(109,438)	(25,448)
	<hr/>	<hr/>
At 30 June	– *	109,438
Less: Unamortised portion	–	(101,727)
	<hr/>	<hr/>
Net amount	–	7,711
Amount due within one year (Note 26)	–	(2,191)
	<hr/>	<hr/>
Amount due after one year (Note 26)	–	5,520
	<hr/> <hr/>	<hr/> <hr/>

* Represents RM300 in 2006. The fair value of the ICULS are RM1,000 (2005: RM239,237,000) as at balance sheet date.

28. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)

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

	Group/Company	
	2006 RM'000	2005 RM'000
Nominal value	140,000	140,000
Less: Equity component	(128,519)	(128,519)
	11,481	11,481
Effects on redemption:		
At 1 July	(2,043)	–
Recognised during the year	(7,211)	(2,043)
At 30 June	(9,254)	(2,043)
Interest expenses recognised:		
At 1 July	701	67
Recognised during the year (Note 7)	540	634
At 30 June	1,241	701
Interest paid:		
At 1 July	(2,428)	–
Paid during the year	(1,040)	(2,428)
At 30 June	(3,468)	(2,428)
Liability component at 30 June	–	7,711

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

29. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the acquisition of new operations in 2004, the Company issued RM100 million nominal value 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS") as part of the settlement. The terms of the RCULS are as follows:

(a) Conversion Rights and Rate

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

(b) Conversion Period

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

(c) Coupon Rate

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

29. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)
(d) Redeemability

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

(e) Ranking

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

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

	Group/Company 2006 RM'000	2005 RM'000
Nominal value:		
At 1 July	98,500	100,000
Redeemed during the year	(48,924)	(1,500)
Nominal value	49,576	98,500
Less: Unamortised portion	(6,252)	(16,139)
Net amount	43,324	82,361
Amount due within one year (Note 26)	(992)	(1,970)
Amount due after one year (Note 26)	42,332	80,391

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

	Group/Company 2006 RM'000	2005 RM'000
Nominal value	100,000	100,000
Less: Equity component	(20,501)	(20,501)
	79,499	79,499
Effects on redemption:		
At 1 July	(1,192)	–
Recognised during the year	(42,974)	(1,192)
At 30 June	(44,166)	(1,192)
Interest expenses recognised:		
At 1 July	6,050	464
Recognised during the year (Note 7)	5,495	5,586
At 30 June	11,545	6,050

29. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)

	Group/Company	
	2006 RM'000	2005 RM'000
Interest paid:		
At 1 July	(1,996)	–
Paid during the year	(1,558)	(1,996)
At 30 June	(3,554)	(1,996)
Liability component at 30 June	43,324	82,361

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

30. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised:				
At 1 July/30 June	1,000,000	1,000,000	500,000	500,000
Issued and fully paid:				
At 1 July	495,435	462,730	247,717	231,365
Movements during the year pursuant to:				
ESOS	–	1,370	–	685
Conversion of ICULS	127,253	29,591	63,627	14,795
Conversion of RCULS	56,889	1,744	28,444	872
At 30 June	679,577	495,435	339,788	247,717

(a) Issue of ordinary shares

During the financial year, the Company increased its issued and paid-up share capital from RM247,717,457.00 to RM339,788,393.50 by way of:

- (i) the conversion of RM109,437,680 nominal value of ICULS into 127,253,085 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share; and
- (ii) the conversion of RM48,924,360 nominal value of RCULS into 56,888,788 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

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

30. SHARE CAPITAL (Continued)

(b) Executive Share Option Scheme (“ESOS”)

During the year, the Company implemented a new ESOS for the benefit of eligible executive directors and executive employees of the Group which was approved by the shareholders on 24 August 2005 and implemented on 1 September 2005.

The salient features and other terms of the ESOS are as follows:

- (a) Executive directors and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.
- (b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS subject to the following being complied with:
 - (i) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to executive directors and senior management; and
 - (ii) not more than 10% of the shares available under the scheme shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), holds 20% or more of the issued and paid-up capital of the Company.
- (c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.
- (d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

No options were granted pursuant to the ESOS during the financial year.

