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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First 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 22 November 2004 at 10.00 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2004. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM173,000 (2003 : RM132,500). **Resolution 2**

3. To re-elect Directors:

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

   Y. Bhg. Tan Sri William H.J. Cheng **Resolution 3**
   Y. Bhg. Datuk Cheng Yong Kim **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

"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 30 October 2004 subject to the following: **Resolution 9**

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:

(a) the type of Recurrent Transactions made; and

(b) the names of the related parties involved in each type of Recurrent Transactions made and their relationship with the Company;

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

(i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier,

AND THAT the Directors be 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
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
30 October 2004

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*

   It is proposed that the Directors' fees be increased so as to be in line with the industrial practice to reflect the duties and responsibilities of the Directors.

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 30 October 2004, 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 30 October 2004 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

  Y. Bhg. Tan Sri William H.J. Cheng
  Y. Bhg. Datuk Cheng Yong Kim

- 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 five (5) Board Meetings held during the financial year ended 30 June 2004. 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 Thirty-First Annual General Meeting

The Thirty-First Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 22 November 2004 at 10.00 am.

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 Puan Yasmin Weili Tan Binti Abdullah
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	:	Bursa Malaysia Securities Berhad ("Bursa Securities")

		Ordinary Shares	**Warrants**
Stock Name	:	LIONCOR	LIONCOR-WA
Bursa Securities Stock No.	:	3581	3581w
ISIN Code	:	MYL3581OO005	MYL3581WACC7
Reuters Code	:	LION.KL	LION_t.KL

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng
Chairman and Managing Director, Non-Independent Executive Director

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 61, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

Tan Sri William Cheng has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, retail, distribution and trading, agricultural products and property and community development.

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

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

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

Tan Sri William Cheng has a direct shareholding of 127,019 ordinary shares of RM1.00 each and an indirect shareholding of 674,724,219 ordinary shares of RM1.00 each, and 42,160,189 warrants in the Company. He also has options to subscribe for 448,000 ordinary shares of RM1.00 each in the Company granted under the Company's Executive Share Option Scheme. His shareholding in the subsidiary companies of the Company is disclosed in page 80 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

Y. M. Raja Zainal Abidin bin Raja Haji Tachik
Independent Non-Executive Director

Y. M. Raja Zainal Abidin bin Raja Haji Tachik, a Malaysian, aged 87, was appointed to the Board on 26 October 1973. He is also the Chairman of the Company's Audit Committee.

Y. M. Raja Zainal 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 is the Deputy Chairman of O.Y.L. Industries Berhad, a public listed company.

Y. M. Raja Zainal 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.

Y. M. Raja Zainal attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 54, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

Datuk Cheng obtained a Bachelor of Business Administration (Honours) degree from University of Singapore in 1971. He has more than 25 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, 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's 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 429,619,379 ordinary shares of RM1.00 each in the Company. His shareholding in the subsidiary companies of the Company is disclosed in page 80 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

Dato' Haji Yahya bin Haji Talib
Non-Independent Non-Executive Director

Y. Bhg. Dato' Haji Yahya bin Haji Talib, a Malaysian, aged 69, was appointed to the Board on 4 May 1984. He is also a member of the Company's Audit Committee.

Dato' Haji Yahya obtained a 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. He 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 (now known as the Ministry of National Unity & Community Development).

Dato' Haji Yahya is also a Director of Kilang Sawit Muar Berhad, a public company.

Dato' Haji Yahya has an indirect shareholding of 144,060 ordinary shares of RM1.00 each in the Company.

Dato' Haji Yahya attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

M Chareon Sae Tang @ Tan Whye Aun
Non-Independent Non-Executive Director

Mr M Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 65, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Remuneration Committee and Executive Share Option Scheme Committee.

Mr Tang obtained his Bachelor of Laws degree from King's College, University of London and is a Barrister-at-Law of the Inner Temple London. He 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 is also a Director of Amsteel Corporation Berhad, a public listed company.

Mr Tang attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

Folk Fong Shing @ Kok Fong Hing
Independent Non-Executive Director

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 72, was appointed to the Board on 6 June 2001 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Company's Remuneration Committee and Executive Share Option Scheme Committee, and a member of the Audit Committee and Nomination Committee of the Company.

Mr Folk obtained a 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. He 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. He is also the author of "A Practical Handbook on Company Secretarial Practice" and "Directors of Public Listed Company-Legal Obligations & Responsibilities" both published by Leeds Publications in 1996 and 2002 respectively.

Mr Folk attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Independent Non-Executive Director

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, aged 62, was appointed to the Board on 10 January 2003 as an Independent Non-Executive Director of the Company. He is also a member of the Company's Audit Committee and Nomination Committee.

Datuk Emam Mohd Haniff obtained a Bachelor of Arts (Honours) degree from University Malaya. He had served the Government of Malaysia (Foreign Service) 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 is also a Director of Edaran Digital Systems Berhad and LCL Corporation Berhad, both public listed companies.

Datuk Emam Mohd Haniff attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2004.

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

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 2004 except where otherwise stated herein.

1. DIRECTORS

The Board

The Board is entrusted with the responsibility in leading and directing the Group towards realising long term shareholders’ values. The Board retains full and effective control of the Group’s strategic plans, overseeing the conduct of the Group’s businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the 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 2004, five (5) board meetings were held and each Director has attended at least 50% of the total board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

Board Balance

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

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

Supply of Information (continued)

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

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

Appointments to the Board

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

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme and are subsequently required to attend training courses and seminars under the Continuing Education Programme.

Re-election

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

2. DIRECTORS' REMUNERATION

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

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2004 are categorised as follows:

	Fees RM	Salaries & Others RM	Total RM
Executive Director	20,000	1,725,000	1,745,000
Non-Executive Directors	153,000	-	153,000
	173,000	1,725,000	1,898,000

2. DIRECTORS' REMUNERATION (continued)

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-Executive**
50,000 & below	-	6
1,700,001 - 1,750,000	1	-

3. SHAREHOLDERS

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises 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 2004, 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 the 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 for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 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. Guided by the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*, the Board is pleased to present the Statement on Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

Board Responsibility

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

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

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviews the risk management scorecards and reports the status to the Audit Committee.

Control and Monitoring Process

The Board is committed to maintain 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 defined limits of authority

- A detailed budgeting process which required all business units to prepare budget and business plan on an annual basis

- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee

- Confirmation 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 generally satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. 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 Bursa Malaysia Securities Berhad ("Bursa Securities").

- **Secretaries**

  The Secretaries of Lion Corporation Berhad, Ms Chan Poh Lan and Puan Yasmin Weili Tan binti Abdullah are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

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 Bursa Securities on any matter where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.

  (xi) To review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and be informed of any resignation of internal audit staff members and reasons thereof.

  (xii) To perform any other such function as may be agreed to by the Audit Committee and the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Except for Y. Bhg. Dato' Haji Yahya bin Haji Talib who was absent for one (1) Audit Committee Meeting, all other members attended all the six (6) Audit Committee Meetings of the Company.

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

ACTIVITIES DURING THE FINANCIAL YEAR (continued)

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

- **Allocation of Share Options**

  Verified the allocation of options pursuant to the Executive Share Option Scheme of the Company.

NOMINATION COMMITTEE

Chairman : Mr M Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

Members : 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)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Corporation Berhad
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder
- To recommend to the Board, directors to fill the seats on Board Committees
- To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board
- To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

REMUNERATION COMMITTEE

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

Members : Y. Bhg. Datuk Cheng Yong Kim
(Non-Independent Non-Executive Director)

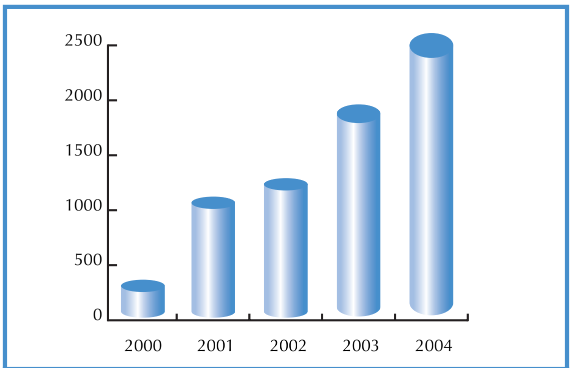
Mr M Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

Terms of Reference :

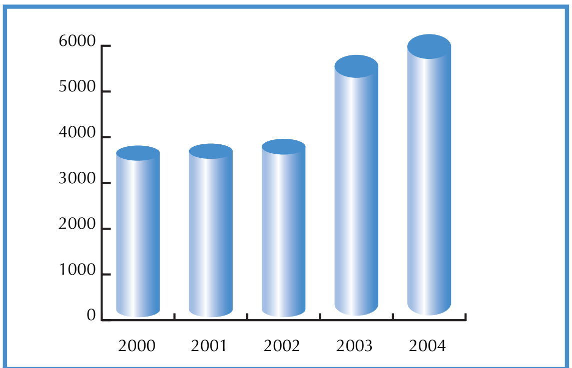
- To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

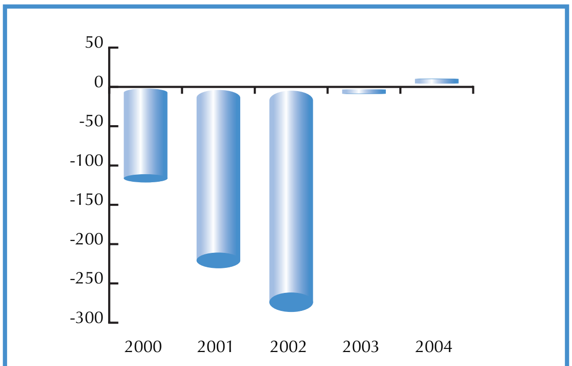
Financial years ended 30 June	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	**2004 RM'000**
Revenue	329,892	1,041,064	1,209,103	1,837,840	**2,445,442**
Profit/(Loss) from operations	(48,766)	(96,706)	29,033	302,100	**209,256**
Profit/(Loss) before taxation	(267,733)	(330,744)	(138,260)	111,951	**100,427**
Profit/(Loss) after taxation	(283,036)	(329,248)	(138,353)	100,246	**55,118**
Dividends:					
Rate (%)	0.1	0.1	-	-	-
Amount (net of tax)	132	132	-	-	-
Total assets employed	3,565,180	3,605,290	3,701,824	5,417,327	**5,839,214**
Shareholders' funds	(40,202)	(242,748)	(353,843)	651,318	**705,475**
Net tangible assets/(liabilities)	(208,012)	(394,656)	(489,849)	(51,125)	**42,542**
	Sen	Sen	Sen	Sen	**Sen**
Net tangible assets/(liabilities) per share	(113.7)	(215.8)	(267.8)	(5.6)	**4.6**
Earnings/(loss) per share	(141.4)	(135.1)	(80.2)	14.2	**4.7**



