

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	5
Directors' Profile	6
Corporate Governance Statement	9
Statement on Internal Control	12
Audit Committee Report	13
Nomination Committee	16
Remuneration Committee	16
5 Years' Group Financial Highlights	17
The Group's Businesses	18
Chairman's Statement	
Bahasa Malaysia	19
English	21
Chinese	23
Financial Statements:	
Directors' Report	24
Income Statements	30
Balance Sheets	31
Statements of Changes in Equity	32
Cash Flow Statements	34
Notes to the Financial Statements	36
Statement by Directors	76
Statutory Declaration	76
Report of the Auditors	77
Material Contracts	78
List of Group Properties	80
Analysis of Shareholdings	82
Other Information	87
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth 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 4 December 2003 at 2.00 pm for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2003. **Resolution 1**
2. To approve the payment of Directors' fees amounting to RM132,500 (2002 : RM109,000). **Resolution 2**
3. To re-elect Directors:
 - In accordance with Article 98 of the Company's Articles of Association, Mr M Chareon Sae Tang @ Tan Whye Aun retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**
 - In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, who was appointed during the financial year retires and, being eligible, offers himself for re-election. **Resolution 4**
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965 as ordinary resolutions:
 - "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 5**
 - "THAT Mr Folk Fong Shing @ Kok Fong Hing who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting." **Resolution 6**
5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 7**
6. Special Business
 - To consider and if thought fit, pass the following resolutions as ordinary resolutions:
 - 6.1 Authority to Directors to issue shares
 - "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

Resolution 9

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

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

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

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

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

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

By Order of the Board

CHAN POH LAN
THAM TUCK CHUEN
Secretaries

Kuala Lumpur
12 November 2003

Notes:

1. Proxy

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.

2. Resolution 2

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

3. Resolution 8

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

4. Resolution 9

This approval will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 12 November 2003, which are necessary for the Group's day-to-day operations and are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details on the proposal are set out in the Circular to Shareholders dated 12 November 2003 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

Mr M Chareon Sae Tang @ Tan Whye Aun

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

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain

- 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
Mr Folk Fong Shing @ Kok Fong Hing

- Further details of Directors standing for re-election/re-appointment are set out in the Directors' Profile on pages 6 to 8 of this Annual Report.

II. Details of attendance of Directors at Board Meetings

There were six (6) Board Meetings held during the financial year ended 30 June 2003. Details of attendance of the Directors are set out in the Directors' Profile on pages 6 to 8 of this Annual Report.

III. Place, date and time of the Thirtieth Annual General Meeting

The Thirtieth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 2.00 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 Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Mr M Chareon Sae Tang @ Tan Whye Aun Mr Folk Fong Shing @ Kok Fong Hing	
Secretaries	: Ms Chan Poh Lan Mr Tham Tuck Chuen	
Company No.	: 12890-A	
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : http://www.lion.com.my	
Share Registrar	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448	
Auditors	: Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur	
Principal Bankers	: AmMerchant Bank Berhad Aseambankers Malaysia Berhad Malayan Banking Berhad Affin Bank Berhad RHB Bank Berhad RHB Sakura Merchant Bankers Berhad Bank of America (Malaysia) Berhad	
Stock Exchange Listing	: Kuala Lumpur Stock Exchange	
	Ordinary Shares	Warrants
Stock Name	: LIONCOR	LIONCOR-WA
KLSE Stock No.	: 3581	3581w
ISIN Code	: MYL3581OO005	MYL3581WACC7
Reuters Code	: LION.KL	

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng

Chairman and Managing Director, Non-Independent Executive Director

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

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

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

Tan Sri William Cheng has a direct shareholding in the Company of 127,019 ordinary shares of RM1.00 each and indirect shareholding in the Company comprising 685,102,661 ordinary shares of RM1.00 each, 42,160,189 warrants and options to subscribe for 298,000 ordinary shares in the Company under the Company's Executive Share Option Scheme. His shareholding in the subsidiaries of the Company is disclosed in page 84 of this Annual Report. He also has interest in a company which conducts similar business with a subsidiary of the Company in the production of thick steel plates.

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 six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

Raja Zainal Abidin bin Raja Haji Tachik

Independent Non-Executive Director

Aged 86, 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 175,280 ordinary shares of RM1.00 each and an indirect shareholding of 142,940 ordinary shares of RM1.00 each in the Company. He is also a Director of O.Y.L. Industries Berhad, a public listed company.

Y. M. Raja Zainal attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

Datuk Cheng Yong Kim

Non-Independent Non-Executive Director

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

Datuk Cheng has more than 25 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of Lion Industries Corporation 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 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 Industries Corporation Berhad, a public listed company
- Director of Silverstone Corporation Berhad, a public listed company
- Director of Hy-Line Berhad, a public company

Datuk Cheng has a direct shareholding of 194,250 ordinary shares of RM1.00 each and an indirect shareholding of 437,451,993 ordinary shares of RM1.00 each in the Company. His shareholding in the subsidiaries of the Company is disclosed in page 84 of this Annual Report. He also has interest in a company which conducts similar business with a subsidiary of the Company in the production of thick steel plates.

Datuk Cheng is the nephew of Tan Sri William H.J. Cheng, the Chairman and Managing Director, and a major shareholder of the Company.

Datuk Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

Dato' Haji Yahya bin Haji Talib

Non-Independent Non-Executive Director

Aged 68, 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 144,060 ordinary shares of RM1.00 each in the Company. He is also a Director of Kilang Sawit Muar Berhad, a public company.

Dato' Haji Yahya attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

M Chareon Sae Tang @ Tan Whye Aun

Non-Independent Non-Executive Director

Aged 64, 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 London.

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 Chairman of the Nomination Committee and Executive Share Option Scheme Committee, and a member of the Remuneration Committee of the Company. He is also a Director of Amsteel Corporation Berhad, a public listed company.

Mr Tang attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

Folk Fong Shing @ Kok Fong Hing

Independent Non-Executive Director

Aged 71, 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 accounting 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 Chairman of the Remuneration Committee and as a member of the Audit Committee, Nomination Committee and Executive Share Option Scheme Committee of the Company.

Mr Folk attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2003.

Datuk Emam Mohd Haniff bin Emam Mohd Hussain

Independent Non-Executive Director

Aged 61, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, obtained his Bachelor of Arts (Hon) degree from University Malaya.

Datuk Emam Mohd Haniff had served the Government of Malaysia since 1966 up to his retirement in 1997 in various capacities both at home and in Malaysian diplomatic missions overseas. His last position was as the High Commissioner of Malaysia to Singapore.

Datuk Emam Mohd Haniff was appointed to the Board on 10 January 2003 and serves as a member of the Audit Committee and Nomination Committee of the Company. He is also a Director of Edaran Digital Systems Berhad, a public listed company.

Datuk Emam Mohd Haniff attended all the remaining two (2) Board Meetings of the Company held during the financial year ended 30 June 2003 subsequent to his appointment.

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 STATEMENT

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

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

1. DIRECTORS

The Board

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2003, six (6) board meetings were held and each Director has attended all board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

Board Balance

The Board comprises seven (7) Directors, six (6) of whom are non-executive. The current Board composition complies with the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”). The broad range of experience, skills and knowledge of the Directors facilitate the discharge of the Board’s stewardship effectively.

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

The Group Chairman also assumes the position of the Group’s Managing Director. He brings with him a wealth of over 30 years of experience in the business operations of the Group and possesses the calibre to ensure the policies and strategies approved by the Board are effectively implemented. In view of the vast experience of the Group Chairman/Managing Director, the Board considers the departure from the recommended practice of separating the functions as appropriate in the present circumstances.

Board Committees

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

The Board may form other committees delegated with specific authority to act on their behalf. These committees operate under approved terms of reference or guidelines, whenever required.

Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

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

Supply of Information (continued)

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The members and terms of reference of the Nomination Committee are presented on page 16 of this Annual Report.

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

Re-election

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Directors so as to ensure that it attracts and retains the Directors needed to run the Company successfully. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 16 of this Annual Report.

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

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

	Fees RM	Salary & Other Emoluments RM	Total RM
Executive			
Tan Sri William H.J. Cheng	15,000	30,000	45,000
Non-Executive			
Datuk Cheng Yong Kim	10,000	-	10,000
Raja Zainal Abidin bin Raja Haji Tachik	28,000	-	28,000
Dato' Haji Yahya bin Haji Talib	25,000	-	25,000
M Chareon Sae Tang @ Tan Whye Aun	10,000	-	10,000
Mr Loo Hooi Keat (Resigned on 4.10.2002)	7,000	-	7,000
Mr Folk Fong Shing @ Kok Fong Hing	25,000	-	25,000
Datuk Emam Mohd Haniff bin Emam Mohd Hussain (Appointed on 10.1.2003)	12,500	-	12,500
	117,500	-	117,500
Total	132,500	30,000	162,500

2. DIRECTORS' REMUNERATION (continued)

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

Range of Remuneration (RM)	Executive	Non-Executive
25,000 & below	-	5
25,001 – 50,000	1	1

3. SHAREHOLDERS

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises four (4) Directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 13 to 15 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Directors are satisfied that for the financial year ended 30 June 2003, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and provisions of the Companies Act, 1965.

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements to shareholders. The Board is also responsible for ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group and of the Company.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system, which encompasses financial, operational, compliance controls and risk management. This is necessary for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. However, the system provides reasonable but not absolute assurance against material misstatements, losses and frauds. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 12 of this Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. The role of both the external and internal auditors are further described in the Audit Committee Report.

STATEMENT ON INTERNAL CONTROL

Introduction

The Board of Directors (“Board”) acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders’ investments and the Group’s assets. The Board is pleased to present the Statement on Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to paragraph 15.27(b) of the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”).

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

Y. M. Raja Zainal Abidin bin Raja Haji Tachik
(Chairman, Independent Non-Executive Director)

Y. Bhg. Dato' Haji Yahya bin Haji Talib
(Non-Independent Non-Executive Director)

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain
(Independent Non-Executive Director)

Mr Folk Fong Shing @ Kok Fong Hing
(Independent Non-Executive Director)

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

- **Secretaries**

The Secretaries of Lion Corporation Berhad, Ms Chan Poh Lan and Mr Tham Tuck Chuen are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

TERMS OF REFERENCE (continued)

- **Duties**

The duties of the Audit Committee are:

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Y. M. Raja Zainal Abidin bin Raja Haji Tachik, Y. Bhg. Dato' Haji Yahya bin Haji Talib and Mr Folk Fong Shing @ Kok Fong Hing attended all meetings of the Audit Committee held during the financial year. Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain attended the remaining 2 meetings of the Audit Committee held during the financial year subsequent to his appointment as a member of the Audit Committee.

ACTIVITIES DURING THE FINANCIAL YEAR (continued)

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

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

- **Financial Results**

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

- **Internal Audit**

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

- **External Audit**

- (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
- (b) Reviewed with external auditors the results of the audit and the audit report in particular, and accounting issues and significant audit adjustments arising from the external audit.
- (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management’s response to the findings of the external auditors.
- (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

- **Risk Management**

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

- **Related Party Transactions**

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

NOMINATION COMMITTEE

Chairman	:	Mr M Chareon Sae Tang @ Tan Whye Aun (<i>Non-Independent Non-Executive Director</i>)
Member	:	Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain (<i>Independent Non-Executive Director</i>) Mr Folk Fong Shing @ Kok Fong Hing (<i>Independent Non-Executive Director</i>)
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

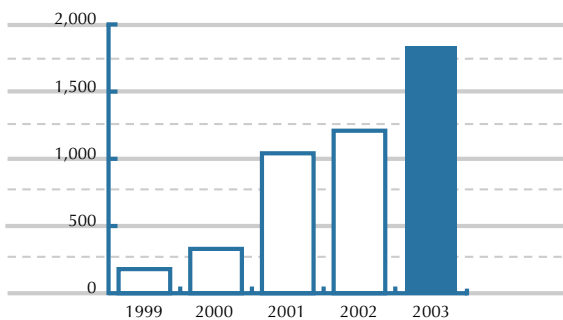
Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing (<i>Independent Non-Executive Director</i>)
Members	:	Y. Bhg. Datuk Cheng Yong Kim (<i>Non-Independent Non-Executive Director</i>) Mr M Chareon Sae Tang @ Tan Whye Aun (<i>Non-Independent Non-Executive Director</i>)
Terms of Reference	:	<ul style="list-style-type: none"> • To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

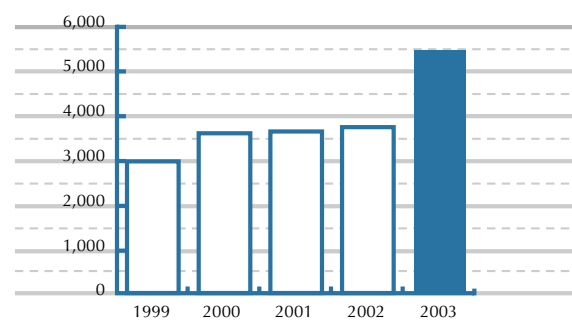
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	179,533	329,892	1,041,064	1,209,103	1,837,840
Profit/(Loss) from operations	(27,398)	(101,026)	(277,061)	(29,033)	302,100
Profit/(Loss) before taxation	(288,889)	(267,733)	(330,744)	(138,260)	111,951
Profit/(Loss) after taxation	(274,279)	(283,036)	(329,248)	(138,353)	100,246
Dividends:					
Gross rate (%)	0.1	0.1	0.1	-	-
Amount (net of tax)	132	132	132	-	-
Total assets employed	2,938,148	3,565,180	3,605,290	3,701,824	5,417,327
Shareholders' funds	114,599	(40,202)	(242,748)	(353,843)	651,318
Net tangible assets/(liabilities)	62,396	(208,012)	(394,656)	(489,849)	(51,125)
	Sen	Sen	Sen	Sen	Sen
Net tangible assets/(liabilities) per share	34	(114)	(216)	(268) #	(6)
Earnings/(loss) per share	(150.2)	(141.4)	(135.1)	(80) *	14

#Restated to account for the change in accounting standards
*Restated to account for the capital reconstruction

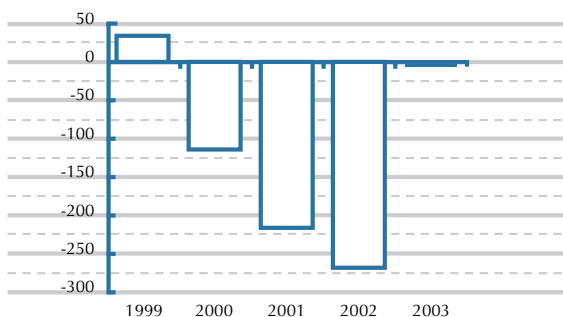
Revenue RM Million



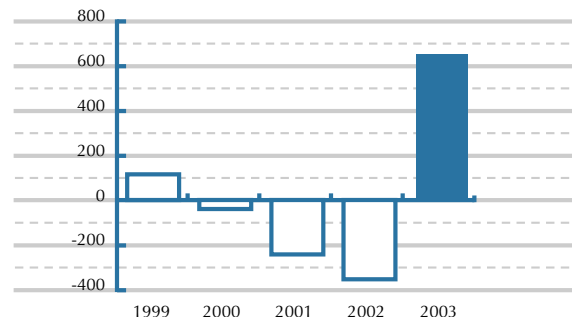
Total Assets Employed RM Million



Net Tangible Assets/(Liabilities) Per Share Sen



Shareholders' Funds RM Million



THE GROUP'S BUSINESSES



- The 1.3km long Megasteel mill at Banting, Selangor producing hot rolled coils produced by Megasteel (inset).
- *Kilang Megasteel di Banting sepanjang 1.3km yang menghasilkan lingkaran gegelung besi panas (gambar kecil).*

- Megasteel uses the state-of-the-art Thin Slab Continuous Caster to produce thin slabs for rolling into hot rolled coils.
- *Megasteel menggunakan teknologi terkini 'Thin Slab Continuous Caster' bagi menghasilkan kepingan nipis untuk digelek menjadi lingkaran gegelung panas.*



- Range of steel furniture, compact mobile filing system personal safes produced by Lion Steelworks Sdn Bhd, ideal for office and home use.
- *Rangkaian perabot besi, kompaktor pengurusan fail dan peti besi peribadi daripada Lion Steelworks Sdn Bhd, sesuai untuk kegunaan di pejabat dan rumah.*

PENYATA PENERUSI

Bagi pihak ahli 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 2003.

PRESTASI KEWANGAN

Selepas meletusnya perang di Iraq, ekonomi dunia terjejas pula oleh wabak Sindrom Pernafasan Akut Teruk ("SARS"). Bagaimanapun, langkah pantas dan efektif yang diambil oleh Kerajaan, secara langsung telah berjaya mengurangkan kesan ketara pada pertumbuhan ekonomi Malaysia. Ekonomi tempatan mencatatkan pertumbuhan Keluaran Dalam Negara Kasar yang mengagumkan pada kadar 4.2% untuk tahun 2002 dan 4.5% pada separuh tahun pertama 2003.

Sejajar dengan pertumbuhan berterusan ekonomi tempatan, Kumpulan telah mencatat perolehan lebih tinggi berjumlah RM1.84 billion, iaitu peningkatan sebanyak 52% berbanding tahun lalu. Peningkatan mendadak ini disumbangkan oleh Bahagian Besi Keluli kita yang beroperasi dalam persekitaran pasaran besi keluli rata yang lebih menggalakkan. Selepas mengambilkira keuntungan daripada penepian prinsipal oleh para pemberi pinjaman berjumlah RM48.9 juta dan peruntukan susutan nilai pelaburan berjumlah RM36.2 juta, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM112.0 juta.