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

	2006	2005
	'000	'000
At beginning of financial year	–	25
Granted	–	1,411
Exercised	–	(1,370)
Lapsed	–	(66)
At end of financial year	–	–

31. OTHER RESERVES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-distributable:				
Exchange fluctuation reserves	(466)	(1,597)	–	–
Capital reserves	9,876	6,424	–	–
Equity components of ICULS	–	100,000	–	100,000
Equity components of RCULS	10,163	20,193	10,163	20,193
	19,573	125,020	10,163	120,193

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

32. RETAINED PROFITS

As at 30 June 2006, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to RM5,827,000 (2005: RM46,722,000) out of its retained profits. Tax exempt profits available for distribution as at balance sheet date is approximately RM147,926,000 (2005: RM39,510,000), subject to the agreement of the Inland Revenue Board.

33. COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Capital Commitments				
Capital expenditure for property, plant and equipment:				
Approved and contracted for	156,021	230,401	151,280	230,401
Approved but not contracted for	442,420	549,340	440,844	538,000
	598,441	779,741	592,124	768,401
(b) Non-Cancellable Operating Lease Commitments				
Future minimum rentals payable:				
Not later than one year	198,988	73,081	–	–
Later than one year and not later than five years	735,326	355,815	–	–
Later than five years	1,139,160	795,339	–	–
	2,073,474	1,224,235	–	–

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries. Leases are negotiated for an average life of between 5 and 20 years.

34. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unsecured				
(i) Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	–	–	28,394	57,817
(ii) Legal proceedings against a subsidiary	–	3,220	–	–
	–	3,220	28,394	57,817

On 16 January 2004, Graimipi Sdn Bhd and LDH Management Sdn Bhd (collectively referred to as the “Brewery Vendors”) and Horsinvest Holding Co Ltd entered into a supplemental agreement (“Supplemental Agreement”), pursuant to which they agreed to the following:

- (a) a United States Dollar equivalent of the amount of Rmb30 million (equivalent to approximately RM13.77 million) is to be held in escrow for the use by Hunan DEbier Brewery Co Ltd to satisfy all the relevant employee severance payments; and
- (b) the Brewery Vendors agree to jointly and severally indemnify Horsinvest Holding Co Ltd and each of their respective successors, assigns, and directors and officers and the directors of the brewery companies (namely Consitrade (M) Sdn Bhd, DEbier Sdn Bhd or their subsidiaries or associates except for Shanghai DEbier Management Consulting Co Ltd, Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd) (“Brewery Companies”) designated by Horsinvest Holding Co Ltd (collectively, the “Indemnified Persons”) and shall reimburse the Indemnified Persons for any and all liabilities incurred directly or indirectly by any of the Indemnified Persons or any of the Brewery Companies arising out of, resulting from, relating to or in connection with the Brewery Companies’ employee benefits liabilities and any taxation liabilities arising on or before the completion date, i.e. 16 January 2004; provided that:
 - (i) the obligation of the Brewery Vendors to indemnify the Indemnified Persons shall be limited in amount to the percentage of the liabilities that is equivalent to the aggregate percentage interest held directly or indirectly by Consitrade (M) Sdn Bhd or DEbier Sdn Bhd in such Brewery Companies immediately prior to the completion date, i.e. 16 January 2004; and
 - (ii) claims for indemnification shall be brought by the Indemnified Persons with notice in writing to the Brewery Vendors no later than:
 - 3 years from 16 January 2004 with respect to a claim or claims in connection with employee benefits liabilities; and
 - 7 years from 16 January 2004 with respect to a claim or claims in connection with any taxation liabilities.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related Parties	Nature	Group	
		2006 RM'000	2005 RM'000
Lion Industries Corporation Berhad	Rental of premises	2,397	2,488
WGD Retail Consultancy Sdn Bhd	Commission receivables	2,043	–
Che Kiang Realty Sdn Bhd	Rental expenses	1,089	2,108
Lion Ipoh Parade Sdn Bhd	Rental expenses	–	4,208
Lion Klang Parade Bhd	Rental expenses	–	2,539
Amsteel Mills Sdn Bhd	Purchase of steel bars	3,016	–
Bright Steel Sdn Bhd	Purchase of steel structure work	4,204	–
Lion Plate Mills Sdn Bhd	Purchase of steel structure plate	2,280	–
Likom Plastic Industries Sdn Bhd	Purchase of raw materials	28,845	21,187

