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NOTICE IS HEREBY GIVEN that the Twenty-Eighth Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 December

AGENDA

- 1) To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2001. **Resolution 1**
- 2) To approve the payment of a first and final dividend of 0.1 sen per share less 28% Malaysian Income Tax. **Resolution 2**
- 3) To approve the payment of Directors' fees amounting to RM100,000 (2000: RM66,600). **Resolution 3**
- 4) To re-elect Directors:
 - a) In accordance with Article 76 of the Company's Article of Association, Mr Folk Fong Shing @ Kok Fong Hing, who was appointed during the year, retires and being eligible, offers himself for re-election. **Resolution 4**
 - b) In accordance with Article 93 of the Articles of Association, the following Directors retire by rotation from the Board and being eligible, offer themselves for re-election:

Y. Bhg. Tan Sri William H.J. Cheng **Resolution 5**
Mr M Chareon Sae Tang @ Tan Whye Aun **Resolution 6**
- 5) To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution:
2001 at 9.30 am for the following purposes:
"That Y. M. Raja Zainal Abidin bin Raja Haji Tachik who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting." **Resolution 7**
- 6) To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 8**
- 7) Special Business

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

"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 9**
- 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 10 December 2001 in respect of shares exempted from mandatory deposit;
- b) shares transferred to the depositor's securities account before 12.30 pm on 12 December 2001 in respect of ordinary transfers; and
- c) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved, will be paid on 31 December 2001 to shareholders on the Register of the Company at the close of business on 12 December 2001.

By Order of the Board

MAK WAI CHIN
MOHAMMAD ZUBIR BIN ALWEE
Secretaries

Kuala Lumpur
16 November 2001

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 shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal.
- 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 at least forty-eight (48) hours before the time appointed for holding the Meeting.

2) Resolution 3 - Increase in Directors' fees

The Directors' fees were reduced by 10% in 1997 due to the economic downturn. There has not been any increase since. In addition, the duties and responsibilities of the Directors have increased as reflected in the Malaysian Code on Corporate Governance and the Listing Requirements of the Kuala Lumpur Stock Exchange. Accordingly, a proposal is being submitted to shareholders to approve the increased Directors' fees to commensurate with such added duties and responsibilities.

3) Resolution 9 - Authority to Directors to issue shares

This authorisation will empower the Directors 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- Pursuant to Article 76 of the Company's Articles of Association
(Appointed during the year)

Mr Folk Fong Shing @ Kok Fong Hing

- Pursuant to Article 93 of the Company's Articles of Association
(Retirement by rotation)

Y. Bhg. Tan Sri William H.J. Cheng
Mr M Chareon Sae Tang @ Tan Whye Aun

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

Y. M. Raja Zainal Abidin bin Raja Haji Tachik

- Details of attendance at Board Meetings:

Director	Date of Appointment	No. of Meetings Attended
Mr Folk Fong Shing @ Kok Fong Hing	6 June 2001	1/1
Y. Bhg. Tan Sri William H.J. Cheng	27 September 1972	7/7
Mr M Chareon Sae Tang @ Tan Whye Aun	4 May 1984	7/7
Y. M. Raja Zainal Abidin bin Raja Haji Tachik	26 October 1973	7/7

- Further details of Directors standing for re-election/re-appointment are set out on pages 5 to 7 of this Annual Report.

II. Place, date and time of Board Meetings

During the financial year ended 30 June 2001, seven (7) Board Meetings were held. All Board Meetings were held at Level 47, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur. The date and time of the Board Meetings held were as follows:

No.	Date of Meetings	Time
1)	30 August 2000	4.00 pm
2)	27 September 2000	4.00 pm
3)	25 October 2000	11.30 am
4)	28 November 2000	10.15 am
5)	26 February 2001	11.30 am
6)	24 May 2001	11.30 am
7)	7 June 2001	3.30 pm

CORPORATE INFORMATION

Directors	:	Y. Bhg. Tan Sri William H.J. Cheng (Chairman and Managing Director) Y. M. Raja Zainal Abidin bin Raja Haji Tachik Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Dato' Haji Yahya bin Haji Talib Mr M Chareon Sae Tang @ Tan Whye Aun Mr Loo Hooi Keat Mr Folk Fong Shing @ Kok Fong Hing Y. Bhg. Dato' Dr Lee Chee Kuon (Alternate to Y. Bhg. Datuk Cheng Yong Kim)
Secretaries	:	Ms Mak Wai Chin Encik Mohammad Zubir bin Alwee
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. Suite 11.01, Level 11 Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21648411, 03-21648412 Fax No : 03-21614535
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Phileo Promenade 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	Arab-Malaysian Merchant Bank Berhad Aseambankers Malaysia Berhad Malayan Banking Berhad Affin Bank Berhad RHB Bank Berhad RHB Sakura Merchant Bankers Berhad Bank of America (M) Berhad
Stock Exchange Listing	:	Kuala Lumpur Stock Exchange
Stock Name	:	Ordinary Shares LIONCOR
KLSE Stock No.	:	3581
ISIN Code	:	MYL358100005
		Warrants LIONCOR-WA
		3581w
		MYL3581WACC7
Reuters Code	:	LION.KL

DIRECTORS' PROFILES

Y. Bhg. Tan Sri William H.J. Cheng

Chairman and Managing Director, Non-Independent Executive Director

Aged 58, Tan Sri William H.J. Cheng, a Malaysian, has 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

Tan Sri William Cheng was appointed to the Board on 27 September 1972 and his other directorships in public companies are as follows:

- Chairman of Chocolate Products (Malaysia) Berhad and Posim Berhad, both public listed companies
- Director of Amsteel Corporation Berhad, Angkasa Marketing Berhad and Amalgamated Containers Berhad, all public listed companies
- Chairman and Managing Director of Silverstone Berhad, a public company

Tan Sri William Cheng has a direct shareholding in the Company of 180,000 ordinary shares of RM1.00 each and indirect shareholding in the Company comprising 105,397,273 ordinary shares of RM1.00 each, 25,855,162 warrants and options to subscribe for 175,000 ordinary shares in the Company under the Company's Executive Share Option Scheme. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company.

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

Tan Sri William Cheng attended all of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Y. M. Raja Zainal Abidin bin Raja Haji Tachik

Independent Non-Executive Director

Aged 84, Y. M. Raja Zainal Abidin bin Raja Haji Tachik, a Malaysian, had completed a public administration course at the Oxford University, United Kingdom and a management and law course at the Columbia University, New York, the United States of America.

Y. M. Raja Zainal had served the Malaysian civil service for over 30 years and was the Secretary General to the Ministry of Health, Malaysia prior to his retirement in 1972.

Y. M. Raja Zainal was appointed to the Board on 26 October 1973 and serves as the Chairman of the Company's Audit Committee. He has a direct shareholding of 300,000 ordinary shares of RM1.00 each and an indirect shareholding of 11,400 ordinary shares of RM1.00 in the Company. He is also a Director of O.Y.L. Industries Berhad, a public listed company.

Y. M. Raja Zainal attended all of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Y. Bhg. Datuk Cheng Yong Kim

Non-Independent Executive Director

Aged 51, Datuk Cheng Yong Kim, a Singaporean, obtained his Bachelor of Business Administration (Honours) degree from University of Singapore in 1971.

Datuk Cheng has 25 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990,

he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of Lion Land Berhad. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Datuk Cheng has a direct shareholding of 277,500 ordinary shares of RM1.00 each and an indirect shareholding of 65,312,534 ordinary shares of RM1.00 each in the Company. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company.

Datuk Cheng was appointed to the Board on 19 July 1982 and serves as a member of the Company's Remuneration Committee. His other directorships in public companies are as follows:

- Managing Director of Lion Land Berhad, a public listed company
- Director of Angkasa Marketing Berhad, a public listed company
- Director of Hy-Line Berhad, a public company

Datuk Cheng is the nephew of Tan Sri Cheng Heng Jem, the Chairman and Managing Director, and a major shareholder of the Company.

Datuk Cheng attended all of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Y. Bhg. Dato' Haji Yahya bin Haji Talib

Non-Independent Non-Executive Director

Aged 66, Y. Bhg. Dato' Haji Yahya bin Haji Talib, a Malaysian, obtained his Bachelor of Arts (Honours) degree in Economics from University of Malaya and completed the Advanced Management Programme from Harvard Business School, the United States of America.

Dato' Haji Yahya was the Deputy Secretary General in the Ministry of Trade and Industry, the Deputy Director General in the Economic Planning Unit of the Prime Minister's Department and also the Secretary General of the Ministry of Welfare Services (currently known as the Ministry of National Unity & Community Development).

Dato' Haji Yahya was appointed to the Board on 4 May 1984 and serves as a member of the Company's Audit Committee. He has an indirect shareholding of 225,000 ordinary shares of RM1.00 in the Company. He is also a Director of Malaysia AICA Berhad, Keladi Maju Berhad, both public listed companies and Kilang Sawit Muar Berhad, a public company.

Dato' Haji Yahya attended five (5) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Mr M Chareon Sae Tang @ Tan Whye Aun

Non-Independent Non-Executive Director

Aged 62, Mr M Chareon Sae Tang @ Tan Whye Aun, a Malaysian, obtained his Bachelor of Law degree from King's College, University of London and is a Barrister-at-Law of the Inner Temple.

Mr Tang has been in the legal practice since 1968, first as a legal assistant in Messrs Shearn & Delamore, and later a Partner at Messrs Chye, Chow Chung & Tang until 1976. Presently he manages his own legal practice, Messrs. C.S.Tang & Co.

Mr Tang was appointed to the Board on 4 May 1984 and serves as a member of the Company's Nomination Committee, Remuneration Committee and Option Committee. He is also a Director of Amsteel Corporation Berhad, a public listed company.

Mr Tang attended all of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Mr Loo Hooi Keat

Independent Non-Executive Director

Aged 46, Mr Loo Hooi Keat, a Malaysian, is a member of the Malaysian Association of Certified Public Accountants.

He has over 15 years of working experience as Group Accountant for various public limited companies namely the Sime Darby Group and the Lion Group. He was the Group General Manager for Business Management in United Engineers (M) Berhad.

Mr Loo was appointed to the Board on 14 November 1995 and serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee. He is also a Director of Konsortium Logistik Berhad, a public listed company.

Mr Loo attended one (1) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

Mr Folk Fong Shing @ Kok Fong Hing

Independent Non-Executive Director

Aged 69, Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, obtained his Masters Degree in Business Administration from University of East Asia, Macau. He is a member of the Malaysian Institute of Accountants and a member of the Association of Australian Certified Practising Accountants.

Mr Folk has a total of 38 years of working experience in accounting, auditing, business advisory, company secretarial and tax compliance/tax investigation work, first as a senior officer with the Department of Inland Revenue and later as Senior Partner of a public accountant firm. Mr Folk is also the author of "A Practical Handbook on Company Secretarial Practice" published by Leeds Publications in 1996.

Mr Folk was appointed to the Board on 6 June 2001 and serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee.

Upon his appointment, Mr Folk attended the remaining one (1) Board Meeting of the Company held during the financial year ended 30 June 2001.

Y. Bhg. Dato' Dr Lee Chee Kuon

Alternate Director to Y. Bhg. Datuk Cheng Yong Kim

Aged 55, Dato' Dr Lee Chee Kuon, a Malaysian, obtained his Bachelor of Science (Engineering, First Class Honours) degree from University of London, Masters of Business Administration from Cranfield School of Management, and Doctorate in Philosophy from University of London.

Dato' Dr Lee has hands on experience in corporate finance and corporate banking and held the position of Senior Manager with Amanah-Chase Merchant Bank Berhad between 1975 and 1981. He joined Baring Brothers Asia Limited for a year before moving to the Lion Group in 1982. In the 19 years he was with the Lion Group, he has been involved in the business of the Lion Group, both in operation or advisory capacity.

Dato' Dr Lee was appointed on 19 July 1982 and serves as the Chairman of the Company's Executive Share Option Committee. He is also the Director of ACF Holdings Berhad, a public listed company and Affin-ACF Finance Berhad, a public company.

Dato' Dr Lee attended all of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2001.

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

CORPORATE GOVERNANCE

The Board of Directors of Lion Corporation Berhad is fully committed in ensuring that the Group practises good Corporate Governance in line with the Malaysian Code on Corporate Governance ("Code"). Corporate Governance is the process and structure used to direct and manage the business of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' values whilst taking into account the interests of other stakeholders.

Steps taken by the Group to apply the principles and best practices of Corporate Governance as contained in the Code are set out below:

1. DIRECTORS

The Board

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders' values.

The Board of Directors comprises seven (7) Directors of whom five (5) are non-executive. The profile of the members of the Board are set out on pages 5 to 7 of this Annual Report. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. Represented on the Board are three (3) independent non-executive directors who bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

Supply of Information

The members of the Board in their individual capacity have access to complete information on a timely basis in form and quality necessary for the discharge of their duties and responsibilities. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board.

Re-election

All directors are required to submit for re-election every three (3) years.

Board Meetings

The Board meets on a quarterly basis with additional meetings convened as necessary. The Board met for a total of seven (7) times during the financial year ended 30 June 2001.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision.

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

The Board Committees

The Board may form committees delegated with specific authority and which operate under approved terms of reference or guidelines, whenever required, to assist it in discharging its duties. In accordance with best practices in Corporate Governance, the Board has recently established the Nomination Committee and also the Remuneration Committee.

2. DIRECTORS' REMUNERATION

Directors do not participate in decisions regarding their own remuneration. Directors' fees and emoluments are endorsed by the Board for approval by shareholders of the Company at Annual General Meetings.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2001 are as follows:

	Fees (RM)	Salaries & other Emoluments (RM)	Total (RM)
Executive Directors	25,000	30,000	55,000
Non-Executive Directors	75,000	-	75,000

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	Fees (RM)	Salaries & other Emoluments (RM)	Total (RM)
Executive Directors	25,000	30,000	55,000
Non-Executive Directors	75,000	-	75,000

AUDIT COMMITTEE REPORT

COMPOSITION

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

Members

- | | |
|--|-------------------------------|
| • Y. M. Raja Zainal Abidin bin Raja Haji Tachik
(Chairman, Independent Non-Executive Director) | Appointed on 7 April 1994 |
| • Y. Bhg. Dato' Haji Yahya bin Haji Talib
(Non-Independent Non-Executive Director) | Appointed on 22 June 2000 |
| • Mr Loo Hooi Keat
(Independent Non-Executive Director) | Appointed on 14 November 1995 |
| • Mr Folk Fong Shing @ Kok Fong Hing
(Independent Non-Executive Director) | Appointed on 6 June 2001 |

Mr M Chareon Sae Tang @ Tan Whye Aun (Non-Independent Non-Executive Director) who has served on the Audit Committee during the financial year resigned from his position on 6 June 2001 to comply with the Listing Requirements of the Kuala Lumpur Stock Exchange.

Secretaries

The Joint-Secretaries of Lion Corporation Berhad, Ms Mak Wai Chin and Encik Mohammad Zubir bin Alwee are also Joint-Secretaries of the Audit Committee.

AUTHORITY

The Audit Committee is authorised by the Board to review and investigate any matter within its Terms of Reference. It is authorised to seek any information it requires from any Director or management staff in the discharge of its duties, including seeking external professional advice.