PERKEMBANGAN KORPORAT

Skim Penyusunan Semula Seluruh Kumpulan ("SPSSK") telah dilaksanakan pada suku ketiga tahun kewangan. Bagaimanapun, Syarikat menanggungkan jualan tawaran terhad sebanyak 67,613,573 saham biasa dalam Amsteel Corporation Berhad pada harga tawaran RM1.00 sesaham di bawah SPSSK disebabkan oleh sentimen pasaran yang lemah.

TINJAUAN OPERASI

Bahagian Besi Keluli

Operasi pembuatan besi keluli Kumpulan di bawah Megasteel Sdn Bhd ("Megasteel"), berjaya memulihkan prestasi operasinya dalam tahun tinjauan. Ia mencatatkan peningkatan perolehan berjumlah 57% dalam perolehannya daripada RM1.11 bilion kepada RM1.74 bilion dan keuntungan bersih berjumlah RM212.3 juta bagi tahun kewangan berbanding kerugian bersih RM66.0 juta pada tahun kewangan sebelumnya. Prestasi memuaskan ini adalah hasil daripada pemulihan dan suasana pasaran besi keluli

rata yang baik. Harga lingkaran gegelung besi keluli panas telah pulih berikutan langkah-langkah yang diambil oleh Kerajaan Malaysia dan juga kerajaan-kerajaan Amerika Syarikat, Kesatuan Eropah dan Thailand untuk melindungi pasaran mereka daripada aktiviti lambakan.

Sebahagian daripada langkah yang diambil untuk meningkatkan rangkaian produk kepada pelanggan, Megasteel menerokai pengeluaran produk gegelung sejuk. Syarikat kini dalam proses menyiapkan Kompleks Loji Besi Keluli Sejuk ("CRMC") di kawasan kilang lingkaran gegelung panas. Projek CRMC ini dijangka memulakan pengeluaran komersialnya pada suku tahun pertama 2004 dengan kadar keupayaan pengeluaran 1.25 juta metrik tan setahun lingkaran gegelung besi keluli sejuk ("CRC") berdasarkan saiz empat (4) kaki lebar. Pentauliah CRMC ini akan memenuhi sebahagian besar permintaan CRC tempatan yang kini diimport daripada luar negara dan menampung keluaran tambahan Megasteel.

Megasteel baru-baru ini telah dianugerahi pengiktirafan MS ISO 9001:2000 yang berprestij oleh SIRIM atas kejayaannya melaksanakan sistem kualitinya.

Dengan pelaksanaan SPSSK, Megasteel menjadi subsidiari Kumpulan dengan pegangan ekuiti sebanyak 90%, manakala baki 10% lagi dipegang oleh Khazanah Nasional Berhad.

Bahagian Kenderaan Bermotor

Persaingan dalam pasaran kenderaan di Sabah dan Sarawak terus sengit, di mana pesaing utama kita melancarkan pelbagai model baru pada tahun ini. Pemasang dan pengedar francais bagi kenderaan Isuzu kita di Malaysia Timur di bawah Kinabalu Motor Assembly Sendirian Berhad mencatatkan perolehan yang rendah iaitu RM62.5 juta dengan jumlah jualan sebanyak 756 unit berbanding dengan RM72.1 juta dan jumlah jualan sebanyak 904 unit pada tahun lalu. Walaupun mencatatkan jumlah jualan yang rendah, Bahagian melaporkan kerugian menurun kepada RM10.2 juta berbanding RM15.2 juta ekoran margin yang lebih baik selepas pelupusan trak-trak model lama.

Bagi mengekalkan daya saingnya, Bahagian itu telah menganjurkan aktiviti-aktiviti promosi dengan meluas seperti servis kenderaan percuma, promosi di pusat-pusat membeli-belah dan kempen uji pandu bagi meningkatkan kesedaran orang ramai mengenai ketahanan dan ketangkasan pelbagai model kenderaannya. Pihak pengurusan juga secara aktif sedang bekerjasama dengan Isuzu Motor Limited, Jepun untuk mendapatkan model baru 'crew cabs', yang merupakan penyumbang utama kepada perolehan Bahagian berkenaan.

Bahagian Perabot Keluli

Perolehan yang diraih oleh Bahagian ini mendarat kerana ia menghadapi cabaran baru dalam pasaran tempatan dan juga luar negara. Jualan ke negara-negara Teluk yang merupakan pasaran utama eksport kita pada masa lalu, telah dijejas oleh perang Iraq apabila kebanyakan pengimport lebih berhati-hati dan keberatan untuk menyimpan terlalu banyak stok. Eksport ke negara-negara Asia Pasifik dan Afrika adalah memuaskan. Di pasaran tempatan, pasaran bagi perabot pejabat yang diperbuat daripada besi keluli dan produk keselamatan masih lagi lembab. Sektor perbankan dan insurans juga menanggungkan perbelanjaan peralatan pejabat dan produk keselamatan kerana sektor-sektor tersebut dijangka akan mengalami satu lagi pusingan penggabungan. Secara keseluruhan, Bahagian melaporkan perolehan sebanyak RM29 juta. Bahagian juga sedang meluaskan rangkaian produknya dengan ciri-ciri nilai tambah yang disasarkan kepada pasaran yang tersendiri.

PROSPEK

Walaupun berhadapan dengan pelbagai cabaran, hala tuju masa depan Kumpulan tertumpu kepada usaha memposisikan Megasteel sebagai pengeluar besi rata ternama di rantau ini, dari segi kos dan juga pengeluaran. Dengan langkah agresif yang diambil untuk mengukuhkan perniagaan Kumpulan, Lembaga Pengarah berkeyakinan prestasi operasi akan terus pulih.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kepada Kerajaan Malaysia, pembiaya, sekutu perniagaan, pelanggan yang dihargai dan pemegang saham atas sokongan berterusan dan keyakinan terhadap Kumpulan. Saya juga ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan atas komitmen dan dedikasi mereka terhadap Kumpulan.

Akhir sekali, saya turut berterima kasih kepada ahli Lembaga Pengarah atas sokongan dan nasihat mereka yang tidak ternilai pada sepanjang tahun kewangan.

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 2003.

FINANCIAL PERFORMANCE

Subsequent to the war in Iraq, global economy was adversely impacted by the outbreak of the Severe Acute Respiratory Syndrome ("SARS"). However, prompt and effective measures undertaken by the Government have largely mitigated the decline in growth in the Malaysian economy. The local economy recorded a respectable GDP growth of 4.2% in 2002 and a 4.5% GDP growth in the first half of 2003.

In line with the continued growth in the local economy, the Group registered a much higher revenue of RM1.84 billion, representing an increase of 52% over the previous year. The vast improvement was mainly contributed by our Steel Division, which operated under a more conducive flat steel market environment. After accounting for a gain from waiver of principal by lenders of RM48.9 million and provision for diminution in value of investments of RM36.2 million, the Group recorded a profit before tax of RM112.0 million.

CORPORATE DEVELOPMENT

The Group Wide Restructuring Scheme ("GWRS") has been implemented in the third quarter of the financial year. However, the restricted offer for sale by the Company of 67,613,573 ordinary shares in Amsteel Corporation Berhad at an offer price of RM1.00 per share under the GWRS has yet to be carried out due to poor market sentiments.

REVIEW OF OPERATIONS

Steel Division

The Group's steel manufacturing operations under Megasteel Sdn Bhd ("Megasteel"), managed to turnaround its operational performance for the financial year under review. It recorded a 57% increase in its revenue from RM1.11 billion to RM1.74 billion and a net profit for the financial year of RM212.3 million as compared to a net loss of RM66.0 million in the preceding financial year. The commendable performance was due to a much improved and healthier flat steel market environment. International

prices of hot rolled coils have recovered following measures taken by the Malaysian government as well as the governments in the United States of America, European Union and Thailand to protect their markets against dumping activities.

As part of the steps taken to increase the range of products offered to customers, Megasteel is venturing into cold rolled products. It is currently in the process of setting up a Cold Rolling Mill Complex ("CRMC") within its Hot Rolled Coil production facility. The CRMC project is expected to commence commercial production in the first quarter of 2004 with a planned rated capacity of 1.25 million metric tons per annum based on four (4) feet wide of cold rolled coils ("CRC"). The commissioning of the CRMC will substitute a significant portion of CRC currently imported from overseas and also absorb Megasteel's additional output.

Megasteel was recently awarded the prestigious MS ISO 9001:2000 certification by SIRIM for the successful implementation of its quality system.

Upon the implementation of the GWRS, Megasteel became a 90% owned subsidiary of the Group with the balance 10% equity interest held by Khazanah Nasional Berhad.

Motor Division

Competition in the vehicle market in Sabah and Sarawak remained strong, with our major competitors launching various new models this year. Our franchise assembler and distributor of Isuzu vehicles in East Malaysia under Kinabalu Motor Assembly Sendirian Berhad recorded a lower revenue of RM62.5 million with sales volume of 756 units as compared to RM72.1 million and sales volume of 904 units last year. Despite the lower sales volume registered, the division reported a lower loss of RM10.2 million as against RM15.2 million due mainly to better margins after the clearance of old model trucks.

To remain competitive, the Division has organised extensive promotion activities such as free services for vehicles, promotions in shopping complexes and test-drives to increase public awareness of the strength and durability of our various models of vehicles. The Management is also actively following up with Isuzu Motor Limited, Japan for new models of crew cabs, which presently contribute a significant portion of the Division's revenue.

Steel Furniture Division

Revenue for the Division was flat as it faced new challenges from both the export and domestic markets. Sales to the Gulf countries which had been our major export market in the past, were affected by the Iraq war as most of the importers were cautious and reluctant to hold too much stocks. Exports to the Asia-Pacific countries and Africa were satisfactory. On the domestic scene, the market for steel office furniture and security products remain sluggish. The banking and insurance sectors are also holding back their expenditure on office equipment and security products in anticipation of another round of consolidation. Overall, the Division recorded a revenue of RM29 million. The Division is moving forward to expand the range of product lines with better value-added features targeting the niche markets.

PROSPECTS

Despite the many challenges faced by the Group, the focus ahead will be to position Megasteel to be the leading flat steel manufacturer in the region, both in terms of cost and production. With the aggressive measures undertaken to strengthen the Group's businesses, the Board is optimistic that its operational performance will continue to improve.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record our 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 for their commitment and dedication to the Group.

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，欣然提呈截至2003年6月30日为止的会计年度内，本集团和本公司的常年报告和经审核的财务报告。

财务表现

在伊拉克战争和严重急性呼吸系统综合症（又名非典型肺炎）的肆虐下，全球经济深受打击。不过，我国政府及时采取有效措施，大大的缓和了马来西亚经济增长率下降的趋势。在2002年，国民生产总值率获得可观的4.2%增长，而2003年上半年，国民生产总值的增长率创下4.5%。

随着本地经济持续成长，本集团取得了更高的收入，共18亿4千万零吉，比上一年度增加52%。这种大幅度改善主要来自我们的钢铁组，这个组的平板钢市场在更有利的环境下营运。在把由于借款机构注销4千890万零吉的本金、以及把本集团针对投资所作的减值准备3千620万零吉考虑在内之后，本集团共取得1亿1千200万零吉的利润。

企业发展

涉及整个金狮集团的重组计划在本会计年度第三季落实。不过，由于市场反应欠佳，本公司在整个重组计划下要以献售价格每股1.00零吉限制性出售合钢实业67,613,573普通股的计划尚未落实。

业务检讨

钢铁组

在本会计年度，由本集团的万佳钢铁私人有限公司（万佳钢铁）经营的钢铁制造业，业务表现好转。在本会计年度，收入增加57%，从上一年度的11亿1千万零吉增加到17亿4千万零吉。净利润共2亿1千230万零吉，上一年度则蒙受6千600万零吉的净亏损。这种值得赞许的表现，是由于改进后和变得更加健全的平板钢市场需求。在马来西亚政府以及美国、欧盟和泰国采取措施保护其市场以抗拒倾销活动之后，热轧钢的国际价格回升。

万佳钢铁采取措施增加其产品范围，涉足生产冷轧钢产品。它目前正处于在其热轧钢生产设施范围内设立冷轧钢厂综合中心的过程中。冷轧钢厂计划预定在2004年第一季投入商业性生产，预定的生产容量是一年生产125万公吨4尺宽的冷轧钢。冷轧钢厂的设立将取代大部分目前从海外进口的冷轧钢，以及充分利用万佳钢铁的额外产能。

万佳钢铁由于成功的推行其品质管制系统，最近获得马来西亚规格局颁发享有盛名的MS ISO 9001: 2000证书。

在推行涉及整个金狮集团的重组计划之后，万佳钢铁成为本集团拥有90%股权的子公司，另外10%股权由国库公司拥有。

汽车组

本集团在东马的京那巴鲁车辆装配私人有限公司拥有装配和销售五十铃车辆的特许权。在本会计年度内沙巴和砂劳越的汽车市场竞争仍然激烈，各主要竞争对手纷纷推出各种新款式车辆。该公司的收入减少至6千250万零吉，销售量为756辆；上一年度的收入是7千210万零吉，销售量则是904辆。尽管销售量减少，这个组的亏损却减少到1千20万零吉，上一年度亏损为1千520万零吉。本年度亏损减少，主要是由于售完旧款式的罗里，使到赚幅提升。

为了保持竞争力，这个组主办广泛的促销活动，诸如为车辆提供免费的厂检修服务、在购物中心举行促销活动以及（让潜在买主）试驾，让公众人士对我们销售的各种款式车辆的性能和可靠度有所了解。目前货车是这个组的主要收入来源，因此管理层也积极向日本五十铃汽车厂争取取得新款式货车。

钢铁傢俬组

这个组的收入保持在和去年一样的水平，因为它在出口和国内市场都面对新挑战。以往，波斯湾国家是我们的主要出口市场；由于受到伊拉克战争影响，许多人口商持谨慎态度，不大愿意保留太多的存货。但是外销至亚太国家和非洲的出口却令人满意。在国内市场，钢铁办公室傢俬和保安产品的市场仍然萧条。由于银行和保险公司管理层预料会有另一轮的合并，因此扣押在办公室配备方面的开支。总的来说，这个组的收入只达到2千900万零吉。这个组正在采取步骤，扩大具有更高附加价值特点的产品线，把目标对准适合的市场。

展望

尽管本集团面对许多挑战，未来的焦点将是把万佳钢铁定位为本地主要平板钢制造商，在成本和产量方面均然。随着采取积极的步骤加强本集团的业务，董事部乐观的认为，本集团的业务表现将会继续改善。

鸣谢

我谨代表董事部，对马来西亚政府、金融机构、商业伙伴、尊敬的顾客以及股东们表达谢意，感谢他们继续支持我们和对我们有信心。我也要感谢管理层及职员们对本集团忠心耿耿和作出奉献。

最后，我要感谢董事们这一年给予宝贵的支持和提供意见。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2003

For The Financial Year Ended 30 June 2003

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company ("LCB") for the financial year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 10 to the financial statements.

Other than as disclosed in Note 10 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
Profit/(loss) after taxation	100,246	(123,496)
Minority interests	(44,569)	–
Net profit/(loss) for the financial year	<u>55,677</u>	<u>(123,496)</u>

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2003.

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.

SHARE CAPITAL

Pursuant to the implementation of the group wide restructuring scheme ("GWRS") mentioned in Note 35 to the financial statements, the issued and paid-up capital of the Company was increased from RM182,895,500 divided into 182,895,500 ordinary shares of RM1.00 each to RM919,040,622 divided into 919,040,622 ordinary shares of RM1.00 each by way of:

- (a) a capital reduction of RM0.30 in each existing issued and fully paid-up ordinary share of RM1.00;
- (b) a capital consolidation on the basis of 10 ordinary shares of RM0.70 each into 7 ordinary shares of RM1.00 each thereby consolidating 182,895,500 ordinary shares of RM0.70 each into 128,026,850 ordinary shares of RM1.00 each; and
- (c) the issuance of 791,013,772 new ordinary shares of RM1.00 each to settle debts and acquire investment in subsidiary and associated companies.

The new shares issued rank *pari passu* in all respects with the then existing ordinary shares of the Company. The new ordinary shares issued were listed and quoted on the Kuala Lumpur Stock Exchange with effect from 31 March 2003.

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

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
 Datuk Emam Mohd Haniff bin Emam Mohd Hussain (Appointed on 10.1.2003)
 M Chareon Sae Tang @ Tan Whye Aun
 Folk Fong Shing @ Kok Fong Hing

In accordance with Article 98 of the Company's Articles of Association, Mr M Chareon Sae Tang @ Tan Whye Aun retires by rotation and being eligible, offers himself for re-election.

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain who was appointed during the financial year retires and being eligible, offers himself for re-election.