Lion Industries Corporation Berhad (“LICB”) is a substantial shareholder of the Company.

Amsteel Mills Sdn Bhd is a subsidiary of LICB. Lion Klang Parade Bhd was a subsidiary of LICB and it ceased to be a subsidiary during the last financial year.

WGD Retail Consultancy Sdn Bhd is a wholly-owned subsidiary of Amsteel Corporation Berhad (“Amsteel”) in which a Director and certain substantial shareholders of the Company are directors and substantial shareholders. Lion Ipoh Parade Sdn Bhd was a subsidiary of Amsteel and it ceased to be a subsidiary during the last financial year.

Che Kiang Realty Sdn Bhd is a subsidiary of Lion Teck Chiang Limited in which a Director and certain substantial shareholders of the Company are directors and substantial shareholders.

Bright Steel Sdn Bhd is a subsidiary of Amalgamated Containers Berhad in which a Director and certain substantial shareholders of the Company are directors and substantial shareholders.

Lion Plate Mills Sdn Bhd is a subsidiary of Lion Corporation Berhad, an associate of the Company in which a Director and certain substantial shareholders of the Company are directors and substantial shareholders.

Likom Plastic Industries Sdn Bhd is a company in which a Director and a substantial shareholder of the Company is also a substantial shareholder of its holding company.

The Directors are of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

36. SIGNIFICANT EVENTS

Significant events are as disclosed in the Directors’ Report.

37. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

38. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group’s financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group’s businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. It is the Group’s policy not to engage in speculative transactions.

38. FINANCIAL INSTRUMENTS (Continued)
(b) Interest Rate Risk

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

(c) Foreign Exchange Risk

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

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

At 30 June 2006

Functional Currency	Net Financial Assets/Liabilities Held				
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Hong Kong Dollar RM'000	Others RM'000	Total RM'000
Receivables					
Ringgit Malaysia	97,196	–	–	35,899	133,095
Chinese Renminbi	–	238,517	–	–	238,517
Others	–	–	–	26,558	26,558
	97,196	238,517	–	62,457	398,170
Deposits, Cash and Bank Balances					
Ringgit Malaysia	268,817	–	–	–	268,817
Chinese Renminbi	–	329,203	–	–	329,203
Hong Kong Dollar	–	–	405,522	–	405,522
Others	–	–	–	12,503	12,503
	268,817	329,203	405,522	12,503	1,016,045
Payables					
Ringgit Malaysia	332,795	–	–	37,553	370,348
Chinese Renminbi	–	411,698	–	–	411,698
Others	–	–	–	18,835	18,835
	332,795	411,698	–	56,388	800,881
Borrowings					
Ringgit Malaysia	84,887	–	–	–	84,887
Chinese Renminbi	–	91,972	–	–	91,972
Others	–	–	–	10,929	10,929
	84,887	91,972	–	10,929	187,788