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee
- 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
- To review the quarterly announcements to the Kuala Lumpur Stock Exchange and year end annual financial statements before submission to the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary)
- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, function and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function

- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems

MEETINGS

The Audit Committee meets at least four (4) times a year and additional meetings may be convened as and when deemed necessary. Meetings called to review the quarterly and annual financial statements are held prior to presentation to the Board for approval.

During the financial year under review, six (6) Audit Committee Meetings were held. Y. M. Raja Zainal Abidin bin Raja Haji Tachik attended all the meetings. Mr M Chareon Sae Tang @ Tan Whye Aun attended all meetings held until his resignation on 6 June 2001. Y. Bhg. Dato' Haji Yahya bin Haji Talib attended three (3) out of the six (6) Audit Committee Meetings while Mr Loo Hooi Keat attended one (1) of the six (6) meetings held. Mr Folk Fong Shing @ Kok Fong Hing attended the remaining one meeting for the financial year since his appointment on 6 June 2001.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and annual financial statements of Lion Corporation Berhad and its subsidiaries. The Audit Committee has met with the external auditors to discuss and consider the nature and scope of the audit, and significant changes and developments on accounting practices and standards issued by the Malaysian Accounting Standards Board. Also discussed was the management's response to the various issues and internal control weaknesses highlighted by the external auditors. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The various corporate proposals including the revised Proposed Group Wide Restructuring Scheme and the intention of the management to secure a Shareholders' Mandate for Recurrent Related Party Transactions ("RRPTs") were deliberated upon and endorsed for approval by the Board.

companies in assessing their principal business risks and plans of actions to address these risks.

INTERNAL AUDIT

The internal audit team performed its duties in accordance with its annual audit plan covering management, operational and system audit of various subsidiaries. In addition, they have commenced the review of various RRPTs and the effectiveness of the existing internal control system. As planned, an overview of the level of internal controls in place in Lion Corporation Berhad and its subsidiaries was evaluated using the internal control Self Assessment Questionnaire (SAQ) in areas of Risk Assessment, Control Activities, Information and Communication, Monitoring and Control Environment. The audit team has concurrently played a proactive role in facilitating operating

NOMINATION COMMITTEE

Chairman	:	Mr M Chareon Sae Tang @ Tan Whye Aun (Non-Independent Non-Executive Director)
Members	:	Mr Loo Hooi Keat (Independent Non-Executive Director) Mr Folk Fong Shing @ Kok Fong Hing (Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none"> • To recommend to the Board, candidates for directorships in Lion Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder • To recommend to the Board, directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

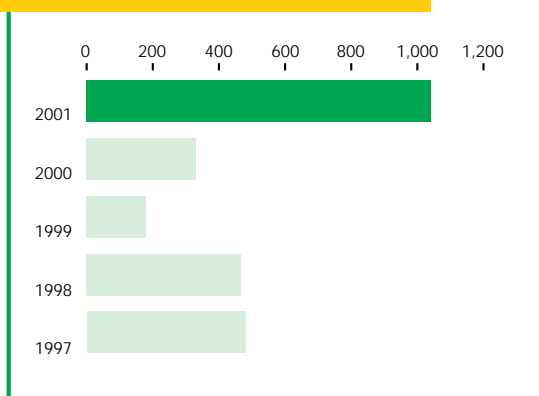
REMUNERATION COMMITTEE

Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing (Independent Non-Executive Director)
Members	:	Y. Bhg. Datuk Cheng Yong Kim (Non-Independent Executive Director) Mr M Chareon Sae Tang @ Tan Whye Aun (Non-Independent Non-Executive Director) Mr Loo Hooi Keat (Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none"> • To recommend to the Board the remuneration of the Executive Directors in all its 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

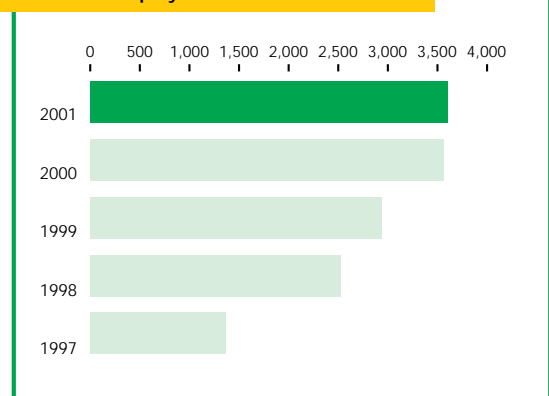
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	480,232	466,190	179,533	329,892	1,041,064
Profit/(Loss) from operations	64,226	12,537	10,982	(48,766)	(96,706)
Profit/(Loss) before taxation	84,907	(341,893)	(288,889)	(267,733)	(330,744)
Profit/(Loss) after taxation	65,349	(341,652)	(274,279)	(283,036)	(329,248)
Dividends:					
Gross rate (%)	8.0	1.0	0.1	0.1	0.1
Amount (net of tax)	6,823	1,316	132	132	132
Total assets employed	1,366,221	2,501,155	2,938,148	3,565,180	3,605,290
Shareholders' funds	434,681	250,354	114,599	(40,202)	(242,880)
Net tangible assets/(liabilities)	428,282	224,318	62,396	(208,012)	(394,788)
	Sen	Sen	Sen	Sen	Sen
Net tangible assets/(liabilities) per share	352	123	34	(114)	(216)
Earnings/(Loss) per share	36	(231)	(150)	(141)	(135)

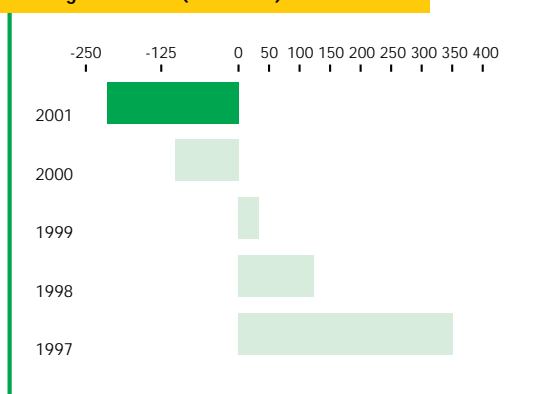
Revenue RM Million



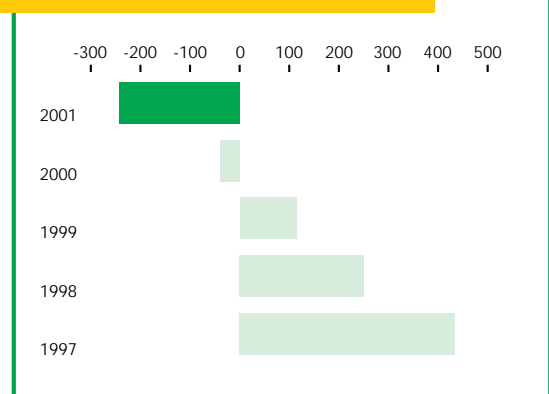
Total Assets Employed RM Million



Net Tangible Assets/(Liabilities) Per Share Sen



Shareholders' Funds RM Million



THE GROUP'S BUSINESSES



Aerial view of the Megasteel plant, measuring 1.2km long.
Pemandangan dari udara, kilang Megasteel sepanjang 1.2km.

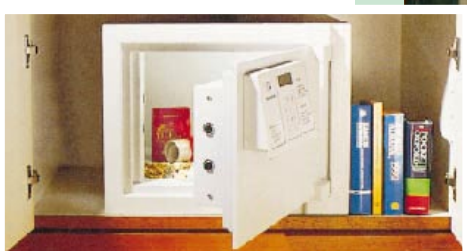


The 6-stand Hot Strip Mill which guarantees strip profile and gauge accuracy of Megasteel's hot rolled coils (inset).
Kilang Jalur Panas 6-baris untuk menjamin profil potongan dan mengukur ketepatan lingkaran gegelung besi panas keluaran Megasteel Sdn Bhd (gambar kecil).



Steel furniture and personal safe produced by Lion Steelworks Sdn Bhd that is ideal for office and home use.

Perabot besi dan peti besi peribadi daripada Lion Steelworks Sdn Bhd yang sesuai untuk kegunaan di pejabat dan rumah.



PENYATA PENERUS

Bagi pihak Lembaga Pengarah Lion Corporation Berhad, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit bagi Kumpulan dan Syarikat untuk tahun kewangan berakhir 30 Jun 2001.

PRESTASI KEWANGAN

Dengan kemasukan keputusan kewangan setahun Megasteel Sdn Bhd ("Megasteel") berbanding dengan hanya dua bulan pada tahun sebelumnya, Kumpulan mencatat perolehan berjumlah RM1.0 bilion pada tahun ini.

Walaupun bagaimanapun, Megasteel telah melaporkan kerugian sebelum cukai berjumlah RM202.7 juta berpunca daripada harga rendah di pasaran antarabangsa dan kemerosotan permintaan pasaran untuk lingkaran gegelung besi panas dalam tahun kewangan. Kumpulan telah mengambil langkah berhemah dengan mengambilkira peruntukan tunggal bagi susutan nilai pelaburan dan hutang ragu berjumlah RM26.9 juta susulan daripada pindaan cadangan Skim Penyusunan Semula Seluruh Kumpulan ("Pindaan SPSSK"). Dalam tahun kewangan kerugian dalam syarikat bersekutu, Amsteel Corporation Berhad yang dikongsi oleh Kumpulan adalah rendah setelah Kumpulan mengiktiraf kerugian setakat jumlah pelaburan dalam syarikat bersekutu tersebut. Secara keseluruhannya Kumpulan mencatat kerugian sebelum cukai berjumlah RM330.7 juta.

PERKEMBANGAN KORPORAT

Pada 8 Oktober 2001, Kumpulan telah mengumumkan Pindaan SPSSK yang akan merealisasikan kedudukan kewangan Kumpulan dan memenuhi tanggungjawab kewangannya. Perubahan penting dalam Pindaan SPSSK adalah seperti berikut:

- (i) pengurangan modal saham;
- (ii) pengurangan hasil menjelang tempoh matang untuk Bon dan Hutang Gabungan serta Hutang Disusun Semula yang akan diterbitkan kepada para pemiutang institusi kewangan ("Pemiutang IK");
- (iii) pelepasan sebahagian jumlah prinsipal daripada Jumlah Prinsipal Tertunggak yang ditanggung oleh Pemiutang IK.
- (iv) tempoh pembayaran balik yang lebih lama untuk Bon dan Hutang Gabungan serta Hutang Disusun Semula yang akan diterbitkan; dan
- (v) pengurangan nilai transaksi aset-aset yang lupus dalam usaha penyusunan semula korporat;

Maklumat lanjut mengenai Pindaan SPSSK ini tertera di muksurat 55 dan 56 dalam Laporan Tahunan ini.

TINJAUAN OPERASI

Bahagian Besi Keluli

Megasteel terbabit dalam pengeluaran lingkaran gegelung besi keluli panas iaitu salah satu daripada bahan mentah utama yang digunakan dalam pengeluaran, kejuruteraan dan aplikasi pembinaan yang bernilai tambah. Loji bernilai RM2.5 bilion, yang terletak di Banting, Selangor merupakan satu-satunya pengeluar produk seumpama ini di dalam negara pada masa kini memiliki keupayaan kapasiti pengeluaran tahunan berjumlah 2.0 juta tan metrik.

Tahun kewangan yang ditinjau adalah tempoh yang mencabar bagi Megasteel. Setelah mengatasi kesulitan dalam pengeluaran di peringkat awal, kini suasana operasi berhadapan pula dengan kelembapan ekonomi di Amerika Syarikat, Eropah dan Jepun yang lebih cepat daripada jangkaan. Ekonomi Malaysia turut terjejas oleh kelembapan ekonomi sejagat di mana sektor pembuatan, yang merupakan kira-kira satu per tiga daripada Keluaran Kasar Produk Domestik hanya mencatat pertumbuhan sebanyak 3.7% berbanding 16.4% pada suku keempat tahun 2000. Dengan senario kejatuhan permintaan dan harga yang rendah bagi lingkaran gegelung besi keluli panas di pasaran antarabangsa, keupayaan Megasteel benar-benar teruji sepenuhnya. Menerusi langkah-langkah agresif dalam penjimatan kos dan pemulihan produktiviti, syarikat menerokai segmen-segmen pasaran baru untuk meningkatkan jualan. Segmen-segmen ini termasuk pengeluaran lingkaran gegelung besi keluli panas untuk kegunaan kedua-dua industri gegelung sejuk, dan pasaran "Pickled and Oiled" serta meluaskan rangkaian produk lingkaran gegelung besi keluli panas dalam pelbagai saiz. Pelbagai usaha telah dilakukan untuk meluaskan rangkaian lingkaran gegelung besi keluli panas yang sedia ada untuk memenuhi keperluan tempatan di samping mengadakan kerjasama erat dengan pihak berkuasa terbabit berhubung dengan pengimportan lingkaran gegelung besi keluli panas yang terkawal. Untuk meningkatkan daya saing, Megasteel telah melaksanakan pelbagai usaha untuk memulihkan produktiviti, menggunakan teknologi pengeluaran terkini di samping meningkatkan kecekapan lojistik dan rangkaian pengedaran.

Bahagian Motor

Dalam tahun tinjauan, Kinabalu Motor Assembly Sendirian Berhad, pemegang francais pemasangan dan pengedaran kenderaan Isuzu di Malaysia Timur, melaporkan perolehan yang lebih rendah berjumlah

RM108.4 juta dengan bilangan kenderaan dijual sebanyak 1,372 unit berbanding dengan perolehan berjumlah RM118.4 dan 1,441 unit kenderaan yang dijual pada tahun sebelumnya. Walaubagaimanapun, Bahagian berupaya mencatat kerugian sebelum cukai yang lebih rendah berjumlah RM1.3 juta berpunca daripada kelemahan nilai tukaran matawang Yen Jepun, pemulihan harga jualan, dan pelaksanaan kawalan kos yang berkesan.

Dua pesaing baru telah memasuki pasaran trak ringan 'crew cab', iaitu Mitsubishi dan Tata. Dengan lebih ramai pesaing berbanding tahun sebelumnya, bahagian pasaran Isuzu tergugat dengan penurunan dalam bilangan kenderaan yang dijual. Namun demikian, variasi baru 'crew cab' pacuan dua roda telah diperkenalkan pada Januari 2001. Dengan pengenalan variasi baru ini, kami menjangka dapat menawan kembali bahagian pasaran yang hilang di Sabah dan meningkatkan bahagian pasaran di Sarawak. Secara umumnya, usaha pemulihan yang berterusan dan keadaan jalanraya yang telah dinaikkan taraf di Malaysia Timur telah meningkatkan permintaan untuk kenderaan bertransmisi automatik. Justeru itu, Bahagian kini sedang berunding dengan pihak prinsipalnya, Isuzu Motor Limited dari Jepun untuk membawa masuk 'crew cab' yang dipasang dengan transmisi automatik. Pengenalan variasi baru ini di pasaran di Malaysia Timur dijangka akan meningkatkan bahagian pasarannya.