Y. M. Raja Zainal Abidin bin Raja Haji Tachik and Mr Folk Fong Shing @ Kok Fong Hing, being over the age of seventy years, retire pursuant to Section 129(2) of the Companies Act, 1965 and seek 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 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 the sole proprietor 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 30 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 in the Company during the financial year are as follows:

	Number of ordinary shares				Capital Recon- struction	As at 30.6.2003
	As at 1.7.2002	Additions	Disposals			
Direct interest in shares						
Tan Sri William H.J. Cheng	180,000	1,019	-	54,000	127,019	
Datuk Cheng Yong Kim	277,500	-	-	83,250	194,250	
Raja Zainal Abidin bin Raja Haji Tachik	300,000	-	49,600	75,120	175,280	

DIRECTORS' INTERESTS (continued)

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

	Number of ordinary shares				As at 30.6.2003
	As at 1.7.2002	Additions	Disposals	Capital Recon- struction	
Indirect interest in shares					
Tan Sri William H.J. Cheng	105,397,273	606,618,432	-	31,619,181	680,396,524
Datuk Cheng Yong Kim	65,312,534	391,733,219	-	19,593,760	437,451,993
Raja Zainal Abidin bin Raja Haji Tachik	11,400	192,800	-	61,260	142,940
Dato' Haji Yahya bin Haji Talib	225,000	-	19,200	61,740	144,060

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

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

	Options over ordinary shares				As at 30.6.2003
	As at 1.7.2002	Granted	Exercised	Adjustment*	
Tan Sri William H.J. Cheng	175,000	-	-	52,000	123,000

* Adjustment pursuant to the capital reconstruction in Lion Corporation Berhad.

- 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.

	Warrants			As at 30.6.2003
	As at 1.7.2002	Additions	Disposals	
Tan Sri William H.J. Cheng	25,855,162	-	-	25,855,162

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

	Nominal value per ordinary share	Number of ordinary shares			As at 30.6.2003
		As at 1.7.2002	Additions	Disposals	
Indirect interest in shares					
Tan Sri William H.J. Cheng Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK\$10.00	42,644	-	-	42,644
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	19,275,030	-	-	19,275,030
PMB Jaya Sdn Bhd	RM1.00	4,000,000	-	-	4,000,000

DIRECTORS' INTERESTS (continued)

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

	Nominal value per ordinary share	Number of ordinary shares			As at 30.6.2003
		As at 1.7.2002	Additions	Disposals	
Indirect interest in shares					
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lyn (Pte) Ltd	SGD1.00	1,225,555	-	-	1,225,555
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001
Number of Preference "D" Shares of RM0.01 each					
		As at 1.7.2002	Additions	Disposals	As at 30.6.2003
Megasteel Sdn Bhd		49,000,000	-	-	49,000,000
Number of Preference "F" Shares of RM0.01 each					
		As at 1.7.2002	Additions	Disposals	As at 30.6.2003
Megasteel Sdn Bhd		26,670,000	-	-	26,670,000

Other than as disclosed above, the Directors of the Company do not have any other interest in the shares in 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:

- Executive directors and confirmed executive employees of the Group who have been employed for a period of at least one year shall be eligible to participate in the ESOS.
- The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.
- No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.
- The options price of each ordinary share under the ESOS shall be determined by the Board upon 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.
- 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.

EXECUTIVE SHARE OPTION SCHEME (“ESOS”) (continued)

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 1.7.2002	Granted	Exercised	Adjustment for capital reconstruction	Lapsed	No. of shares unissued as at 30.6.2003
22.5.2000	RM2.69	1,660,000	-	-	411,000	159,000	1,090,000

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:

- to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- 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:

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- 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
- 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:

- 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
- 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:

- 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
- 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.

Signed in accordance with a resolution of the Directors dated 17 October 2003.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur
17 October 2003

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	3	1,837,840	1,209,103	56,266	755
Other operating income		56,583	11,840	5,987	8,659
Arising from Group Wide Restructuring Scheme ("GWRS"):					
- waiver of principal by lenders		48,876	-	-	-
Changes in inventories of finished goods and work-in-progress		(124,579)	(26,224)	-	-
Purchase of finished goods		(51,718)	(16,734)	-	-
Raw materials and consumables used		(935,679)	(738,856)	-	-
Staff costs		(48,791)	(44,143)	-	-
Depreciation and amortisation expenses		(102,147)	(90,491)	-	-
Impairment in value of:					
- investment in subsidiary companies		-	-	(8,300)	(3,556)
- investment in associated companies		(33,326)	-	(48,755)	(161,756)
Allowance for :					
- diminution in value of quoted investments		(2,901)	(2,107)	(2,032)	(346)
- amount due from subsidiary companies		-	-	-	(9,799)
- doubtful debts arising from GWRS		-	(4,956)	-	-
Other operating expenses	4	(342,058)	(268,399)	(16,313)	(5,515)
Profit/(loss) from operations	5	302,100	29,033	(13,147)	(171,558)
Finance costs	6	(192,267)	(167,245)	(110,349)	(32,763)
Share in results of associated companies		2,118	(48)	-	-
Profit/(loss) before taxation		111,951	(138,260)	(123,496)	(204,321)
Taxation :	7				
- Company and subsidiary companies		(131)	(92)	-	-
- associated companies		(11,574)	(1)	-	-
Profit/(loss) after taxation		100,246	(138,353)	(123,496)	(204,321)
Minority interests		(44,569)	35,641	-	-
Net profit/(loss) for the financial year		55,677	(102,712)	(123,496)	(204,321)
Earnings/(loss) per share	8				
- Basic (sen)		14.2	(80.2)		
- Fully diluted (sen)		14.2	(80.2)		

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

BALANCE SHEETS

AS AT 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
PROPERTY, PLANT AND EQUIPMENT	9	2,939,239	2,617,595	-	-
SUBSIDIARY COMPANIES	10	-	-	2,101,028	38,202
ASSOCIATED COMPANIES	11	762,670	1,445	830,183	99,049
INVESTMENTS	12	25,256	41,239	24,799	37,981
INTANGIBLE ASSETS	13	702,443	136,006	-	-
LONG TERM RECEIVABLE	15	230,125	-	-	-
		4,659,733	2,796,285	2,956,010	175,232
CURRENT ASSETS					
Inventories	14	343,537	406,997	-	-
Trade and other receivables	15	385,403	476,183	923	7,964
Amount due from subsidiary companies	16	-	-	1,561,816	519,735
Tax recoverable		994	1,125	337	1,021
Deposits with financial institutions	17	13,174	18,049	958	565
Cash and bank balances		14,486	3,185	314	40
		757,594	905,539	1,564,348	529,325
CURRENT LIABILITIES					
Trade and other payables	18	616,305	1,240,205	28,763	93,362
Amount due to subsidiary companies	16	-	-	145,263	13,097
Bank overdrafts	19	14,048	21,021	-	1,983
Short term borrowings	20	624,690	1,268,229	-	234,900
Bonds	23	24,653	350,000	24,653	350,000
Tax liabilities		94	837	-	-
		1,279,790	2,880,292	198,679	693,342
NET CURRENT ASSETS/(LIABILITIES)		(522,196)	(1,974,753)	1,365,669	(164,017)
		4,137,537	821,532	4,321,679	11,215
Financed by:					
SHARE CAPITAL	21	919,041	182,896	919,041	182,896
RESERVES	22	(267,723)	(536,739)	(220,343)	(171,681)
SHAREHOLDERS' FUNDS		651,318	(353,843)	698,698	11,215
MINORITY INTERESTS		117,312	351,327	-	-
BONDS	23	1,781,981	-	1,551,855	-
LONG TERM BORROWINGS	24	1,340,560	810,205	-	-
AMOUNT DUE TO A SUBSIDIARY COMPANY	16	-	-	2,071,126	-
DEFERRED TAX LIABILITIES	25	121,425	13,603	-	-
DEFERRED LIABILITIES	26	124,941	240	-	-
		4,137,537	821,532	4,321,679	11,215
Net tangible liabilities per share (sen)		(5.6)	(267.8)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

GROUP	Note	Share capital RM'000	Share premium RM'000	Reserve on consolidation and other reserves RM'000	Accumulated losses RM'000	Total RM'000
Balance at 1 July 2001						
- as previously reported		182,896	55,067	408,452	(889,163)	(242,748)
- prior year adjustment	27	-	-	(7,715)	-	(7,715)
- as restated		182,896	55,067	400,737	(889,163)	(250,463)
Exchange differences		-	-	(504)	-	(504)
Net losses not recognised in consolidated income statement		-	-	(504)	-	(504)
Amortisation of reserve on consolidation		-	-	(32)	-	(32)
Net loss for the financial year		-	-	-	(102,712)	(102,712)
Dividend for the financial year ended 30 June 2001		-	-	-	(132)	(132)
Balance at 30 June 2002		<u>182,896</u>	<u>55,067</u>	<u>400,201</u>	<u>(992,007)</u>	<u>(353,843)</u>
Balance at 1 July 2002						
- as previously reported		182,896	55,067	407,916	(992,007)	(346,128)
- prior year adjustment	27	-	-	(7,715)	-	(7,715)
- as restated		182,896	55,067	400,201	(992,007)	(353,843)
Exchange differences		-	-	(92)	-	(92)
Effect of dilution of an associated company		-	-	(252,976)	252,976	-
Fair value adjustment of a subsidiary company's plant and machinery on acquisition of an additional 40% equity interest		-	-	138,629	-	138,629
Net gains/(losses) not recognised in consolidated income statement		-	-	(114,439)	252,976	138,537
Amortisation of reserve on consolidation		-	-	(32)	-	(32)
Appropriation from income statement to capital reserves		-	-	41,537	(41,537)	-
Capital reconstruction		(54,869)	-	-	54,869	-
Issue of ordinary shares for:						
- acquisition of additional 40% equity interest in a subsidiary company		210,118	-	-	-	210,118
- acquisition of associated companies		453,595	19,965	-	-	473,560
- settlement of debts		127,301	-	-	-	127,301
Net profit for the financial year		-	-	-	55,677	55,677
Balance at 30 June 2003		<u>919,041</u>	<u>75,032</u>	<u>327,267</u>	<u>(670,022)</u>	<u>651,318</u>

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

COMPANY	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Total RM'000
Balance at 1 July 2001	182,896	55,067	(22,295)	215,668
Net loss for the financial year	-	-	(204,321)	(204,321)
Dividend for the financial year ended 30 June 2001	-	-	(132)	(132)
Balance at 30 June 2002	<u>182,896</u>	<u>55,067</u>	<u>(226,748)</u>	<u>11,215</u>
Balance at 1 July 2002	182,896	55,067	(226,748)	11,215
Capital reconstruction	(54,869)	-	54,869	-
Issue of ordinary shares for:				
- acquisition of additional 40% equity interest in a subsidiary company	210,118	-	-	210,118
- acquisition of associated companies	453,595	19,965	-	473,560
- settlement of debts	127,301	-	-	127,301
Net loss for the financial year ended 30 June 2003	-	-	(123,496)	(123,496)
Balance at 30 June 2003	<u>919,041</u>	<u>75,032</u>	<u>(295,375)</u>	<u>698,698</u>

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit/(loss) before taxation		111,951	(138,260)	(123,496)	(204,321)
Adjustments for non-cash items, interests and dividend	32(a)	271,427	310,929	112,332	198,806
Operating profit/(loss) before working capital changes		383,378	172,669	(11,164)	(5,515)
(Increase)/decrease in trade and other receivables		34,523	(216,536)	7,033	(318)
Increase/(decrease) in trade and other payables		(281,583)	86,513	(116,137)	(587)
(Increase)/decrease in inventories		59,017	(35,228)	-	-
Cash generated from/(used in) operations		195,335	7,418	(120,268)	(6,420)
Tax (paid)/refunded		(381)	(981)	684	-
Interest received		9,133	358	88	83
Interest paid		(96,305)	(20,268)	(399)	(10,500)
Net cash inflow/(outflow) from operating activities		107,782	(13,473)	(119,895)	(16,837)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	32(b)	(19,991)	(4,619)	-	-
Proceeds from disposal of property, plant and equipment		427	359	-	-
Proceeds from part disposal of investment in an associated company		1,405	-	-	-
Dividend income from quoted and unquoted investments		10	128	9	513
Proceeds from disposal of quoted investments		-	16,228	6	16,228
Increase in amount due from subsidiary companies		-	-	22,052	8,318
Decrease in amount due from associated companies		-	133	-	88
Net cash inflow/(outflow) from investing activities		(18,149)	12,229	22,067	25,147

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

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Term loans repaid		(69,111)	(2,656)	-	-
Dividend paid to shareholders of the company		-	(132)	-	(132)
Payment of hire purchases		(97)	(73)	-	-
Net repayment of short term borrowings		(7,026)	(5,372)	-	-
Increase/(decrease) in amount due to subsidiary companies		-	-	100,478	(8,319)
Net cash inflow/(outflow) from financing activities		(76,234)	(8,233)	100,478	(8,451)
Net increase/(decrease) in cash and cash equivalents		13,399	(9,477)	2,650	(141)
Cash and cash equivalents at beginning of the financial year		213	9,690	(1,378)	(1,237)
Cash and cash equivalents at end of the financial year	32(c)	13,612	213	1,272	(1,378)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2003

1. Basis Of Preparation

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The financial statements comply with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965.

2. 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 financial year are included from the date of acquisition or up to the date of disposal. Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

(b) Intangible assets

Goodwill and reserve on acquisition

Goodwill and reserve on acquisition represents the difference between the purchase price and the fair value of the net assets of subsidiary and associated companies at the date of acquisition. Goodwill and reserve on acquisition are amortised over a period of twenty five years. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 2 (q).

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. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (q).

(c) 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

2. Significant Accounting Policies (continued)

(c) Associated companies (continued)

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 which reflects its share of net assets of the associated companies and which includes goodwill on acquisition (net of accumulated amortisation) less unamortised reserve on acquisition, where applicable. 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.

(d) Property, plant and equipment

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

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 MASB on adoption of MASB Standard No. 15 Property, Plant and Equipment, the valuation of these assets has not been updated and they continue to be stated at their existing carrying amount less depreciation.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying amount is charged to income statement.

Gains or losses arising from the disposals are determined by comparing the net proceeds with the carrying amount of the assets and are recognised in the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

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 to its residual value over its estimated useful life.

The principal annual depreciation rates used are:

Leasehold land	Over 50 - 99 years
Building	2 - 5%
Plant and machinery	2 - 10%
Furniture and equipment	5 - 20%
Motor vehicles	20%

2. Significant Accounting Policies (continued)

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

(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.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. Contract revenue and costs are recognised on the percentage of completion method. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs of contract.

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

Allowance 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 is recognised upon delivery of goods and customers acceptance or performance of services net of returns, discounts and allowances.

Revenue from construction contracts is recognised on the percentage of completion method (refer to accounting policy for construction contracts).

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

(h) Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from

2. Significant Accounting Policies (continued)

(h) Income tax (continued)

a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or reserve on consolidation.

Prior to the adoption of MASB Standard No. 25 Income Taxes on 1 July 2002, deferred tax liabilities were provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effect of this change is disclosed in Note 27.

(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 rates 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 or contracted rates, where applicable. 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:

	2003	2002
	RM	RM
Foreign currency		
US Dollar	3.80	3.80
Euro	4.32	3.74
Singapore Dollar	2.15	2.14
Japanese Yen	0.03	0.03

(j) Investments

Investments in subsidiary and associated companies in the Company's financial statements are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (q).

Other non-current investments are stated at cost less allowance for diminution in value of investment to recognise any decline, other than a temporary decline in the value of the investment.

The Company's investment in Megasteel Sub-Bond (A) is stated at net present value of the bond issued plus accreted interest and less redemption and any allowance that may be required for diminution in value. The accretion of interest on the bond investment is recognised as interest income on the basis of their underlying yield to maturity.

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

2. Significant Accounting Policies (continued)

(k) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost and any difference between net proceed and redemption value is recognised in the income statements over the period of the borrowing using the effective yield method.

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

Zero Cupon Redeemable Secured Bonds are stated at net present value of bonds issued plus accreted interest and net of amortised issuance expenses and redemption. The accretion of interest on the bonds is recognised as interest expenses on the basis of their underlying cash yield to maturity.

(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) Receivables

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

(n) Payables

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

(o) Finance leases/hire purchase

A lease is recognised as finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Finance leases are capitalised at the inception of the lease at lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in liabilities. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases/hire purchase are capitalised and depreciated in accordance with the depreciation policy set out in Note 2 (d).

(p) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

(q) Impairment of assets

The carrying values of the assets, other than inventories, assets arising from construction contracts and financial assets (other than investment in subsidiary and associated companies), are reviewed to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to the present value of estimated future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

2. Significant Accounting Policies (continued)

(q) Impairment of assets (continued)

Impairment loss is recognised as an expense in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is used to reduce the revaluation surplus to the extent of previously recognised revaluation surplus for the same asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

(r) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the respective accounting policy statements associated with each item.

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

The Group is also a party to financial instruments with the objective to reduce risk exposure to fluctuations in foreign currency exchange rates. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts are used to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset and liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the forward exchange contract. The gains or losses are therefore offset for financial reporting purposes and are not recognised in the financial statements. While the fees incurred on each agreement are amortised over the contract period.

3. REVENUE

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

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Sales of goods	1,835,552	1,211,516	-	-
Contract billings				
- current year	2,051	542	-	-
- over recognised in prior year	-	(3,272)	-	-
Registration and other professional fees	237	317	-	-
Dividend income	-	-	9	513
Interest income	-	-	56,257	242
	1,837,840	1,209,103	56,266	755

4. 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 RM230.0 million (2002: RM162.7 million).