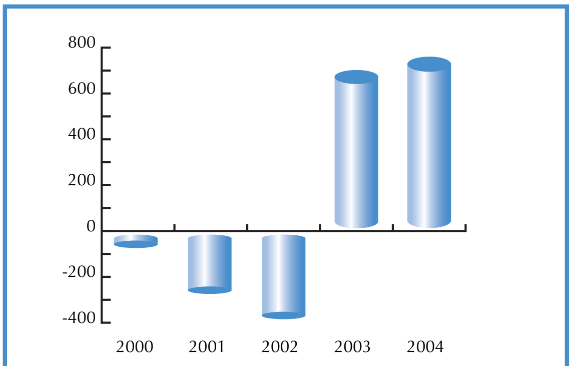
Revenue RM Million



Total Assets Employed RM Million



Net Tangible Assets/(Liabilities) Per Share Sen



Shareholders' Funds RM Million

THE GROUP'S BUSINESSES

- Aerial view of Megasteel plant, the country's first and only integrated flat steel mill, in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel yang terletak di Banting, satu-satunya kilang besi keluli rata bersepadu di negara ini.*

- State-of-the-art technology including a newly upgraded DC furnace (top left), hot strip mill (centre) and laminar cooling system (right) to produce hot rolled coils (bottom) for end-users as well as for further processing into cold rolled coils.
- *Teknologi terkini termasuk relau DC yang baru ditingkatkan (atas kiri), loji jalur panas (tengah) dan sistem penyejuk laminar (kanan) untuk menghasilkan lingkaran gegelung besi panas (bawah) untuk pengguna akhir dan diproses menjadi lingkaran gegelung besi sejuk.*

- Isuzu range of 4-wheel drives, pick-ups and trucks assembled by Kinabalu Motor Assembly Sdn Bhd in Kota Kinabalu, Sabah.
- *Rangkaian kenderaan Isuzu yang dipasang oleh Kinabalu Motor Assembly Sdn Bhd di Kota Kinabalu, Sabah.*

- A range of steel furniture, compact mobile filing systems and safes for office and home use (left) produced by Lion Steelworks Sdn Bhd.
- *Rangkaian perabot besi, sistem failing bergerak kompak dan peti besi untuk kegunaan pejabat dan rumah (kiri) yang dikeluarkan oleh Lion Steelworks Sdn Bhd.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah Lion Corporation Berhad ("LCB"), saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Kumpulan dan Syarikat bagi tahun kewangan berakhir pada 30 Jun 2004.

PRESTASI KEWANGAN

Momentum pertumbuhan ekonomi Malaysia memacu dengan pesat dalam setengah pertama tahun 2004 selepas mencatatkan peningkatan ketara dalam tahun 2003, dengan Keluaran Dalam Negara Kasar berkembang pada paras 7.8% dalam setengah tahun pertama berbanding 5.2% pada tahun lalu.

Pertumbuhan dalam negara yang pesat digerakkan oleh pertumbuhan kukuh dalam sektor perkilangan seiring dengan peningkatan dalam penggunaan swasta dan kegiatan pelaburan. Di peringkat sejagat, permintaan tinggi untuk semi konduktor serta harga komoditi yang kukuh dan polisi fiskal dan kewangan yang dilaksanakan oleh negara-negara ekonomi utama telah menyemarakkan perkembangan ekonomi dunia.

Dengan perkembangan ekonomi tempatan yang mantap, Kumpulan berjaya mencapai satu lagi prestasi yang membanggakan apabila kilangnya di Banting telah mencatat keuntungan operasi sebelum kos kewangan berjumlah RM220.1 juta. Walaupun beroperasi dalam persekitaran yang amat sukar dan mencabar akibat harga besi lusuh yang melambung tinggi serta kedudukan kewangannya yang ketat, Megasteel Sdn Bhd ("Megasteel") berjaya meningkatkan produktiviti dan kecekapan operasinya. Perolehan Kumpulan telah meningkat kepada RM2.4 bilion berbanding RM1.8 bilion pada tahun lalu. Perbelanjaan operasi dapat dikekalkan dengan memuaskan. Kos kewangan meningkat kepada RM269 juta berbanding kos kewangan tahun sebelumnya yang hanya mengambilkira perbelanjaan faedah bon LCB untuk tempoh empat (4) bulan sahaja bagi pembelian pelaburan di bawah Skim Penyusunan Semula Seluruh Kumpulan ("SPSSK"). Perkongsian hasil syarikat sekutu meningkat ketara kesan daripada persekitaran operasi yang lebih baik dan keuntungan yang diraih daripada pelupusan operasi peruncitan dan pengilangan bir. Selepas mengambilkira cukai dan kepentingan minoriti, Kumpulan telah mencatatkan keuntungan bersih berjumlah RM43.2 juta dalam tahun kajian.

PERKEMBANGAN KORPORAT

Kesemua cadangan koporat di bawah SPSSK telah berjaya dilaksanakan kecuali tawaran jualan terhad boleh lepas ke atas 67.61 juta saham Amsteel Corporation Berhad ("Amsteel") yang dimiliki oleh Syarikat kepada para pemegang saham Amsteel yang layak.

Selepas akhir tahun kewangan, Syarikat mengumumkan bahawa Megasteel telah mengambil-alih 100% kepentingan ekuiti dalam Secomex Manufacturing (M) Sdn Bhd, sebuah syarikat yang terlibat dalam pengeluaran dan pemasaran gas industri. Gas industri tersebut dibekalkan terutamanya kepada Megasteel untuk operasi pembuatan besi kelulinya.

TINJAUAN OPERASI

Bahagian Perkilangan Besi Keluli

Sektor perkilangan di Malaysia terus menikmati pertumbuhan yang tinggi dalam setengah pertama tahun 2004. Keadaan ini menyebabkan penggunaan dan permintaan domestik terhadap lingkaran gegelung besi panas ("HRC") telah meningkat terutamanya apabila Megasteel berjaya menggalakkan usaha mengekspot semula produk akhirnya. Permintaan yang tinggi dari pasaran di Republik Rakyat China ("China"), diikuti pula oleh Amerika Utara dan Kesatuan Eropah telah menyebabkan harga jualan HRC di pasaran antarabangsa berada pada paras rekod tertinggi. Dengan permintaan dan harga jualan yang tinggi bagi HRC, Megasteel telah melaporkan peningkatan sebanyak 34.7% dalam perolehan kepada RM2.3 bilion. Bagaimanapun, dalam tahun kewangan, harga jualan HRC tidak bergerak selari dengan kenaikan harga besi lusuh antarabangsa, sehingga membawa kepada penyusutan margin keuntungan yang ketara kepada Megasteel. Sehubungan itu, Megasteel telah mencatatkan keuntungan sebelum cukai yang rendah berjumlah RM150.6 juta berbanding RM212.3 juta dalam tahun kewangan yang lalu.

Suasana industri besi keluli rata dalam negara kekal cerah dengan pertumbuhan sektor perkilangan yang terus pesat. Seperti yang terbukti di negara-negara maju baru yang lain, corak penggunaan besi keluli akan berubah secara beransur-ansur daripada produk yang berbentuk panjang kepada kepingan rata seiringan dengan meningkatnya kekayaan dan kemakmuran negara. Selari dengan jangkaan peningkatan dalam permintaan besi keluli rata, Megasteel akan terus memberi tumpuan kepada peningkatan keupayaan pengeluaran yang sedia ada. Meskipun loji mampu mencapai keupayaan pengeluaran penuhnya dalam suku tahun terakhir, Bahagian ini merancang untuk menaik taraf dua (2) buah relau arka elektrik menjelang akhir tahun 2004 bagi meningkatkan kecekapan pengeluarannya. Langkah ini bertepatan untuk menyokong keperluan jualan lingkaran gegelung besi sejuk di pasaran tempatan apabila kompleks kilang gulungan sejuk ("CRMC") beroperasi sepenuhnya.

CRMC telah memulakan operasinya 'pickled dan oiled' di penghujung suku kedua tahun 2004 dan dijangka memulakan pengeluaran komersial menjelang akhir tahun 2004. Operasi CRMC akan menampung sebahagian besar lingkaran gegelung besi sejuk yang kini diimport dan juga akan menambah rangkaian produk-produknya untuk ditawarkan kepada para pengguna.

Bahagian Kenderaan Bermotor

Dalam tahun kajian, Kinabalu Motor Assembly Sendirian Berhad ("KMA"), pemasang dan pengedar secara francais kenderaan Isuzu di Malaysia Timur telah mencatatkan perolehan yang tinggi berjumlah RM67.1 juta dengan jumlah jualan sebanyak 810 unit berbanding RM62.5 juta dan jumlah jualan sebanyak 756 unit pada akhir tahun lalu. Dengan itu, kerugian yang lebih kecil berjumlah RM4.6 juta telah dilaporkan berbanding kerugian berjumlah RM10.2 juta dalam tahun sebelumnya. Keadaan ini berpunca daripada jumlah jualan yang meningkat, margin yang lebih baik selepas penghabisan jualan trak model lama dan kawalan ketat ke atas kos overhed serta perbelanjaannya.

Untuk meningkatkan penawaran produk, KMA telah memeterai perjanjian dengan Lion Motor Sdn Bhd, anak syarikat milik penuh Silverstone Corporation Berhad, untuk memasang dan mengedarkan trak ringan buatan China di kilangnya di Sabah. Bahagian ini juga telah mula memasang dan mengedarkan trak itu dalam suku ketiga tahun 2004.

Bahagian Perabot Besi Keluli

Bahagian ini menghadapi persaingan sengit dengan hampir kesemua pengeluar dalam industri bergelut untuk mengurangkan kesan daripada peningkatan mendadak harga lingkaran gegelung besi keluli sejuk, bahan mentah utama dalam pengeluarannya. Di sebalik persekitaran operasi yang sukar, Bahagian ini berjaya meraih perolehan berjumlah RM29.2 juta, menyamai perolehan yang dicapai dalam tahun sebelumnya. Jumlah eksport berjaya dikekalkan manakala jualan untuk pasaran domestik telah menurun.

Dalam tahun kajian, Bahagian telah dianugerahi pengiktirafan ISO9001-2000 Sistem Pengurusan Berkualiti untuk lojinya. Bahagian juga mendapat kelulusan kualiti untuk peti simpanan keselamatan "Siri Lion N" dari Building Research Establishment ("BRE"), sebuah badan akreditasi dari United Kingdom kerana berjaya mematuhi Piawaian Eropah EN1143. Dengan akreditasi tersebut, kita berjaya memasuki pasaran Eropah. Bahagian ini akan memastikan rangkaian peti simpanan keselamatan "Lion" yang lain mematuhi kelulusan BRE pada masa depan.