Bahagian Perabot Besi Keluli

Bahagian Perabot Besi Keluli telah meluaskan aktiviti dengan dengan pembabitan dalam 'Original Equipment Manufacturing' ("OEM"). Pembekalan sistem OEM untuk sebuah syarikat pengeluar Produk Penyimpanan Industri dari Jepun pada tahun lepas telah menyumbang kira-kira 5% daripada jumlah perolehan. Kita sedang membekalkan OEM untuk tiga barisan produk keluaran syarikat tersebut dan sedang berusaha untuk menambah beberapa lagi barisan produk. Kita juga telah berunding dengan satu lagi pengeluar dari Jepun untuk melaksanakan OEM bagi rangkaian perabot pejabatnya.

Pada tahun tinjauan, Bahagian mencatatkan peningkatan dalam perolehan sebanyak 13.3% berpunca daripada pemulihan pasaran di negara-negara Teluk dan rantau Asia Pasifik.

Di pasaran tempatan, bahagian berjaya mendapat beberapa tender besar untuk Sistem Fail Bergerak. Tender-tender yang berjaya diperolehi ini telah membantu Bahagian untuk terus bertahan daripada keadaan yang sukar berpunca daripada penggabungan institusi-institusi kewangan dan lain-lain langkah peyusunan korporat. Secara umumnya, harga di pasaran tempatan dan antarabangsa adalah lebih rendah pada tahun ini.

DIVIDEN

Lembaga Pengarah mengesyorkan dividen pertama dan akhir sebanyak 0.1 sen sesaham (2000: 0.1 sen sesaham) ditolak 28% cukai pendapatan untuk kelulusan di Mesyuarat Agung Tahunan yang akan datang. Jumlah dividen berbayar bersih untuk tahun kewangan ini, jika diluluskan, akan berjumlah RM0.1 juta (2000 : RM0.1 juta).

PROSPEK

Kumpulan menjangka akan berhadapan dengan cabaran di masa hadapan memandangkan kemerosotan dalam pertumbuhan ekonomi sejagat. Walaubagaimanapun, Lembaga Pengarah yakin bahawa langkah-langkah yang diambil oleh Kumpulan setakat ini serta pelaksanaan Pindaan SPSSK, Kumpulan akan menjadi lebih teguh dalam menghadapi kelembapan ekonomi. Tertakluk perkara-perkara yang tidak diduga, Lembaga Pengarah menjangkakan pemulihan dalam prestasi operasi di tahun kewangan akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya mengalu-alukan pelantikan Encik Folk Fong Shing @ Kok Fong Hing ke Lembaga Pengarah.

Saya juga merakamkan penghargaan kepada Encik Cheng Theng Kee yang telah meletakkan jawatan daripada Lembaga Pengarah pada tahun ini atas sumbangan beliau yang tidak ternilai kepada Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kepada kerajaan Malaysia, para pembiaya, sekutu perniagaan, pelanggan yang dihargai dan pemegang saham atas sokongan dan keyakinan mereka yang berterusan.

Saya juga ingin mengucapkan ribuan terima kasih kepada pihak pengurusan dan kakitangan Lion Corporation Berhad dan syarikat-syarikat operasinya atas usaha gigih, iltizam, dedikasi dan sumbangan mereka kepada Kumpulan di sepanjang tahun yang mencabar ini.

Akhir kata, saya ingin mengucapkan terima kasih kepada Ahli Lembaga Pengarah atas sokongan dan nasihat mereka yang tidak ternilai di sepanjang tahun.

TAN SRI WILLIAM H.J. CHENG

Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Lion Corporation Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements for the Group and the Company for the financial year ended 30 June 2001.

FINANCIAL PERFORMANCE

With the inclusion of a full financial year of Megasteel Sdn Bhd's ("Megasteel") results as compared to two months in the preceding financial year, the Group registered a RM1.0 billion revenue for the year.

However, due to the continuing soft international prices for hot rolled coils and poor demand experienced during the financial year, Megasteel reported a pre-tax loss of RM202.7 million. The Group has also adopted a prudent accounting approach in effecting a one-off provision of RM26.9 million in respect of diminution in value of investment and doubtful debts arising out of the Revised Proposed Group Wide Restructuring Scheme ("Revised Proposed GWRS"). The Group's share of losses of its associated company, Amsteel Corporation Berhad, was lower as the Group has recognised the losses up to the carrying amount of its investment during the financial year. Overall, the Group registered a pre-tax loss of RM330.7 million.

CORPORATE DEVELOPMENT

On 8 October 2001, the Group announced the Revised Proposed GWRS which seeks to rationalise the financial position of the Group and to fulfill its financial obligations. The key changes under the Revised Proposed GWRS proposals are as follows:

- (i) reduction of the share capital;
- (ii) reduction in the yield-to-maturity applicable to the Bonds and Consolidated and Rescheduled Debts to be issued to affected financial institution creditors ("FI-Creditors");
- (iii) waiver of certain principal portion of the Outstanding Principal Amount by the affected FI-Creditors;
- (iv) longer repayment profile for the Bonds and Consolidated and Rescheduled Debts to be issued; and
- (v) reduction in the transaction values of assets to be transferred under the proposed corporate restructuring exercises.

Full details of the Revised Proposed GWRS are set out on pages 55 and 56 of this Annual Report.

REVIEW OF OPERATIONS

Steel Division

Megasteel is principally engaged in the manufacture of hot rolled coils ("HRC"), which is one of the key raw materials used in higher value-added manufacturing, engineering, industrial and construction-related applications. The RM2.5 billion plant situated in Banting, Selangor is currently the only producer of such product in the country and has an annual rated capacity of 2.0 million metric tons.

The year under review was a challenging time for Megasteel. Having overcome its initial production difficulties, the operating environment took a turn for the worse due to the faster than expected deceleration in growth in the economies of the United States of America, Europe and Japan. The local Malaysian economy was similarly affected by the global economic slowdown with its manufacturing sector, which accounts for about a third of its Gross Domestic Product ("GDP"), growing by only 3.7% as against 16.4% in the fourth quarter of 2000. Against a scenario of falling demand and the continuing soft international prices for HRC, the resourcefulness of Megasteel was tested to the fullest. Besides moving aggressively towards cost and productivity improvements, the Company has diversified into new market segments by expanding its product range in order to boost its sales volume. These segments included the production of HRC for downstream use by both the cold rolling industry and the "Pickled and Oiled" market. Efforts have been made to expand its existing range of HRC to fully meet the domestic requirements as well as to work closely with the relevant authorities on the importation of HRC. To enhance its competitive advantage, Megasteel has implemented a series of productivity improvements, incorporating the latest production technologies as well as increasing the efficiency of its distribution logistics and network.

Motor Division

For the year under review, Kinabalu Motor Assembly Sendirian Berhad, the franchise assembler and distributor of Isuzu vehicles in East Malaysia, reported a lower revenue of RM108.4 million with total sales units of 1,372 as compared to RM118.4 million and total sales units of 1,441 in the preceding year. However, the division was able to record a lower pre-tax loss of RM1.3 million due mainly to the favourable exchange rate for the Japanese Yen, improvements in selling prices and effective cost control measures implemented.

Two new competitors have entered the crew cab market, namely, Mitsubishi and Tata. With even more

competitors than the previous year, Isuzu's market share was affected which partly contributed to the decline in units sold. However, a new variant of the crew cab with two-wheel drive was introduced in January 2001. With this new variant, we expect to capture some lost market share in Sabah and increase our market share in Sarawak. Continued improvement and upgrading of road conditions in East Malaysia have generally contributed to an increase in demand for vehicles with automatic transmission. Hence, the division is currently negotiating with its principal, Isuzu Motor Limited, Japan to bring in crew cabs fitted with automatic transmission. The introduction of this new variant to the East Malaysia market is expected to further boost its market share.

Steel Furniture Division

The Steel Furniture division has expanded its activities to include Original Equipment Manufacturing ("OEM"). The OEM for a Japanese manufacturer for Industrial Storage Product procured last year contributed to about 5% of our total revenue. We are currently doing OEM for their three product lines and will be working towards including additional new lines. We have also entered into negotiations with another Japanese manufacturer to produce a range of Office Furniture on OEM basis.

For the year under review, the division recorded a 13.3% increase in revenue due largely to improvement in market conditions in the Gulf countries and the Asia-Pacific region.

On the domestic front, the division managed to secure several large tenders for its Mobile Filing Systems. These tenders awarded to us have helped to cushion the competitive environment arising out of the consolidation of financial institutions and the various on-going corporate restructuring exercises. Generally, the year saw intense price undercutting both domestically and overseas.

DIVIDENDS

The Board of Directors recommends a first and final dividend of 0.1 sen per share (2000: 0.1 sen per share) less 28% income tax for approval of the shareholders at the forthcoming Annual General Meeting. The total net dividend payable for the financial year, if approved, will amount to RM0.1 million (2000: RM0.1 million).

PROSPECTS

Going forward, the Group is expected to face further challenges as global economic growth continues to decline. However, the Board of Directors is confident that with the measures undertaken by the Group thus far and the implementation of the Revised Proposed GWRS, the Group will be on a stronger footing to face the challenges ahead. Barring unforeseen circumstances, the Board expects an improvement in its operational performance in the next financial year.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to our newly appointed Director, Mr Folk Fong Shing @ Kok Fong Hing.

I would also like to record my sincere appreciation to Mr Cheng Theng Kee who had resigned from the Board during the year, for his invaluable contributions.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record my appreciation to the Malaysian Government, financiers, business associates, valued customers and shareholders for their continued support and confidence in the Group.

I would also like to thank the management and staff of Lion Corporation Berhad and the operating companies for their hard work, commitment, dedication and contributions to the Group throughout another challenging year.

Last but not least, I would like to thank my fellow Directors for their invaluable support and advice throughout the year.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表金狮机构董事部，欣然提呈本集团和本公司，在截至2001年6月30日为止的常年报告和经审核财务报告。

财务表现

在本会计年度内，本集团把 Megasteel Sdn Bhd (“Megasteel”) 全年的业绩包括在内，(上一个财政年度只是把该钢铁厂的两个半月业绩包括在内)，在本会计年度内，集团的营业额达到10亿零吉。

不过，由于在本财政年度内，热轧钢的国际价格继续疲软和需求减少，Megasteel蒙受税前亏损2亿270万零吉。本集团也采取谨慎的做账措施，拨备2690万零吉作为投资价值的缩减，以及在“经修订的整个集团重组计划”下的疑账准备。本集团摊占联号合钢实业的亏损减少，因为在本会计年度内，本集团所摊占的亏损最多达到本集团在该钢铁厂的投资数额。总的来说，本集团的税前亏损共3亿3070万零吉。

公司发展

在2001年10月8日，本集团宣布“经修订的整个集团重组计划”，以使集团的财务合理化及协助履行其财务义务。在“经修订的整个集团重组计划”的建议下，重要改变如下：

- (1) 削减资本；
- (2) 削减发给债权人的债券回酬；
- (3) 免还部份贷款本金
- (4) 延长重组下发行的债券的偿还期限；
- (5) 调低重组计划下资产较移的成价

“经修订的整个集团重组计划”的详情，在本常年报告中第55页和56页列明。

业务检讨

钢铁部

Megasteel主要从事制造热轧钢，而热轧钢是高附加值制造业，工程、工业及与建筑有关等领域

使用的重要原料。这家耗资25亿零吉的钢铁厂坐落在雪兰莪州万津，它目前是国内的唯一的生产这种产品的工厂，它的年生产能量达到2百万公吨。

本会计年度是 Megasteel 面对挑战的一年。它克服了最初的生产困难，但由于美国、欧洲以及日本的经济增长率下降得比预期快，造成其营业环境恶化。马来西亚经济也受到全球经济衰退的影响，占国内总生产约三分之一的制造业，只增长3.7%，而在2000年第四季度的增长率达16.4%。在这种情况下，热轧钢的全球需求减少，价格趋软，使 Megasteel 备受考验。本公司除了积极致力削减成本和提高生产力之外，也通过多元化进入新市场环节，方法是扩大生产范围以增加销售量。这些环节包括生产热轧钢供下游工业使用，包括冷轧钢工业和“Pickled and Oiled”市场。该厂作出努力，扩大其现有的热轧钢的生产范围，以应付国内市场的需求，以及和有关方面密切合作，入口热轧钢。为了加强竞争优势，Megasteel 采取一系列提高生产力的措施，包括采用最新的生产技术，以及加强分销后勤与分销网络的效率。

汽车部

在东马拥有装配与销售 Isuzu 牌车辆的特许权的 Kinabalu Motor Assembly Sendirian Berhad，在本会计年度，营业额略减至1亿840万零吉，总销售量是1372辆；上一个会计年度的营业额是1亿1840万零吉，总销售量1441辆。不过，这个部门蒙受较低的税前亏损，共亏损130万零吉，主要是由于日元汇率偏低，车辆售价提高，以及采取有效的节省成本措施。

有两个新的竞争者进入轿车市场，即三菱和达达。由于竞争者比以上一年多，Isuzu 的市场份额受影响，导致销售量减少。不过，一种两轮驱动的新款车在2001年1月推出，有了这种新款车，我们预料能够夺回在沙巴失去的一些市场份额，以及增加我们在砂劳越的市场份额。由于东马的公路情况不断改善和提升，自动式车辆的需求增加。因此，汽车部正在和Isuzu的日本母公司洽商，以引进装有自动牙的车辆。预料这样一来，我们在东马的市场份额将会进一步提高。

钢铁家私部

钢铁家私业扩大业务，包括代工。在去年替日本的一家制造商代工生产工业储存产品，占了我们总营业额的大约5%。我们目前正在替三个生产线进行代工生产，并致力增加新的生产线。我们也正在和日本的其他制造商洽商，以代工生产一系列办公室家私。

在本会计年度内，这个部门的营业额增加13.3%主要是由于波斯湾国家和亚太地区的市场情况改善。

在国内市场，这个部门投标取得几宗流动文件归档系统的大订单。这些得标缓和了我们的竞争环境。总的来说，在本会计年度，国内和国外市场都出现激烈的削价竞争。

股息

董事部欣然建议，派发一次过终期股息每股0.1仙（2000年度每股0.1仙）。股息需缴交28%所得税，以及必须获得行将召开的常年大会批准。如果获得批准，本会计年度的净股息将是10万零吉（2000年度10万零吉）。

展望

展望未来，由于全球经济增长率继续下降，预料本集团将面对进一步挑战。不过，董事部深信由于本集团迄今所采取的措施，以及推行“经修订的整个集团重组计划”，本集团将处于更坚强的地位，以应付经济衰退。董事部预测，除非出现预想不到的情况，在下一个财政年度，本集团的业务将有所改善。

董事部

我仅代表董事部，热烈欢迎我们新委任的董事，霍逢兴先生。

鍾廷基先生已于本年度辞去董事一职。我借此机会感谢他任职期间对公司的贡献。

鸣谢

我谨代表董事部，感谢马来西亚政府、银行、商业伙伴、客户及股东，继续支持本集团及对本集团有信心。

我也要感谢金狮机构及其附属公司的管理层和职员，他们勤奋和献身精神，使本集团渡过另一个充满挑战的年头。

最后，我要感谢董事们这一年来的支持及提供宝贵意见。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2001

For The Financial Year Ended 30 June 2001

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 12 to the financial statements.