5. PROFIT/(LOSS) FROM OPERATIONS

The profit/(loss) from operations has been arrived at:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
After charging:				
Property, plant and equipment:				
- depreciation	78,406	74,621	-	-
- impairment losses	2,839	4,143	-	-
- written off	257	214	-	-
Amortisation of:				
- pre-commercial production expenses	14,811	14,810	-	-
- goodwill on consolidation	8,962	1,092	-	-
Directors' remuneration*:				
- fees	133	109	133	109
- other emoluments	30	30	30	30
Auditors' remuneration:				
- current year	134	141	17	17
- over accrued in prior year	(7)	(36)	-	-
Rental of land and buildings	441	827	-	-
Allowance for doubtful debts	360	41,253	-	-
Lease rental	-	54	-	-
Bad debts written off	65	43	-	-
Inventories written down	4,443	4,314	-	-
Inventories written off	-	4,075	-	-
Restructuring costs	7,880	-	7,880	-
Loss on part disposal of investment in an associated company	168	-	-	-
Loss on shares swap arising from restructuring exercise	5,149	-	5,149	-
Unrealised loss on foreign exchange	30,275	-	-	-
Professional fees paid to a firm in which a director, M Chareon Sae Tang @ Tan Whye Aun, has interest	119	1	-	-
And crediting:				
Gross dividend income from:				
- quoted investment in Malaysia	10	128	9	128
- unquoted subsidiary companies	-	-	-	385
Rental income	45	197	-	-
Interest income from:				
- subsidiary companies	-	-	25,461	159
- Megasteel Sub-Bonds (A)	-	-	30,708	-
- others	9,133	5,438	88	83

5. PROFIT/(LOSS) FROM OPERATIONS (continued)

The profit/(loss) from operations has been arrived at:(continued)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
And crediting:				
Allowance for doubtful debts written back:				
- subsidiary company	-	-	54	-
- others	36,146	53	-	-
Gain on disposal of property, plant and equipment	63	62	-	-
Amortisation of reserve on consolidation	32	32	-	-
Gain on disposal of unquoted investment	6,424	2,279	5,933	8,659
Realised gain on foreign exchange	156	188	-	-
	156	188	-	-

* The aggregate amount of emoluments receivable by Directors of the Company during the financial year were as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Executive Directors:				
- Fees				
Tan Sri William H.J. Cheng	15	15	15	15
- Salaries and other emoluments				
Tan Sri William H.J. Cheng	30	30	30	30
Non-Executive Directors:				
- Fees				
Datuk Cheng Yong Kim	10	10	10	10
Raja Zainal Abidin bin Raja Haji Tachik	28	20	28	20
Dato' Haji Yahya bin Haji Talib	25	18	25	18
M Chareon Sae Tang @ Tan Whye Aun	10	10	10	10
Loo Hooi Keat (resigned on 4.10.2002)	7	18	7	18
Folk Fong Shing @ Kok Fong Hing	25	18	25	18
Datuk Emam Mohd Haniff bin Emam				
Mohd Hussain (appointed on 10.1.2003)	13	-	13	-
	163	139	163	139

6. FINANCE COSTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expenses on:				
- advances from subsidiary companies	-	-	31,688	695
- bank overdrafts	1,196	1,534	62	166
- bonds	83,550	10,500	83,550	10,500
- term loans	77,952	113,990	-	6,229
- Megasteel Sub-Bond (B)	3,412	-	-	-
- others	36,160	41,221	5,052	15,173
Interest expenses overprovided in prior year	(10,003)	-	(10,003)	-
	192,267	167,245	110,349	32,763

7. TAXATION

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian income tax:				
- current year	21	432	-	-
- prior years	286	(211)	-	-
Recovery of tax deducted at source on dividend received and receivable from subsidiary and associated companies	(176)	(112)	-	-
Deferred tax relating to reversal of temporary differences (Note 25)	-	(17)	-	-
Associated companies	11,574	1	-	-
	11,705	93	-	-

Reconciliation of the average effective tax rate the Group and the Company with the statutory income tax rate of Malaysia are as follows:

	GROUP		COMPANY	
	2003 %	2002 %	2003 %	2002 %
Income tax using Malaysia statutory income tax rate of 28% (2002 : 28%)	28	(28)	(28)	(28)
Income not subject to tax	(106)	(15)	(1)	(1)
Expenses not deductible for tax purposes	68	38	16	27
Losses not available for offset	21	5	13	2
Double taxation relief and others	(1)	-	-	-
Average effective tax rate	10	-	-	-

The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2002: RM22.1 million) to frank the payment of dividend. The amount is subject to agreement with the tax authorities.

8. EARNINGS/(LOSS) PER SHARE

Basic

Earnings/(loss) per share is calculated by dividing the Group's net profit for the financial year of RM55.68 million (2002: net loss of RM102.71 million) by the weighted average number of shares in issue of 393.42 million shares (2002: 128.03 million shares after adjusting for the capital reconstruction). The loss per share for the financial year ended 30 June 2002 has been restated to account for the capital reconstruction carried out under the GWRS during the financial year.

Fully Diluted

The unexercised warrants and the shares granted to employees pursuant to the Company's Executive Share Option Scheme have no dilutive effect as their exercise prices are above the average market value of the Company's shares. As such, the fully diluted earnings/(loss) per share remains the same as the basic earnings/(loss) per share.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
GROUP						
COST/VALUATION						
At 1 July 2002	588,729	2,192,540	13,150	5,163	25,411	2,824,993
Additions	3,281	2,156	2,555	508	11,717	20,217
Disposals	(1,793)	(592)	(1)	(70)	-	(2,456)
Written off	(843)	(5)	(993)	(19)	-	(1,860)
Fair value adjustment*	-	385,080	-	-	-	385,080
Reclassification	-	15,385	-	-	(15,385)	-
At 30 June 2003	<u>589,374</u>	<u>2,594,564</u>	<u>14,711</u>	<u>5,582</u>	<u>21,743</u>	<u>3,225,974</u>
Representing items at:						
Cost	289,374	26,648	14,711	5,582	21,743	358,058
Valuation	300,000	2,567,916	-	-	-	2,867,916
	<u>589,374</u>	<u>2,594,564</u>	<u>14,711</u>	<u>5,582</u>	<u>21,743</u>	<u>3,225,974</u>
ACCUMULATED DEPRECIATION						
At 1 July 2002	38,143	154,629	7,304	3,179	-	203,255
Charge for the financial year	7,318	69,181	1,279	629	-	78,407
Disposals	(3)	(288)	(1)	(14)	-	(306)
Written off	(843)	(2)	(743)	(15)	-	(1,603)
Reclassification	-	-	-	-	-	-
At 30 June 2003	<u>44,615</u>	<u>223,520</u>	<u>7,839</u>	<u>3,779</u>	<u>-</u>	<u>279,753</u>
Representing items at:						
Cost	44,615	20,775	7,839	3,779	-	77,008
Valuation	-	202,745	-	-	-	202,745
	<u>44,615</u>	<u>223,520</u>	<u>7,839</u>	<u>3,779</u>	<u>-</u>	<u>279,753</u>
ACCUMULATED IMPAIRMENT LOSSES						
At 1 July 2002	-	1,311	-	-	2,832	4,143
Impairment loss for the financial year	-	28	-	-	2,811	2,839
At 30 June 2003	<u>-</u>	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>5,643</u>	<u>6,982</u>
Representing items at:						
Cost	-	1,339	-	-	5,643	6,982
Valuation	-	-	-	-	-	-
	<u>-</u>	<u>1,339</u>	<u>-</u>	<u>-</u>	<u>5,643</u>	<u>6,982</u>

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
GROUP						
NET BOOK VALUE						
At 30 June 2003						
- at cost	244,759	4,534	6,872	1,803	16,100	274,068
- at valuation	300,000	2,365,171	-	-	-	2,665,171
	<u>544,759</u>	<u>2,369,705</u>	<u>6,872</u>	<u>1,803</u>	<u>16,100</u>	<u>2,939,239</u>
At 30 June 2002						
- at cost	250,586	2,036,600	5,846	1,984	22,579	2,317,595
- at valuation	300,000	-	-	-	-	300,000
	<u>550,586</u>	<u>2,036,600</u>	<u>5,846</u>	<u>1,984</u>	<u>22,579</u>	<u>2,617,595</u>
Depreciation charge for the financial year ended 30 June 2002	<u>7,378</u>	<u>65,276</u>	<u>1,207</u>	<u>769</u>	<u>-</u>	<u>74,630</u>

* The Group has adjusted the plant and machinery of an existing subsidiary company, Megasteel Sdn Bhd, on the acquisition of additional 40% equity interest to its fair value. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM138.6 million (net of deferred tax liabilities) has been credited to revaluation reserve account. It is not the Group policy to revalue such assets regularly.

Analysis of land and buildings is as follows:

	Freehold land and land improvement RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Total RM'000
GROUP					
COST/VALUATION					
At 1 July 2002	317,826	12,870	7,362	250,671	588,729
Additions	2,779	335	-	167	3,281
Disposals	-	(1,793)	-	-	(1,793)
Written off	-	-	-	(843)	(843)
At 30 June 2003	<u>320,605</u>	<u>11,412</u>	<u>7,362</u>	<u>249,995</u>	<u>589,374</u>
Representing items at:					
Cost	20,605	11,412	7,362	249,995	289,374
Valuation	300,000	-	-	-	300,000
	<u>320,605</u>	<u>11,412</u>	<u>7,362</u>	<u>249,995</u>	<u>589,374</u>

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Analysis of land and buildings is as follows: (continued)

GROUP	Freehold land and land improvement RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Total RM'000
ACCUMULATED DEPRECIATION					
At 1 July 2002	-	728	2,871	34,544	38,143
Charge for the financial year	-	196	147	6,975	7,318
Disposals	-	(3)	-	-	(3)
Written off	-	-	-	(843)	(843)
At 30 June 2003	-	921	3,018	40,676	44,615
Representing items at:					
Cost	-	921	3,018	40,676	44,615
Valuation	-	-	-	-	-
	-	921	3,018	40,676	44,615
NET BOOK VALUE					
At 30 June 2003					
- cost	20,605	10,491	4,344	209,319	244,759
- valuation	300,000	-	-	-	300,000
	320,605	10,491	4,344	209,319	544,759
At 30 June 2002					
- cost	17,826	12,142	4,491	216,127	250,586
- valuation	300,000	-	-	-	300,000
	317,826	12,142	4,491	216,127	550,586
Depreciation charge for the financial year ended 30 June 2002	-	181	147	7,050	7,378

The freehold land has been charged to financial institutions for credit facilities granted to a subsidiary company.

The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2002: RM35.0 million) and RM1.96 billion (2002: Nil) respectively as at the financial year end.

Other property, plant and equipment with the carrying value of RM2.63 billion (2002: RM2.37 billion) have also been charged to financial institutions as securities for credit facilities.

The net book value of motor vehicles acquired under hire purchase amounted to RM508,087 (2002: RM373,579) as at the financial year end.

Land and strata titles for certain leasehold land and buildings of a subsidiary company with the net book value of RM 9.7 million (2002: RM11.5 million) have not been issued by the relevant authorities.

10. SUBSIDIARY COMPANIES

	COMPANY	
	2003	2002
	RM'000	RM'000
Unquoted shares at cost	41,758	41,758
Accumulated impairment losses	(11,856)	(3,556)
	29,902	38,202
Megasteel Sub-Bond (A)	2,071,126	-
	2,101,028	38,202

The Megasteel Sub-Bond (A) has been charged as a security for the LCB Bonds and the LCB Debts issued by the Company.

Investments in subsidiary companies totalling RM29.9 million have been charged as security for the LCB Bonds and the LCB Debts issued by the Company.

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2003	2002	
		%	%	
Bersatu Investments Company Limited *	Hong Kong	71	71	# Ceased operations
Glit Investments Company Limited *	Hong Kong	100	100	# Dormant
Kinabalu Car Distributors Sdn Bhd *	Malaysia	100	100	# Dormant
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	50.01	50.01	Assembly of commercial vehicles
KMA Marketing Sdn Bhd *	Malaysia	100	100	# Trading of motor vehicles
LCB Harta (M) Sdn Bhd	Malaysia	100	100	Treasury business
Limpahjaya Sdn Bhd	Malaysia	100	100	Investment holding
Lion Com Sdn Bhd	Malaysia	100	100	# Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	100	100	Construction and civil engineering work
Lion Excellent Sdn Bhd	Malaysia	100	100	Ceased operations
Lion-Fichet (HK) Limited *	Hong Kong	100	100	# Ceased operations
Lion Fichet Sdn Bhd	Malaysia	100	100	# Ceased operations
Lion General Trading & Marketing (S) Pte Ltd *	Singapore	100	100	General merchant
Lion Rubber Works Sdn Bhd	Malaysia	100	100	Ceased operations
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
Logic Concepts (M) Sdn Bhd	Malaysia	71	71	# Ceased operations

10. SUBSIDIARY COMPANIES (continued)

The subsidiary companies are: (continued)

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2003	2002	
		%	%	
Logic Concepts (S) Pte Ltd *	Singapore	100	100	# Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	91	91	# Ceased operations
Logic Furniture (S) Pte Ltd *	Singapore	100	100	# Ceased operations
Lyn (Pte) Ltd *	Singapore	79	79	# Investment holding
Megasteel Sdn Bhd	Malaysia	90	50 **	# Manufacturing of hot rolled coils, bands, plates and sheets
PMB Building System Sdn Bhd	Malaysia	100	100	# Investment holding
PMB Jaya Sdn Bhd (formerly known as Lion Sankyu Tekko Sdn Bhd)	Malaysia	80	80	# Ceased operations
Secretarial Communications Sdn Bhd	Malaysia	100	100	# Share registration and secretarial services
Umevest Sdn Bhd	Malaysia	100	100	# Investment holding

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

11. ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Quoted shares in Malaysia at cost	1,179,588	375,581	1,039,154	259,265
Accumulated impairment losses	(33,326)	-	(210,511)	(161,756)
	1,146,262	375,581	828,643	97,509
Unquoted shares at cost	1,540	1,540	1,540	1,540
	1,147,802	377,121	830,183	99,049
Share of post-acquisition results and reserves	(385,132)	(375,676)	-	-
	762,670	1,445	830,183	99,049
Market value of quoted shares	273,357	33,292	255,623	20,721
Represented by:				
Share of net assets other than goodwill	363,117	1,445		
Share of goodwill in associated companies	214,984	-		
	578,101	1,445		
Unamortised goodwill on acquisition	(318,663)	-		
Unamortised reserve on acquisition	503,232	-		
	762,670	1,445		

11. ASSOCIATED COMPANIES (continued)

Amsteel Corporation Berhad Group is holding 24.7% (2002: 20.2%) equity interest in Lion Corporation Berhad as at the end of the financial year.

Certain quoted shares of associated company amounting to RM142.9 million have been charged to financial institutions as security for credit facilities granted to the Group.

The associated companies are:

Name of Company	Country of Incorporation	Holding in Equity		Accounting Year End	Principal Activities
		2003	2002		
		%	%		
Amsteel Corporation Berhad	Malaysia	38.2	19.4	30 June	Investment holding
		#	#		
Lion Industries Corporation Berhad	Malaysia	41.6	-	30 June	Investment holding and property development
		#			
Lion Plantations Sdn Bhd	Malaysia	30	30	30 June	Investment holding

Held by subsidiary companies.

12. INVESTMENTS

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	183	13,265	-	11,150
Allowance for diminution in value	(123)	(123)	-	-
	60	13,142	-	11,150
Quoted shares in Malaysia at cost	30,179	30,179	27,177	27,177
Allowance for diminution in value	(5,008)	(2,107)	(2,378)	(346)
	25,171	28,072	24,799	26,831
Other investment at cost	25	25	-	-
Total	25,256	41,239	24,799	37,981
Market value of quoted shares	10,743	6,946	10,371	6,497

13. INTANGIBLE ASSETS

	GROUP	
	2003 RM'000	2002 RM'000
Goodwill on consolidation		
At 1 July	27,503	27,503
Acquisition of addition 40% equity interest in a subsidiary company	590,210	-
At 30 June	<u>617,713</u>	<u>27,503</u>
Cumulative amortisation at 1 July	(7,513)	(6,421)
Amortisation for current financial year	(8,962)	(1,092)
Cumulative amortisation at 30 June	<u>(16,475)</u>	<u>(7,513)</u>
Net	<u>601,238</u>	19,990
Deferred expenditure		
Pre-commercial production expenses	148,104	148,104
Cumulative amortisation at 1 July	(32,088)	(17,278)
Amortisation for current financial year	(14,811)	(14,810)
Cumulative amortisation at 30 June	<u>(46,899)</u>	<u>(32,088)</u>
Net	<u>101,205</u>	116,016
Total	<u>702,443</u>	<u>136,006</u>

14. INVENTORIES

	GROUP	
	2003 RM'000	2002 RM'000
At cost:		
Raw materials	144,988	106,489
Work-in-progress	3,314	2,209
Finished goods	106,405	230,480
General and consumables stores	75,423	59,609
Goods-in-transit	18	32
	<u>330,148</u>	<u>398,819</u>
At net realisable value:		
Raw materials	6,589	2,008
Finished goods	6,800	6,170
Total	<u>343,537</u>	<u>406,997</u>

The carrying amount of raw materials and finished goods stated at net realisable value as at 30 June 2003 are RM9.8 million and RM8.0 million (2002: RM2.9 million and RM9.6 million) respectively.

Inventories with carrying value of RM306.6 million (2002: RM368.7 million) are pledged to financial institutions for credit facilities.