38. FINANCIAL INSTRUMENTS (Continued)
(c) Foreign Exchange Risk (Continued)
At 30 June 2005

Functional Currency	Net Financial Assets/Liabilities Held			Total RM'000
	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Others RM'000	
Receivables				
Ringgit Malaysia	131,227	–	139,476	270,703
Chinese Renminbi	–	149,667	–	149,667
Others	–	–	26,049	26,049
	<u>131,227</u>	<u>149,667</u>	<u>165,525</u>	<u>446,419</u>
Deposits, Cash and Bank Balances				
Ringgit Malaysia	424,982	–	–	424,982
Chinese Renminbi	–	207,978	6	207,984
Others	–	–	11,248	11,248
	<u>424,982</u>	<u>207,978</u>	<u>11,254</u>	<u>644,214</u>
Payables				
Ringgit Malaysia	487,630	–	8,988	496,618
Chinese Renminbi	–	274,957	–	274,957
Others	–	–	21,842	21,842
	<u>487,630</u>	<u>274,957</u>	<u>30,830</u>	<u>793,417</u>
Borrowings				
Ringgit Malaysia	155,330	–	5,908	161,238
Chinese Renminbi	–	94,438	–	94,438
Others	–	–	7,334	7,334
	<u>155,330</u>	<u>94,438</u>	<u>13,242</u>	<u>263,010</u>

(d) Liquidity Risk

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

(e) 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.

38. FINANCIAL INSTRUMENTS (Continued)

(f) Fair Values

The fair values of the Group's financial assets and liabilities, except for investments, advances to/from subsidiaries and ICULS, are approximate to their carrying amounts.

The fair values of the quoted investments and ICULS are disclosed in Notes 17 and 28 respectively. It is not practicable to estimate the fair values of advances to/from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

It is not practical to estimate the fair value of the Group's unquoted shares and bonds due to the lack of quoted market prices.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The fair values approximate to their carrying amounts due to the relatively short term maturity of these financial instruments.

(ii) Quoted Investments and ICULS

The fair value of quoted shares and ICULS are determined by reference to stock exchange quoted market bid prices at the close of the business day on the balance sheet date.

(iii) Long Term Borrowings

The fair value of long term borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

39. SEGMENT INFORMATION

(a) Business Segments

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

- | | |
|----------------|---|
| (i) Retailing | - Department stores operations |
| (ii) Property | - Property development |
| (iii) Computer | - Manufacturing and sale of computer and related products |
| (iv) Others | - Investment holding and others |

39. SEGMENT INFORMATION (Continued)
(a) Business Segments (Continued)
2006

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	2,893,114	141,532	332,757	141	3,367,544
Inter-segment sales	-	-	-	-	-
Total revenue	<u>2,893,114</u>	<u>141,532</u>	<u>332,757</u>	<u>141</u>	<u>3,367,544</u>
Results					
Segment results	200,801	24,453	23,741	4,876	253,871
Unallocated corporate expenses					-
Profit from operations					253,871
Finance costs					(20,701)
Share of results of associates	(2,351)	-	-	(125,537)	(127,888)
Share of results of jointly controlled entities	62,234	(17)	-	-	62,217
Gain on disposal of subsidiaries					436,211
Taxation					(75,781)
Profit after taxation					527,929
Minority interests					(57,054)
Net profit for the year					<u>470,875</u>
Assets					
Segment assets	1,980,318	272,332	222,118	530,299	3,005,067
Investments in associates	889	-	-	166,731	167,620
Investments in jointly controlled entities	93,134	53	-	-	93,187
Unallocated corporate assets					42,768
Consolidated total assets					<u>3,308,642</u>
Liabilities					
Segment liabilities	749,480	65,254	63,815	110,120	988,669
Unallocated corporate liabilities					50,700
Consolidated total liabilities					<u>1,039,369</u>
Other Information					
Capital expenditure	53,471	14	7,057	277,614	338,156
Depreciation	52,814	19	5,580	455	58,868
Amortisation of goodwill	8,717	-	2,936	103	11,756
Non-cash items other than depreciation, amortisation and impairment losses	1,849	-	(1,265)	(1,520)	(936)