Other than as disclosed in Note 12 to the financial statements, there have been no significant changes in the activities of the Company and of its subsidiary companies during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss after taxation	(329,248)	(50,248)
Minority interests	82,127	-
Loss attributable to shareholders	<u>(247,121)</u>	<u>(50,248)</u>

DIVIDENDS

The Directors recommend a first and final dividend of 0.1 sen per share less 28% income tax in respect of the financial year ended 30 June 2001 amounting to RM0.132 million.

The Company has paid a first and final dividend of 0.1 sen per share less 28% income tax in respect of the financial year ended 30 June 2000 and included in the previous Directors' Report amounting to RM0.132 million.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who served since the date of the last report are:

Tan Sri William H.J. Cheng
 Raja Zainal Abidin bin Raja Haji Tachik
 Datuk Cheng Yong Kim
 Dato' Haji Yahya bin Haji Talib
 M Chareon Sae Tang @ Tan Whye Aun
 Loo Hooi Keat
 Cheng Theng Kee (Resigned on 5.4.2001) (Alternate Director to Tan Sri William H.J. Cheng)
 Dato' Dr Lee Chee Kuon (Alternate Director to Datuk Cheng Yong Kim)
 Folk Fong Shing @ Kok Fong Hing (Appointed on 6.6.2001)

In accordance with Article 76 of the Company's Articles of Association, Mr Folk Fong Shing @ Kok Fong Hing retires and being eligible, offers himself for re-election.

In accordance with Article 93 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng and Mr M Chareon Sae Tang @ Tan Whye Aun retire by rotation and being eligible, offer themselves for re-election.

Y. M. Raja Zainal Abidin bin Raja Haji Tachik, being over the age of seventy years, retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as Director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for fees for professional services paid to a firm which Mr M Chareon Sae Tang @ Tan Whye Aun is a member in his capacity as an advocate and solicitor and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 28 to the financial statements.

Except for the share options granted pursuant to the Executive Share Option Scheme, neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

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

	As at 1.7.2000	Number of ordinary shares		As at 30.6.2001
		Additions	Disposals	
Direct interest in shares				
Tan Sri William H.J. Cheng	180,000	-	-	180,000
Datuk Cheng Yong Kim	277,500	-	-	277,500
Raja Zainal Abidin bin Raja Haji Tachik	300,000	-	-	300,000

	As at 1.7.2000	Number of ordinary shares		As at 30.6.2001
		Additions	Disposals	
Indirect interest in shares				
Tan Sri William H.J. Cheng	107,007,973	808,500	2,377,200	105,439,273
Datuk Cheng Yong Kim	65,843,534	-	531,000	65,312,534
Raja Zainal Abidin bin Raja Haji Tachik	11,400	-	-	11,400
Dato' Haji Yahya bin Haji Talib	225,000	-	-	225,000

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

- a) Options granted pursuant to the Company's Executive Share Option Scheme

	As at 1.7.2000	Options over ordinary shares		As at 30.6.2001
		Granted	Exercised	
Tan Sri William H.J. Cheng	175,000	-	-	175,000

- b) Warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held.

	As at 1.7.2000	Warrants		As at 30.6.2001
		Additions	Disposals	
Tan Sri William H.J. Cheng	25,855,162	-	-	25,855,162

The interests in shares of the Directors in related companies are as follows:

	Nominal Value Per Ordinary Share	As at 1.7.2000	Number of ordinary shares		As at 30.6.2001
			Additions	Disposals	

Indirect interest in shares

Tan Sri William H.J. Cheng
and Datuk Cheng Yong Kim

Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lion Sankyu Tekko Sdn Bhd	RM1.00	4,000,000	-	-	4,000,000
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	19,275,030	-	-	19,275,030
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001
Lyn Pte Ltd	SGD1.00	1,225,555	-	-	1,225,555
Bersatu Investments Company Limited	HK\$10.00	42,644	-	-	42,644

	Number of Preference "D" Shares of RM0.01 each			
	As at 1.7.2000	Additions	Disposals	As at 30.6.2001
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	#Number of Preference "F" Shares of RM0.01 each			
	As at 26.12.2000	Additions	Disposals	As at 30.6.2001
Megasteel Sdn Bhd	26,670,000	-	-	26,670,000

Preference "F" Shares were issued on 26.12.2000

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS for the eligible executives and executive directors of the Group was approved by the shareholders of the Company on 22 March 2000. The ESOS became effective on 16 May 2000 and will expire on 15 May 2005. There were no options granted during the financial year.

The main features of the ESOS are as follows:

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

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

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

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

Granted on	Subscription price per share	Balance as at 1.7.2000	Granted	Exercised	Lapsed	No. of shares unissued as at 30.6.2001
22.5.2000	RM2.69	2,833,000	-	-	837,000	1,996,000

OTHER STATUTORY INFORMATION

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

- (a) to ascertain the action 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
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records have been written down to an amount which they might be expected so to realise.

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

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

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

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

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

In the opinion of the Directors:

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

AUDITORS

The auditors, Ong Boon Bah & Co, have indicated their willingness to continue in office.

On behalf of the Board

TAN SRI WILLIAM H.J. CHENG
CHAIRMAN

DATUK CHENG YONG KIM
DIRECTOR

Kuala Lumpur
30 October 2001

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue	4	1,041,064	329,892	6,335	23,666
Other operating income		1,592	932	6	694
Changes in inventories of finished goods and work-in-progress		96,489	(4,642)	-	-
Purchase of finished goods		(17,821)	(4,014)	-	-
Raw material and consumables used		(742,060)	(202,433)	-	-
Staff costs		(41,194)	(21,927)	-	-
Depreciation and amortisation expenses		(83,290)	(26,857)	-	-
Provision for losses arising from:					
- diminution in value of quoted investment		(17,046)	-	(17,046)	-
- doubtful debts		(9,855)	-	(9,855)	-
Quoted warrants written off		-	(18,415)	-	(15,655)
Other operating expenses	5	(324,585)	(101,302)	(5,602)	(8,188)
(Loss)/Profit from operations		(96,706)	(48,766)	(26,162)	517
Finance costs	6	(180,355)	(52,260)	(32,613)	(32,921)
Share in results of associated companies		(53,683)	(166,707)	-	-
Loss before taxation	7	(330,744)	(267,733)	(58,775)	(32,404)
Taxation	8	1,496	(15,303)	8,527	(1,703)
Loss after taxation		(329,248)	(283,036)	(50,248)	(34,107)
Minority interests		82,127	24,506	-	-
Loss attributable to shareholders		(247,121)	(258,530)	(50,248)	(34,107)
Loss per share	9				
- Basic (sen)		(135.1)	(141.4)		
- Fully diluted (sen)		(135.1)	(141.4)		

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

BALANCE SHEETS

AS AT 30 JUNE 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
PROPERTY, PLANT AND EQUIPMENT	11	2,674,561	2,567,142	-	-
SUBSIDIARY COMPANIES	12	-	-	41,758	41,758
ASSOCIATED COMPANIES	13	1,494	35,061	260,805	260,805
INVESTMENTS	14	57,296	74,342	45,896	62,942
INTANGIBLE ASSETS	15	151,908	167,810	-	-
		2,885,259	2,844,355	348,459	365,505
CURRENT ASSETS					
Inventories	16	380,158	285,241	-	-
Debtors	17	319,456	398,394	546,448	544,183
Deposits with financial institutions		11,429	34,843	513	3,704
Cash and bank balances		8,988	2,347	52	703
		720,031	720,825	547,013	548,590
CURRENT LIABILITIES					
Creditors	18	1,005,553	762,586	93,102	57,509
Short term borrowings	19	995,758	494,473	236,702	136,547
Taxation		2,243	8,632	-	3,991
Proposed dividend		132	132	132	132
		2,003,686	1,265,823	329,936	198,179
NET CURRENT (LIABILITIES)/ ASSETS		(1,283,655)	(544,998)	217,077	350,411
		1,601,604	2,299,357	565,536	715,916
Financed by:					
SHARE CAPITAL	20	182,896	182,896	182,896	182,896
RESERVES	21	(425,776)	(223,098)	32,640	83,020
SHAREHOLDERS' FUNDS		(242,880)	(40,202)	215,536	265,916
MINORITY INTERESTS		392,503	453,912	-	-
TERM LOANS	22	1,101,431	1,534,937	-	100,000
BONDS	23	350,000	350,000	350,000	350,000
DEFERRED TAXATION	24	370	710	-	-
DEFERRED CREDITORS	25	180	-	-	-
		1,601,604	2,299,357	565,536	715,916
Net tangible liabilities per share (sen)		(215.9)	(113.7)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Share Capital RM'000	Share Premium RM'000	Reserve on consolidation and other reserves RM'000	Accumulated losses RM'000	Total RM'000
GROUP					
Balance at 30 June 1999	182,803	54,968	260,208	(383,380)	114,599
Share issued	93	99	-	-	192
Amortisation of reserve on consolidation	-	-	(32)	-	(32)
Exchange differences	-	-	310	-	310
Revaluation surplus	-	-	100,000	-	100,000
Share of post - acquisition reserves in associated companies	-	-	3,391	-	3,391
Net gains not recognised in consolidated income statement	93	99	103,669	-	103,861
Net loss for the financial year	-	-	-	(258,530)	(258,530)
Dividend (Note 10)	-	-	-	(132)	(132)
Balance at 30 June 2000	182,896	55,067	363,877	(642,042)	(40,202)
Amortisation of reserve on consolidation	-	-	(32)	-	(32)
Revaluation surplus	-	-	16,453	-	16,453
Exchange differences	-	-	815	-	815
Share of post-acquisition reserves in associated companies	-	-	27,339	-	27,339
Net gains not recognised in consolidated income statement	-	-	44,575	-	44,575
Net loss for the financial year	-	-	-	(247,121)	(247,121)
Dividend (Note 10)	-	-	-	(132)	(132)
Balance at 30 June 2001	182,896	55,067	408,452	(889,295)	(242,880)
COMPANY					
		Share capital RM'000	Share premium RM'000	Accumulated profits/(losses) RM'000	Total RM'000
Balance at 30 June 1999		182,803	54,968	62,192	299,963
Shares issued		93	99	-	192
Net loss for the financial year		-	-	(34,107)	(34,107)
Dividend (Note 10)		-	-	(132)	(132)
Balance at 30 June 2000		182,896	55,067	27,953	265,916
Net loss for the financial year		-	-	(50,248)	(50,248)
Dividend (Note 10)		-	-	(132)	(132)
Balance at 30 June 2001		182,896	55,067	(22,427)	215,536

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss before taxation		(330,744)	(267,733)	(58,775)	(32,404)
Adjustments for non-cash items, interests and dividends	30(a)	356,596	267,299	53,173	24,306
Operating profit/(loss) before working capital changes		25,852	(434)	(5,602)	(8,098)
Decrease/(increase) in trade debtors and other receivables		115,222	(57,049)	(53)	7,250
Increase/(decrease) in trade creditors and other payables		(3,879)	93,418	5,361	6,521
Increase in inventories		(116,790)	(119,869)	-	-
Cash generated from/(used in) operations		20,405	(83,934)	(294)	5,673
Tax refunded - net		1,429	12,967	3,905	-
Interest received		293	717	274	235
Interest paid		(71,342)	(41,030)	(12,079)	(10,642)
Net cash outflow from operating activities		(49,215)	(111,280)	(8,194)	(4,734)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(36,179)	(86,500)	-	-
Proceeds from disposal of property, plant and equipment		504	451	6	29
Dividend income from quoted and unquoted investments		133	271	646	553
Deferred expenditure incurred		-	(122,983)	-	-
Proceeds from disposal of quoted investments		-	5,254	-	5,254
Increase in amount due from subdiairy companies		-	-	(6,366)	(341)
Decrease in amount due from associated companies		350	-	345	-
Net cash (outflow)/inflow from investing activities		(35,192)	(203,507)	(5,369)	5,495

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

CASH FLOW STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Term loans raised		-	164,121	-	-
Term loan repaid		(2,946)	(5,448)	-	-
Dividend paid to shareholders of the Company		(132)	(132)	(132)	(132)
Proceeds from shares issued		-	192	-	192
Payment of hire purchases		(12)	(67)	-	-
Raising of short term borrowings		84,605	123,902	-	-
Interest paid on the acquisition of property, plant and equipment		-	(10,500)	-	-
Increase/(decrease) in amount due to subsidiary companies		-	-	9,698	(1,075)
Net cash inflow/(outflow) from financing activities		<u>81,515</u>	<u>272,068</u>	<u>9,566</u>	<u>(1,015)</u>
Net decrease in cash and cash equivalents		(2,892)	(42,719)	(3,997)	(254)
Cash and cash equivalents at beginning of the financial year		12,582	55,301	2,760	3,014
Cash and cash equivalents at end of the financial year	30(b)	<u>9,690</u>	<u>12,582</u>	<u>(1,237)</u>	<u>2,760</u>

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

1. Going Concern

The Group incurred a loss after taxation and minority interests of RM247.12 million during the financial year ended 30 June 2001. At that date, current liabilities of the Group exceeded current assets by RM1,283.66 million. As disclosed in notes 19 and 22 to the financial statements, the Group and the Company have not serviced some of its principal borrowings and interest charges.

As disclosed in the previous Directors' Report, the Board of Directors had approved a Group Wide Restructuring Scheme which will involve the restructuring of the Group's debts and rationalisation of the Group structure whereby core businesses would be redefined and non-core businesses would be divested ("Initial Proposed GWRS"). In addition, certain subsidiary companies are presently re-negotiating with their bankers to extend the repayment schedule on existing term loans.

However, subsequent to the aforesaid, it became apparent that the growth of the Malaysian economy had reduced significantly and the economy faces the prospect of further slow down, due to the stronger than expected deceleration of growth in the economy of the United States of America, the continuing weakness of the Japanese economy and the uncertainties facing the global financial markets.

The weaker domestic economy had led to less favourable operating conditions which have necessitated a downward revision in the projected future cash flows from the key operating companies and projected divestment proceeds from the sale of non-peripheral assets, which are key sources of cash flows to support the proposed repayment of the debts to be restructured. Further, the level of indebtedness owing by the scheme companies whose debts are to be restructured has increased as a result of accruing interest.

In view of the foregoing, the following revisions have been made to the structure and terms of the various debt restructuring, asset divestment and corporate restructuring exercises proposed earlier under the Initial Proposed GWRS ("Revised Proposed GWRS"):

- (i) reduction of the share capital;
- (ii) reduction in the yield-to-maturity applicable to the Bonds and Consolidated and Rescheduled Debts to be issued to affected financial institution creditors ("FI-Creditors");
- (iii) waiver of certain principal portion of the Outstanding Principal Amounts by the affected FI-Creditors;
- (iv) longer repayment profile for the Bonds and Consolidated and Rescheduled Debts to be issued; and
- (v) reduction in the transaction values of assets to be transferred under the proposed corporate restructuring exercises.

The Directors are of the opinion that the restructuring scheme referred to above will be successfully implemented and the subsidiary companies will be able to obtain extended repayment schedules on existing term loans from their bankers. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company is unable to continue as a going concern.

2. Basis of Accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain assets and comply with applicable approved accounting standards issued by Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

3. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisitions, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

Goodwill or reserve on consolidation are amortised over a period of twenty five years.