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current				
Trade receivables	125,005	231,012	-	-
Allowance for doubtful debts	(14,333)	(14,120)	-	-
	110,672	216,892	-	-
Retention monies	559	4,012	-	-
Allowance for doubtful debts	(106)	(106)	-	-
	453	3,906	-	-
Other receivables, deposits and prepayments	273,975	310,463	964	8,005
Allowance for doubtful debts	(949)	(51,759)	-	-
Interest in suspense	(226)	(4,997)	(41)	(41)
	272,800	253,707	923	7,964
Gross amount due from contract customers (see below)	1,478	1,678	-	-
Total current portion	385,403	476,183	923	7,964
Non current				
Long term receivable	230,125	-	-	-

Included in other receivables, deposits and prepayments of the Group is prepayment for purchase of raw materials of a subsidiary company amounting to RM114.0 million (2002: RM99.7 million).

Included also in other receivables of the Group for financial year 2002 were certain amounts due from related parties as disclosed in Note 30.

The long term receivable is due from Khazanah Nasional Berhad ("Khazanah"), which arose from the issue of the Megasteel Sub-Bond (B) to Khazanah (refer to Note 23). The amount is unsecured, bear interest rate of 1% per annum and is repayable after five years.

The Group's normal trade credit term range from 5 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

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

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

	GROUP	
	2003 RM'000	2002 RM'000
Contract cost to date	60,419	63,818
Attributable profits	1,474	1,422
	61,893	65,240
Progress billings	(60,415)	(63,562)
Gross amount due from contract customers	1,478	1,678

15. TRADE AND OTHER RECEIVABLES (continued)

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

As of 30 June 2003, retention monies held by customers for contract work amounted to RM0.4 million (2002: RM4.0 million).

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

	GROUP	
	2003	2002
	RM'000	RM'000
Depreciation	-	8

16. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	COMPANY	
	2003	2002
	RM'000	RM'000
(a) Current		
Amount due from subsidiary companies	1,571,746	539,575
Allowance for doubtful debts	(9,744)	(19,654)
Interest in suspense	(186)	(186)
	<u>1,561,816</u>	<u>519,735</u>
Amount due to subsidiary companies (included under current liabilities)	<u>(145,263)</u>	<u>(13,097)</u>

The amounts due from/(to) subsidiary companies which arose mainly from inter-company advances and payments made on behalf are unsecured and have no fixed repayment terms. The amounts due from subsidiary companies bear a weighted average effective interest rate of 2.9% per annum and the amounts due to subsidiary companies bear a weighted average effective interest rate of 1.0% per annum.

	COMPANY	
	2003	2002
	RM'000	RM'000
(b) Non current		
Amount due to a subsidiary company	<u>(2,071,126)</u>	<u>-</u>

The amount due to a subsidiary company arose mainly from the Company's investment in Megasteel Sub-Bond (A), an instrument which confer the Company a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel Sdn Bhd, under the GWRS. The amount is unsecured, bears an effective interest rate of 1% per annum and is repayable after five years.

17. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and Company carry an average effective interest rate of 2.7% (2002: 2.7%) per annum and 2.7% (2002: 2.6%) per annum respectively and have an average maturity of 1 day (2002: 1 day) and 30 days (2002: 30 days) respectively.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	370,582	446,635	-	-
Other payables and accruals	187,510	562,840	28,763	93,362
Gross amount due to contract customers (see below)	-	1,851	-	-
Hire purchase liabilities (Note 26)	127	82	-	-
Project payables (Note 26)	58,086	228,797	-	-
	616,305	1,240,205	28,763	93,362

Included in other payables and accruals of the Group are interest charges of RM24.1 million (2002: RM292.3 million) and construction costs for plant and machinery payable of RM73.6 million (2002: RM85.6 million).

Included in other payables and accruals of the Company for the financial year 2002 were interest charges of RM71.9 million.

The normal credit terms granted to the Group range from 30 days to 180 days.

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

	GROUP	
	2003 RM'000	2002 RM'000
Contract cost to date	-	159,069
Attributable profits	-	2,629
	-	161,698
Progress billings	-	(163,549)
Gross amount due to contract customers	-	(1,851)

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

	GROUP	
	2003 RM'000	2002 RM'000
Depreciation	1	1

19. BANK OVERDRAFTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured	12,089	16,417	-	-
Unsecured	1,959	4,604	-	1,983
	14,048	21,021	-	1,983

Bank overdrafts of certain subsidiary companies 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 companies.

19. BANK OVERDRAFTS (continued)

The bank overdrafts are subject to interest rates varying between 7.7% to 9.6% (2002: 7.0% to 9.1%) per annum. The weighted average effective interest rate for the bank overdrafts is 8.4% (2002: 8.1%) per annum.

20. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Term loans:				
Portion repayable within one year (Note 24)	455,236	867,757	-	100,000
Unsecured:				
Bills payable	1,395	153	-	-
Revolving credits	252	50,750	-	47,500
Short term loans	-	87,400	-	87,400
	1,647	138,303	-	134,900
Secured:				
Bills payable	104,462	110,330	-	-
Revolving credits	41,839	41,839	-	-
Short term loans	21,506	110,000	-	-
	167,807	262,169	-	-
Total	624,690	1,268,229	-	234,900

Bills payable, revolving credits and short term loans of certain subsidiary companies are secured by way of first and second legal charge over their landed properties and floating charges on the entire assets and undertaking of the subsidiary companies.

Short term loan of a subsidiary company is also secured against the investment in an associated company of the Group.

The bills payable, revolving credits and short term loans are subject to interest rates varying between 3.4% to 4.7% (2002: 3.4% to 4.8%) per annum, 3.0% to 5.9% (2002: 3.0% to 5.9%) per annum and 5.5% (2002: 8.0% to 9.0%) per annum respectively.

Included in the unsecured outstanding revolving credits of the Company for the financial year 2002 is an amount of RM10.0 million which has been sold by the licensed banks to Danaharta Urus Sdn Bhd. The amount has been converted into LCB Bonds and shares upon the implementation of the GWRS during the financial year.

The weighted average effective interest rates charge for respective credit facilities are as follows:

	GROUP		COMPANY	
	2003 %	2002 %	2003 %	2002 %
Bills payable	4.3	4.4	-	-
Revolving credits	6.8	7.4	-	10.1
Short term loans	5.5	9.0	-	11.3

21. SHARE CAPITAL

	GROUP AND COMPANY	
	2003	2002
	RM'000	RM'000
Ordinary shares of RM1.00 each		
(a) Authorised:		
At 1 July	500,000	500,000
Capital reconstruction	(150,000)	-
Additional	1,650,000	-
At 30 June	2,000,000	500,000
(b) Issued and fully paid:		
At 1 July	182,896	182,896
Capital reconstruction	(54,869)	-
Shares issued under GWRS	791,014	-
At 30 June	919,041	182,896

As at 30 June 2003, 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. The exercise period of the warrants has been further extended from 10 December 2003 to 10 December 2004 as announced on 10 September 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 2003, there were 1,090,000 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.

21. SHARE CAPITAL (continued)

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 1.7.2002	Granted	Exercised	Adjustment for capital reconstruction	Lapsed	No. of shares unissued as at 30.6.2003
22.5.2000	RM2.69	1,660,000	-	-	411,000	159,000	1,090,000

22. RESERVES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-distributable:				
Share premium	75,032	55,067	75,032	55,067
Reserve on consolidation	607	639	-	-
Revaluation reserve (Note 27)	247,367	108,738	-	-
Capital reserves	76,783	288,222	-	-
Translation reserves	2,510	2,602	-	-
	402,299	455,268	75,032	55,067
Distributable:				
Accumulated losses	(670,022)	(992,007)	(295,375)	(226,748)
	(267,723)	(536,739)	(220,343)	(171,681)

Capital reserves comprise mainly share of post acquisition reserves of an associated company, Amsteel Corporation Berhad, and gains recorded by a subsidiary company which was incorporated pursuant to the GWRS during the financial year to manage the Ringgit Malaysia debts and the United States Dollar debts.

23. BONDS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non current				
Secured:				
- LCB Bond	1,541,694	-	1,541,694	-
- LCB Debts	10,161	-	10,161	-
Unsecured bond:				
- Megasteel Sub-Bond (B)	230,126	-	-	-
	1,781,981	-	1,551,855	-
Current				
Secured:				
- LCB Bond	24,612	-	24,612	-
- LCB Debts	41	-	41	-
3% Redeemable Bank Guaranteed Bonds 1997/2002	-	350,000	-	350,000
	24,653	350,000	24,653	350,000

23. BONDS (continued)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Total				
Secured:				
- LCB Bond	1,566,306	-	1,566,306	-
- LCB Debts	10,202	-	10,202	-
Unsecured bond:				
- Megasteel Sub-Bond (B)	230,126	-	-	-
3% Redeemable Bank Guaranteed Bonds 1997/2002	-	350,000	-	350,000
	<u>1,806,634</u>	<u>350,000</u>	<u>1,576,508</u>	<u>350,000</u>

The bonds and debts are repayable over the following periods:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Within one year	24,653	350,000	24,653	350,000
From one to two years	347,709	-	347,709	-
From two to five years	1,434,272	-	1,204,146	-
	<u>1,806,634</u>	<u>350,000</u>	<u>1,576,508</u>	<u>350,000</u>

On 14 March 2003, the Company ("LCB") has issued the following zero coupon redeemable secured bonds ("LCB Bonds") and debts ("LCB Debts"):

- (i) RM45.445 million (present value as at the date of issue) Class A LCB Bonds, having a maturity date of 31 December 2004 as part of the settlement of debts;
- (ii) RM474.836 million (present value as at the date of issue) Class B (a) LCB Bonds, having a maturity date of 31 December 2009 as part of the settlement of debts;
- (iii) RM1,071.826 million (present value as at the date of issue) Class B (b) LCB Bonds, having a maturity date of 31 December 2011 as part of the consideration for the acquisition of an additional 40% equity interest in Megasteel Sdn Bhd ("Megasteel") and of 224.540 million shares in Lion Industries Corporation Berhad; and
- (iv) USD2.628 million (present value as at the date of issue) LCB Debts, having a maturity date of 31 December 2009 as part of the settlement of debts.

On 14 March 2003, Megasteel, a subsidiary company, has also issued RM226.71 million (present value as at the date of issue) Megasteel Sub-Bond (B), having a maturity date of 31 December 2011 to Khazanah. The Megasteel Sub-Bond (B) is an instrument which confers Khazanah a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel, is unsecured and is repayable after five years.

The cash yields to maturity from 14 March 2003 to the date of actual redemption of the above bonds and debts are as follows:

Class A LCB Bonds	6.00%
Class B (a) LCB Bonds	5.75%
Class B (b) LCB Bonds	7.75%
LCB Debts	5.00%
Megasteel Sub-Bond (B)	1.00%

23. BONDS (continued)

Securities for the LCB Bonds and the LCB Debts

The Security Trustee shall hold the following securities for the benefit of the holders of the LCB Bonds and the LCB Debts:

- (i) The assets included in the Proposed Divestment Programme (“PDP”) for the LCB Group. If there is an existing security on any such assets as at 14 March 2003 (“Existing Charge”), the Security Trustee will take a lower priority security interest.
- (ii) The CPB Inter-Co Repayment receivable by LCB.
- (iii) The Redemption Account held by LCB. The Redemption Account will capture the “Dedicated Cash Flows” held by LCB.

Dedicated Cash Flows mean cash flows from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the LCB Group over which there is an Existing Charge, if applicable;
- net proceeds from the disposal of any assets in the PDP for LCB Group over which there is no Existing Charge;
- proceeds from the redemption of the CPB Inter-Co Repayment received by LCB including any loyalty payment received following the full repayment of the CPB Inter-Co Repayment;
- subject to the proportions allocated to holders of the LCB Bonds and the LCB Debts, net proceeds from the disposal of any assets of the LCB Group (other than assets in the PDP for the LCB Group);
- Megasteel’s dividends for years 2006 and 2007 and redemption of the Megasteel Sub-Bond (A) from year 2008 to year 2011; and
- cash injection to be undertaken in year 2011.

In relation to the LCB Bonds and the LCB Debts, LCB covenants, amongst others, that LCB will not without the prior written consent of the Trustee,

- (i) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness except such permitted indebtedness, ie.

At any time, any indebtedness for borrowed money incurred or assumed by LCB, any of its subsidiary companies, any scheme company and any security party in respect of which the aggregate principal amount committed or provided by the lenders together with the aggregate amount of all indebtedness of LCB, any of its subsidiary companies and any scheme company and any security party at the time of its incurrence does not exceed the following limits:

- (a) where the total amounts made for the redemption and purchase of the LCB Bonds and the total amounts made for the redemption and purchase of the LCB Debts (collectively, “Redemption and Repayment Amounts”) paid by LCB up to that time are less than 50% of the aggregate Redemption and Repayment Amounts payable under the LCB Bonds and the LCB Debts, the limit shall be 20% of that Redemption and Repayment Amounts paid by LCB up to that time;

23. BONDS (continued)

In relation to the LCB Bonds and the LCB Debts, LCB covenants, amongst others, that LCB will not without the prior written consent of the Trustee, (continued)

- (i) Indebtedness (continued)
 - (b) where Redemption and Repayment Amounts paid by LCB up to that time are equal to or exceeding 50% but less than 75% of the aggregate Redemption and Repayment Amounts payable under the LCB Bonds and the LCB Debts, the limit shall be 35% of that Redemption and Repayment Amounts paid by LCB up to that time; and
 - (c) where the total Redemption and Repayment Amounts paid by LCB up to that time are equal to or more than 75% of the aggregate Redemption Amounts payable under the LCB Bonds and the LCB Debts, the limit shall be 50% of the total Redemption and Repayment Amounts paid by LCB up to that time.
- (ii) Disposal of assets in PDP

Dispose assets/shares in the PDP if:

 - (a) the realisable value of the asset is above RM5 million; and
 - (b) the disposal price is at a discount of 20% or more of the market value of the assets; or
 - (c) the sale of asset is to a related party.
- (iii) Disposal of residual assets

Dispose assets not in the PDP if:

 - (a) the disposal price is in excess of RM25 million or 20% of the audited consolidated net tangible assets ("NTA") of LCB, whichever is lower; and
 - (b) the disposal is at a discount of 20% or more of the market value of the asset.
- (iv) Capital expenditure

Incur and/or cause its subsidiary companies to incur any capital expenditure:

 - (a) for any new investment which is not within the core business of LCB or such subsidiary company as at the date of the Trust Deed; and
 - (b) exceeding 25% of the consolidated NTA of LCB.
- (v) Material litigation

LCB will promptly notify the Trustee/lender of any litigation where the value is equal or exceeds 5% of the consolidated NTA of LCB.

The main financial covenants of the Megasteel Sub-Bonds are as follows:

- (a) The ratio of the debts to tangible net worth of Megasteel shall not exceed 3:1.
- (b) The debt service cover ratio of Megasteel shall not be less than 1.2:1.
- (c) The ratio of current assets to current liabilities of Megasteel shall not be less than 0.4:1.
- (d) The finished goods stock turnover period of Megasteel shall not exceed 30 days as at the end of each quarter.

23. BONDS (continued)

The main financial covenants of the Megasteel Sub-Bonds are as follows: (continued)

- (e) The trade debtors collection period of Megasteel shall not exceed 25 days as at the end of each quarter.

3% Redeemable Bank Guaranteed Bonds 1997/2002 (“RBG Bonds”)

On 19 December 1997, the Company issued RM350,000,000 nominal value of RBG Bonds with 91,380,750 detachable warrants under a “Bought-Deal” basis. The Bonds were constituted under a Trust Deed dated 18 December 1997.

The RBG Bonds have been redeemed in full on 19 December 2002.

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 2003, 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.

The exercise period of the warrants has been further extended from 10 December 2003 to 10 December 2004 as announced on 10 September 2003.

24. LONG TERM BORROWINGS

Term loans

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured	1,795,796	1,677,962	-	100,000
Portion repayable within one year and included under current liabilities (Note 20)	(455,236)	(867,757)	-	(100,000)
	1,340,560	810,205	-	-

The term loans are repayable over the following periods:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Within one year (Note 20)	455,236	867,757	-	100,000
From one to two years	494,465	281,302	-	-
From two to five years	846,095	528,903	-	-
	1,795,796	1,677,962	-	100,000

The term loans of the subsidiary companies are secured by way of a first fixed and floating charge over the assets of the subsidiary companies concerned.

The term loans are subject to interest rates at 1.75% (2002: 1.63% to 1.75%) above the commercial bank's base lending rates/London Inter Bank Offer Rate. The weighted average effective interest rate of term loans is 5.1% (2002: 5.7%) per annum.

25. DEFERRED TAX LIABILITIES

	GROUP	
	2003 RM'000	2002 RM'000
At 1 July (Note 27)	13,603	13,620
Recognised in the income statement (Note 7)	-	(17)
Arising from fair value adjustment of a subsidiary company's plant and machinery on acquisition of an additional 40% equity interest	107,822	-
At 30 June	121,425	13,603

The Group's movements in deferred tax liabilities during the financial year (prior to offsetting of balances) comprise the following:

	Accelerated capital allowances RM'000	Revaluation reserve RM'000	Total RM'000
Deferred tax liabilities			
At 1 July 2002	353	13,250	13,603
Arising from fair value adjustment of a subsidiary company's plant and machinery on acquisition of an additional 40% equity interest	-	107,822	107,822
At 30 June 2003	353	121,072	121,425

25. DEFERRED TAX LIABILITIES (continued)

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

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unused tax losses	192,303	196,725	-	-
Unabsorbed capital allowances	4,776	5,266	17	17
Unabsorbed reinvestment allowances	1,881	1,881	-	-
	198,960	203,872	17	17
Estimated tax exempt account available for the payment of tax exempt dividend	17,442	17,442	17,442	17,442

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

A subsidiary company has been granted pioneer status under the Promotion of Investment Act, 1986. The Pioneer incentive is given for a period of 5 years from 1 February 2000 to 31 January 2005 with an option to extend for another 5 years thereafter.