39. SEGMENT INFORMATION (Continued)
(a) Business Segments (Continued)
2005

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	2,259,652	196,366	272,322	398	2,728,738
Inter-segment sales	–	–	–	–	–
Total revenue	2,259,652	196,366	272,322	398	2,728,738
Results					
Segment results	125,051	55,575	13,737	2,117	196,480
Unallocated corporate expenses					–
Profit from operations					196,480
Finance costs					(33,107)
Share of results of associates	(535)	–	–	21,645	21,110
Share of results of jointly controlled entities	33,505	(17)	–	–	33,488
Gain on disposal of discontinued operations					379,337
Taxation					(36,429)
Profit after taxation					560,879
Minority interests					(4,355)
Net profit for the year					556,524
Assets					
Segment assets	1,186,722	309,174	207,388	522,405	2,225,689
Investments in associates	2,798	–	–	270,948	273,746
Investments in jointly controlled entities	63,510	71	–	–	63,581
Unallocated corporate assets					32,097
Consolidated total assets					2,595,113
Liabilities					
Segment liabilities	641,493	102,413	62,748	249,773	1,056,427
Unallocated corporate liabilities					53,113
Consolidated total liabilities					1,109,540
Other Information					
Capital expenditure	66,935	4	3,747	4,191	74,877
Depreciation	52,406	16	8,807	335	61,564
Amortisation of goodwill	4,176	–	2,936	59	7,171
Impairment losses	13,127	–	–	–	13,127
Non-cash items other than depreciation, amortisation and impairment losses	5,844	–	1,007	(91)	6,760

39. SEGMENT INFORMATION (Continued)
(b) Geographical Segments

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

- (i) Malaysia - Retailing, property, computer and others
- (ii) People's Republic of China - Retailing and others
- (iii) Others - Retailing, computer and others

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia	1,113,393	1,293,465	1,193,723	1,288,222	307,369	40,196
People's Republic of China	1,866,622	1,169,615	1,276,002	878,603	21,561	29,636
Others	387,529	265,658	535,342	58,864	9,226	5,045
Total	3,367,544	2,728,738	3,005,067	2,225,689	338,156	74,877

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2006

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	Office (14)	4.8	1992
2. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (8)	2.9	June 2004
3. Ground Floor Podium "A Block" Kompleks Karamunsing Jalan Tuaran Kota Kinabalu, Sabah	Leasehold 21.1.2901	1,245.1 sq metres	Building	Department store (16)	2.3	June 2004
4. 918, Huaihai Zhong Lu Shanghai, China	Leasehold 29.11.2024	26,786.0 sq metres	Building	Shopping complex (10)	68.4	June 2004
5. 44-60, Zhong Shan Lu Shi Nan City Qingdao, China	Leasehold 31.5.2025	114,981.3 sq metres	Commercial land and building	Shopping complex and office (6)	133.9	June 2004
6. 127, Renming Zhong Road Wuxi, China	Leasehold 22.4.2044	28,290.3 sq metres	Commercial land and building	Shopping complex and office (10)	44.2	June 2004
7. 239, Dongda Street Xian, China	Leasehold 22.5.2047	17,755.4 sq metres	Commercial building	Shopping complex (9)	29.7	June 2004

ANALYSIS OF EQUITY SECURITIES

ORDINARY SHARES

Share Capital as at 29 September 2006

Authorised Share Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM346,264,055.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 29 September 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	140	1.69	4,083	Negligible
100 to 1,000	3,637	43.81	3,232,313	0.47
1,001 to 10,000	3,620	43.60	14,390,667	2.08
10,001 to 100,000	652	7.85	19,622,374	2.83
100,001 to less than 5% of issued shares	249	3.00	288,420,488	41.65
5% and above of issued shares	4	0.05	366,858,186	52.97
	<u>8,302</u>	<u>100.00</u>	<u>692,528,111</u>	<u>100.00</u>