PROSPEK

Pertumbuhan ekonomi sejagat dijangka akan terjejas akibat kos sumber tenaga yang sedang melambung tinggi. Namun demikian, dengan segala usaha yang telah dilaksanakan oleh Megasteel dalam meningkatkan kecekapan operasinya, Lembaga Pengarah berkeyakinan bahawa prestasi Kumpulan akan terus meningkat.

PENGHARGAAN

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

Tidak dilupakan juga, saya ingin mengucapkan terima kasih kepada rakan-rakan Pengarah di atas sokongan dan nasihat yang tidak ternilai di sepanjang tahun.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Lion Corporation Berhad ("LCB"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and of the Company for the financial year ended 30 June 2004.

FINANCIAL PERFORMANCE

Growth momentum in the Malaysian economy accelerated in the first half of 2004, after the strong take-off in 2003, with Gross Domestic Product growth recorded at 7.8% in the first half year from 5.2% achieved last year. The robust domestic growth was driven by a strong expansion in the manufacturing sector together with an increase in private consumption and investment activities. On the global front, an upsurge in demand for semi-conductors coupled with firm commodity prices and accommodative monetary and fiscal policies pursued by major economies have fueled confidence in the continued expansion in the world's economy.

Given the sustained growth in the local economy, the Group was able to achieve another set of commendable performance with its steel plant in Banting recording an operational profit before finance cost of RM220.1 million. Despite operating under a very difficult and challenging environment of spiralling scrap prices and tight monetary position, Megasteel Sdn Bhd ("Megasteel") was able to increase its productivity and operational efficiency. Accordingly, revenue for the Group rose to RM2.4 billion as against RM1.8 billion last year. Operating expenses were well maintained. Finance cost was higher at RM269 million as the previous year's finance cost incorporated only four (4) months' LCB bonds interest expenses incurred for acquisition of investments under the Group Wide Restructuring Scheme ("GWRS"). Share of associated companies' results increased substantially arising from better operating environment and the one-off gains from the disposal of their retail and brewery operations. After deducting taxation and minority interest, the Group recorded a net profit of RM43.2 million for the year.

CORPORATE DEVELOPMENT

All corporate proposals as envisaged under the GWRS had been put in place except for the renounceable restricted offer for sale of up to approximately 67.61 million shares in Amsteel Corporation Berhad ("Amsteel") held by the Company to the eligible Amsteel shareholders.

Subsequent to the financial year end, the Company announced that its subsidiary, Megasteel, had acquired a 100% equity interest in Secomex Manufacturing (M) Sdn Bhd, a company involved in the manufacturing and marketing of industrial gases. The industrial gases are mainly supplied to Megasteel to facilitate its steel making operations.

REVIEW OF OPERATIONS

Steel Manufacturing Division

The manufacturing sector in Malaysia continued to enjoy high growth for the first half of 2004. Accordingly, domestic demand for hot rolled coils (HRC's) had increased especially where Megasteel was successful in encouraging the re-export of its end-products. The strong demand from the People's Republic of China ("China"), followed by North America and the European Union had also pushed the international selling prices for HRCs to a record high. With the higher demand and selling prices for HRCs, Megasteel reported a 34.7% increase in its revenue to RM2.3 billion. However, during the financial year, the selling prices of HRCs did not move in tandem with the sudden surge in the international scrap prices, leading to a significant reduction in profit margins for Megasteel. Accordingly, Megasteel reported a lower profit before taxation of RM150.6 million as compared to RM212.3 million in the last financial year.

The outlook for the domestic flat steel industry remains bright with the continued robust growth in the manufacturing sector. As proven in the other newly industrialised countries, the steel consumption pattern will gradually shift from long products towards flats as the nation's wealth and prosperity rises. In line with the expected increase in demand for flats, Megasteel will continue to focus on increasing its existing production capacities. Although the plant was able to reach its full production capacity in the last quarter of the financial year, the Division plans to complete the upgrading of its existing two (2) electric arc furnaces by the end of 2004 to enhance its production efficiency. This will be timely to support the requirement for sales of cold rolled coils ("CRCs") for the domestic market upon the commissioning of our cold rolled mill complex ("CRMC").

Our CRMC had started its pickled and oiled operations toward the end of the second quarter of 2004 and is expected to commence commercial production by the end of 2004. The commissioning of the CRMC will substitute a significant portion of the CRCs, which are currently imported from overseas and will also increase the range of products offered to customers.

Motor Division

For the year under review, Kinabalu Motor Assembly Sendirian Berhad ("KMA"), the franchise assembler and distributor of Isuzu vehicles in East Malaysia, reported a higher revenue of RM67.1 million with a sales volume of 810 units as against RM62.5 million and sales volume of 756 units last year. Correspondingly, a lower loss of RM4.6 million was reported as compared to a loss of RM10.2 million in the preceding year. The lower loss was attributed to higher sales volume, better margin after the clearance of old model trucks and stringent control over overhead costs and expenses.

To increase its products line-up, KMA had entered into an agreement with Lion Motor Sdn Bhd, a wholly-owned subsidiary company of Silverstone Corporation Berhad, to assemble and distribute light duty trucks from China at its plant in Sabah. The Division has started to assemble and distribute the light trucks in the third quarter of 2004.

Steel Furniture Division

The Division faced intense competition with almost all manufacturers in the industry struggling to mitigate the impact of the drastic increase in the price of cold rolled steel, a key raw material for production. Despite the difficult operating environment, the Division achieved RM29.2 million in revenue, which was consistent with the revenue achieved in the previous year. Export volume was maintained while sales were lower for the domestic market.

During the year, the Division achieved its ISO9001-2000 Quality Management System for the plant and also obtained quality approval for its "Lion N Series" safe from the United Kingdom accreditation body, Building Research Establishment ("BRE"), to meet the European Standard EN1143. With these accreditations, we were able to penetrate the European markets. The Division will extend the other range of "Lion" brand safes to meet the BRE's approval in future.

PROSPECTS

Growth in the global economy is expected to be dampened with the current high energy prices. However, with the efforts put in by Megasteel to enhance its operations efficiencies, the Board is optimistic that the Group's 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

我谨代表金狮机构有限公司董事部，欣然向诸位提呈截至2004年6月30日的会计年度内，本集团和本公司的常年报告和经审核财务报告。

财务表现

随着马来西亚的经济在2003年取得强而有力的起飞后，2004年上半年的国民生产总值达到可观的7.8%的增长率，比去年全年的5.2%较高。这是由於制造业大事扩展，以及私人消费和投资活动的增加。在全球对半导体需求增加，加上原产品好价以及主要经济体采取的有利货币政策与财政政策，使到人们对於未来的世界经济充满信心。

国内经济的强劲增长，使到本集团在万津的工厂再一次取得特出的表现，在扣除融资成本之前的营业利润达到2亿2千10万令吉。尽管在废铁价格攀升以及营运资金限制的环境下运作，美佳钢铁私人有限公司(“美佳钢铁“)依然能够提高生产力和营运效率。因此，本集团的营业额从上一年度的18亿令吉增加到本年度的24亿令吉。营运开支也受到控制。融资成本较上一年高，达2亿6千900万令吉，因为上一年度本集团在整个金狮集团重组计划下收购投资而只必须付出四个月的公司债务利率开支。联号在业绩中所占的份量大大提高，这是由於营运环境改善，以及在脱售零售业务和酿酒业务时所取得的一次性利润。在扣除税务和少数股东权益之后，本集团在本年度的净利达到4千320万令吉。

企业发展

除了由本公司持有的合钢实业有限公司(“合钢实业”)的大约6千761万股、可放弃而有限制的献议售卖给合钢实业股东的股票外,在整个金狮集团重组计划下所规定的所有其他公司建议已经全部付诸实行。

在本会计年度后, 本公司公布其子公司, 美佳钢铁, 已收购Secomex Manufacturing (M) Sdn Bhd (“Secomex”) 的100%股权。Secomex 是一家生产及销售工业煤气的公司，主要是供应美佳钢铁以便用于钢铁制造。

业务检讨

钢铁组

在2004年上半年，马来西亚的制造业继续享有高成长率。这样一来，对热轧钢的消费与需求也相继增加，尤其是美佳钢铁成功的推介将其制成品再出口。中国市场的强劲需求以及北美和欧洲联盟的需求增加，把热轧钢的国际售价推到新高。由於热轧钢的需求增加，售价上涨，美佳钢铁的营业额相继增长34.7%，达到23亿令吉。然而，在这个会计年度内，热轧钢的售价并没有和废铁飞涨的国际价格同比上涨，使到美佳钢铁的利润水平大幅度的降低。这样一来，美佳钢铁的税前利润减少到只有1亿5千60万令吉；上一个会计年度则是2亿1千230万令吉。

由於制造业持续强劲增长，我国平板钢的前景仍然光明。其他新兴工业国已经证明，随着财富增加与社会繁荣，对钢铁的消费型态将逐渐从长形产品转移到平板钢。由於预料平板钢的需求将会增加，美佳钢铁继续致力於提高其现有的生产能量。尽管在本会计年度的最后一季，已经达到最高的生产能力，该厂打算在2004年年底之前完成提升现有的两座电弧熔炉的计划，以增加生产效率。这是及时之举,以便在我们的冷轧钢综合工厂全面投产时，能够支援在国内市场销售冷轧钢的要求。

在2004年第二季末，我们的冷轧钢综合工厂已经开始了pickled and oiled的生产工作，预料它将在2004年年底之前全面投入商业生产。这家工厂的投产将取代目前从国外进口的冷轧钢。

汽车组

在本会计年度，在东马拥有装配和分销五十铃车辆特许权的京那巴鲁汽车装配私人有限公司(“KMA”)，它的营业额从上一年度的6千250万令吉增加到6千710万令吉，销售量从756单位增加到810单位；这样一来，它的亏损从上一年度的1千20万令吉减少到460万令吉。亏损减少是由於销售量增加，在售清旧款式的罗厘之后赚幅提高，以及公司更严格的控制经常费用和开支。

为了增加产品阵容，KMA和Lion Motor Sdn Bhd (Silverstone Corporation Berhad) 独资子公司)达致协议，在它位於沙巴的工厂装配和分销中国的轻型罗厘。汽车组在2004年第三季开始装配和分销这种中国轻型罗厘。

钢制家私组

这个组面对激烈竞争，在这个行业的几乎每一个厂商都在挣扎求存，以缓和冷轧钢（生产钢制家私的主要原料）的价格猛涨所造成的影响。尽管营业环境困难，这个组仍然可以取得2千920万令吉的营业额，保持了上一年的水平。出口量保持原状，本地市场的销售量则较低。