26. DEFERRED LIABILITIES

	GROUP	
	2003 RM'000	2002 RM'000
Hire purchase liabilities		
Payable within one year	156	101
Payable between 1 and 5 years	396	300
	552	401
Finance charges	(100)	(79)
	452	322
Portion payable within one year (Note 18)	(127)	(82)
	325	240
Project payables - unsecured	182,702	228,797
Portion due within one year (Note 18)	(58,086)	(228,797)
	124,616	-
Total deferred liabilities	124,941	240

The hire purchase liabilities are repayable over the following period:

	GROUP	
	2003 RM'000	2002 RM'000
Due within one year (Note 18)	127	82
Due between one and five years	325	240
	452	322

26. DEFERRED LIABILITIES (continued)

The hire purchase liabilities carry interest rates ranging from 3.9% to 5.0% (2002: 4.7% to 5.0%) per annum.

Project payables represent construction costs for plant and machinery payable. The amount is unsecured, interest free and is repayable within one to two years.

27. PRIOR YEAR ADJUSTMENT

In previous years, deferred tax liabilities are recognised for timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future and deferred tax assets are recognised only where there is a reasonable expectation of their realisation. During the financial year, the Group has changed its accounting policies in recognition of deferred tax liabilities and assets to comply with MASB 25 Income Taxes. Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

This change in accounting policy has been accounted for retrospectively.

The effect of the new accounting policy on the financial statements is as follows:

	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
GROUP			
Provision for deferred tax liabilities on revaluation of freehold land made previously:			
At 1 July 2001			
- Revaluation reserve	116,453	(7,715)	108,738
- Deferred tax liabilities	370	13,250	13,620
- Minority interests	392,503	(5,535)	386,968
At 1 July 2002			
- Revaluation reserve	116,453	(7,715)	108,738
- Deferred tax liabilities	353	13,250	13,603
- Minority interests	356,862	(5,535)	351,327

28. COMMITMENTS

Capital commitments

As of the end of the financial year, the Group has the following capital commitments:

	GROUP	
	2003	2002
	RM'000	RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	58,802	15,795
- approved but not contracted for	89,680	66,200
	148,482	81,995

29. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Guarantees in respect of loans and credit facilities granted to subsidiary companies - unsecured	-	-	49,334	50,018
Interest payable on late payment to a trade payable still under negotiation by a subsidiary company - unsecured	427	427	-	-
Litigation *	342	342	-	-
	769	769	49,334	50,018

* Represents a claim made against a subsidiary company for the breach of the memorandum of sublet of property and the cost of repair to the property. The directors are of the opinion that there is no merit to the claim made and they do not expect any material loss to arise therefrom. Accordingly, no provision has been made in the financial statements.

30. 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	
		2003 RM'000	2002 RM'000
i) <u>With Amsteel Corporation Berhad Group ("Amsteel"):</u>			
Lion Tooling Sdn Bhd	Trade purchases	2,407	1,940
Singa Logistics Sdn Bhd	Logistic services	8,429	4,033
Amalgamated Rolling Mill Sdn Bhd	Trade purchases	3,707	3,705
ii) <u>With Lion Industries Corporation Berhad Group ("LICB"):</u>			
Amsteel Mills Sdn Bhd	Trade sales	85,986	145,308
	Trade purchases	169,350	167,423
JOPP Builders Sdn Bhd	Interest income	-	4,956
iii) <u>With other related parties</u>			
Bright Steel Sdn Bhd	Trade sales	67,953	47,825
	Trade purchases	2,369	1,601
Bright Steel Service Centre Sdn Bhd	Trade purchases	800	501
	Trade sales	5,946	5,130

Amsteel and LICB are associated companies of the Company.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Type of transaction	GROUP	
		2003 RM'000	2002 RM'000
Lion Holdings Pte Ltd	Trade purchases	53,813	72,785
Lion Plate Mills Sdn Bhd	Trade sales	11,015	-
Affin Insurance Brokers Sdn Bhd	Purchase of insurance	11,179	6,752
Lion Suzuki Motor Sdn Bhd	Trade purchases Assembly fees for motor vehicles	2,393 - -	6,088 214
Silverstone Berhad	Trade purchases	-	241
Silverstone Corporation Berhad	Management services	465	1,828

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 substantial shareholders and/or directors.

Lion Holdings Pte Ltd and Lion Plate Mills Sdn Bhd are companies in which certain Directors and substantial shareholders of the Company have an interest.

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.

Silverstone Berhad and Lion Suzuki Motor Sdn Bhd are subsidiary companies of Silverstone Corporation Berhad, a company in which certain Directors of the Company are substantial shareholders and directors.

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 receivables, deposits and prepayments of the Group for the financial year 2002 was an amount of RM108.8 million net of allowance for doubtful debts of RM14.8 million due from a related party which arose from advance claim. The amount has been settled under the GWRS during the financial year.

Included also in the other receivables, deposits and prepayments of the Group for the financial year 2002 was an amount of RM7.2 million net of allowance for doubtful debts of RM36.0 million due from Secomex Manufacturing Sdn Bhd, a related party, which arose from supplying of utilities net off against trade purchases which is unsecured and interest free. The Company ceased to be a related party during the financial year.

b) ESOS granted to Directors

Share options over ordinary share in the Company granted to executive Directors of the Company during the financial year are as follows:

	Number of options over ordinary share			
	Granted during the financial year		Unexercised options at financial year end	
	2003	2002	2003	2002
Tan Sri William H.J. Cheng	-	-	123,000	175,000

31. SEGMENTAL ANALYSIS

The Group is organised into three major business segments:

- (i) Steel - manufacturing of hot rolled coils, bands, plates and sheets
- (ii) Manufacturing - manufacture and distribution of office equipment, security equipment and steel related products
- (iii) Motor - assembly of commercial vehicles and trading of motor vehicles

Other business segments comprise investment holding, treasury business, construction and civil engineering work and, share registration and secretarial services.

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

The Directors are of the opinion that all inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

Primary reporting format – business segments

	Steel RM'000	Manufac- turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
2003						
Revenue						
External	1,743,769	29,343	62,467	2,261	-	1,837,840
Inter-segment	1,030	277	-	-	(1,307)	-
Total revenue	<u>1,744,799</u>	<u>29,620</u>	<u>62,467</u>	<u>2,261</u>	<u>(1,307)</u>	<u>1,837,840</u>
Results						
Segment results	301,092	(1,971)	(8,838)	(44,595) @	(151)	245,537
Gain on disposal of unquoted investments						6,424
Waiver of principal by lenders						48,876
Interest income						9,133
Investment income						10
Unallocated corporate expenses						(7,880)
Profit from operations						302,100
Finance costs						(192,267)
Share in results of associated companies	17,884	-	-	(15,766)	-	2,118
Profit before taxation						111,951
Taxation						(11,705)
Profit after taxation						100,246
Minority interests						(44,569)
Net profit for the financial year						<u>55,677</u>

31. SEGMENTAL ANALYSIS (continued)

	Steel RM'000	Manufac- turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
2003						
Segment assets	6,076,769	32,361	59,581	663,611	(2,203,830)	4,628,492
Investment in associated companies	338,371	-	-	424,299	-	762,670
Unallocated corporate assets						26,165
Consolidated total assets						<u>5,417,327</u>
Segment liabilities	666,155	18,587	5,782	2,254,100	(2,203,830)	740,794
Unallocated corporate liabilities						3,907,903
Consolidated total liabilities						<u>4,648,697</u>
Other information						
Capital expenditure	19,431	275	511	581,248	-	601,465
Depreciation	74,779	1,075	2,370	182	-	78,406
Amortisation of pre- commercial production expenses and goodwill	23,476	-	164	133	-	23,773
Amortisation of reserve	-	-	-	(32)	-	(32)
Impairment in value of - property, plant and machinery	-	-	2,811	28	-	2,839
- investment in associated companies	7,126	-	-	26,200	-	33,326
Non-cash expenses other than depreciation, amortisation and impairment losses	(36,000)	943	4,092	36,171	-	5,206

@ Included in the losses were impairment in value of investment in associated companies of RM33.3 million and allowance for diminution in value of quoted investments RM2.9 million.

31. SEGMENTAL ANALYSIS (continued)

2002	Steel RM'000	Manufac- turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	1,107,507	31,899	72,143	(2,446)	-	1,209,103
Inter-segment	-	2,855	-	381	(3,236)	-
Total revenue	<u>1,107,507</u>	<u>34,754</u>	<u>72,143</u>	<u>(2,065)</u>	<u>(3,236)</u>	<u>1,209,103</u>
Result						
Segment result	53,723	(1,485)	(13,394)	(14,321) #	(1,056)	23,467
Interest income						5,438
Investment income						128
Profit from operation						<u>29,033</u>
Finance costs						(167,245)
Share in results of associated companies	-	-	-	(48)	-	(48)
Loss before taxation						(138,260)
Taxation						(93)
Loss after taxation						(138,353)
Minority interest						35,641
Net loss for the financial year						<u>(102,712)</u>
Segment assets	3,484,178	33,608	73,817	82,143	(15,646)	3,658,100
Investment in associated companies	-	-	-	1,445	-	1,445
Unallocated corporate assets						42,279
Consolidated total assets						<u>3,701,824</u>
Segment liabilities	1,059,704	18,027	6,396	171,642	(15,646)	1,240,123
Unallocated corporate liabilities						2,464,217
Consolidated total liabilities						<u>3,704,340</u>
Other information						
Capital expenditure	4,482	79	17,757	-	-	22,318
Depreciation	70,178	1,122	2,691	630	-	74,621
Amortisation of pre- commercial production expenses and goodwill	15,605	-	164	133	-	15,902
Amortisation of reserve	-	-	-	(32)	-	(32)
Impairment in value of property, plant and equipment	-	-	2,832	1,311	-	4,143
Non-cash expenses other than depreciation, amortisation and impairment losses	40,075	1,150	7,359	7,564	-	56,148

Included in the losses were allowance for diminution in value of quoted investment and doubtful debts as shown in the income statement totalling to RM7.1 million.

32. CASH FLOW STATEMENTS

(a) Adjustments for non-cash items, interests and dividend:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Share in results of associated companies	(2,118)	48	-	-
Property, plant and equipment				
- depreciation	78,406	74,621	-	-
- impairment losses	2,839	4,143	-	-
- written off	257	214	-	-
Interest expenses	192,267	167,245	110,349	32,763
Gain on disposal of unquoted investment	(6,424)	(2,279)	(5,933)	(8,659)
Loss on shares swap				
arising from restructuring exercise	5,149	-	5,149	-
Loss on part disposal of investment in an associated company	168	-	-	-
Gain on disposal of property, plant and equipment	(63)	(62)	-	-
Amortisation of :				
- pre-commercial production expenses	14,811	14,810	-	-
- goodwill on consolidation	8,962	1,092	-	-
- reserve on consolidation	(32)	(32)	-	-
Interest income	(9,133)	(5,438)	(56,257)	(242)
Allowance for doubtful debts:				
- subsidiary companies	-	-	(54)	9,799
- others	360	46,209	-	-
- written back	(36,146)	(53)	-	-
Allowance for diminution in value of quoted investments	2,901	2,107	2,032	346
Dividend income	(10)	(128)	(9)	(513)
Bad debts written off	65	43	-	-
Inventories written down	4,443	4,314	-	-
Inventories written off	-	4,075	-	-
Waiver of principal by lenders	(48,876)	-	-	-
Impairment in value of:				
- investment in subsidiary companies	-	-	8,300	3,556
- investment in associated companies	33,326	-	48,755	161,756
Unrealised loss on foreign exchange	30,275	-	-	-
	271,427	310,929	112,332	198,806

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM20.22 million (2002: RM22.32 million) of which RM0.23 million (2002: RM0.17 million) was acquired by means of hire purchase. Cash payments of RM19.99 million (2002: RM4.62 million) were made to purchase property, plant and equipment. The balance of the purchase consideration for the financial year 2002 had been paid earlier and was accounted for as a deposit.

(c) Cash and cash equivalents at end of the financial year

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	14,486	3,185	314	40
Deposits with the financial institutions	13,174	18,049	958	565
Bank overdrafts	(14,048)	(21,021)	-	(1,983)
	13,612	213	1,272	(1,378)

33. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines on financial risk management and it is not the Group's policy to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

Foreign currency risk

The Group's exposure to currency risks is minimal since most of the foreign currency transactions are in US Dollar to which the Ringgit Malaysia is currently pegged except for the purchase of certain plant and machinery which transacted in the Euro currency. The Group attempts to limit its exposure by entering into foreign currency forward contracts wherever possible.

As at balance sheet date, the Group's outstanding foreign currency forward contracts are as follows:

Currency	Transaction dates	Expiry dates	Contract amount '000	Equivalent RM'000
Euro	26 May 2003	28 July 2003	950	4,271
Euro	19 June 2003	25 August 2003	450	1,986
Euro	19 June 2003	23 July 2003	487	2,156

As foreign currency forward contracts are entered into to cover the Group's commitments in foreign currencies, the contracted rates will be used to translate the underlying foreign currency transactions into Ringgit Malaysia. The above contracts are entered into with licensed financial institutions.

The fair value of the foreign currency forward contracts of the Group which has not been recognised at the balance sheet date was an unfavourable net position of RM0.26 million.

The financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Group	US Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Japanese Yen RM'000	Total RM'000
At 30 June 2003					
Functional currency					
Trade and other receivables					
Ringgit Malaysia	12,334	-	-	-	12,334
Trade and other payables					
Ringgit Malaysia	96,353	8,499	895	12	105,759
Bonds					
Ringgit Malaysia	10,202	-	-	-	10,202
Borrowings					
Ringgit Malaysia	955,107	21,506	-	-	976,613
Project payables					
Ringgit Malaysia	2,849	143,744	-	237	146,830

33. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. Interest rates of the Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via Group management review and reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Market risk

The Group has in place policies to manage the Group's exposure to fluctuation in the prices of the key raw materials used in the operations through close monitoring and buying forward in anticipation of significant price increase, where possible. For market risk arising from changes in equity prices, the Group manages disposal of its investments to optimise returns on realisation.

Liquidity and cash flow risks

The Group has actively managed its debt maturity profile, operating cash flows and the availability of the funding so as to ensure that all financing, repayment and funding needs are met. As part of overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

Fair values

The carrying amounts of financial assets and liabilities of the Group and Company as at 30 June 2003 approximated their fair values except as set out below:

	GROUP		COMPANY	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2003				
Financial assets				
Quoted investments	25,171	10,743	24,799	10,371
Unquoted investments	85	(iii)	-	-
Off balance sheets items				
Foreign currency forward contracts	-	(262)	-	-
2002				
Financial assets				
Quoted investments	28,072	6,946	26,831	6,497
Unquoted investments	13,167	19,506	11,150	17,083

It is not practical to estimate the fair values of amount due from/to subsidiary companies due principally to lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance date to be significantly different from the values that would eventually be received or settled.

33. FINANCIAL INSTRUMENTS (continued)

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

- (i) Cash and cash equivalents and trade and other receivables/payables

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

- (ii) Quoted investments

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

The Directors are of the opinion that the excess carrying amount of the quoted investments over their fair value at the balance sheet date is temporary in nature as the net assets of an investee company subsequent to its corporate exercises announced after the year end and the net assets of other quoted investments are not significantly different from their carrying amounts.

- (iii) Unquoted investments

The fair value of investment in unquoted shares as at 30 June 2002 is determined based on the contracted disposal proceeds. However, it is not practical to estimate the fair value of the Group's unquoted investments as at 30 June 2003 due to time constraint, lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

- (iv) Borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

- (v) Derivative financial instruments

The fair value of a foreign currency forward contract is the amount that would be payable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate at the balance date applied to a contract of similar quantum and maturity profile.