(b) Associated companies

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

Equity accounting involves recognising in the income statement the Group's share of the results of associated companies for the financial year. The Group's investments in associated companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

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

When an associate holds an ownership interest in the Group, any profit or loss and any increment or decrement of net assets of the Group which the associate has accounted for in its financial statements, should be disregarded when the Group applies the equity method to account for its investment in the associate.

(c) Property, plant and equipment

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

Freehold land is not amortised. Leasehold land is amortised over the period of the lease. Depreciation of the other property, plant and equipment is provided on the straight line basis to write off the cost or valuation of each asset over its estimated useful life.

During the financial year, the Group has reviewed the estimated useful life of its plant and machinery and accordingly revised the depreciation rate from a range of 5% to 10% on a straight line basis over its estimated useful life to a range of 2% to 10%. The revision has reduced the current year depreciation charge by RM47.4 million.

The principal annual depreciation rates used are:

Building	2 - 5%
Plant and machinery	2 - 10%
Furniture, fittings and office equipment	5 - 20%
Motor vehicles	20%

Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(d) Deferred expenditure

Pre-commercial production expenses represents expenses incurred prior to commencement of commercial production. Pre-commercial production expenses is amortised on a straight line basis over a period of 10 years upon commencement of commercial production and is stated net of amortisation.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost consists of direct materials, direct labour, direct charges and appropriate production overheads where applicable and is determined on a weighted average basis or by specific identification.

(f) Construction contracts

The gross amount due from and to contract customers for contract works represents progress billings less cost of contract works incurred and profit attributable to contract works performed to date net of foreseeable loss.

Contract revenue and costs are recognised on the percentage of completion method.

Provision for foreseeable loss is made based on loss estimated to arise over the duration of the contract after allowing for costs to the extent that such costs are not recoverable under the terms of contract.

(g) Revenue recognition

Revenue from sale of goods and services rendered are recognised upon delivery of goods and customers acceptance or performance of services net of returns, discounts and allowances.

Revenue from construction contracts are recognised on the percentage of completion method measured by reference to the surveys of work performed or completion of a physical proportion of the contract work. Recognition of contract revenue starts when the outcome of a construction contract can be estimated reliably.

Revenue from dividend income and interest income are recognised when the shareholders' right to receive payment is established and on the accruals basis respectively.

(h) Deferred taxation

Provision is made, on the liability method, for taxation deferred by capital allowances and other timing differences, except where the tax effects of such timing differences are not expected to reverse in the foreseeable future.

Deferred tax benefit is only recognised when there is a reasonable expectation of realisation in the near future.

(i) Foreign currency

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates or at contracted dates where applicable. Monetary assets and liabilities in foreign currencies at the financial year end are translated into Ringgit Malaysia at the rates of exchange ruling at that date. All exchange differences are included in the income statements.

All exchange differences are included in the income statements except for exchange differences on long term loans obtained for acquiring property, plant and equipment which are capitalised until the assets are ready for their intended use.

Assets and liabilities of overseas subsidiaries, denominated in foreign currencies, are translated into Ringgit Malaysia at the exchange rates ruling at the financial year end. Results of operations of those foreign entities are translated at an average rate for the financial year which best approximates the exchange rates at the dates of the transaction. Exchange differences arising from the restatement at financial year end rates of the opening net investments in overseas subsidiaries are dealt with through reserves.

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

The closing rates used in the translation are as follows:

RM1 = USD 0.26	(2000: RM1 = USD 0.26)
RM1 = SGD 0.48	(2000: RM1 = SGD 0.46)
RM1 = HK\$ 2.06	(2000: RM1 = HK\$ 2.06)

(j) Investments

Investment in subsidiary and associated companies in the Company's financial statements and other investments are stated at cost and a provision is made when the Directors are of the opinion that there is a permanent diminution in value.

(k) Capitalisation of interest

Interest incurred on specific and identifiable borrowings used to acquire plant and machinery is capitalised until the assets are ready for their intended use.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short-term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash in hand and at bank, deposits with financial institutions and bank overdrafts.

(m) Debtors

Specific provisions are made for debts which have been identified as bad or doubtful. In additions, general provisions are made to cover possible losses which are not specifically identified.

(n) Finance leases/hire purchase

Property, plant and equipment acquired under finance leases/hire purchase are capitalised and depreciated in accordance with the depreciation policy set out in Note 3(c). Outstanding obligations under finance leases/hire purchase are included as liabilities. Finance charges arising from finance leases/hire purchase are allocated to the income statements over the periods of the leases/hire purchase on the 'sum of digits' basis.

4. REVENUE

The revenue for the Group represents the sales of goods and services outside the Group net of returns and allowances, proportion of the total contract value attributable to the percentage of construction work performed, registration and other professional fees, gross dividend income and interest income.

Revenue for the Company comprises gross dividend and interest income.

Analysis of revenue is as follows:

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Sales of goods	1,029,574	331,579	-	-
Contract billings				
- current year	926	1,466	-	-
- over recognised in prior year	(1,546)	(3,723)	-	-
Registration and other professional fees	309	259	-	-
Dividend income	19	10	646	553
Interest income	11,782	301	5,689	23,113
	1,041,064	329,892	6,335	23,666

5. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils totalling to RM222.7 million (2000: RM46.1 million).

6. FINANCE COSTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest expenses on:				
advances from subsidiary companies	-	-	726	1,145
bank overdrafts	858	462	155	142
bonds	10,500	1,750	10,500	10,500
term loans	147,402	42,207	6,261	6,769
others	21,595	7,841	14,971	14,365
	180,355	52,260	32,613	32,921

8. TAXATION

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Malaysian:				
Current year provision	645	954	-	-
Recovery of tax deducted at source on dividend received and receivable from subsidiary companies and associated companies	(263)	(154)	-	-
Deferred	(340)	(6)	-	-
(Over)/Underprovision in prior years	(8,628)	2,877	(8,527)	1,703
Associated companies	7,090	11,632	-	-
	<u>(1,496)</u>	<u>15,303</u>	<u>(8,527)</u>	<u>1,703</u>

The taxation charge of the Group is in respect of certain profitable associated and subsidiary companies.

The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.03 million (2000: RM22.13 million) to frank the payment of dividend out of its retained profits as at 30 June 2001. The amount is subject to agreement with the tax authorities.

9. LOSS PER SHARE
Basic

Loss per share is calculated by dividing the Group's loss after tax and minority interests of RM247.12 million (2000: RM258.53 million) by the weighted average number of shares in issue of 182.90 million shares (2000: 182.90 million shares).

Fully diluted

The fully diluted loss per share has been calculated based on the Group's loss after tax and minority interests of RM247.12 million (2000: RM258.53 million) by the weighted average number of shares in issue of 182.90 million shares (2000: 182.90 million shares). The weighted average numbers of shares is arrived at without taking into account the number of shares under Warrants and Executive Share Option Scheme in the computation because the effect on basic loss per share is anti-dilutive.

10. DIVIDEND

	GROUP AND COMPANY	
	2001 RM'000	2000 RM'000
Proposed first and final dividend:		
0.1 sen per share (2000: 0.1 sen per share)		
less 28% income tax	132	132
	<u>132</u>	<u>132</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP						
COST/VALUATION						
At 1 July 2000	821,609	1,785,056	8,957	5,457	15,402	2,636,481
Additions	12,834	159,068	779	1,454	889	175,024
Disposals	-	(49)	(109)	(1,717)	-	(1,875)
Written off	-	(30)	(183)	-	-	(213)
Reclassification	(256,174)	256,168	2	-	-	(4)
At 30 June 2001	<u>578,269</u>	<u>2,200,213</u>	<u>9,446</u>	<u>5,194</u>	<u>16,291</u>	<u>2,809,413</u>

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
GROUP						
Representing items at:						
Cost	278,269	2,200,213	9,446	5,194	16,291	2,509,413
Valuation	300,000	-	-	-	-	300,000
	<u>578,269</u>	<u>2,200,213</u>	<u>9,446</u>	<u>5,194</u>	<u>16,291</u>	<u>2,809,413</u>
ACCUMULATED DEPRECIATION						
At 1 July 2000	25,195	36,146	4,190	3,808	-	69,339
Charge for the financial year	7,283	58,553	908	686	-	67,430
Disposals	-	(35)	(81)	(1,630)	-	(1,746)
Written off	-	(10)	(161)	-	-	(171)
Reclassification	(1,602)	1,601	1	-	-	-
At 30 June 2001	<u>30,876</u>	<u>96,255</u>	<u>4,857</u>	<u>2,864</u>	<u>-</u>	<u>134,852</u>
Representing items at:						
Cost	30,876	96,255	4,857	2,864	-	134,852
Valuation	-	-	-	-	-	-
	<u>30,876</u>	<u>96,255</u>	<u>4,857</u>	<u>2,864</u>	<u>-</u>	<u>134,852</u>
NET BOOK VALUE						
At 30 June 2001						
- at cost	247,393	2,103,958	4,589	2,330	16,291	2,374,561
- at valuation	300,000	-	-	-	-	300,000
	<u>547,393</u>	<u>2,103,958</u>	<u>4,589</u>	<u>2,330</u>	<u>16,291</u>	<u>2,674,561</u>
At 30 June 2000						
- at cost	496,414	1,748,910	4,767	1,649	15,402	2,267,142
- at valuation	300,000	-	-	-	-	300,000
	<u>796,414</u>	<u>1,748,910</u>	<u>4,767</u>	<u>1,649</u>	<u>15,402</u>	<u>2,567,142</u>
Depreciation charge for the financial year ended 30 June 2000	5,650	16,201	594	924	-	23,369

Analysis of land and buildings is as follows:

GROUP	Freehold land, buildings and land improvement RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Total RM'000
COST/VALUATION				
At 1 July 2000	778,693	14,951	27,965	821,609
Additions	12,771	-	63	12,834
Reclassification	(256,174)	-	-	(256,174)
At 30 June 2001	<u>535,290</u>	<u>14,951</u>	<u>28,028</u>	<u>578,269</u>
Representing items at:				
Cost	235,290	14,951	28,028	278,269
Valuation	300,000	-	-	300,000
	<u>535,290</u>	<u>14,951</u>	<u>28,028</u>	<u>578,269</u>
ACCUMULATED DEPRECIATION				
At 1 July 2000	3,287	7,688	14,220	25,195
Charge for the financial year	6,060	575	648	7,283
Reclassification	(1,602)	-	-	(1,602)
At 30 June 2001	<u>7,745</u>	<u>8,263</u>	<u>14,868</u>	<u>30,876</u>
Representing items at:				
Cost	7,745	8,263	14,868	30,876
Valuation	-	-	-	-
	<u>7,745</u>	<u>8,263</u>	<u>14,868</u>	<u>30,876</u>
NET BOOK VALUE				
At 30 June 2001				
- cost	227,545	6,688	13,160	247,393
- valuation	300,000	-	-	300,000
	<u>527,545</u>	<u>6,688</u>	<u>13,160</u>	<u>547,393</u>
At 30 June 2000				
- cost	475,406	7,263	13,745	496,414
- valuation	300,000	-	-	300,000
	<u>775,406</u>	<u>7,263</u>	<u>13,745</u>	<u>796,414</u>
Depreciation charge for the financial year ended 30 June 2000	<u>3,287</u>	<u>706</u>	<u>1,657</u>	<u>5,650</u>

The freehold land was revalued in 1998 by the Directors based on independent valuation reports carried out by firms of professional surveyors and valuers on an open market basis. In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board (MASB) on adoption of MASB Standard No. 15 Property, Plant and Equipment, the valuation of these assets has not been update and they continue to be stated at their existing carrying amount less depreciation.

The freehold land have been charged to financial institutions and licensed banks for credit facilities granted to a subsidiary company.

The revalued freehold land if stated at cost less depreciation would amount to RM35.0 million (2000: RM35.0 million) as at the financial year end.

Included in plant and machinery is an amount of term loan interest and other borrowing costs capitalised during the financial year - Nil (2000: RM12.8 million).

Certain property, plant and equipment of a subsidiary company with carrying value of RM23.1 million (2000: RM24.1 million) have been charged to banks as securities for credit facilities granted to the subsidiary company.

The net book value of motor vehicles acquired under hire purchase amounted to RM260,000 (2000: Nil) as at financial year end.

The land and strata titles of certain leasehold land and buildings of a subsidiary company with net book value of RM3.9 million (2000: RM6.9 million) have not been issued by the relevant authorities.

12. SUBSIDIARY COMPANIES

Investment in subsidiary companies:

	COMPANY	
	2001 RM'000	2000 RM'000
Unquoted shares at cost	<u>41,758</u>	<u>41,758</u>

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2001 %	2000 %	
Lion Construction & Engineering Sdn Bhd	Malaysia	100	100	Construction and civil engineering works
Lion Rubber Works Sdn Bhd	Malaysia	100	100	Ceased operations
Limpahjaya Sdn Bhd	Malaysia	100	100	Investment holding
Lion Steelworks Sdn Bhd	Malaysia	100	100	Manufacture and distribution of office equipment and related steel products
Lion Trading & Marketing Sdn Bhd	Malaysia	100	100	Trading and marketing agency for the distribution of office equipment, security equipment and steel related products

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2001 %	2000 %	
*Lion General Trading & Marketing (S) Pte Ltd	Singapore	100	100	General merchant
Lion Excellent Sdn Bhd	Malaysia	100	100	Ceased operations
Umevest Sdn Bhd	Malaysia	100	100	# Investment holding
Secretarial Communications Sdn Bhd	Malaysia	100	100	# Share registration and secretarial services
*Lion-Fichet (HK) Limited	Hong Kong	100	100	# Ceased operations
*Glit Investments Company Limited	Hong Kong	100	100	# Dormant
*Logic Concepts (S) Pte Ltd	Singapore	100	100	# Ceased operations
*Logic Furniture (S) Pte Ltd	Singapore	100	100	# Ceased operations
Lion Com Sdn Bhd	Malaysia	100	100	# Investment holding
*KMA Marketing Sdn Bhd	Malaysia	100	100	# Trading of motor vehicles
*Kinabalu Car Distributors Sdn Bhd	Malaysia	100	100	# Dormant
PMB Building System Sdn Bhd	Malaysia	100	100	# Investment holding
Lion Fichet Sdn Bhd	Malaysia	100	100	# Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	91	91	# Ceased operations
*Lyn Pte Ltd	Singapore	79	79	# Investment holding
Lion Sankyu Tekko Sdn Bhd	Malaysia	80	80	# Ceased operations
Logic Concepts (M) Sdn Bhd	Malaysia	71	71	# Ceased operations
*Bersatu Investments Company Limited	Hong Kong	71	71	# Ceased operations
*Kinabalu Motor Assembly Sendirian Berhad	Malaysia	50.01	50.01	Assembly of commercial vehicles
Megasteel Sdn Bhd	Malaysia	50**	50**	# Manufacturing of hot rolled coils, bands, plates and sheets

Note: * Financial statements of subsidiary companies not audited by Ong Boon Bah & Co
** Holding in equity represents 50% plus 1 share
Holding in equity by subsidiary companies

13. ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost:				
Quoted shares in Malaysia	375,581	375,581	259,265	259,265
Unquoted shares	1,540	1,540	1,540	1,540
	<u>377,121</u>	<u>377,121</u>	<u>260,805</u>	<u>260,805</u>
Group's share of retained losses and reserves	(375,627)	(342,060)	-	-
	<u>1,494</u>	<u>35,061</u>	<u>260,805</u>	<u>260,805</u>
Market value of quoted shares	<u>48,088</u>	<u>188,652</u>	<u>31,690</u>	<u>124,324</u>
Share of net assets in the associated companies	<u>1,494</u>	<u>35,061</u>	<u>-</u>	<u>-</u>

Amsteel Corporation Berhad Group is holding 20.2% (2000: 20.2%) equity interest in Lion Corporation Berhad as at the financial year end.