在这一年内,这个组取得ISO90012000品质管理系统，其“Lion N Series”保险箱也获得英国品质鉴定机构“建筑物研究局”批准其品质符合欧洲标准EN1143。有了这项鉴定，让我们能够打入欧洲市场。这个组也会将“金狮品牌”其他系列的保险箱让英国的“建筑物研究局”鉴定。

展望

预料目前高企不下的能源价格将会缓和全球经济的成长率。然而，董事部却客观的认为，由于美佳钢铁致力於提高其生产效率，本集团的表现将会继续有所改善。

鸣谢

我谨代表董事部，对於马来西亚政府、银行界、商业联号、尊贵的顾客以及股东们继续支持本集团和对本集团具有信心表达谢忱。我也要感谢管理层和员工对本集团的奉献。

最后，我要感谢董事们一年来的支持和提供宝贵意见。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2004

For The Financial Year Ended 30 June 2004

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 11 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	55,118	(200,800)
Minority interests	(11,887)	–
Net profit/(loss) for the financial year	43,231	(200,800)

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2004.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri William H.J. Cheng
Raja Zainal Abidin bin Raja Haji Tachik
Datuk Cheng Yong Kim
Dato' Haji Yahya bin Haji Talib
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
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, Y. Bhg. Tan Sri William H.J. Cheng and Y.Bhg. Datuk Cheng Yong Kim retire by rotation and being eligible, offer themselves 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 offer themselves for re-appointment as Directors 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 of 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 and the issuance of warrants, 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			
	As at 1.7.2003	**Additions**	**Disposals**	**As at 30.6.2004**
Direct interest in shares				
Tan Sri William H.J. Cheng	127,019	-	-	127,019
Datuk Cheng Yong Kim	194,250	-	-	194,250
Raja Zainal Abidin bin Raja Haji Tachik	175,280	-	-	175,280
Indirect interest in shares				
Tan Sri William H.J. Cheng	680,396,524	231,422,389	237,094,694	674,724,219
Datuk Cheng Yong Kim	437,451,993	-	7,832,614	429,619,379
Raja Zainal Abidin bin Raja Haji Tachik	142,940	-	-	142,940
Dato' Haji Yahya bin Haji Talib	144,060	-	-	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

	Number of options			
	As at 1.7.2003	**Granted**	**Exercised**	**As at 30.6.2004**
Tan Sri William H.J. Cheng	123,000	325,000	-	448,000

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

	Warrants			
	As at 1.7.2003	**Additions**	**Disposals**	**As at 30.6.2004**
Tan Sri William H.J. Cheng	25,855,162	16,305,027	-	42,160,189

DIRECTORS' INTERESTS (continued)

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

	Nominal value per ordinary share	As at 1.7.2003	Number of ordinary shares Additions	Disposals	As at 30.6.2004
Indirect interest in shares					
Tan Sri William H.J. Cheng and 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
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 1.7.2003	Additions	Disposals	As at 30.6.2004
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	Number of Preference "F" Shares of RM0.01 each			
	As at 1.7.2003	Additions	Disposals	As at 30.6.2004
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.

The salient features and other terms of the ESOS are disclosed in Note 22 to the financial statements.

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

The movements in the number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are disclosed in Note 22 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS") (Continued)

During the financial year, the Company offered two grants of options to eligible executives and executive Directors of the Company ("Grants"). The Companies Commission of Malaysia has granted an exemption to the Company from having to disclose the names of employees who have been granted less than 100,000 options. The employees who were granted 100,000 or more options under each Grant during the financial year are as follows:

	Number of options granted at an exercise price of	
	RM1.00 on 6.8.2003	**RM1.00 on 27.4.2004**
Tan Sri William H.J. Cheng	175,000	150,000
Khor Toong Yee	111,000	239,000
Pan Peng Tong	-	252,000
Sabrudin bin Mohamad Suren	-	109,000
Wong Chee Khuan	-	100,000

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad receivables or the amount of the allowance for doubtful receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

OTHER STATUTORY INFORMATION (continued)

In the opinion of the Directors:

(a) except as disclosed in the financial statements, the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

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

Signed in accordance with a resolution of the Directors dated 14 September 2004.

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

DATUK CHENG YONG KIM
Director

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Revenue	3	**2,445,442**	1,837,840	**99,900**	56,266
Other operating income		**13,660**	56,583	**-**	5,987
Arising from Group Wide Restructuring Scheme ("GWRS"):					
- waiver of principal by lenders		**-**	48,876	**-**	-
Changes in inventories of finished goods and work-in-progress		**176,949**	(124,579)	**-**	-
Purchase of finished goods		**(126,484)**	(51,718)	**-**	-
Raw materials and consumables used		**(1,795,138)**	(935,679)	**-**	-
Staff costs	4	**(50,256)**	(48,888)	**(1,011)**	(97)
Depreciation and amortisation expenses		**(126,323)**	(102,147)	**-**	-
Impairment in value of:					
- investment in subsidiary companies		**-**	-	**-**	(8,300)
- investment in associated companies		**-**	(33,326)	**(132,119)**	(48,755)
Allowance for diminution in value of quoted investments		**-**	(2,901)	**-**	(2,032)
Other operating expenses	5	**(328,594)**	(341,961)	**(865)**	(16,216)
Profit/(loss) from operations	6	**209,256**	302,100	**(34,095)**	(13,147)
Finance costs	7	**(269,007)**	(192,267)	**(166,705)**	(110,349)
Share of associated companies' :					
- results		**34,623**	2,118	**-**	-
- gains on disposal of companies		**125,555**	-	**-**	-
Profit/(loss) before taxation		**100,427**	111,951	**(200,800)**	(123,496)
Taxation :	8				
- Company and subsidiary companies		**5,446**	(131)	**-**	-
- associated companies		**(50,755)**	(11,574)	**-**	-
Profit/(loss) after taxation		**55,118**	100,246	**(200,800)**	(123,496)
Minority interests		**(11,887)**	(44,569)	**-**	-
Net profit/(loss) for the financial year		**43,231**	55,677	**(200,800)**	(123,496)
Earnings per share	9				
- Basic (sen)		**4.7**	14.2		
- Fully diluted (sen)		**4.7**	14.2		

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

BALANCE SHEETS

AS AT 30 JUNE 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non-Current Assets					
Property, plant and equipment	10	**3,156,920**	2,939,239	**-**	-
Subsidiary companies	11	**-**	-	**2,121,740**	2,101,028
Associated companies	12	**873,351**	762,670	**698,064**	830,183
Investments	13	**19,964**	25,256	**19,486**	24,799
Intangible assets	14	**662,933**	702,443	**-**	-
Long term receivable	16	**232,426**	230,125	**-**	-
		4,945,594	4,659,733	**2,839,290**	2,956,010
Current Assets					
Inventories	15	**529,966**	343,537	**-**	-
Trade and other receivables	16	**345,123**	385,403	**16**	923
Amount due from subsidiary companies	17	**-**	-	**1,636,550**	1,561,816
Tax recoverable		**1,582**	994	**734**	337
Deposits with financial institutions	18	**7,776**	13,174	**5,450**	958
Cash and bank balances		**9,173**	14,486	**157**	314
		893,620	757,594	**1,642,907**	1,564,348
Current Liabilities					
Trade and other payables	19	**927,522**	616,305	**29,131**	28,763
Amount due to subsidiary companies	17	**-**	-	**142,236**	145,263
Bank overdrafts	20	**9,232**	14,048	**-**	-
Short term borrowings	21	**1,035,204**	624,690	**-**	-
Bonds and debts	24	**26,383**	24,653	**26,383**	24,653
Tax liabilities		**90**	94	**-**	-
		1,998,431	1,279,790	**197,750**	198,679
Net Current (Liabilities)/Assets		**(1,104,811)**	(522,196)	**1,445,157**	1,365,669
		3,840,783	4,137,537	**4,284,447**	4,321,679
Financed by:					
Share capital	22	**919,041**	919,041	**919,041**	919,041
Reserves	23	**(213,566)**	(267,723)	**(421,143)**	(220,343)
Shareholders' funds		**705,475**	651,318	**497,898**	698,698
Minority interests		**129,200**	117,312	**-**	-
Bonds and debts	24	**1,927,137**	1,781,981	**1,694,711**	1,551,855
Long term borrowings	25	**906,064**	1,340,560	**-**	-
Amount due to a subsidiary company	17	**-**	-	**2,091,838**	2,071,126
Deferred tax liabilities	26	**116,932**	121,425	**-**	-
Deferred liabilities	27	**55,975**	124,941	**-**	-
		3,840,783	4,137,537	**4,284,447**	4,321,679
Net tangible assets/(liabilities) per share (sen)		**4.6**	(5.6)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

		Non- distributable			
Group	**Share capital RM'000**	**Share premium RM'000**	**Negative goodwill and other reserves RM'000**	**Accumulated losses RM'000**	**Total RM'000**
Balance at 1 July 2002	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 negative goodwill	-	-	(32)	-	(32)
Appropriation from income statement to capital reserve	-	-	41,537	(41,537)	-
Capital reconstruction	(54,869)	-	-	54,869	-
Issue of ordinary shares for:					
- acquisition of an 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	**919,041**	**75,032**	**327,267**	**(670,022)**	**651,318**
Exchange differences	**-**	**-**	**(386)**	**-**	**(386)**
Share in post-acquisition reserves of associated companies	**-**	**-**	**11,344**	**-**	**11,344**
Net gains not recognised in consolidated income statement	**-**	**-**	**10,958**	**-**	**10,958**
Amortisation of negative goodwill	**-**	**-**	**(32)**	**-**	**(32)**
Net profit for the financial year	**-**	**-**	**-**	**43,231**	**43,231**
Balance at 30 June 2004	**919,041**	**75,032**	**338,193**	**(626,791)**	**705,475**

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Company	Share capital RM'000	Non-distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
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 an 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	-	-	(123,496)	(123,496)
Balance at 30 June 2003	**919,041**	**75,032**	**(295,375)**	**698,698**
Net loss for the financial year	**-**	**-**	**(200,800)**	**(200,800)**
Balance at 30 June 2004	**919,041**	**75,032**	**(496,175)**	**497,898**