Substantial Shareholders as at 29 September 2006

Substantial Shareholders	Direct Interest		Indirect Interest		
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of RCULS
1. Tan Sri William H.J. Cheng	85,996,142	12.42	329,094,788	47.52	36,000,000 ^a
2. Datuk Cheng Yong Kim	16,262,186	2.35	239,544,035	42.39	38,437,800 ^b
3. Lion Realty Pte Ltd	–	–	293,459,235	42.38	36,000,000 ^a
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.15	292,397,346	42.22	36,000,000 ^a
5. Narajaya Sdn Bhd	123,027,601	17.77	–	–	–
6. Horizon Towers Sdn Bhd	–	–	169,369,745	24.46	36,000,000 ^a
7. Lion Corporation Berhad	3,838,700	0.55	165,531,045	23.90	36,000,000 ^a
8. Amsteel Mills Sdn Bhd	122,948,900	17.75	–	–	–
9. Lion Industries Corporation Berhad	42,518,645	6.14	123,012,400	17.76	36,000,000 ^c
10. LLB Steel Industries Sdn Bhd	–	–	122,948,900	17.75	–
11. Steelcorp Sdn Bhd	–	–	122,948,900	17.75	–

Notes:

^a Indirect interest

^b Comprising direct and indirect interest in 2,437,800 RCULS and 36,000,000 RCULS respectively

^c Comprising direct and indirect interest in 1,720,080 RCULS and 34,279,920 RCULS respectively

Thirty Largest Registered Shareholders as at 29 September 2006

Registered Shareholders	No. of Shares	% of Shares
1. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	122,948,900	17.75
2. Narajaya Sdn Bhd	115,394,499	16.66
3. Cheng Heng Jem	85,996,142	12.42
4. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	42,518,645	6.14
5. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Target Asia Fund Limited (HTHK)	16,944,800	2.45
6. Cheng Yong Kim	16,262,186	2.35
7. HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. Incorporated	13,978,800	2.02
8. Citigroup Nominees (Asing) Sdn Bhd GSCO for Brookside Capital Partners Fund LP	10,580,800	1.53
9. Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund ATB1 for Platinum Asia Fund	10,463,150	1.51
10. Scotia Nominees (Tempatan) Sdn Bhd Custodial Account for Ributasi Holdings Sdn Bhd	9,570,000	1.38
11. Ributasi Holdings Sdn Bhd	7,623,953	1.10
12. Cartaban Nominees (Asing) Sdn Bhd Credit Suisse Securities (Europe) Limited	7,033,900	1.02
13. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund KG67 for AIM International Emerging Growth Fund	7,031,000	1.02
14. HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	6,868,200	0.99
15. Likom Computer System Sdn Bhd	6,353,068	0.92
16. Lion Holdings Private Limited	6,214,258	0.90
17. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ributasi Holdings Sdn Bhd	5,789,474	0.84
18. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad ICapital.Biz Berhad	5,408,400	0.78
19. HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. International Limited	4,477,600	0.65
20. HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Gartmore China Opportunities Fund	4,096,000	0.59
21. Lion Corporation Berhad	3,838,700	0.55
22. HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	3,758,100	0.54
23. Citigroup Nominees (Asing) Sdn Bhd Merrill Lynch International	3,758,000	0.54
24. Citigroup Nominees (Asing) Sdn Bhd UBS AG	3,665,100	0.53
25. Affin Nominees (Tempatan) Sdn Bhd KH Asset Holdings Sdn Bhd for Narajaya Sdn Bhd	3,457,570	0.50
26. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd (PCI)	2,925,532	0.42
27. Citigroup Nominees (Asing) Sdn Bhd GSCO for M. Kingdon Offshore N.V.	2,917,400	0.42
28. HSBC Nominees (Asing) Sdn Bhd TNTC for Polar Capital Funds PLC (Asia Ex Japan F)	2,840,700	0.41
29. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	2,683,300	0.39
30. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund WB4B for Bill and Melinda Gates Foundation	2,589,800	0.37

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

No. of RCULS as at 29 September 2006	:	38,437,800
Nominal Value	:	RM1.00 each
Coupon Rate	:	2% per annum payable annually
Conversion Period	:	1 June 2004 to 31 May 2009
Conversion Price	:	RM0.86 per ordinary share of RM0.50 each
Conversion Right	:	RCULS holders will have the right to convert the RCULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of RCULS holdings as at 29 September 2006