During the financial year, the Group has fully shared the losses of its associated company, Amsteel Corporation Berhad up to its investment cost and accordingly does not share any further losses. Further losses not recognised amounted to RM109.6 million.

Certain quoted shares of an associated company have been charged to financial institutions as security for credit facilities granted to the Group and Company.

The associated companies are:

Name of Company	Country of Incorporation	Holding in Equity		Accounting Year End	Principal Activities
		2001 %	2000 %		
Amsteel Corporation Berhad	Malaysia	29.4	29.4	30 June	Investment holding
Lion Plantations Sdn Bhd	Malaysia	30	30	30 June	Investment holding

14. INVESTMENTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unquoted shares at cost	13,265	13,265	11,150	11,150
Less: Provision for diminution in value	(123)	(123)	-	-
	<u>13,142</u>	<u>13,142</u>	<u>11,150</u>	<u>11,150</u>
Quoted shares in Malaysia at cost	61,175	61,175	51,792	51,792
Less: Provision for diminution in value	(17,046)	-	(17,046)	-
	<u>44,129</u>	<u>61,175</u>	<u>34,746</u>	<u>51,792</u>
Other investment at cost	25	25	-	-
Total	<u>57,296</u>	<u>74,342</u>	<u>45,896</u>	<u>62,942</u>
Market value of quoted shares	<u>20,245</u>	<u>42,493</u>	<u>19,787</u>	<u>41,490</u>

15. INTANGIBLE ASSETS

	GROUP	
	2001 RM'000	2000 RM'000
Goodwill on consolidation		
At 1 July and 30 June	<u>27,503</u>	<u>27,503</u>
Cumulative amortisation at 1 July	(5,329)	(4,237)
Amortisation for current financial year	(1,092)	(1,092)
Cumulative amortisation at 30 June	<u>(6,421)</u>	<u>(5,329)</u>
Net	<u>21,082</u>	<u>22,174</u>
Deferred expenditure		
Preliminary expenses	-	37
Pre-operating expenses	-	6,029
Pre-commercial production expenses	148,104	148,104
Franchise fees	-	352
	<u>148,104</u>	<u>154,522</u>

	GROUP	
	2001 RM'000	2000 RM'000
Cumulative amortisation at 1 July	(2,468)	(2,602)
Amortisation for current financial year	(14,810)	(2,468)
Written off during the financial year	-	(3,816)
	<hr/>	<hr/>
Cumulative amortisation/written off as at 30 June	(17,278)	(8,886)
	<hr/>	<hr/>
Net	130,826	145,636
	<hr/>	<hr/>
Total	151,908	167,810
	<hr/> <hr/>	<hr/> <hr/>

Pre-commercial production expenses for the financial year included the following:

	GROUP	
	2001 RM'000	2000 RM'000
Depreciation	-	30
Interest	-	106,630
	<hr/>	<hr/>

16. INVENTORIES

	GROUP	
	2001 RM'000	2000 RM'000
At cost:		
Raw materials	54,004	52,479
Work-in-progress	3,371	22,750
Finished goods	39,636	149,176
General and consumables stores	78,883	56,743
Goods-in-transit	57	4,093
	<hr/>	<hr/>
	175,951	285,241
At net realisable value:		
Finished goods	204,207	-
	<hr/>	<hr/>
Total	380,158	285,241
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of inventories carried at net realisable value as at 30 June 2001 is RM225.53 million (2000: RM0.13 million).

17. DEBTORS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade debtors	142,020	150,923	-	-
Less: Provision for doubtful debts	(9,894)	(11,062)	-	-
	<u>132,126</u>	<u>139,861</u>	<u>-</u>	<u>-</u>
Retention monies	4,180	7,615	-	-
	<u>136,306</u>	<u>147,476</u>	<u>-</u>	<u>-</u>
Other debtors, deposits and prepayments	191,275	249,332	8,667	7,983
Amount due from subsidiary companies	-	-	547,548	535,767
Amount due from an associated company	133	483	88	433
Less: Provision for doubtful debts	(9,935)	(80)	(9,855)	-
	<u>181,473</u>	<u>249,735</u>	<u>546,448</u>	<u>544,183</u>
Gross amount due from contract customers (See below)	1,677	1,183	-	-
Total	<u><u>319,456</u></u>	<u><u>398,394</u></u>	<u><u>546,448</u></u>	<u><u>544,183</u></u>

The amount due from subsidiary companies which arose mainly from inter-company advances and payments on behalf are unsecured, interest bearing and have no fixed repayment terms.

The amount due from an associated company which arose mainly from inter-company advances and payments on behalf is unsecured, interest free and have no fixed repayment terms.

Gross amount due from contract customers, pertaining to a subsidiary company, is as follows:

	GROUP	
	2001 RM'000	2000 RM'000
Contract cost to date	63,818	63,322
Attributable profits	1,422	1,423
	<u>65,240</u>	<u>64,745</u>
Progress billings	(63,563)	(63,562)
Gross amount due from contract customers	<u><u>1,677</u></u>	<u><u>1,183</u></u>

The following amount was charged to construction contract during the financial year:

	GROUP	
	2001 RM'000	2000 RM'000
Depreciation	<u><u>10</u></u>	<u><u>10</u></u>

18. CREDITORS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade creditors	178,199	167,813	-	-
Other creditors and accruals	825,448	593,111	72,381	47,212
Gross amount due to contract customers (see below)	1,858	1,662	-	-
Amount due to subsidiary companies	-	-	20,721	10,297
Hire purchase creditors (Note 25)	48	-	-	-
	1,005,553	762,586	93,102	57,509

Included in other creditors and accruals of the Group are interest accrued RM153.1 million (2000: RM66.9 million), amount accrued for purchases and construction costs for plant and machinery totalling RM336.9 million (2000: RM275.5 million) and electricity charges of RM140.9 million (2000: RM65.0 million).

Included in other creditors and accruals of the Company is interest accrued of RM51.0 million (2000: RM32.5 million).

The amount due to subsidiary companies which arose mainly from inter-company advances and payments on behalf are unsecured, interest bearing and have no fixed repayment terms.

Gross amount due to contract customers, pertaining to a subsidiary company, is as follows:

	GROUP	
	2001 RM'000	2000 RM'000
Contract cost to date	159,028	160,827
Attributable profits	2,629	2,654
	161,657	163,481
Progress billings	(163,515)	(165,143)
Gross amount due to contract customers	(1,858)	(1,662)

19. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Term loans:				
Portion repayable within one year (Note 22)	579,187	148,626	100,000	-
Unsecured:				
Bank overdrafts	4,164	3,643	1,802	1,647
Bills payable	-	6,000	-	-
Revolving credits	50,750	50,750	47,500	47,500
Short term loans	87,400	87,400	87,400	87,400
	142,314	147,793	136,702	136,547

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Secured:				
Bank overdrafts	6,563	20,965	-	-
Bills payable	115,855	123,640	-	-
Revolving credits	41,839	43,449	-	-
Short term loans	110,000	10,000	-	-
	<u>274,257</u>	<u>198,054</u>	<u>-</u>	<u>-</u>
Total	<u>995,758</u>	<u>494,473</u>	<u>236,702</u>	<u>136,547</u>

The Group and the Company have not serviced some of its principal borrowings and interest charges. As a result, certain principal bankers have frozen or withdrawn the existing credit facilities available to the Group. In addition, certain subsidiary companies are presently re-negotiating with their bankers to extend the repayment schedules on existing term loans.

Bank overdrafts and bills payable of a subsidiary company are secured by way of a first and second legal charge over its landed properties and a first fixed and floating charge on the entire assets and undertakings of the subsidiary company.

The revolving credits and short term loans of subsidiary companies are secured against quoted shares held by a subsidiary company.

Short term borrowings carry interest rates ranging from 2.9% to 10.1% (2000: 2.9% to 12.8%) per annum.

Included in the unsecured outstanding revolving credits of the Company is an amount of RM10.0 million which have been sold by the licensed banks to Danaharta Urus Sdn Bhd. The original terms and conditions contained in the loan agreement with the licensed banks remained unchanged.

20. SHARE CAPITAL

	GROUP AND COMPANY	
	2001 RM'000	2000 RM'000
Ordinary shares of RM1.00 each		
(a) Authorised		
At beginning and end of the financial year	<u>500,000</u>	<u>500,000</u>
(b) Issued and fully paid		
At beginning of the financial year	182,896	182,803
Issue of shares under the Executive Share Option Scheme ("ESOS") NIL (2000: 93,000 shares)	-	93
At end of the financial year	<u>182,896</u>	<u>182,896</u>

As at 30 June 2001, there were 91,380,750 unexercised warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held at the subscription price of RM2.60 per ordinary share not exercised. The warrant holders may exercise their right at any time not later than 5.00 p.m. on 10 December 2003.

The ESOS for the eligible executives and executive directors of the Group was approved by the shareholders of the Company on 22 March 2000. The ESOS became effective on 16 May 2000 and will expire on 15 May 2005. There were no options granted during the financial year.

As at 30 June 2001, there were 1,996,000 unissued shares under options granted pursuant to the ESOS.

The main features of the ESOS are as follows:

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

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

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

Granted on	Subscription price per share	Balance as at 1.7.2000	Granted	Exercised	Lapsed	No. of shares unissued as at 30.6.2001
22.5.2000	RM2.69	2,833,000	-	-	837,000	1,996,000

21. RESERVES

	GROUP		COMPANY	
	2001 RM'000	2001 RM'000	2001 RM'000	2001 RM'000
Non-distributable :				
Share premium	55,067	55,067	55,067	55,067
Reserve on consolidation	671	703	-	-
Revaluation reserve	116,453	100,000	-	-
Capital reserve	288,222	260,883	-	-
Others	3,106	2,291	-	-
	463,519	418,944	55,067	55,067
Distributable :				
Accumulated (losses)/profits	(889,295)	(642,042)	(22,427)	27,953
	(425,776)	(223,098)	32,640	83,020

22. TERM LOANS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Secured	1,580,618	1,583,563	-	-
Unsecured	100,000	100,000	100,000	100,000
	1,680,618	1,683,563	100,000	100,000
Less: Portion repayable within one year and included under short term borrowings (Note 19)	(579,187)	(148,626)	(100,000)	-
	1,101,431	1,534,937	-	100,000

The term loans are repayable over the following periods:

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Within one year	579,187	148,626	100,000	-
From one to two years	295,409	393,135	-	100,000
From two to five years	806,022	1,141,802	-	-
	1,680,618	1,683,563	100,000	100,000

The Group and the Company have not serviced some of its principal borrowings and interest charges. In addition, a subsidiary company is presently re-negotiating with the bankers to extend the repayment schedules on existing term loans.

The term loans of subsidiary companies totalling RM1,580.6 million (2000: RM1,583.6 million) are secured by way of a first fixed and floating charge over the assets of the subsidiaries concerned. The term loans carry interest rates ranging from 5.1% to 10.3% (2000: 5.8% to 10.5%) per annum.

22. BONDS

	GROUP AND COMPANY	
	2001 RM'000	2001 RM'000
3% Redeemable Bank Guaranteed Unsecured Bonds 1997/2002	350,000	350,000

On 19 December 1997, the Company issued RM350,000,000 nominal value of 3% Redeemable Bank Guaranteed Bonds 1997/2002 ("LCB Bonds") with 91,380,750 detachable warrants under a "Bought-Deal" basis. LCB Bonds were constituted under a Trust Deed dated 18 December 1997.

The salient features of the Bonds are summarised as follows:

- (i) The Bonds bears a fixed interest rate of 3% per annum which is on the principal amount from the date of issue and shall be payable semi-annually in arrears and has a maturity period of five years from the date of issue.
- (ii) The Bonds is unconditionally and irrevocably guaranteed as to the payment of the principal together with any accrued but unpaid interest of up to six months by a consortium of banks and financial institutions.

- (iii) The Bonds and interest will constitute direct and unconditional obligations of the Company and will rank pari passu amongst themselves, subject only to those preferred by mandatory provisions of law.
- (iv) Unless previously redeemed, purchased or cancelled, the Bonds will be redeemed at 100% of its nominal value on 19 December 2002 ("maturity date") together with interest accrued to the date of redemption on maturity date.
- (v) All Bonds which are redeemed by the Issuer, or which are purchased by the Issuer or any of its subsidiary companies shall be cancelled forthwith in accordance with the provisions of the Depository and Paying Agency Agreement.

The Warrants which were constituted by a Deed Poll dated 18 December 1997, were offered on a renounceable basis of three (3) Warrants for every four (4) existing shares held. Each warrant will entitle its registered holder to subscribe for one new share at RM2.60 during the exercise period.

The new shares allotted and issued upon the exercise of the subscription rights shall be fully paid and shall rank pari passu in all respects with the then existing shares including any entitlement to any dividends, rights, allotments or other distributions except that such new shares shall not rank for any dividends, rights, allotments or other distributions on or before the entitlement date of which is before the allotment of the new shares.

As at 30 June 2001, there were a total of 91,380,750 warrants not exercised.

On 21 June 1999, the Securities Commission had approved the extension of the duration and exercise period of the warrants (the "Extension") on the following basis:

- i) the duration and exercise period of the warrants would be initially extended for a period of one year from 10 December 2002 to 10 December 2003 (initial extension period); and
- ii) subsequent to the expiry date of warrants being extended up to and including 10 December 2003, the duration and exercise period of the warrants would, subject to certain conditions, be further extended on a yearly basis from the initial extension period up to 10 June 2008.

The shareholders and warrant holders had approved the Extension on 10 November 1999.

24. DEFERRED TAXATION

	GROUP		COMPANY	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Deferred taxation provided for in the financial statements:				
Excess of capital allowances over depreciation	<u>370</u>	<u>710</u>	<u>-</u>	<u>-</u>
Deferred taxation provided for in the financial statements:				
Tax effects of revaluation of freehold land	<u>13,250</u>	<u>13,250</u>	<u>-</u>	<u>-</u>
Tax losses carried forward for which no credit has been taken in the net income of the current or prior years	<u>172,239</u>	<u>47,012</u>	<u>641</u>	<u>641</u>

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Unabsorbed capital allowances for which no credit has been taken in the net income of the current or prior years	<u>773</u>	<u>260</u>	<u>17</u>	<u>17</u>
Unabsorbed reinvestment allowance for which no credit has been taken in the net income of the current or prior years	<u>1,881</u>	<u>1,881</u>	<u>-</u>	<u>-</u>
Estimated tax exempt account available for the payment of tax exempt dividend	<u>17,442</u>	<u>17,442</u>	<u>17,442</u>	<u>17,442</u>

Deferred taxation on the revaluation of freehold land is not provided for in the financial statements as it is not the intention of the directors to dispose of these assets.

The unabsorbed tax losses, capital allowances and reinvestment allowances carried forward are subject to agreement by the tax authorities.