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		**100,427**	111,951	**(200,800)**	(123,496)
Adjustments for non-cash items, interests and dividend	32(a)	**232,370**	271,427	**198,924**	112,332
Operating profit/(loss) before working capital changes		**332,797**	383,378	**(1,876)**	(11,164)
Decrease in trade and other receivables		**41,965**	34,523	**947**	7,039
Increase/(decrease) in trade and other payables		**202,079**	(281,583)	**98**	(116,137)
(Increase)/decrease in inventories		**(186,805)**	59,017	**-**	-
Cash generated from/(used in) operations		**390,036**	195,335	**(831)**	(120,262)
Tax refunded/(paid)		**342**	(381)	**-**	684
Interest received		**3,030**	9,133	**61**	88
Interest paid		**(112,308)**	(96,305)	**-**	(399)
Net cash inflow/(outflow) from operating activities		**281,100**	107,782	**(770)**	(119,889)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and eqquipment	32(b)	**(268,666)**	(19,991)	**-**	-
Purchase of quoted investment		**(21)**	-	**-**	-
Proceeds from disposal of property, plant and equipment		**255**	427	**-**	-
Proceeds from disposal of investment in an associated company		**2,851**	1,405	**-**	-
Dividend income from quoted and unquoted investments		**8**	10	**1,419**	9
Capital distribution from a quoted investment		**5,313**	-	**5,313**	-
Repayment from subsidiary companies		**-**	-	**2,538**	22,052
Net cash (outflow)/inflow from investing activities		**(260,260)**	(18,149)	**9,270**	22,061
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans		**(46,607)**	(69,111)	**-**	-
Drawdown of term loan		**60,200**	-	**-**	-
Repayment of hire purchases		**(181)**	(97)	**-**	-
Net repayment of short term borrowings		**(40,147)**	(7,026)	**-**	-
(Repayment to)/advances from subsidiary companies		**-**	-	**(4,165)**	100,478
Net cash (outflow)/inflow from financing activities		**(26,735)**	(76,234)	**(4,165)**	100,478
Net (decrease)/increase in cash and cash equivalents		**(5,895)**	13,399	**4,335**	2,650
Cash and cash equivalents at beginning of the financial year		**13,612**	213	**1,272**	(1,378)
Cash and cash equivalents at end of the financial year	32(c)	**7,717**	13,612	**5,607**	1,272

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2004

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 of the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

As disclosed in Note 25, the term loans of a subsidiary company due for repayment during the financial year amounted to RM379.4 million. The subsidiary company is negotiating with the respective financial institutions to reschedule the term loans repayment. The Directors are of the view that the negotiations would be satisfactorily concluded.

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

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 effective date of acquisition or up to the effective date of disposal, as appropriate. The difference between the acquisition cost and the Group's share of the fair values of the identifiable net assets of the subsidiary company acquired at the acquisition date is reflected as goodwill or negative goodwill.

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 subsidiary companies to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of 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 net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Intangible assets

Goodwill and negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition. Negative goodwill represents the excess of the fair value of the identifiable net assets acquired at the date of acquisition over the cost of acquisition. Goodwill and negative goodwill 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 are expenses incurred prior to commencement of commercial production. Pre-commercial production expenses are amortised on a straight- line basis over a period of ten years upon commencement of commercial production and are stated net of amortisation. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (q).

(c) Associated companies

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

Equity accounting involves recognising the Group's share of the post acquisition results of associated companies in the consolidated income statement. In the consolidated balance sheet, the Group's interest in associated companies is carried at cost, which includes unamortised goodwill on acquisition less unamortised negative goodwill on acquisition, where applicable, plus the Group's share of post acquisition change in the net assets of the associated companies. 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 gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies 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, would 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 has not been updated and is stated at its existing carrying amount less accumulated 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 the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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 and capital work-in-progress are not depreciated. Leasehold land is depreciated 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%

(e) Inventories

Inventories are stated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or 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 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 negative goodwill on acquisition.

(i) Foreign currencies

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 statement 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 the exchange rate ruling at the date of the transaction.

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

	2004 RM	**2003 RM**
Foreign currency		
1 US Dollar	**3.80**	3.80
1 Euro	**4.57**	4.32
1 Singapore Dollar	**2.21**	2.15
1 Japanese Yen	**0.03**	0.03

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments

Investments in subsidiary and associated companies in the Company's financial statements are stated at cost less impairment losses. 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 investments.

The Company's investment in Megasteel Sub-Bond (A) is stated at net present value plus accreted interest and less 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.

(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 statement over the period of the borrowing using the effective yield method.

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset until the asset is ready for its intended use.

Bonds and debts are stated at net present value plus accreted interest and net of amortised issuance expenses. The accretion of interest on the bonds or debts 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

Trade and other receivables are carried at anticipated realisable value. Specific allowances are made for receivables, 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

Trade and other 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 the entire 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 of interest on the 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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits

Short term employee benefits

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

Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Equity compensation benefits

The Group has in place an Executive Share Option Scheme for granting of share options to eligible executives and executive directors of the Group to subscribe for ordinary shares in the Company. The Group does not make a charge to the income statement in connection with share options granted. When such options are exercised, the nominal value of the shares subscribed for is credited to the share capital account and balance of the proceeds net of any transaction costs, is credited to the share premium account.

3. REVENUE

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

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Sales of goods	**2,445,212**	1,835,552	**-**	-
Contract billings	**-**	2,051	**-**	-
Registration and other professional fees	**230**	237	**-**	-
Dividend income	**-**	-	**1,419**	9
Interest income	**-**	-	**98,481**	56,257
	2,445,442	1,837,840	**99,900**	56,266

4. STAFF COSTS

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Salaries, wages and bonus	**33,143**	34,210	**834**	45
Defined contribution plans	**5,048**	4,864	**114**	4
Other staff related expenses	**12,065**	9,814	**63**	48
	50,256	48,888	**1,011**	97

Included in the staff costs of the Group and of the Company is executive directors' remuneration as disclosed in Note 6.

5. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils totalling RM260.73 million (2003: RM230.0 million).

6. PROFIT/(LOSS) FROM OPERATIONS

The profit/(loss) from operations is arrived at:

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
After charging:				
Property, plant and equipment:				
- depreciation	**86,843**	78,406	**-**	-
- impairment losses	**2,997**	2,839	**-**	-
- written off	**315**	257	**-**	-
Amortisation of:				
- pre-commercial production expenses	**14,810**	14,811	**-**	-
- goodwill	**24,700**	8,962	**-**	-
Directors' remuneration*	**1,898**	215	**1,036**	215
Auditors' remuneration:				
- current year	**131**	134	**17**	17
- over accrued in prior year	**-**	(7)	**-**	-
Rental of land and buildings	**373**	441	**-**	-
Allowance for doubtful receivables	**2,190**	360	**-**	-
Lease rental	**199**	-	**-**	-
Bad receivables written off	**63**	65	**-**	-
Allowance for obsolete inventories	**376**	-	**-**	-
Inventories written down	**-**	4,443	**-**	-
Restructuring costs	**-**	7,880	**-**	7,880
Loss on 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	**3,982**	30,275	**-**	-
Professional fees paid to a firm in which a director, M Chareon Sae Tang @ Tan Whye Aun, has interest	**55**	119	**-**	**-**

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

The profit/(loss) from operations is arrived at:

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
And crediting:				
Gross dividend income from quoted investment in Malaysia:				
- associated companies	**-**	-	**1,412**	-
- others	**8**	10	**7**	9
Rental income	**157**	205	**-**	-
Interest income from:				
- subsidiary companies	**-**	-	**77,671**	25,461
- Megasteel Sub-Bonds (A)	**-**	-	**20,711**	30,708
- others	**8,149**	9,133	**99**	88
Allowance for doubtful receivables written back:				
- subsidiary company	**-**	-	**-**	54
- others	**9**	36,146	**-**	-
Gain on disposal of property, plant and equipment	**154**	63	**-**	-
Bad receivables recovered	**147**	-	**-**	-
Amortisation of negative goodwill	**32**	32	**-**	-
Gain on disposal of unquoted investment	**-**	6,424	**-**	5,933
Gain on disposal of investment in an associated company	**3,337**	-	**-**	-
Realised gain on foreign exchange	**184**	156	**-**	-
Reversal of impairment in value of an associated company	**1,046**	-	**-**	-

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Executive directors:				
- Salaries and other emoluments	**1,440**	30	**720**	30
- Fees	**20**	15	**20**	15
- Defined contribution plans	**202**	4	**101**	4
- Benefit-in-kind	**83**	48	**42**	48
	1,745	97	**883**	97
Non-executive directors:				
- Fees	**153**	118	**153**	118
	1,898	215	**1,036**	215

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

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

	Group		Company	
	2004	**2003**	**2004**	**2003**
Range of remuneration per annum				
Executive directors				
- RM50,001 - RM100,000	**-**	1	**-**	1
- RM850,001 - RM900,000	**-**	-	**1**	-
- RM1,700,001 - RM1,750,000	**1**	-	**-**	-
Non-executive directors				
- RM50,000 and below	**6**	6	**6**	6

7. FINANCE COSTS

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Interest expenses on:				
- advances from subsidiary companies	-	-	**21,850**	31,688
- bank overdrafts	**808**	1,196	**-**	62
- bonds	**131,090**	83,550	**131,090**	83,550
- term loans	**80,036**	77,952	**-**	-
- Megasteel Sub-Bond (B)	**2,301**	3,412	**-**	-
- others	**60,481**	36,160	**13,765**	5,052
	274,716	202,270	**166,705**	120,352
Less:				
Interest expenses capitalised under property, plant and equipment	**(5,709)**	-	**-**	-
Interest expenses overprovided in prior year	**-**	(10,003)	**-**	(10,003)
	269,007	192,267	**166,705**	110,349

Finance costs capitalised in the property, plant and equipment during the financial year have been calculated by applying a capitalisation rate of 5.9% (2003: Nil) per annum.

8. TAXATION

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Malaysian income tax:				
- current year	**7**	21	**-**	-
- prior years	**(531)**	286	**-**	-
Deferred tax relating to reversal of temporary differences (Note 26)	**(4,493)**	-	**-**	-
Recovery of tax deducted at source on dividend received and receivable from subsidiary and associated companies	**(429)**	(176)	**-**	-
Associated companies	**50,755**	11,574	**-**	-
	45,309	11,705	**-**	-

8. TAXATION (continued)

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

	Group		Company	
	2004	2003	**2004**	2003
	%	%	%	%
Income tax using Malaysia statutory income tax rate of 28% (2003 : 28%)	**28**	28	**(28)**	(28)
Income not subject to tax	**(113)**	(106)	**-**	(1)
Expenses not deductible for tax purposes	**113**	68	**18**	16
Losses not available for offset	**20**	21	**10**	13
Double taxation relief and others	**(3)**	(1)	**-**	-
Average effective tax rate	**45**	10	**-**	-

The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2003: RM22.1 million) to frank the payment of dividend. The amount is subject to agreement with the tax authority.

9. EARNINGS PER SHARE

Basic

Earnings per share is calculated by dividing the Group's net profit for the financial year of RM43.23 million (2003: RM55.68 million) by the weighted average number of shares in issue of 919.04 million shares (2003: 393.42 million shares).