34. CORPORATE INFORMATION

- a) The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Board of the Kuala Lumpur Stock Exchange.
- b) The registered office and principal place of business of the Company are both located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.
- c) Number of employees

	GROUP		COMPANY	
	2003	2002	2003	2002
Total number of employees as at the end of the financial year	<u>1,586</u>	<u>1,638</u>	<u>1</u>	<u>1</u>

35. SIGNIFICANT EVENTS

Following the satisfaction of the condition precedent of the GWRS as stated in the last report, the Company had on 14 March 2003 implemented the GWRS which includes:

- (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 comprising 240,000,000 ordinary shares of RM1.00 fully paid from Akurjaya Sdn Bhd, 49,000,000 Preference "D" Shares of RM0.01 each fully paid from Crystavel Sdn Bhd and 26,670,000 Preference "F" Shares of RM0.01 each fully paid from Amsteel Corporation Berhad ("Amsteel") for a total consideration of RM1,007.92 million which was satisfied by a RM0.01 million upfront cash payment and the issuance of RM851.72 million in net present value (RM1,599.41 million in nominal amount) of Ringgit Malaysia denominated bonds ("LCB Bonds") together with up to 53.93 million detachable new ordinary shares of RM1.00 each in LCB ("New LCB Shares") and 156.19 million New LCB Shares at RM1.00 each.
- (iii) Acquisition of 50.45% equity interest in Lion Industries Corporation Berhad ("LICB") comprising 224,540,882 ordinary shares of RM1.00 each from the Amsteel Group for a consideration of RM260.47 million which was satisfied by RM0.003 million upfront cash payment and the issuance of RM220.11 million in net present value (RM413.32 million in nominal amount) of LCB Bonds together with 13.94 million detachable New LCB Shares and 40.36 million New LCB Shares at RM1.00 per share.
- (iv) Acquisition of 419,266,981 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 RM419.27 million which was satisfied by the issuance of 399.30 million New LCB Shares at RM1.05 each to the TSWC Group.
- (v) Exchange of 47,274,317 ordinary shares of RM1.00 each fully paid in LICB to be held by LCB pursuant to proposal (iii) above for 40,135,777 ordinary shares of RM1.00 each in Amsteel held by Lembaga Tabung Angkatan Tentera, based on the exchange ratio of 1.18 LICB Shares for 1 Amsteel Share.
- (vi) Disposal of 6.35% equity interest in Silverstone Berhad to Silverstone Corporation Berhad ("SCB") for a consideration of RM16.24 million, comprising 12,946,752 ordinary shares of RM1.00 each satisfied by the issuance of 8.97 million SCB Shares at RM1.05 per SCB Share with the balance RM6.82 million set off against inter-company balances owing by the LCB Group to the SCB Group.
- (vii) Disposal of 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd comprising 135,000 ordinary shares of RM1.00 each to the Amsteel Group for a consideration of RM1.82 million which was fully netted off against inter-company balances owing by the LCB Group to the Amsteel Group.
- (viii) Settlement of inter-company balances with Lion Diversified Holdings Berhad ("LDHB") by the payment of RM0.81 million by LDHB.
- (ix) Settlement of inter-company balances with the Amsteel Group by netting off against considerations pursuant to the transactions of the GWRS with the inter-company balances and the issuance of new shares and bonds.
- (x) Settlement of :
 - (a) indebtedness owing to the LCB Group's financial institution lenders; and
 - (b) indebtedness owing to the LCB Group's non-financial institution lenders

by the issuance of RM45.445 million (present value as at the date of issue) Class A LCB Bonds, RM474.836 million (present value as at the date of issue) Class B LCB Bonds together with up to 27.84 million detachable New LCB Shares and the issuance of 92.09 million New LCB Shares at RM1.00 per share, USD2.628 million (present value as at the date of issue) LCB Debts together with 4.39 million New LCB Shares at RM1.00 per share.

35. SIGNIFICANT EVENTS (continued)

The PDP of the Group to rationalise its activities through the sale of non-core peripheral assets/companies is still on-going. The proposed restricted offer for sale of 67.61 million Amsteel Shares to the eligible shareholders of Amsteel except for Tan Sri William H.J. Cheng, Datuk Cheng Yong Kim and parties deemed acting in concert with them is pending implementation.

36. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amount have been adjusted as a result of :

- (i) change in accounting policies as disclosed in Note 27 and
- (ii) conformity with MASB 22 “ Segment Reporting” where the presentation of segment analysis has been represented as shown in Note 31 and interest income and dividend which were previously included in the Group’s revenue in the income statement have been reclassified to other operating income.

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 30 to 75 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2003 and of the results, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 17 October 2003.

TAN SRI WILLIAM H.J. CHENG
Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur
17 October 2003

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 30 to 75 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 17 October 2003.

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 30 to 75. 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. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An 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 have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2003 and of the results, 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.

The names of subsidiary companies of which we have not acted as auditors are shown in Note 10 to the financial statements. We have considered the financial 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 subsidiary companies 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
Chartered Accountants

WONG SOO THIAM
1315/12/04(J)
Partner of the Firm

Kuala Lumpur
17 October 2003

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

- 1) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002, Fourth Supplemental Agreement dated 3 September 2002 and Fifth Supplemental Agreement dated 7 January 2003 between the Company ("LCB") of the one part and Amsteel Corporation Berhad ("Amsteel"), a company in which certain Directors and major shareholders of the Company 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^(a) ("LICB") to the Company for a consideration of RM260,467,423 to be satisfied by RM0.003 million cash, an issuance of RM220.11 million in net present value (RM413.32 million in nominal value) of Ringgit Malaysia denominated LCB bonds ("LCB Bonds") together with up to 13.94 million detachable new ordinary shares of RM1.00 each in LCB as equity kicker shares; and 40.36 new ordinary shares of RM1.00 each in LCB ("New LCB Shares") at an issue price of RM1.00 each and that Vendors A shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the LICB Group in the People's Republic of China ("PRC") upon the terms therein contained.
- 2) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002, Fourth Supplemental Agreement dated 3 September 2002 and Fifth Supplemental Agreement dated 7 January 2003 between the Company, Limpahjaya Sdn Bhd ("Limpahjaya"), Amsteel, Umatrac and Posim Berhad^(b), a company wherein certain Directors and major shareholders of the Company have an interest ("Vendors B") of the one part and Angkasa Marketing Berhad^(c) ("SCB"), a company wherein certain Directors and major shareholders of the Company have an interest of the other part for the disposal of 119,653,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad to SCB by Vendors B for a consideration of RM150,055,564 to be satisfied by (i) the issuance of 8,967,491 new ordinary shares of RM1.00 each in SCB at RM1.05 per SCB share to LCB and the balance of RM6,280,417 be set off against inter-company balance owing from LCB and its subsidiary and associated companies to SCB; and (ii) the issuance of 127,446,935 new ordinary shares of RM1.00 each in SCB at RM1.05 per SCB share; and that SCB shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the SCB Group in the PRC upon the terms therein contained.
- 3) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002, Fourth Supplemental Agreement dated 8 July 2002 and Fifth Supplemental Agreement dated 7 January 2003 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 ("Megasteel") from Akurjaya, to include Amsteel and Crystavel Sdn Bhd ("Crystavel") a subsidiary of Amsteel, as co-vendors and the additional disposal of 49,000,000 Preference "D" Shares of RM0.01 each by Crystavel and 26,670,000 Preference "F" Shares of RM0.01 each by Amsteel, both in Megasteel to Limpahjaya for a consideration forming part of the total consideration of RM1,007,921,816 to be satisfied by RM0.01 million cash; an issuance of RM851.72 million in net present value (RM1,599.41 million in nominal amount) of LCB Bonds together with up to 53.93 million detachable New LCB as equity kicker shares; and 156.19 million New LCB Shares at an issue price of RM1.00 each.
- 4) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 8 October 2001 and Second Supplemental Agreement dated 7 January 2003 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 RM1,825,200 to be satisfied by netting-off against inter-company balances owing by the Group to the Amsteel Group.
- 5) Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 26 March 2002, Third Supplemental Agreement dated 11 October 2002 between the Company and Lembaga Tabung Angkatan Tentera ("LTAT"), a major shareholder of the Company as defined in the Listing Requirements of the Kuala Lumpur Stock Exchange, for the disposal of 47,274,317 ordinary shares of RM1.00 each in LICB ("LICB Shares") in exchange for 40,135,777 ordinary shares of RM1.00 each in Amsteel ("Amsteel Shares") owned by LTAT based on the exchange ratio of 1.17785978 LICB share for 1 Amsteel share 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 1 warrant for every 4 shares held at a date to be determined.

- 6) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002, Fourth Supplemental Agreement dated 3 September 2002 and Fifth Supplemental Agreement dated 7 January 2003 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 and the Company on the other part, for the acquisition by the Company of 416,339,409 Amsteel Shares for a consideration of RM416,339,409 to be satisfied by an issuance of 396,508,009 New LCB Shares at an issue price of RM1.05 each. 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 1 warrant for every 4 shares held at a date to be determined.
- 7) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000 and Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 3 September 2002 and Fourth Supplemental Agreement dated 7 January 2003 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 ("Vendor C") and the Company of the other part for the acquisition of 2,927,572 Amsteel shares for a consideration of RM2,927,572 to be satisfied by the issuance of 2,788,163 New LCB Shares at an issue price of RM1.05 per share. 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 1 warrant for every 4 shares held at a date to be determined.

Notes:

- (a) Lion Land Berhad changed its name to Lion Industries Corporation Berhad on 18 February 2003
- (b) Posim Berhad changed its name to Lion Forest Industries Berhad on 20 May 2003
- (c) Angkasa Marketing Berhad changed its name to Silverstone Corporation Berhad on 18 February 2003

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2003

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 20	4,635	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 Sabah	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 28	3,720	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5 ¹ / ₂ , Jalan Tuaran Inanam, Kota Kinabalu - CL015379772 Mile 5, Tuaran Road Daerah Kota Kinabalu Sabah	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 28	1,808	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 35	519	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 18	277	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 18	274	10.08.1985

LIST OF GROUP PROPERTIES (continued)

AS AT 30 JUNE 2003

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 Sabah	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 5	3,070	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 4	520,320	18.10.1995
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri Sarawak	Leasehold 06.06.2059	621 sq metres	Shophouse	Office Block cum Showroom 7	2,174	28.06.1999
Lot 1110, Plot 117 King's Park Commercial Centre, Miri Sarawak	Leasehold 06.06.2059	156.6 sq metres	Land	Vacant	545	22.06.1999
Lot 93 & 94 Teck Guan Ind. Shoplot Jalan Segama Lahad Datu Sabah	Leasehold 08.05.2933	390.2 sq metres	Shoplots	Office Block cum Showroom 4	749	15.12.1999
Lot 13, Kota Kinabalu Industrial Park Jalan Sepanggar Mengatal Kota Kinabalu Sabah	Leasehold	87,513 sq metres	Commercial Land	Vacant	6,668	06.07.2001

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2003

Authorised Share Capital	:	RM2,000,000,000
Issued and Paid-up Capital	:	RM919,040,622
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 15 October 2003

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	50	1.15	1,640	0.01
100 - 1,000	1,443	33.22	928,564	0.10
1,001 - 10,000	2,192	50.46	7,363,226	0.80
10,001 - 100,000	448	10.31	14,020,437	1.52
100,001 - less than 5% of issued shares	207	4.77	377,734,865	41.10
5% and above of issued shares	4	0.09	518,991,890	56.47
	4,344	100.00	919,040,622	100.00

Thirty Largest Registered Shareholders as at 15 October 2003

Registered Shareholders	No. of Shares	% of Shares
1. RHB Merchant Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Amsteel Corporation Berhad	201,995,165	21.98
2. AMMB Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd (BK6/191-1)	197,462,999	21.49
3. Horizon Towers Sdn Bhd	61,714,972	6.72
4. Malaysia Nominees (Tempatan) Sendirian Berhad -Pledged Securities Account for Horizon Towers Sdn Bhd (01-00800-000)	57,818,754	6.29
5. PAB Nominee (Tempatan) Sdn Bhd -Affin Bank Berhad (Loan Recovery)	43,903,737	4.78
6. RHB Merchant Nominees (Tempatan) Sdn Bhd -RHB Sakura Merchant Bankers Berhad (CB)	30,842,694	3.36
7. RHB Capital Nominees (Tempatan) Sdn Bhd -RHB Bank Berhad (Account 1)	20,905,422	2.27
8. Mayban Nominees (Tempatan) Sdn Bhd -J.P. Morgan Chase Bank Berhad for Horizon Towers Sdn Bhd (230090)	15,418,335	1.68
9. UOBM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd (T137-6110539213)	11,671,100	1.27
10. Malayan Banking Berhad	7,703,169	0.84
11. UOBM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd (PCI)	7,638,477	0.83
12. Merchant Nominees (Tempatan) Sendirian Berhad -Pledged Securities Account for Amanvest (M) Sdn Bhd	7,407,654	0.81
13. RHB Merchant Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-A3)	7,252,560	0.79
14. Danaharta Managers (L) Ltd	6,817,723	0.74
15. Umatrac Enterprises Sdn Bhd	6,333,825	0.69

Thirty Largest Registered Shareholders as at 15 October 2003 (continued)

Registered Shareholders	No. of Shares	% of Shares
16. Merchant Nominees (Tempatan) Sendirian Berhad -Pledged Securities Account for Lion Holdings Sdn Bhd	6,221,487	0.68
17. EB Nominees (Tempatan) Sendirian Berhad -EON Bank Berhad	5,992,601	0.65
18. Mayban Securities Nominees (Asing) Sdn Bhd -Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A)	5,911,920	0.64
19. Southern Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd	5,606,966	0.61
20. Mayban Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd (41408430028B)	5,587,871	0.61
21. Mayban Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd (41435660121C)	5,462,773	0.59
22. Alliancegroup Nominees (Asing) Sdn Bhd -Bayerische Landesbank (Labuan Branch)	5,217,734	0.57
23. Amsec Nominees (Tempatan) Sdn Bhd -Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0397)	5,208,000	0.57
24. HSBC Nominees (Tempatan) Sdn Bhd -BOA (M) Bhd for Amanvest (M) Sdn Bhd	5,123,118	0.56
25. Lion Holdings Sdn Bhd	4,883,795	0.53
26. Mayban Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Horizon Towers Sdn Bhd (41403980012D)	4,737,455	0.52
27. HDM Nominees (Tempatan) Sdn Bhd -P & O Capital Sdn Bhd for Exuniq Sdn Bhd	4,701,137	0.51
28. HSBC Nominees (Asing) Sdn Bhd -BOB (G) Ltd for Spinnaker Capital	4,549,170	0.49
29. Amsteel Equity Capital Sdn Bhd	4,110,540	0.45
30. Cartaban Nominees (Asing) Sdn Bhd -WestLB AG	4,003,923	0.44

Substantial Shareholders as at 15 October 2003

Substantial Shareholders	Direct Interest		Indirect Interest			
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants ⁽¹⁾	No. of Options ⁽²⁾
1. Tan Sri William H.J. Cheng	127,019	0.01	685,102,661	74.55	42,160,189	298,000
2. Datuk Cheng Yong Kim	194,250	0.02	437,451,993	47.60	-	-
3. Lion Realty Pte Ltd	-	-	436,191,573	47.46	-	-
4. Lion Development (Penang) Sdn Bhd	2,541,093	0.28	369,896,680	40.24	-	-
5. Horizon Towers Sdn Bhd	367,722,825	40.01	-	-	-	-
6. Amsteel Corporation Berhad	201,995,165	21.98	33,377,540	3.63	42,157,189	-

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

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

	Direct Interest		Indirect Interest			
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants ⁽¹⁾	No. of Options ⁽²⁾
In the Company						
Tan Sri William H.J. Cheng	127,019	0.01	685,102,661	74.55	42,160,189	298,000

Notes:

- (1) Warrants with a 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.

Distribution of Warrant Holdings as at 15 October 2003

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	1	0.06	50	0.01
100 - 1,000	380	21.36	377,950	0.41
1,001 - 10,000	1,031	57.95	4,662,100	5.10
10,001 - 100,000	304	17.09	9,702,000	10.61
100,001 - less than 5% of issued shares	60	3.37	18,366,336	20.10
5% and above of issued shares	3	0.17	58,272,314	63.77
	1,779	100.00	91,380,750	100.00

Thirty Largest Registered Warrant Holders as at 15 October 2003

Registered Warrant Holders	No. of Warrants	% of Warrants
1. Umatrac Enterprises Sdn Bhd	24,773,287	27.11
2. Amsteel Equity Capital Sdn Bhd	17,194,000	18.82
3. Exuniq Sdn Bhd	16,305,027	17.84
4. Botly Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Oh Kim Sun	1,475,000	1.61
5. Botly Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
6. Choong Moh Guan	900,000	0.98
7. Pacific & Orient Insurance Co Berhad	865,000	0.95
8. Silverstone Corporation Berhad	710,250	0.78
9. Chin Lih Lih	650,000	0.71
10. Universal Trustee (Malaysia) Berhad -CMS Premier Fund	600,000	0.66
11. Lee Sui Hee	500,000	0.55
12. RHB Capital Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Chai Meng Tut (CEB)	493,000	0.54
13. Lim Hock Jin	490,000	0.54
14. Rahmah binti Abdul Rahim	473,000	0.52
15. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40
16. Goh Seng Hoon	354,000	0.39
17. HDM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Goh Ah Lek (MEMO3)	342,200	0.37
18. Libra Capital Markets Sendirian Berhad -Libra Asia Securities Limited	320,000	0.35
19. Southern Investment Bank Berhad -Kumpulan Wang Simpanan Pekerja for Ee Beng Wat (EP0169)	320,000	0.35
20. HDM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lee See Hok (MEMO3)	312,000	0.34
21. Citicorp Nominees (Tempatan) Sdn Bhd -CMS Dresdner Asset Management Sdn Bhd for Ali bin Md Dewa	300,000	0.33
22. Paul Chan Kok Po	300,000	0.33
23. Angelina Corrina Fernandez	294,000	0.32

Thirty Largest Registered Warrant Holders as at 15 October 2003 (continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
24. Mayban Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Ng Sing Kian (11195AW0821)	292,000	0.32
25. RHB Capital Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lai Chun Fong (CEB)	292,000	0.32
26. Chai Chang Luen	287,000	0.31
27. Libra Capital Markets Sendirian Berhad -Cheong Chen Yue	280,000	0.31
28. Botly Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Choong Foong Ming	263,000	0.29
29. Yap Kim Mui @ Sarah Margaret Yap	254,000	0.28
30. Hai Leng Enterprise Sdn Bhd	250,000	0.27

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM15,000.