25. DEFERRED CREDITORS

	GROUP	
	2001 RM'000	2000 RM'000
Hire purchase creditors		
Payable within one year	60	-
Payable between 1 and 5 years	225	-
	<u>285</u>	<u>-</u>
Less: Finance charges	(57)	-
	<u>228</u>	<u>-</u>

The hire purchase creditor is repayable over the following period:

	GROUP	
	2001 RM'000	2000 RM'000
Due within one year (Note 18)	48	-
Due between one and five years	180	-
	<u>228</u>	<u>-</u>

26. CAPITAL COMMITMENTS

	GROUP	
	2001 RM'000	2000 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	15,795	381,941
- approved but not contracted for	66,200	66,200
	<u>81,995</u>	<u>448,141</u>

27. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Guarantees in respect of loans and credit facilities granted to subsidiary companies - unsecured	-	-	66,240	61,211
Interest payable on late payment to a trade creditor still under negotiation by a subsidiary company - unsecured	376	806	-	-
	<u>376</u>	<u>806</u>	<u>66,240</u>	<u>61,211</u>

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are entities in which a Director or a substantial shareholder of the Company or its subsidiaries or persons connected to such director or substantial shareholder has an interest, excluding those parties disclosed as related companies in the financial statements.

a) Significant related party transactions during the financial year are as follows:

Name of Company	Type of transaction	GROUP 2001 RM'000
i) <u>With Amsteel Corporation Berhad Group ("Amsteel"):</u>		
Amsteel Mills Sdn Bhd	Trade sales	10,862
	Trade purchases	97,443
JOPP Builders Sdn Bhd	Interest income	9,855
Lion Suzuki Motor Sdn Bhd	Trade purchases	3,312
	Assembly fees for motor vehicles	1,200
Lion Tooling Sdn Bhd	Trade purchases	4,047
Secomex Manufacturing (M) Sdn Bhd	Trade purchases	11,658
Silverstone Berhad	Trade purchases	677
Singa Logistics Sdn Bhd	Logistic services	1,819
Amsteel is an associated company of Lion Corporation Berhad ("LCB")		
ii) <u>With other related parties</u>		
Bright Steel Sdn Bhd	Trade sales	56,648
Bright Steel Service Centre Sdn Bhd	Trade purchases	977
Lion Holdings Pte Ltd	Trade purchases	91,877
Affin Insurance Brokers Sdn Bhd	Purchase of insurance	6,699

Bright Steel Sdn Bhd and Bright Steel Service Centre Sdn Bhd are subsidiary companies of Amalgamated Containers Berhad, a company in which certain directors of the Company are major shareholders and director.

Lion Holdings Pte Ltd is a company in which certain directors of the Company are major shareholders.

Affin Insurance Brokers Sdn Bhd is a subsidiary company of Affin Holdings Berhad, a company in which a substantial shareholder is also a substantial shareholder of the Company.

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

Included in the other debtors is an amount RM118.7 million (2000: RM108.8 million) due from a related party which arose from advance claim. The amount is unsecured and interest bearing.

b) ESOS granted to Director

Share options over ordinary shares of the Company granted to executive Director of the Company during the financial year are as follows:

	Number of options over ordinary shares			
	Granted during the financial year		Unexercised options at financial year end	
	2001	2000	2001	2000
Tan Sri William H.J. Cheng	-	175,000	175,000	175,000

29. **SEGMENTAL ANALYSIS**

2001	Revenue RM'000	Profit/ (Loss) RM'000	Total Assets Employed RM'000
Industry segment			
Steel	894,306	(70,595)	3,302,372
Construction and engineering	(530)	(4,197)	88,744
Manufacturing	38,147	336	32,908
Motor	108,426	1,258	105,844
Investment and others	715	\$(34,230)	73,795
	<u>1,041,064</u>	<u>(107,428)</u>	<u>3,603,663</u>
Share in results of associated companies		(53,683)	1,627
Net interest expenses		(168,573)	-
Amortisation of goodwill on consolidation		(1,092)	-
Amortisation of reserve on consolidation		32	-
Loss before taxation		<u>(330,744)</u>	<u>3,605,290</u>

Included in the loss were provision for diminution in value of quoted investment and doubtful debts as shown in the income statement totalling to RM26.9 million.

2000	Turnover RM'000	Profit/ (Loss) RM'000	Total Assets Employed RM'000
Industry segment			
Steel	179,486	(11,988)	3,151,494
Construction and engineering	(2,257)	(1,815)	96,353
Manufacturing	33,673	57	42,042
Motor	118,426	(10,473)	132,474
Investment and others	564	@(24,381)	107,273
	<u>329,892</u>	<u>(48,600)</u>	<u>3,529,636</u>
Share in results of associated companies		(166,707)	35,544
Net interest expenses		(51,366)	-
Amortisation of goodwill on consolidation		(1,092)	-
Amortisation of reserve on consolidation		32	-
Loss before taxation		<u>(267,733)</u>	<u>3,565,180</u>

@ Included in the loss was quoted warrant written off as shown in the income statement amounting to RM18.4 million.

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

30. CASH FLOW STATEMENTS

a) Adjustments for non-cash items, interests and dividends

	GROUP		COMPANY	
	2001	2000	2001	2000
Share in results of associated companies	53,683	166,707	-	-
Depreciation	67,420	23,329	-	-
Interest expenses	180,355	52,260	32,613	32,921
Loss/(Gain) on disposal of quoted investment	-	489	(6)	(694)
Gain on disposal of property, plant and equipment	(376)	(82)	-	-
Amortisation of :				
Pre-commercial production expenses	14,810	2,468	-	-
Goodwill	1,092	1,092	-	-
Reserve on consolidation	(32)	(32)	-	-
Deferred expenditure written off	-	3,816	-	-
Property, plant and equipment written off	42	332	-	1
Interest income	(11,782)	(894)	(5,689)	(23,114)
Provision written back for:				
Inventories obsolescence	-	(1,742)	-	-
Doubtful debts	(759)	-	-	-
Provision for doubtful debts	10,115	1,061	9,855	-
Dividend income	(19)	(10)	(646)	(553)
Bad debts written off	3,128	90	-	90
Inventories written down	21,201	-	-	-
Inventories written off	672	-	-	-
Provision for diminution in value of quoted investments	17,046	-	17,046	-
Investment written off	-	18,415	-	15,655
	<u>356,596</u>	<u>267,299</u>	<u>53,173</u>	<u>24,306</u>

b) Cash and cash equivalents at end of the financial year

	GROUP		COMPANY	
	2001	2000	2001	2000
Cash and bank balances	8,988	2,347	52	703
Deposits with the financial institutions	11,429	34,843	513	3,704
Bank overdrafts	(10,727)	(24,608)	(1,802)	(1,647)
	9,690	12,582	(1,237)	2,760

c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM175.02 million (2000: RM346.40 million) of which RM0.24 million (2000: Nil) was acquired by a means of hire purchase. Cash payments of RM36.18 million (2000: RM86.50 million) were made to purchase property, plant and equipment and an amount of RM138.60 million (2000: RM259.90 million) was accrued for payment and included in other creditors.

31. CORPORATE INFORMATION

Number of employees

	GROUP		COMPANY	
	2001	2000	2001	2000
Total number of employees as at the end of the financial year	1,726	1,630	1	1

32. SUBSEQUENT EVENTS

Subsequent to the financial year end, the Company ("LCB") had announced the Revised Proposed GWRS on 8 October 2001. The Revised Proposed GWRS pertaining to the Company and its subsidiary companies involves the following proposals:

- (i) Reduction of RM0.30 in each of the existing issued and paid-up capital of RM1.00 each in the Company and thereafter consolidation on the basis of 10 ordinary shares of RM0.70 each into 7 ordinary shares of RM1.00 each.
- (ii) Acquisition of 40% equity interest in Megasteel Sdn Bhd from the Amsteel Group for a consideration of RM1,089.99 million to be satisfied by the issuance of LCB Bonds and new LCB Shares to the Amsteel Group.
- (iii) Acquisition of 50.45% equity interest in Lion Land Berhad ("LLB") from the Amsteel Group for a consideration of RM260.47 million to be satisfied by the issuance of LCB Bonds and new LCB Shares to the Amsteel Group.
- (iv) Acquisition of 459.20 million Amsteel Shares from parties deemed connected with Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim ("TSWC Group") for a consideration of RM459.20 million to be satisfied by the issuance of new LCB Shares to the TSWC Group.
- (v) Exchange of 71.42 million LLB Shares to be held by LCB pursuant to proposal (iii) above, for 28.57 million Amsteel Shares held by Lembaga Tabung Angkatan Tentera ("LTAT") based on the exchange ratio of 2.5 LLB Shares for 1 Amsteel Share.
- (vi) Disposal of 6.35% equity interest in Silverstone Berhad to the Angkasa Marketing Berhad ("AMB") Group for a consideration of RM16.24 million, of which RM9.33 million shall be satisfied by the issuance of new AMB Shares with the balance RM6.91 million to be set off against inter-company balances owing by the LCB Group to the AMB Group.

- (vii) Disposal of 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd to the Amsteel Group for a consideration of RM1.91 million which shall be fully netted off against inter-company balances owing by the LCB Group to the Amsteel Group.
- (viii) The LCB Group will receive RM1.60 million from Chocolate Products (Malaysia) Berhad ("CPB") for the settlement of inter-company balances owing by the CPB Group to the LCB Group.
- (ix) It was proposed that the Group settles its inter-company balances with Amsteel Group by netting off against considerations pursuant to the transactions of the Revised Proposed GWRS with the inter-company balances, the issuance of new shares and bonds.
- (x) Indebtedness of affected FI-Creditors denominated in Ringgit Malaysia ("RM") are to be settled by issuance of RM denominated Bonds, whilst indebtedness of affected FI-Creditors denominated in US Dollars ("USD") are to be settled by issuance of USD denominated Consolidated Rescheduled Debts.

The Non-FI Creditors would be settled by way of debt to equity conversion.

The Company and its subsidiary, Lion Construction & Engineering Sdn Bhd ("Scheme Companies") had filed a joint application pursuant to Section 176 subsection (1) of the Companies Act, 1965 ("the Act") with the High Court of Malaya on 16 March 2001. The aforesaid application was made to seek a Court order to convene meetings for each of the Scheme Companies for the purpose of approving the scheme of compromise and arrangement proposed to be made between each of such Scheme Companies and their respective creditors/members to facilitate the implementation of the Initial Proposed GWRS together with revision, if any ("Scheme Meetings"). However, the Scheme Companies did not apply to the Court for an order to restrain legal proceedings against the Scheme Companies under Section 176 subsection (10) of the Act.

The High Court of Malaya had granted an order for the Scheme Companies to convene the Scheme Meetings on or before 22 February 2002.

The implementation of the Revised Proposed GWRS is subject to various condition precedent, which include the approvals of Bank Negara Malaysia, Securities Commission, Foreign Investment Committee, Ministry of International Trade and Industry, Kuala Lumpur Stock Exchange, Scheme Creditors of the Scheme Companies and shareholders of the Company and the Scheme Companies.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current financial year's presentation which include mainly:

- (i) The amount due from subsidiary and associated companies and due to subsidiary companies have been reclassified to debtors and creditors respectively to conform with the requirement of MASB 1 - Presentation of Financial Statements.
- (ii) The gross amount due to contract customers has been reclassified into gross amount due to and due from contract customers to conform with the requirement of MASB 1 - Presentation of Financial Statements.
- (iii) The exceptional items in the income statements has been reclassified to operating activities to conform with the requirement of MASB 3 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.

STATEMENT BY DIRECTORS

We, TAN SRI WILLIAM H.J. CHENG and DATUK CHENG YONG KIM, being two of the Directors of LION CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 26 to 56 are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2001 and of the results, statements of changes in equity and cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

TAN SRI WILLIAM H.J. CHENG
Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur
30 October 2001

STATUTORY DECLARATION

I, TAN SRI WILLIAM H.J. CHENG, the director primarily responsible for the financial management of LION CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 26 to 56 are, to the best of my knowledge and belief, 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 above-named TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 30 October 2001.

TAN SRI WILLIAM H.J. CHENG

Before me

W-217
P. SETHURAMAN
Commissioner for Oaths
Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF LION CORPORATION BERHAD

We have audited the financial statements set out on pages 26 to 56. The preparation of these financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary, to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards issued by Malaysian Accounting Standards Board so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2001 and of the results, statements of changes in equity and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Without qualifying our opinion, we draw attention to Note 1, 19, 22 and 32 to the financial statements which explain the financial position of the Group and the Company and the plans of the Directors to implement a scheme involving the restructuring of the Group's and the Company's debts and rationalisation of the Group structure. The validity of preparing the financial statements on the going concern basis depends upon successful implementation of these restructuring plans.

The names of subsidiary companies of which we have not acted as auditors are shown in Note 12 to the financial statements. We have considered the statements of these subsidiary companies and the auditors' reports thereon.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

ONG BOON BAH & CO
AF: 0320
Public Accountants

LIM KOK BENG
588/02/03(J)
Partner of the Firm

Kuala Lumpur
30 October 2001

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

- 1) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between the Company of the one part and Amsteel Corporation Berhad ("Amsteel"), a company in which certain directors and major shareholders have an interest, together with Umatrac Enterprises Sdn Bhd ("Umatrac") and Konming Investments Limited ("Konming"), both subsidiaries of Amsteel ("Vendors A") of the other part for the disposal by Vendors A of 224,540,882 ordinary shares of RM1.00 each representing 50.45% equity interest in Lion Land Berhad ("LLB") to the Company for a consideration of RM260,467,423 to be satisfied by an issue of RM227,834,077 Bonds of the Company and an issue of RM32,633,346 in value of new shares in the Company.
- 2) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between the Company, Limpahjaya Sdn Bhd ("Limpahjaya") a subsidiary of the Company, Amsteel, Umatrac and Posim Berhad, a subsidiary of Amsteel ("Vendors B") of the one part and Angkasa Marketing Berhad ("AMB"), a subsidiary of Amsteel and a company wherein certain directors and major shareholders have an interest of the other part for the disposal by Vendors B of 119,653,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad to AMB for a consideration of RM150,055,564 to be satisfied by an issue of RM143,147,530 in value of new shares in AMB at a proposed issue price of RM1.00 per AMB share and the balance of RM6,908,034 to be set-off against inter-company balances owing from the Group to AMB Group.
- 3) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between Limpahjaya and Akurjaya Sdn Bhd ("Akurjaya"), a subsidiary of Amsteel for the acquisition by Limpahjaya of 240,000,000 ordinary shares of RM1.00 each in the capital of Megasteel Sdn Bhd from Akurjaya for a consideration of RM1,089,992,435 to be satisfied by an issue of RM953,429,867 Bonds of the Company and RM136,562,568 in value of new shares in the Company at an indicative price of RM1.00 per share.
- 4) Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 8 October 2001 between the Company and Umatrac for the disposal of 135,000 ordinary shares of RM1.00 each representing 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd for a consideration of RM1,915,000 to be satisfied by netting-off against inter-company balances owing by the Group to Amsteel Group.
- 5) Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 19 October 2000 between the Company and Lembaga Tabung Angkatan Tentera ("LTAT"), a major shareholder of the Company for the disposal of 83,050,000 LLB shares in exchange for 92,217,857 Amsteel shares owned by LTAT with all rights attached to it including the entitlement to renounceable rights issue of warrants at the issue price of 10 sen per warrant, on the basis of one (1) warrant for every four (4) shares held as at a date to be determined in accordance with the terms and conditions of the Deed Poll to be executed by Amsteel.
- 6) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between Horizon Towers Sdn Bhd, Amanvest (M) Sdn Bhd, Lion Holdings Sdn Bhd, Araniaga Holdings Sdn Bhd, Finlink Holdings Sdn Bhd, Happyvest (M) Sdn Bhd, Panoron Sdn Bhd, Teck Bee Mining Sdn Bhd, Tirta Enterprise Sdn Bhd, William Cheng Sdn Bhd, Ceemax Electronics Sdn Bhd, Lancaster Trading Company Limited and Lion Holdings Pte Ltd, all of which are companies wherein certain directors and major shareholders of the Company have an interest, of the one part ("Vendors C") and the Company of the other part, for the acquisition by the Company of 456,214,053 ordinary shares of RM1.00 each in Amsteel from Vendors C for a consideration of RM456,241,053 to be satisfied by an issue of RM434,515,289 in value of new shares of the Company. The Amsteel shares to be acquired are with all rights attached to it including the entitlement to renounceable rights issue of warrants at the issue price of 10 sen per warrant, on the basis of one (1) warrant for every four (4) shares held as at a date to be determined in accordance with the terms and conditions of the Deed Poll to be executed by Amsteel.