Fully Diluted

The unexercised warrants and the shares granted to executive 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 per share remains the same as the basic earnings per share.

10. 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 2003	**589,374**	**2,594,564**	**14,711**	**5,582**	**21,743**	**3,225,974**
Additions	**539**	**9,103**	**3,190**	**411**	**294,696**	**307,939**
Disposals	**-**	**-**	**(3)**	**(1,094)**	**-**	**(1,097)**
Written off	**-**	**-**	**(702)**	**(4)**	**-**	**(706)**
Reclassification	**-**	**324**	**22**	**(324)**	**(22)**	**-**
At 30 June 2004	**589,913**	**2,603,991**	**17,218**	**4,571**	**316,417**	**3,532,110**
Representing items at:						
Cost	**289,913**	**36,075**	**17,218**	**4,571**	**316,417**	**664,194**
Valuation	**300,000**	**2,567,916**	**-**	**-**	**-**	**2,867,916**
	589,913	**2,603,991**	**17,218**	**4,571**	**316,417**	**3,532,110**

10. 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						
Accumulated depreciation						
At 1 July 2003	**44,615**	**223,520**	**7,839**	**3,779**	**-**	**279,753**
Charge for the financial year	**7,321**	**77,295**	**1,608**	**621**	**-**	**86,845**
Disposals	**-**	**-**	**(3)**	**(993)**	**-**	**(996)**
Written off	**-**	**-**	**(387)**	**(4)**	**-**	**(391)**
Reclassification	**-**	**225**	**-**	**(225)**	**-**	**-**
At 30 June 2004	**51,936**	**301,040**	**9,057**	**3,178**	**-**	**365,211**
Representing items at:						
Cost	**51,936**	**22,481**	**9,057**	**3,178**	**-**	**86,652**
Valuation	**-**	**278,559**	**-**	**-**	**-**	**278,559**
	51,936	**301,040**	**9,057**	**3,178**	**-**	**365,211**
Accumulated impairment losses						
At 1 July 2003	**-**	**1,339**	**-**	**-**	**5,643**	**6,982**
Impairment loss for the financial year	**-**	**186**	**-**	**-**	**2,811**	**2,997**
At 30 June 2004	**-**	**1,525**	**-**	**-**	**8,454**	**9,979**
Representing items at:						
Cost	**-**	**1,525**	**-**	**-**	**8,454**	**9,979**
Valuation	**-**	**-**	**-**	**-**	**-**	**-**
	-	**1,525**	**-**	**-**	**8,454**	**9,979**
Net book value						
At 30 June 2004						
- at cost	**237,977**	**12,069**	**8,161**	**1,393**	**307,963**	**567,563**
- at valuation	**300,000**	**2,289,357**	**-**	**-**	**-**	**2,589,357**
	537,977	**2,301,426**	**8,161**	**1,393**	**307,963**	**3,156,920**
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
	544,759	2,369,705	6,872	1,803	16,100	2,939,239
Depreciation charge for the financial year ended 30 June 2003	7,318	69,181	1,279	629	-	78,407

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has adjusted the plant and machinery of a subsidiary company, Megasteel Sdn Bhd, on the acquisition of an additional 40% equity interest in the last financial year 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 policy of the Group to revalue such assets regularly.

Land and buildings of the Group are 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 2003	**320,605**	**11,412**	**7,362**	**249,995**	**589,374**
Additions	**373**	**-**	**-**	**166**	**539**
At 30 June 2004	**320,978**	**11,412**	**7,362**	**250,161**	**589,913**
Representing items at:					
Cost	**20,978**	**11,412**	**7,362**	**250,161**	**289,913**
Valuation	**300,000**	**-**	**-**	**-**	**300,000**
	320,978	**11,412**	**7,362**	**250,161**	**589,913**
Accumulated depreciation					
At 1 July 2003	**-**	**921**	**3,018**	**40,676**	**44,615**
Charge for the financial year	**-**	**705**	**147**	**6,469**	**7,321**
At 30 June 2004	**-**	**1,626**	**3,165**	**47,145**	**51,936**
Representing items at:					
Cost	**-**	**1,626**	**3,165**	**47,145**	**51,936**
Valuation	**-**	**-**	**-**	**-**	**-**
	-	**1,626**	**3,165**	**47,145**	**51,936**
Net book value					
At 30 June 2004					
- cost	**20,978**	**9,786**	**4,197**	**203,016**	**237,977**
- valuation	**300,000**	**-**	**-**	**-**	**300,000**
	320,978	**9,786**	**4,197**	**203,016**	**537,977**
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
Depreciation charge for the financial year ended 30 June 2003	-	196	147	6,975	7,318

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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 (2003: RM35.0 million) and RM1.90 billion (2003: RM1.96 billion) respectively as at the financial year end.

Other property, plant and equipment with the carrying value of RM2.83 billion (2003: RM2.61 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 RM605,825 (2003: RM508,087) as at the financial year end.

The finance cost capitalised under capital-work-in-progress of the Group during the financial year amounted to RM5.7 million (2003: Nil), as disclosed in Note 7.

Certain land title and strata titles for leasehold land and buildings of a subsidiary company with net book value of RM9.5 million (2003: RM9.7 million) have not been issued by the relevant authorities.

11. SUBSIDIARY COMPANIES

	Company	
	2004 RM'000	**2003 RM'000**
Unquoted shares at cost	**41,758**	41,758
Accumulated impairment losses	**(11,856)**	(11,856)
	29,902	29,902
Megasteel Sub-Bond (A)	**2,091,838**	2,071,126
	2,121,740	2,101,028

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 2004 %	Holding in Equity 2003 %	Principal Activities
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

11. SUBSIDIARY COMPANIES (continued)

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity 2004 %	2003 %		Principal Activities
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, security equipment and steel related products
Lion Trading & Marketing Sdn Bhd	Malaysia	**100**	100		Trading and marketing of office equipment, security equipment and steel related products
Logic Concepts (M) Sdn Bhd	Malaysia	**71**	71	#	Ceased operations
Logic Concepts (S) Pte Ltd * (struck off)	Singapore	**-**	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**	90	#	Manufacturing of hot rolled coils, bands, plates and sheets
PMB Building System Sdn Bhd	Malaysia	**100**	100	#	Investment holding
PMB Jaya Sdn Bhd	Malaysia	**100**	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 as at 30 June 2004 not audited by Ong Boon Bah & Co.
Holding in equity by subsidiary companies.

12. ASSOCIATED COMPANIES

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Quoted shares in Malaysia at cost	**1,164,138**	1,179,588	**1,039,154**	1,039,154
Accumulated impairment losses	**(26,873)**	(33,326)	**(342,630)**	(210,511)
	1,137,265	1,146,262	**696,524**	828,643
Unquoted shares at cost	**1,540**	1,540	**1,540**	1,540
	1,138,805	1,147,802	**698,064**	830,183
Share of post-acquisition results and reserves	**(265,454)**	(385,132)	**-**	-
	873,351	762,670	**698,064**	830,183
Market value of quoted shares	**358,128**	273,357	**345,786**	255,623
Represented by:				
Share of net assets other than goodwill	**856,101**	689,760		
Share of goodwill in associated companies	**154,206**	214,984		
	1,010,307	904,744		
Unamortised goodwill on acquisition	**305,742**	318,663		
Unamortised negative goodwill on acquisition	**(442,698)**	(460,737)		
	873,351	762,670		

All of the above quoted shares have been charged to financial institutions for credit facilities granted to the Group and as security for the LCB Bonds and the LCB Debts issued by the Company.

Amsteel Corporation Berhad Group is holding 0.5% (2003: 24.7%) equity interest in Lion Corporation Berhad as at the end of the financial year.

The associated companies are:

Name of Company	Country of Incorporation	Holding in Equity 2004 %	Holding in Equity 2003 %	Accounting Year End	Principal Activities
Amsteel Corporation Berhad	Malaysia	**38.2** # **1.9**	38.2 # 1.9	30 June	Investment holding
Lion Industries Corporation Berhad	Malaysia	**41.6** # **1.3**	41.6 3.5	30 June	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30**	30	30 June	Investment holding

Held by subsidiary companies.

13. INVESTMENTS

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Unquoted shares at cost	**183**	183	**-**	-
Allowance for diminution in value	**(123)**	(123)	**-**	-
	60	60	**-**	-
Quoted shares in Malaysia at cost	**24,887**	30,179	**21,864**	27,177
Allowance for diminution in value	**(5,008)**	(5,008)	**(2,378)**	(2,378)
	19,879	25,171	**19,486**	24,799
Other investment at cost	**25**	25	**-**	-
Total	**19,964**	25,256	**19,486**	24,799
Market value of quoted shares	**15,378**	10,743	**14,975**	10,371

14. INTANGIBLE ASSETS

	Group 2004 RM'000	Group 2003 RM'000
Goodwill		
At 1 July	**617,713**	27,503
Acquisition of an addition 40% equity interest in a subsidiary company	**-**	590,210
At 30 June	**617,713**	617,713
Cumulative amortisation at 1 July	**(16,475)**	(7,513)
Amortisation for current financial year	**(24,700)**	(8,962)
Cumulative amortisation at 30 June	**(41,175)**	(16,475)
Net	**576,538**	601,238
Deferred expenditure		
Pre-commercial production expenses	**148,104**	148,104
Cumulative amortisation at 1 July	**(46,899)**	(32,088)
Amortisation for current financial year	**(14,810)**	(14,811)
Cumulative amortisation at 30 June	**(61,709)**	(46,899)
Net	**86,395**	101,205
Total	**662,933**	702,443

15. INVENTORIES

	Group	
	2004	**2003**
	RM'000	**RM'000**
At cost:		
Raw materials	**147,438**	144,988
Work-in-progress	**1,693**	3,314
Finished goods	**285,601**	106,405
General and consumables stores	**85,361**	75,423
Goods-in-transit	**-**	18
	520,093	330,148
At net realisable value:		
Raw materials	**5,112**	6,589
Finished goods	**4,761**	6,800
Total	**529,966**	343,537

The carrying amount of raw materials and finished goods stated at net realisable value as at 30 June 2004 are RM5.5 million and RM7.4 million (2003: RM9.8 million and RM8.0 million) respectively.

Inventories with carrying value of RM498.2 million (2003: RM306.6 million) are pledged to financial institutions for credit facilities.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade receivables	**92,863**	125,005	**-**	-
Allowance for doubtful receivables	**(14,168)**	(14,333)	**-**	-
	78,695	110,672	**-**	-
Retention monies	**559**	559	**-**	-
Allowance for doubtful receivables	**(106)**	(106)	**-**	-
	453	453	**-**	-
Other receivables, deposits and prepayments	**268,559**	273,749	**16**	923
Allowance for doubtful receivables	**(2,937)**	(949)	**-**	-
	265,622	272,800	**16**	923
Gross amount due from contract customers (see below)	**353**	1,478	**-**	-
Total current portion	**345,123**	385,403	**16**	923
Non-current				
Long term receivable	**232,426**	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 RM84.0 million (2003: RM114.0 million).