(II) RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils , steel bars, billets, scrap iron, gases and other related products such as steel bands, steel sheets and steel furniture etc.	Lion Industries Corporation Berhad ("LICB Group") ⁽¹⁾ Amalgamated Containers Berhad ("ACB Group") ⁽¹⁾ Lion Forest Industries Berhad ("LFIB Group") ⁽¹⁾ Silverstone Corporation Berhad ("SCB Group") ⁽¹⁾ Amsteel Corporation Berhad ("Amsteel Group") ⁽¹⁾ Sims Holdings Sdn Bhd Group ⁽¹⁾ Lembaga Tabung Angkatan Tentera Group ⁽²⁾	85,986 73,899 422 102 35 11,015 5,527 <u>176,986</u>
(ii) The purchase of hot briquetted iron, gases, scrap iron, lubricants, and other steel related products.	LICB Group ⁽¹⁾ ACB Group ⁽¹⁾ Amsteel Group ⁽¹⁾ Lion Holdings Pte Ltd ⁽³⁾	169,350 3,169 3,707 53,813 <u>230,039</u>
(iii) The purchase of machinery, spare parts, lubricants, tools and dies, insurance and other related products and services such as component parts, repair and maintenance.	Amsteel Group ⁽¹⁾ LFIB Group ⁽¹⁾ Ributasi Holdings Sdn Bhd Group ⁽¹⁾	2,407 553 191 <u>3,151</u>
(iv) The obtaining of marketing, distribution and transportation services.	Amsteel Group ⁽¹⁾	<u>8,429</u>
(v) The rental, water and electricity of office premises.	Amsteel Group ⁽¹⁾	<u>67</u>

(II) RECURRENT RELATED PARTY TRANSACTIONS (continued)

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000	
(b) Motor vehicles related transactions	(i) The sale of motor vehicles, component parts, assembly and services of motor vehicle.	SCB Group ⁽¹⁾	151
		LICB Group ⁽¹⁾	4
		LFIB Group ⁽¹⁾	44
			<u>199</u>
(ii) The purchase of motor vehicles, component parts of motor vehicles.	SCB Group ⁽¹⁾	<u>2,393</u>	
(iii) Rental of office premises.	LFIB Group ⁽¹⁾ SCB Group ⁽¹⁾	9	
		196	
		<u>205</u>	
(c) Others	(i) The provision of management and support and obtaining of training and educational and other related services such as healthcare and secretarial services.	Amsteel Group ⁽¹⁾	26
		SCB Group ⁽¹⁾	273
		ACB Group ⁽¹⁾	18
		LFIB Group ⁽¹⁾	19
		Lion Diversified Holdings Berhad Group ("LDHB") ⁽¹⁾	18
		LICB Group ⁽¹⁾	535
			<u>889</u>
(ii) The sale and purchase of office equipment, furniture, computers, other industrial and consumer products and services and rental of motor vehicles.	Amsteel Group ⁽¹⁾ Amble Bond Sdn Bhd Group ⁽¹⁾ LICB Group ⁽¹⁾	692	
		26	
		18	
		<u>736</u>	

Notes:

"Group" includes subsidiary and associated companies.

(1) Company in which certain Directors and major shareholders of the Company have an interest.

(2) Major shareholder of the Company as defined in the Listing Requirements of the Kuala Lumpur Stock Exchange.

(3) Company in which a Director of the Company have interest.

(III) EXPLANATION FOR PROFIT FORECAST VARIANCE

Explanation of variance between forecasted net profit pursuant to the Group Wide Restructuring Scheme (“GWRS”) as against the audited net profit for the financial year ended 30 June 2003:

	RM’000
Forecasted net profit for financial year ended 30 June 2003 pursuant to the GWRS (Circular to Shareholders dated 9 January 2003 (“Circular”))	196,958
(i) The result of Megasteel Sdn Bhd was lower due to the lower than expected market demand. Production was also affected by the shut down of the furnace for repair in February 2003 for more than one month. Increase in raw material prices, particularly scrap has further reduced margins	(82,554)
(ii) Provision for diminution in value of investment in associated companies and quoted investment	(36,227)
(iii) Lower share of associated companies results	(12,306)
(iv) Others	(10,194)
Audited net profit for the financial year ended 30 June 2003	55,677

(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)

The status of the various conditions imposed by the SC in its approval of the GWRS are as follows:

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Corporation Berhad (“LCB”) Management Structure

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

(iv) **STATUS OF CONDITION IMPOSED BY THE SECURITIES COMMISSION (“SC”)(continued)**

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

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

(b) **Status of the Proposed Divestment Programme (“PDP”)**

(i) **Status of the assets to be divested**

Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2003)		
			Jan - Dec 2003	Projected for July - Dec 2003	Projected full year
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003 Shares in listed and unlisted companies	33.3	-	-	33.3	33.3
By December 2004 Shares in unlisted company	38.6	-	-	-	-
	<u>71.9</u>	<u>-</u>	<u>-</u>	<u>33.3</u>	<u>33.3</u>

(ii) **Transactions completed during the financial year**

There were no transactions completed during the financial year.

(iii) **Plans to overcome any projected shortfall**

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem the LCB Bonds and the LCB Debts as scheduled. However, in the event that the Group is unable to effect the divestments, lenders consent will also be sought to enable the Group to reschedule its repayment of the LCB Bonds and the LCB Debts.

(c) (i) **Status of Issues Affecting the Joint Venture Companies of Amsteel Corporation Berhad (“Amsteel”) in the People’s Republic of China (“PRC”)**

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	Retail enterprises to restructure the shareholding ratio between the joint venture parties and/or the term of operation and/or business scope as required by the State Council in the PRC	<p>Shanghai Nine Sea Parkson Co Ltd (Amsteel Group’s interest holding : 100%)*</p> <p>Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 60%)</p> <p>Dalian Tianhe Parkson Shopping Centre Co Ltd (Amsteel Group’s equity holding : 60%)</p> <p>Wuxi Sanyang Parkson Co Ltd (Amsteel Group’s equity holding : 60%)</p> <p>Yangzhou Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 55%)</p>	<p>Submitted the application to maintain or restructure the shareholding ratio and/or the term of operation and/or business scope for approval as required on the following dates:</p> <p>December 2001</p> <p>7 December 2001</p> <p>26 December 2001</p> <p>20 November 2001</p> <p>25 December 2001</p>	<p>Approval from the relevant authorities had been obtained. Issue resolved.</p> <p>Approval from the relevant authorities had been obtained. Issue resolved.</p> <p>Approval from the Ministry of Foreign Trade and Economic Corporation for the restructuring was obtained on 28 July 2003. Pending procurement of business licence to complete restructuring.</p> <p>Approval from the relevant authorities had been obtained. Issue resolved.</p> <p>Approval from the relevant authorities had been obtained. Issue resolved.</p>

(c) (i) **Status of Issues Affecting the Joint Venture Companies of Amsteel Corporation Berhad (“Amsteel”) in the People’s Republic of China (“PRC”) (continued)**

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.		<p>Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 90%)</p> <p>Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 70%)</p> <p>Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 51%)</p>	<p>7 December 2001</p> <p>3 December 2001</p> <p>20 February 2002</p>	<p>Awaiting approval from the relevant authorities in the PRC for restructuring. The JV Co. will endeavour to obtain the approval by 30 June 2004.</p> <p>Awaiting approval from the relevant authorities in the PRC for restructuring. The JV Co. will endeavour to obtain the approval by 30 June 2004.</p> <p>Approval from the State Economic and Trade Commission was obtained on 14 February, 2003 and submission has been made to the Ministry of Foreign Trade and Economic Corporation on 8 May, 2003 for approval to amend the Joint Venture Agreement and the JV Co’s Articles of Association.</p>

(c) (i) **Status of Issues Affecting the Joint Venture Companies of Amsteel Corporation Berhad (“Amsteel”) in the People’s Republic of China (“PRC”) (continued)**

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
2.	Land Use Right(s) for land (“LUR”) to be transferred by the PRC Party to the JV Co. as PRC Party’s contribution to the capital of the JV Co. in accordance with the terms of the joint venture agreement	Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 51%)	The Management of Amsteel Group had liaised with the PRC Party, Li Feng (Xian) Real Estate Development Co Ltd (“LFXR”), to transfer the LUR of the land located at No. 119, Dong Da Jie, Bei Lin District, Xian, Shanxi Province, PRC to the JV Co.	The LUR certificate has been issued and the JV Co. is in the process of procuring the registration of the same in the JV Co’s name.
3.	Shortfall in capital to be contributed by the Amsteel Group	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 60%)	The Management of Amsteel Group is required to inject such amount to make up for the shortfall of Rmb2.19 million (equivalent to approximately RM1.00 million) (“Shortfall”).	The Amsteel Group has injected the payment for the Shortfall on 21 October, 2002. The JV Co. expects to procure the capital verification from the certified auditor by 31 December, 2003.

(c) (i) **Status of Issues Affecting the Joint Venture Companies of Amsteel Corporation Berhad (“Amsteel”) in the People’s Republic of China (“PRC”) (continued)**

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
4.	The PRC party has not obtained the LUR or Property Ownership Right(s) for building (“POR”) certificate in its favour for property leased by the PRC Party to the JV Co. or the lease of the LUR or POR to the JV Co. has not been registered with the relevant authorities in the PRC	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 60%)	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Mianyang Fulin Real Estate Development Co Ltd (“SMF”), to register the lease of building located at No. 17, An Chang Lu, Mianyang City, Sichuan Province, PRC.	The lease is expected to be registered by 30 June 2004. In the meantime, SMF has given its undertaking that it shall be responsible to register the lease and will indemnify the JV Co. against loss due to non-registration of the lease.
		Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 90%)	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Hezheng Company Limited by Shares (“SHC”), to obtain the POR certificate for the building located at No. 31, Zong Fu Lu, Jinjiang District, Chengdu City, Sichuan Province, PRC, leased by the PRC Party to the JV Co.	SHC will endeavour to transfer the POR certificate in its favour by 30 June 2004. SHC has been requested by the Amsteel Group to issue a letter to state that the SHC shall compensate the Amsteel Group for any damages suffered in the event the SHC fails to procure the transfer.

(c) (i) **Status of Issues Affecting the Joint Venture Companies of Amsteel Corporation Berhad (“Amsteel”) in the People’s Republic of China (“PRC”) (continued)**

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
4.t		Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group’s equity holding : 70%)	The Management of Amsteel Group had liaised with the PRC Party, Chongqing Wangyu Economic Industry Development Corporation (“CWE”), to obtain the POR certificate in its favour for the building located at No. 77, Da Ping Changjiang Er Lu, Yuzhong District, Chongqing, PRC and leased by the PRC Party to the JV Co.	By a letter dated 8 March 2001, CWE agreed to compensate Amsteel Group if there is any damage arising from the non-transfer of the POR in its name. In addition, the parent company of CWE and owner of the building, authorised CWE to lease the building to the JV Co.
5.	The PRC Party borrowed Rmb17,803,000 from the JV Co. and as security, the PRC Party pledged its 40% equity interest in the JV Co. to Amsteel Group. The pledge has not been registered with the relevant authorities.	Dalian Tianhe Parkson Shopping Centre Co Ltd (Amsteel Group’s equity holding : 60%)	The Management of Amsteel Group had liaised with the management of JV Co. to take steps to register the pledge of the equity interest by the PRC Party, Dalian Tianhe Plaza Company Limited (“DTP”).	The repayment of the loan to the JV Co. by DTP has been further extended to 31 December 2003. The Management of the Amsteel Group is considering requesting DTP to provide other security in lieu of the pledge.

Notes:

- * The Amsteel Group contributed 100% of the registered capital of this co-operative joint-venture and is entitled to all the profit of the joint-venture after the joint-venture pays a guaranteed after-tax-profit of USD3,000,000 from the first year to the fourth year and a 4% annual increase over the USD3,000,000 starting from the fifth year.

(c) (ii) **Status of Issues Affecting the Joint Venture Companies of Lion Industries Corporation Berhad (“LICB”) in the PRC**

No.	Issues	JV Co.	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	The amount of JV Co.’s capital had exceeded the authorised limit of the provincial Ministry of Foreign Trade and Economic Commission (“MOFTEC”) amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOFTEC in Beijing, the PRC.	Tianjin Huali Motor Co Ltd (“THM”) (LICB Group’s equity holding : 25%)	THM’s existing total investment is USD60.24 million (equivalent to approximately RM228.91 million). The Management of LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co. from MOFTEC in Beijing through the provincial MOFTEC for the excess of USD30.24 million (equivalent to approximately RM114.91 million).	The provincial MOFTEC had requested the JV Co. to rely on the letter of approval dated 11 September 1995 from the provincial MOFTEC, in that the capital of the JV Co. has been properly approved. It is the duty of the provincial MOFTEC to apply for endorsement from the MOFTEC in Beijing. The LICB Group expects to obtain the endorsement by 30 June 2004.

(c) (ii) **Status of Issues Affecting the Joint Venture Companies of Lion Industries Corporation Berhad (“LICB”) in the PRC (continued)**

No.	Issues	JV Co.	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
2.	Property Ownership Right(s) for building(s) (“POR”) to be transferred by the PRC Party to the JV Co. as PRC Party’s contribution to the capital of the JV Co. in accordance with the terms of joint venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group’s equity holding : 25%)	The Management of LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company (“HZJ”), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, YangWan Lu, Jingmen City, Hubei Province, PRC to the JV Co.	The Management of LICB Group is in the process of procuring HZJ to transfer the ownership of the POR to the JV Co. by 30 June 2004.
3.	The lease of the land by the PRC Party to the JV Co. has not been registered with the relevant authorities in the PRC.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group’s equity holding : 25%)	The Management of LICB Group had liaised with HZJ to register the lease over the land located at No. 132, YangWan Lu, Jingmen City, Hubei Province, PRC with the relevant authorities.	The Management of LICB Group is in the process of procuring HZJ to obtain the approval for the lease by 30 June 2004.

(c) (iii) Status of Issues Affecting the Joint Venture Companies of Silverstone Corporation Berhad (“SCB”) in the PRC

No.	Issues	JV Co.	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	LUR and POR to be transferred by the PRC Party to the JV Co. as PRC Party’s contribution to the capital of the JV Co., in accordance with the terms of the joint venture agreement.	<p>Hunan Changfa Automobile Engine Co Ltd (SCB Group’s equity holding : 50%)</p> <p>Nanjing Jinyi Casting Co Ltd (SCB Group’s equity holding : 60%)</p> <p>Wuhan Fortune Motor Co Ltd (“WFM”) (SCB Group’s equity holding : 50%)</p>	<p>The Management of the SCB Group had liaised with the PRC Parties to transfer the LUR and/or POR for the following land and/or building to the JV Co.:</p> <p>PRC Party: Changsha Auto Engine General Factory</p> <p>Building: No. 39, Shao Shan Lu, Dong Qu, Changsha, Hunan Province, PRC</p> <p>Land: Xian Jia Hu, He Xi, Changsha, Hunan Province, PRC</p> <p>PRC Party: Nanjing Jincheng Machinery Factory</p> <p>Building: No.38, Dong Tong Qiao, Bai Xia District, Nanjing City, Jingsu, Province, PRC</p> <p>PRC Party: Wuhan Fortune Industry Co Ltd</p>	<p>The PRC Parties are in the process of effecting the transfer of the LUR and/or POR to the JV Co. and will endeavour to complete the transfer by 30 June 2004.</p> <p>Issue resolved</p> <p>SCB had completed its disposal of WFM to Tri-Ring Group Co (“Tri Ring”) on 24.4.2003</p>

(c) (iii) **Status of Issues Affecting the Joint Venture Companies of Silverstone Corporation Berhad ("SCB") in the PRC (continued)**

No.	Issues	JV Co.	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
2.	The amount of JV Co.'s capital had exceeded the authorised limit of the provincial MOFTEC amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOFTEC in Beijing, the PRC.	Jiangxi Fuqi Motor Co Ltd ("JFM") (SCB Group's equity holding : 50%)	JFM's existing total investment is USD37.50 million (equivalent to approximately RM142.50 million). The Management of the SCB Group had liaised with the PRC Party, Jiangxi Fuqi Automobile Factory, to seek the approval for the reduction of JFM's capital by USD7.50 million (equivalent to approximately RM28.50 million) to USD30 million (equivalent to approximately RM114 million).	JFM will endeavour to resolve the Issue by 30 June 2004.

(c) **(iii) Status of Issues Affecting the Joint Venture Companies of Silverstone Corporation Berhad (“SCB”) in the PRC (continued)**

No.	Issues	JV Co.	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
2.		Dong Feng (SCB Group's equity holding : 55%)	Dong Feng's existing total investment is USD63.20 million (equivalent to approximately RM240.16 million). The Management of the SCB Group had liaised with Dong Feng to seek the approval of the MOFTEC in Beijing through the provincial MOFTEC for the excess of USD33.2 million (equivalent to approximately RM126.16 million).	The provincial MOFTEC had requested Dong Feng to rely on the letter of approval dated 4 December 1993 from the provincial MOFTEC, in that the capital of Dong Feng has been properly approved. It is the duty of the provincial MOFTEC to apply for endorsement from the MOFTEC in Beijing.

The page has been intentionally left blank.

FORM OF PROXY

I/We

I.C. No./Company No.

of

being a member/members of LION CORPORATION BERHAD, hereby appoint

.....

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Mr M Chareon Sae Tang @ Tan Whye Aun		
4. To re-elect as Director, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain		
5. To re-appoint as Director, Y. M. Raja Zainal Abidin bin Raja Haji Tachik		
6. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate For Recurrent Related Party Transactions		

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

As witness my/our hand this day of2003

Signed

No. of shares

In the presence of.....

Representation at Meeting:

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.