- 7) Conditional Subscription Agreement dated 5 July 2000 and First Supplemental Agreement dated 19 October 2000 between the Company of the one part and Tan Sri William H.J. Cheng ("TSWC") and Datuk Cheng Yong Kim ("DAC"), both directors and major shareholders of the Company of the other part ("TSWC Group") for the issuance by the Company of RM100,000,000 nominal value of ICULS 2001/2005 and the full subscription of the entire ICULS 2001/2005 by the TSWC Group in cash.

- 8) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001 between Jelajah Jaya Sdn Bhd, Bayview Properties Sdn Bhd, Lion Development (Penang) Sdn Bhd, Lion Management Sdn Bhd, Narajaya Sdn Bhd, Trillionvest Sdn Bhd, all of which are companies wherein certain directors and major shareholders of the Company have an interest and TSWC of the one part ("Vendors D") and the Company of the other part of the acquisition of 2,958,114 ordinary shares of RM1.00 each in Amsteel by the Company from Vendors D for a consideration of RM2,958,114 to be satisfied by the issuance of RM2,817,251 in value of new shares of the Company. The Amsteel shares are to be acquired with all rights attached to it including the entitlement to renounceable rights issue of warrants at the issue price of 10 sen per warrant, on the basis of one (1) warrant for every four (4) shares held as at a date to be determined in accordance with the terms and conditions of the Deed Poll to be executed by Amsteel.

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2001

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Present Capital Value RM'000	Date of Acquisition/ Valuation
Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor - HS (D) 24275 PT. No. 3499 Mukim Bukit Raja Daerah Klang, Selangor	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse 18	5,714	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5 ¹ / ₂ , Jalan Tuaran Inanam, Kota Kinabalu - CL015379790 Mile 5, Tuaran Road Daerah Kota Kinabalu	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 26	4,470	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5 ¹ / ₂ , Jalan Tuaran Inanam, Kota Kinabalu - CL015379772 Mile 5, Tuaran Road Daerah Kota Kinabalu	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 26	725	1979
TB 162 Jalan Habib Hussein Tawau - TL0107504816 Daerah Tawau Sabah	Leasehold 17.9.2056	477.8 sq metres	Industrial land and building	Office cum Showroom 33	396	17.04.1995
Block G, Lot No 2 Sri Kemajuan Industrial Estate Inanam, Kota Kinabalu - CL015449680 Inanam Daerah Kota Kinabalu Sabah	Leasehold 31.12.2043	278.6 sq metres	Industrial land and building	Office 16	292	22.05.1985
Block B, Lot No 1 6 ¹ / ₂ Miles, Jalan Tuaran Inanam, Kota Kinabalu - CL015449233 Inanam Daerah Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 16	289	10.08.1985

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Present Capital Value RM'000	Date of Acquisition/ Valuation
Unit No-2-1-14B & 15 Level 1, Ground Floor Wawasan Plaza Kota Kinabalu	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 3	4,406	02.02.1999
Lot 2319, 2321 & 2323A Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	2,023,428.2 sq metres (500 acres)	Industrial land and building	Factory & office 2	527,544	1998
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri	Leasehold 06.06.2059	621 sq metres	Shophouse	Office Block cum Showroom 5	2,268	28.06.1999
Lot 1110, Plot 117 King's Park Commercial Centre, Miri	Leasehold 06.06.2059	156.6 sq metres	Land	Vacant	570	22.06.1999
Lot 93 & 94 Teck Guan Ind. Shoplot Jalan Segama Lahad Datu	Leasehold 08.05.2933	390.2 sq metres	Shoplots	Office Block cum Showroom 2	719	15.12.1999

ANALYSIS OF SHAREHOLDINGS

AS AT 19 OCTOBER 2001

Share Capital

Authorised Share Capital	: RM500,000,000
Issued and Paid-up Capital	: RM182,895,500
Class of Shares	: Ordinary shares of RM1.00 each
Voting Rights	: One (1) vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shares
Less than 1,000	370	8.79	142,755	0.08
1,000 – 10,000	3,352	79.68	10,044,489	5.49
10,001 – 100,000	384	9.13	11,228,778	6.14
100,001 – to less than 5% of issued shares	98	2.33	125,178,314	68.45
5% and above of issued shares	3	0.07	36,301,164	19.84
	<u>4,207</u>	<u>100.00</u>	<u>182,895,500</u>	<u>100.00</u>

Substantial Shareholders

	Direct Interest		Indirect Interest			
	No. of shares	%	No. of shares	%	No. of warrants ⁽¹⁾	No. of options ⁽²⁾
1. Tan Sri William H.J. Cheng	180,000	0.10	105,397,273	57.63	25,855,162	175,000
2. Datuk Cheng Yong Kim	277,500	0.15	65,312,534	35.71	-	-
3. Lion Realty Pte Ltd	-	-	63,511,934	34.73	-	-
4. William Cheng Sdn Bhd	376,800	0.21	60,113,416	32.87	-	-
5. Lancaster Trading Company Limited	-	-	60,113,416	32.87	-	-
6. Utara Enterprise Sdn Bhd	-	-	60,113,416	32.87	-	-
7. Lion Holdings Sdn Bhd	15,835,395	8.66	44,278,021	24.21	-	-
8. Happyvest (M) Sdn Bhd	-	-	44,278,021	24.21	-	-
9. Lembaga Tabung Angkatan Tentera	-	-	36,932,873	20.19	25,855,162	-
10. Amsteel Corporation Berhad	-	-	36,932,873	20.19	25,855,162	-
11. Timuriang Sdn Bhd	-	-	36,196,823	19.79	25,486,537	-
12. Mirzan bin Mahathir	-	-	28,903,000	15.80	-	-
13. Amanvest (M) Sdn Bhd	44,278,021	24.21	-	-	-	-
14. Umatrac Enterprises Sdn Bhd	34,770,323	19.01	-	-	25,486,537	-
15. Peringkat Prestasi (M) Sdn Bhd	28,903,000	15.80	-	-	-	-

Directors' interest in shares in the Company and its related companies

The Directors' interest in shares in the Company and its related companies are the same as that shown in the Directors' Report for the financial year ended 30 June 2001 except for the following:

	Direct Interest		No. of shares	Indirect Interest		
	No. of shares	%		%	No. of warrants ⁽¹⁾	No. of options ⁽²⁾
Tan Sri William H.J. Cheng in the Company	180,000	0.10	105,397,273	57.63	25,855,162	175,000

Note:

(1) Warrants with right to subscribe for ordinary shares in the Company on the basis of one (1) new share for every one warrant held.

(2) Options granted pursuant to the Company's Executive Share Option Scheme.

Thirty Largest Registered Shareholders	No. of shares	% of shares
1. OUB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd (T137-6110539213)	14,794,000	8.09
2. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd	11,146,364	6.09
3. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Umatrac Enterprises Sdn Bhd (Lion Asia Inv)	10,360,800	5.66
4. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd	8,887,839	4.86
5. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Umatrac Enterprises Sdn Bhd	8,775,847	4.80
6. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A)	8,445,600	4.62
7. Amsec Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	7,440,000	4.07
8. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Berhad for Amanvest (M) Sdn Bhd	6,908,400	3.78
9. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Affin Merchant Bank Berhad	6,715,926	3.67
10. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Amanvest (M) Sdn Bhd (MB 39A)	5,364,000	2.93
11. Amsteel Securities (M) Sdn Bhd	4,995,800	2.73
12. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (301-682258-089)	4,200,000	2.30

Thirty Largest Registered Shareholders	No. of shares	% of shares
13. Lion Holdings Sdn Bhd	4,102,356	2.24
14. Chase Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	3,801,600	2.08
15. CIMB Nominees (Tempatan) Sdn Bhd The Sanwa Bank Limited Pledged Securities Account for Umatrac Enterprises Sdn Bhd	3,600,000	1.97
16. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Development (Penang) Sdn Bhd (HLFTL148)	3,398,517	1.86
17. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Umatrac Enterprises Sdn Bhd	3,315,600	1.81
18. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	2,400,000	1.31
19. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Securities (M) Sdn Bhd (651001)	2,260,000	1.24
20. Amsec Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0722B)	2,226,000	1.22
21. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd (01-00007-000)	2,076,000	1.14
22. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pelikan (Malaysia) Sdn Bhd	2,050,000	1.12
23. OUB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd (T137-6110539213)	1,879,000	1.03
24. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (514356803766)	1,875,800	1.03
25. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (51403950510A)	1,800,000	0.98
26. Amanvest (M) Sdn Bhd	1,539,457	0.84
27. OUB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Holdings Sdn Bhd (T219-Corp Bkg)	1,387,200	0.76
28. Employees Provident Fund Board	1,315,200	0.72
29. Louis Albert Kwong	1,156,000	0.63
30. Universal Trustee (Malaysia) Berhad CMS Premier Fund	1,026,000	0.56

Distribution of warrant holdings as at 31 October 2001

Size of Warrant holdings	No. of warrant holders	% of warrant holders	No. of warrants	% of warrants
Less than 1,000	2	0.09	1,500	0.01
1,000 – 10,000	1,772	81.32	6,221,000	6.80
10,001 – 100,000	349	16.02	10,527,750	11.52
100,001 – to less than 5% of issued shares	52	2.39	16,448,936	18.00
5% and above of issued shares	4	0.18	58,181,564	63.67
	<u>2,179</u>	<u>100.00</u>	<u>91,380,750</u>	<u>100.00</u>

Thirty Largest Registered Warrant Holders as at 31 October 2001

	No. of warrants	% of warrants
1. Amsteel Securities (M) Sdn Bhd	17,194,000	18.82
2. Merchant Nominees (Tempatan) Sendirian Berhad	16,305,027	17.84
3. Merchant Nominees (Tempatan) Sendirian Berhad	12,746,883	13.95
4. Amsteel Equity Nominees (Tempatan) Sdn Bhd Amsteel Securities (M) Sdn Bhd for Umatrac Enterprises Sdn Bhd	11,935,654	13.06
5. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,475,000	1.61
6. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
7. Choong Moh Guan	900,000	0.98
8. Pacific & Orient Insurance Co Berhad	865,000	0.95
9. Angkasa Marketing Berhad	710,250	0.78
10. Chin Lih Lih	650,000	0.71
11. Lee Sui Hee	639,000	0.70
12. Universal Trustee (Malaysia) Berhad CMS Premier Fund	600,000	0.66
13. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Meng Tut (CEB)	493,000	0.54
14. Lim Hock Jin	490,000	0.54
15. Rahmah Binti Abdul Rahim	480,000	0.53
16. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40
17. Libra Asia Security Limited c/o Libra Capital Management Sdn Bhd	320,000	0.35
18. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Md Ali Bin Md Dewal (3555-003 CMSD)	300,000	0.33

Thirty Largest Registered Warrant Holders as at 31 October 2001	No. of warrants	% of warrants
19. Tan Pei Har	299,000	0.33
20. Angelina Corrina Fernandez	293,000	0.32
21. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Chun Fong (CEB)	292,000	0.32
22. Libra Capital Markets Sendirian Berhad Libra Asia Securities Limited for Cheong Chen Yue	280,000	0.31
23. Chai Chang Luen	277,000	0.30
24. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Ah Lek	252,000	0.28
25. Libra Capital Markets Sendirian Berhad Libra Asia Securities Limited for Djelas Co S.A.	250,000	0.27
26. Hai Leng Enterprise Sdn Bhd	250,000	0.27
27. Tan Lim Mook	235,000	0.26
28. Choong Holdings Sdn. Berhad	230,000	0.25
29. Malaysian Trustees Berhad CMS Dresdner Asset Management Sdn Bhd for The Pacific Insurance Berhad	220,000	0.24
30. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Seow Year (CEB)	218,000	0.24

OTHER INFORMATION

Non-audit Fees

The amount of non-audit fees paid or payable to external auditors for the financial year was RM30,000.

Variation in results

The audited consolidated results of the Group for the financial year ended 30 June 2001 differed from the fourth quarter unaudited consolidated results announced on 30 August 2001 ("Announcement").

As disclosed in the Announcement, the unaudited consolidated results of the Group did not include any adjustments relating to the recoverability of certain assets or receivables which may be necessary upon the completion of discussions with lenders on the revised terms of the Proposed GWRS. The Company had since on 8 October 2001 announced the revision of certain terms of the Proposed GWRS. Accordingly, the necessary provisions have been incorporated in the audited consolidated results for the financial year ended 30 June 2001.

Apart from the provisions arising from the Revised Proposed GWRS, the audited consolidated results of the Group does not differ materially from the fourth quarter unaudited consolidated results as per the reconciliation below:

Loss (Year to date)	RM'000
As per the Announcement	(223,855)
Taking into account the provisions now ascertained pursuant to the Revised Proposed GWRS:	
- diminution in value of quoted investment	(17,046)
- doubtful debts	<u>(9,855)</u>
Adjusted loss	(a) <u><u>(250,756)</u></u>
Loss as per Audited Financial Statements	(b) <u><u>(247,121)</u></u>
Variance - RM'000	(c) = (b) - (a) <u><u>3,635</u></u>
- %	(c)/(a) <u><u>1.4%</u></u>

FORM OF PROXY

I/We.....
of.....
being a member/members of LION CORPORATION BERHAD, hereby appoint.....
.....
of.....
or failing whom.....
of.....

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Eighth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 11 December 2001 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Folk Fong Shing @ Kok Fong Hing		
5. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
6. To re-elect as Director, Mr M Chareon Sae Tang @ Tan Whye Aun		
7. To re-appoint as Director, Y. M. Raja Zainal Abidin bin Raja Haji Tachik		
8. To re-appoint Auditors		
9. Authority to issue shares		

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 hand this day of 2001.

No. of shares held

Signed.....

i 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 shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal.
- 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 at least forty-eight (48) hours before the time appointed for holding the Meeting.