16. TRADE AND OTHER RECEIVABLES (continued)

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 24). The amount is unsecured, bears interest rate of 1.0% per annum and is receivable after four 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	
	2004	**2003**
	RM'000	**RM'000**
Contract cost to date	**7,325**	60,419
Attributable profits	**209**	1,474
	7,534	61,893
Progress billings	**(7,181)**	(60,415)
Gross amount due from contract customers	**353**	1,478

As of 30 June 2004, retention monies held by customers for contract work amounted to RM0.4 million (2003: RM0.4 million).

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

	Group	
	2004	**2003**
	RM'000	**RM'000**
Depreciation	**2**	-

17. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2004	**2003**
	RM'000	**RM'000**
(a) Current		
Amount due from subsidiary companies	**1,646,294**	1,571,560
Allowance for doubtful receivables	**(9,744)**	(9,744)
	1,636,550	1,561,816
Amount due to subsidiary companies (included under current liabilities)	**(142,236)**	(145,263)

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 5.0% (2003: 2.9%) per annum and the amounts due to subsidiary companies bear a weighted average effective interest rate of 1.0% (2003: 1.0%) per annum.

17. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES (continued)

	Company	
	2004 RM'000	2003 RM'000
(b) Non current		
Amount due to a subsidiary company	**(2,091,838)**	(2,071,126)

The amount due to a subsidiary company arose mainly from the Company's investment in Megasteel Sub-Bond (A), an instrument which confers 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 1.0% per annum and the amount is not repayable within one year.

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry an average effective interest rate of 3.1% (2003: 2.7%) per annum and 2.8% (2003: 2.7%) per annum respectively and have an average maturity of 21days (2003: 1 day) and 30 days (2003: 30 days) respectively.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	**552,989**	370,582	**-**	-
Other payables and accruals	**290,352**	187,510	**29,131**	28,763
Hire purchase liabilities (Note 27)	**167**	127	**-**	-
Project payables (Note 27)	**84,014**	58,086	**-**	-
	927,522	616,305	**29,131**	28,763

Included in other payables and accruals of the Group are interest charges of RM35.8million (2003: RM24.1 million) and accrued purchases amounting to RM108.7million (2003: RM31.3 million).

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

20. BANK OVERDRAFTS

	Group	
	2004 RM'000	2003 RM'000
Secured	**9,232**	12,089
Unsecured	**-**	1,959
	9,232	14,048

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.

The bank overdrafts are subject to interest rates varying between 7.5% to 8.0% (2003: 7.7% to 9.6%) per annum. The weighted average effective interest rate for the bank overdrafts is 7.8% (2003: 8.4%) per annum.

21. SHORT TERM BORROWINGS

	Group 2004 RM'000	Group 2003 RM'000
Term loans:		
Portion repayable within one year (Note 25)	**903,325**	455,236
Secured:		
Bills payable	**63,799**	104,462
Revolving credits	**41,839**	41,839
Short term loan	**24,077**	21,506
	129,715	167,807
Unsecured:		
Bills payable	**2,164**	1,395
Revolving credits	**-**	252
	2,164	1,647
Total	**1,035,204**	624,690

Bills payable and revolving credits of certain subsidiary companies are secured by way of a first and second fixed 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 secured against the investment in an associated company of the Group.

The bills payable, revolving credits and short term loan are subject to interest rates varying between 3.1% to 3.7% (2003: 3.4% to 4.7%) per annum, 5.4% to 6.6% (2003: 2.9% to 8.7%) per annum and 7.5% (2003: 6.5%) per annum respectively.

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

	Group 2004 %	Group 2003 %
Bills payable	**3.2**	4.3
Revolving credits	**6.5**	6.8
Short term loan	**7.5**	6.5

22. SHARE CAPITAL

	Group and Company 2004 RM'000	Group and Company 2003 RM'000
Ordinary shares of RM1.00 each		
(a) Authorised:		
At 1 July	**2,000,000**	500,000
Capital reconstruction	**-**	(150,000)
Additional	**-**	1,650,000
At 30 June	**2,000,000**	2,000,000

22. SHARE CAPITAL (continued)

	Group and Company	
	2004	**2003**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
(b) Issued and fully paid:		
At 1 July	**919,041**	182,896
Capital reconstruction	**-**	(54,869)
Shares issued under GWRS	**-**	791,014
At 30 June	**919,041**	919,041

As at 30 June 2004, 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 warrants which were constituted by a Deed Poll dated 18 December 1997 ("Deed Poll"), were offered on a renounceable basis of three (3) warrants for every four (4) existing shares held.

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.

The Company had on 9 September 2004 announced that the exercise period of the warrants has been extended from 10 December 2004 to 10 December 2005. The duration and exercise period of the warrants would, subject to certain conditions, be further extended for another year to 10 December 2006 and thereafter for up to an additional period of one (1) year and six (6) months to 10 June 2008.

The Executive Share Option Scheme ("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.

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

(a) Executive directors and confirmed executive employees of the Group who have been employed 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.

22. SHARE CAPITAL (continued)

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

Granted on	Subscription price per share RM	Balance as at 1.7.2003 '000	Granted '000	Exercised '000	Lapsed '000	Balance as at 30.6.2004 '000
		Number of options				
22 May 2000	2.69	1,090	-	-	113	977
6 August 2003	1.00	-	4,117	-	1,125	2,992
27 April 2004	1.00	-	8,058	-	3,422	4,636
		1,090	12,175	-	4,660	8,605

23. RESERVES

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non-distributable:				
Share premium	**75,032**	75,032	**75,032**	75,032
Negative goodwill	**575**	607	**-**	-
Revaluation reserves	**247,367**	247,367	**-**	-
Capital reserves	**88,127**	76,783	**-**	-
Translation reserves	**2,124**	2,510	**-**	-
	413,225	402,299	**75,032**	75,032
Accumulated losses	**(626,791)**	(670,022)	**(496,175)**	(295,375)
	(213,566)	(267,723)	**(421,143)**	(220,343)

Revaluation reserves comprise surplus arising on revaluation of property, plant and equipment net of deferred tax effects.

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 to manage the Ringgit Malaysia debts.

Translation reserves comprise gain or loss on translation of net equity of foreign subsidiary companies.

24. BONDS AND DEBTS

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Current				
Secured:				
- LCB Bonds	**26,339**	24,612	**26,339**	24,612
- LCB Debts	**44**	41	**44**	41
	26,383	24,653	**26,383**	24,653

24. BONDS AND DEBTS (continued)

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non-current				
Secured:				
- LCB Bonds	**1,683,932**	1,541,694	**1,683,932**	1,541,694
- LCB Debts	**10,779**	10,161	**10,779**	10,161
Unsecured bond:				
- Megasteel Sub-Bond (B)	**232,426**	230,126	**-**	-
	1,927,137	1,781,981	**1,694,711**	1,551,855
Total				
Secured:				
- LCB Bonds	**1,710,271**	1,566,306	**1,710,271**	1,566,306
- LCB Debts	**10,823**	10,202	**10,823**	10,202
Unsecured bond:				
- Megasteel Sub-Bond (B)	**232,426**	230,126	**-**	-
	1,953,520	1,806,634	**1,721,094**	1,576,508

The bonds and debts are redeemable/repayable over the following periods:

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Within one year	**26,383**	24,653	**26,383**	24,653
From one to five years	**668,628**	347,709	**629,693**	347,709
After five years	**1,258,509**	1,434,272	**1,065,018**	1,204,146
	1,953,520	1,806,634	**1,721,094**	1,576,508

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.

24. BONDS AND DEBTS (continued)

The Company has obtained the bondholders and lenders approval on 14 January 2004 to defer the redemption/repayment of the following LCB Bonds and LCB Debts:

	Due on 31 December 2003 defer to 31 December 2004 Nominal amount	**Due on 31 December 2004 defer to 31 December 2005 Nominal amount**
Class A LCB Bonds (RM'000)	18,838	33,953
Class B (a) LCB Bonds (RM'000)	2,013	1,480
Class B (b) LCB Bonds (RM'000)	4,545	3,341
LCB Debts (USD'000)	11	8

The cash yields to maturity from 14 March 2003 to the date of actual redemption/repayment 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%

An additional 1.00% interest above the cash yields to maturity shall be charged on the portion delayed in redemption/repayment for LCB Bonds and LCB Debts.

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.

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

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.

(iv) Investments in associated companies, Amsteel Corporation Berhad and Lion Industries Corporation Berhad.

24. BONDS AND DEBTS (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,

(i) Indebtedness

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

Permitted indebtedness shall mean, 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 for the redemption or purchase of the LCB Bonds and the total amounts for the repayment or purchase of the LCB Debts paid by LCB up to that time when the indebtedness is incurred or proposed to be incurred (which amount shall exclude amounts paid in respect of the Class B (b) LCB Bonds) and the up-front cash payment made on 31 January 2003 ("Repaid Amount") are less than 50% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and all LCB Debts, at the issue date of the LCB Bonds, the limit shall be 20% of that Repaid Amounts;

(b) where Repaid Amount is equal to or exceeding 50% but less than 75% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and all LCB Debts, at the issue date of the LCB Bonds, the limit shall be 35% of that Repaid Amounts; and

(c) where the total Repaid Amount is equal to or more than 75% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and all LCB Debts, at the issue date of the LCB Bonds, the limit shall be 50% of that Repaid Amounts.

(ii) Disposal of assets in PDP

Dispose of 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 of 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 (other than the Excluded 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 in the event the consolidated NTA of LCB is positive or exceeding the sum of RM5 million in the event the consolidated NTA of LCB is negative.

24. BONDS AND DEBTS (continued)

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.

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

25. LONG TERM BORROWINGS

Term loans	Group 2004 RM'000	 2003 RM'000
Secured	**1,809,389**	1,795,796
Portion repayable within one year and included under current liabilities (Note 21)	**(903,325)**	(455,236)
	906,064	1,340,560

The term loans are repayable over the following periods:

	Group 2004 RM'000	 2003 RM'000
Within one year (Note 21)	**903,325**	455,236
From one to five years	**845,864**	494,465
After five years	**60,200**	846,095
	1,809,389	1,795,796

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

Included in a subsidiary company's term loans repayable within one year is an amount of RM379.4 million, which was due during the financial year. The subsidiary company is negotiating with the financial institutions to reschedule the term loans repayment.