Size of RCULS holdings	No. of RCULS holders	% of RCULS holders	No. of RCULS	% of RCULS
Less than 100	—	—	—	—
100 to 1,000	—	—	—	—
1,001 to 10,000	—	—	—	—
10,001 to 100,000	—	—	—	—
100,001 and above	3	100.00	38,437,800	100.00
	<u>3</u>	<u>100.00</u>	<u>38,437,800</u>	<u>100.00</u>

Registered RCULS Holders as at 29 September 2006

Registered RCULS holders	No. of RCULS	% of RCULS
1. Amsteel Corporation Berhad	34,279,920	89.18
2. Datuk Cheng Yong Kim	2,437,800	6.34
3. Lion Industries Corporation Berhad	1,720,080	4.48

DIRECTORS' INTERESTS IN SHARES AND RCULS IN THE COMPANY AND ITS RELATED COMPANIES AS AT 29 SEPTEMBER 2006

The Directors' interests in shares and RCULS in the Company and its related companies as at 29 September 2006 are as follows:

THE COMPANY

Shares	Nominal Value Per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
Tan Sri William H.J. Cheng	RM0.50	85,996,142	12.42	329,094,788	47.52
Cheng Yong Kwang	RM0.50	2,272,173	0.33	-	-
Heah Sieu Lay	RM0.50	500,000	0.07	-	-
RCULS	Nominal Value Per RCULS			Indirect Interest No. of RCULS	
Tan Sri William H.J. Cheng	RM1.00			36,000,000	

RELATED COMPANIES
Tan Sri William H.J. Cheng

	Nominal Value Per Ordinary Share	Indirect Interest	
		No. of Shares	% of Shares
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	80.00
Hamba Research & Development Co Ltd	NT\$10.00	980,000	98.00
LDH Investment Pte Ltd	*	4,500,000	100.00
Likom CMS Sdn Bhd	RM1.00	10,000	100.00
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	100.00
Parkson Retail Group Limited	HKD0.10	306,360,000	55.50

	Nominal Value Per Preference Share	Indirect Interest	
		No. of Shares	% of Shares
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	100.00

**Investments in the People's
Republic of China**

	Indirect Interest	
	Rmb	% Holding
Anshan Tianxing Parkson Shopping Centre Co Ltd	5,100,000	51.00
Chongqing Wanyou Parkson Plaza Co Ltd	21,000,000	70.00
Dalian Tianhe Parkson Shopping Centre Co Ltd	60,000,000	60.00
Guizhou Shenqi Parkson Retail Development Co Ltd	6,000,000	60.00
Mianyang Fulin Parkson Plaza Co Ltd	18,000,000	60.00
Nanning Brilliant Parkson Commercial Co Ltd	14,000,000	70.00
Qingdao No. 1 Parkson Co Ltd	124,501,580	52.60
Wuxi Sanyang Parkson Plaza Co Ltd	48,000,000	60.00
Xi'an Chang'an Parkson Store Co Ltd	5,100,000	51.00
Xi'an Lucky King Parkson Plaza Co Ltd	29,580,000	91.00
Xi'an Shidai Parkson Store Co Ltd	7,650,000	51.00
Xinjiang Youhao Parkson Development Co Ltd	10,200,000	51.00
Yangzhou Parkson Plaza Co Ltd	35,553,700	55.00

Note:

* Shares in companies incorporated in Singapore do not have a par value.

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

MATERIAL CONTRACT INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Conditional Facilitation Agreement dated 24 October 2005 between the Company and Megasteel Sdn Bhd ("Megasteel"), a company wherein a Director and certain major shareholders of the Company have an interest, pursuant to which the Company agreed to cancel the existing supply agreement, the licensing agreement and other agreements in respect of the direct reduced iron project and procure the execution of similar new agreements by Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary of the Company, in consideration whereof Megasteel shall compensate the Company by paying the Company the sum of USD14 million (equivalent to approximately RM52.78 million) on completion. In connection with the Conditional Facilitation Agreement, Megasteel has on 24 October 2005 entered into a Conditional Subscription Agreement with the Company and Lion DRI, whereby upon completion, Lion DRI will become a subsidiary of Megasteel. The Conditional Facilitation Agreement and the Conditional Subscription Agreement were terminated on 18 August 2006.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM6,284,000 (2005: RM33,000).

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2006 were as follow:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Retail related		
i) Rental of storage space and lots in shopping complexes and buildings	Lion Teck Chiang Limited Group	1,089
ii) Commission receivable on consignment sales	Amsteel Corporation Berhad Group	2,043
(b) Computer related		
i) Rental of storage space, factory and warehouse for manufacturing of computer casings, computer peripherals and electronic box built products	Lion Industries Corporation Berhad Group ("LICB Group")	2,397
ii) Purchase of computer, component parts and other related products and services	Ributasi Holdings Sdn Bhd Group	28,845
(c) Steel related		
Purchase of steel products, scrap iron and other related products and services	LICB Group Lion Corporation Berhad Group	3,320 6,484

Note:

"Group" includes subsidiary and associated companies

All the related parties are companies in which a Director and certain major shareholders of the Company have interests

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2006

	Proposed Utilisation RM'million	Utilisation Status	
		Actual RM'million	Unutilised/ Outstanding RM'million
(I) Disposal of 50% equity interest each in Consitrade (M) Sdn Bhd ("Consitrade") and DEbier Sdn Bhd ("DEbier") for a cash consideration of USD131.50 million (equivalent to approximately RM499.70 million) and security deposit of USD52.60 million (equivalent to approximately RM199.88 million), as security for the Call and Put Option:			
(i) Part payment for the acquisition of Parkson Retail Group	150.00	150.00	–
(ii) Part payment for the acquisition of Mahkota Cheras Project	55.00	55.00	–
(iii) Payment for the acquisition of Lion Corporation Berhad shares	226.72	226.74	(0.02)
(iv) Outlay for the capital distribution	139.36	139.50	(0.14)
(v) Repayment of bank borrowings, working capital and general investments	119.50	119.47	0.03
(vi) Estimated expenses for the above acquisitions	6.50	6.51	(0.01)
(vii) Part payment for the acquisition of Parkson Retail Group and settlement of inter-company balances	2.50	2.50	–
	699.58	699.72	(0.14)
(II) Disposal of the remaining 50% equity interest each in Consitrade and DEbier (excluding security deposit of USD52.60 million, equivalent to approximately RM199.88 million) of USD82.17 million (equivalent to approximately RM312.27 million) (including return component):			
(i) First deferred payment for the acquisition of Parkson Retail Group	124.61	124.61	–
(ii) Payment of interest for first deferred payment	4.72	4.72	–
(iii) Payment of dividends to shareholders of LDHB	17.40	17.40	–
(iv) Establishment of new retail outlets	19.00	19.00	–
(v) Working capital and/or repayment of bank borrowings	132.54	129.10	3.44
(vi) Part payment for the acquisition of Parkson Retail Group and settlement of inter-company balances	14.00	14.00	–
	312.27	308.83	3.44

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2006 (Continued)

The proceeds from the disposals of shopping malls known as Subang Parade and Mahkota Parade totalling RM370.0 million have been fully utilised with RM0.74 million variance from the utilisation approved by the Securities Commission. The lower utilisation of RM0.74 million in retiring the debts due to financial institutions has been used to repay inter-company balances.

SHARE BUY-BACK

There was no share buy-back during the financial year.

CONVERTIBLE SECURITIES

During the financial year, RM109,437,680 nominal value ICULS and RM48,924,360 nominal value RCULS were converted into shares. Further details are set out in the Financial Statements on page 92 of this Annual Report.



FORM OF PROXY

CDS ACCOUNT NUMBER

Grid for CDS account number with dashes in the 4th and 7th columns.

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-Sixth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 30 November 2006 at 11.00 am and at any adjournment thereof.

Table with 3 columns: RESOLUTIONS, FOR, AGAINST. Contains 10 rows of resolutions for voting.

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

As witness my/our hand this day of 2006

Signed:

No. of shares held:

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.