The term loans are subject to interest rates ranging from 1.5% (2003: 1.6%) above the commercial bank's base lending rates/London Inter Bank Offer Rate to 9.0% (2003: 9.0%) per annum. The weighted average effective interest rate of term loans is 4.5% (2003: 5.5%) per annum.

26. DEFERRED TAX LIABILITIES

	Group 2004 RM'000	Group 2003 RM'000
At 1 July	**121,425**	13,603
Credited to income statement (Note 8)	**(4,493)**	-
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	**116,932**	121,425

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

Deferred tax liabilities	Accelerated capital allowances RM'000	Revaluation reserve RM'000	Total RM'000
At 1 July 2003	**353**	**121,072**	**121,425**
Credited to income statement	**-**	**(4,493)**	**(4,493)**
At 30 June 2004	**353**	**116,579**	**116,932**
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

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

	Group 2004 RM'000	Group 2003 RM'000
Unutilised pioneer tax losses	**128,750**	128,750
Unutilised tax losses	**60,581**	56,541
Unabsorbed capital allowances	**7,508**	7,072
	196,839	192,363

The unutilised pioneer tax losses, unutilised tax losses and unabsorbed capital allowances carried forward are subject to agreement by the tax authority.

26. DEFERRED TAX LIABILITIES (continued)

A subsidiary company has been granted pioneer status under the Promotion of Investments 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.

The Company has estimated tax exempt account amounting to RM17.4 million (2003: RM17.4 million) available for the distribution of tax exempt dividend.

27. DEFERRED LIABILITIES

	Group	
	2004 RM'000	**2003 RM'000**
Hire purchase liabilities		
Payable within one year	**203**	156
Payable between 1 and 5 years	**405**	396
	608	552
Finance charges	**(102)**	(100)
	506	452
Portion payable within one year (Note 19)	**(167)**	(127)
	339	325
Project payables - unsecured	**139,650**	182,702
Portion due within one year (Note 19)	**(84,014)**	(58,086)
	55,636	124,616
Total deferred liabilities	**55,975**	124,941

The hire purchase liabilities are repayable over the following period:

	Group	
	2004 RM'000	**2003 RM'000**
Due within one year (Note 19)	**167**	127
Due between one and five years	**339**	325
	506	452

The hire purchase liabilities carry interest rates ranging from 3.3% to 5.0% (2003: 3.9% 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.

28. COMMITMENTS

(a) Capital commitments

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

	Group	
	2004	**2003**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**90,483**	58,802
- approved but not contracted for	**8,195**	89,680
	98,678	148,482

(b) Operating lease commitments

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

	Group	
	2004	**2003**
	RM'000	**RM'000**
The future minimum lease payments under non-cancellable operating lease are as follows:		
Within one year	**186**	186
From one to five years	**779**	977
	965	1,163

29. CONTINGENT LIABILITIES

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Guarantees in respect of loans and credit facilities granted to subsidiary companies				
- unsecured	**-**	-	**40,859**	49,334
Litigation *	**342**	342	**-**	-
	342	342	**40,859**	49,334

* 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. RELATED PARTY TRANSACTIONS

a) Significant transactions undertaken with related parties, excluding those parties disclosed as related companies in the financial statements are as follows:

		Group	
Name of Company	**Type of transaction**	**2004 RM'000**	**2003 RM'000**
i) With Amsteel Corporation Berhad Group ("Amsteel"):			
Lion Tooling Sdn Bhd	Trade purchases	**3,765**	2,407
Singa Logistics Sdn Bhd	Logistic services	**7,871**	8,429
ii) With Lion Industries Corporation Berhad Group ("LICB"):			
Amsteel Mills Sdn Bhd	Trade sales	**328,075**	85,986
	Trade purchases	**529,225**	169,350
Amsteel Mill Marketing Sdn Bhd	Management services	**1,353**	-

Amsteel and LICB are associated companies of the Company.

iii) With other related parties			
Bright Steel Sdn Bhd	Trade sales	**147,594**	67,953
	Trade purchases	**67,395**	2,369
Bright Steel Service Centre Sdn Bhd	Trade purchases	**317**	800
	Trade sales	**5,966**	5,946
Lion Holdings Pte Ltd	Trade purchases	**99,856**	53,813
Lion Plate Mills Sdn Bhd	Trade sales	**34,123**	11,015
	Trade purchases	**6,279**	-
Lion Motor Sdn Bhd	Trade purchases	**4,532**	2,393
Silverstone Berhad	Trade purchases	**136**	-
S.I.T Corporate Learning Centre Sdn Bhd	Training services	**151**	12
Silverstone Marketing Sdn Bhd	Rental income	**138**	196
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**1,292**	463
Posim Marketing Sdn Bhd	Trade purchases	**163**	60
Lion Forest Industries Berhad	Trade sales	**143,773**	-
PT Lion Metal Works Tbk	Trade sales	**1,790**	-

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, Lion Plate Mills Sdn Bhd and PT Lion Metal Works Tbk are companies in which certain Directors and substantial shareholders of the Company have an interest.

30. RELATED PARTY TRANSACTIONS (continued)

Lion Motor Sdn Bhd, Silverstone Berhad, S.I.T Corporate Learning Centre Sdn Bhd and Silverstone Marketing Sdn Bhd are subsidiary companies of Silverstone Corporation Berhad, a company in which certain Directors of the Company are substantial shareholders and directors.

Posim Petroleum Marketing Sdn Bhd and Posim Marketing Sdn Bhd are subsidiary companies of Lion Forest Industries Berhad, a company in which certain Directors of the Company are substantial shareholders and/or 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.

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			
	Granted during the financial year		Unexercised options at financial year end	
	2004	**2003**	**2004**	**2003**
Tan Sri William H.J. Cheng	**325,000**	-	**448,000**	123,000

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.

31. SEGMENTAL ANALYSIS (continued)

Primary reporting format – business segments

2004	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	2,348,934	29,239	67,061	208	-	2,445,442
Inter-segment	676	339	-	-	(1,015)	-
Total revenue	2,349,610	29,578	67,061	208	(1,015)	2,445,442
Results						
Segment results	220,132	(3,763)	(3,393)	(11,855)	(22)	201,099
Interest income						8,149
Investment income						8
Profit from operations						209,256
Finance costs						(269,007)
Share of associated companies':						
- results	75,448	-	-	(40,825)	-	34,623
- gains on disposal of companies	77,873	-	-	47,682	-	125,555
Profit before taxation						100,427
Taxation						(45,309)
Profit after taxation						55,118
Minority interests						(11,887)
Net profit for the financial year						43,231
Segment assets	6,073,316	29,551	49,447	1,023,332	(2,231,244)	4,944,402
Investment in associated companies	445,285	-	-	428,066	-	873,351
Unallocated corporate assets						21,461
Consolidated total assets						5,839,214
Segment liabilities	914,687	19,475	8,120	2,271,953	(2,231,244)	982,991
Unallocated corporate liabilities						4,021,548
Consolidated total liabilities						5,004,539
Other information						
Capital expenditure	307,267	179	493	-	-	307,939
Depreciation	83,583	1,047	2,181	32	-	86,843
Amortisation of pre-commercial production expenses and goodwill	39,213	-	164	133	-	39,510
Amortisation of negative goodwill	-	-	-	(32)	-	(32)
Impairment in value of property, plant and equipment	-	-	2,811	186	-	2,997
Reversal of impairment in value of an associated company	-	-	-	(1,046)	-	(1,046)
Non-cash expenses other than depreciation, amortisation and impairment losses	-	426	566	1,943	-	2,935

31. SEGMENTAL ANALYSIS (continued)

Primary reporting format – business segments

2003	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	1,743,769	29,343	62,467	2,261	-	1,837,840
Inter-segment	1,030	277	-	-	(1,307)	-
Total revenue	1,744,799	29,620	62,467	2,261	(1,307)	1,837,840
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						55,677
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						5,417,327
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						4,648,697

31. SEGMENTAL ANALYSIS (continued)

Primary reporting format – business segments

2003	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
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 negative goodwill	-	-	-	(32)	-	(32)
Impairment in value of						
- property, plant and equipment	-	-	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.

32. CASH FLOW STATEMENTS

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

	Group		Company	
	2004 RM'000	**2003 RM'000**	**2004 RM'000**	**2003 RM'000**
Share in results of associated companies	**(160,178)**	(2,118)	**-**	-
Property, plant and equipment:				
- depreciation	**86,843**	78,406	**-**	-
- impairment losses	**2,997**	2,839	**-**	-
- written off	**315**	257	**-**	-
Interest expenses	**269,007**	192,267	**166,705**	110,349
Gain on disposal of unquoted investment	**-**	(6,424)	**-**	(5,933)
Loss on shares swap arising from restructuring exercise	**-**	5,149	**-**	5,149
(Gain)/loss on disposal of investment in an associated company	**(3,337)**	168	**-**	-
Gain on disposal of property, plant and equipment	**(154)**	(63)	**-**	-
Amortisation of :				
- pre-commercial production expenses	**14,810**	14,811	**-**	-
- goodwill	**24,700**	8,962	**-**	-
- negative goodwill	**(32)**	(32)	**-**	-
Interest income	**(8,149)**	(9,133)	**(98,481)**	(56,257)
Allowance for doubtful receivables:				
- subsidiary companies	**-**	-	**-**	(54)
- others	**2,190**	360	**-**	-
- written back	**(9)**	(36,146)	**-**	-
Allowance for diminution in value of quoted investments	**-**	2,901	**-**	2,032
Dividend income	**(8)**	(10)	**(1,419)**	(9)
Bad receivables written off	**63**	65	**-**	-
Inventories written down	**-**	4,443	**-**	-
Allowance for obsolete inventories	**376**	-	**-**	-
Waiver of principal by lenders	**-**	(48,876)	**-**	-
Impairment/(reversal of impairment) in value of:				
- investment in subsidiary companies	**-**	-	**-**	8,300
- investment in associated companies	**(1,046)**	33,326	**132,119**	48,755
Unrealised loss on foreign exchange	**3,982**	30,275	**-**	-
	232,370	271,427	**198,924**	112,332

(b) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM307.94 million (2003: RM20.22 million) of which RM0.21million (2003: RM0.23 million) was acquired by means of hire purchase. Cash payments of RM268.67 million (2003: RM19.99 million) were made to purchase property, plant and equipment and an amount of RM39.06 million (2003: Nil) was accrued for payment and included in other payables.

32. CASH FLOW STATEMENTS (continued)

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

	Group		Company	
	2004	**2003**	**2004**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**9,173**	14,486	**157**	314
Deposits with the financial institutions	**7,776**	13,174	**5,450**	958
Bank overdrafts	**(9,232)**	(14,048)	**-**	-
	7,717	13,612	**5,607**	1,272

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 was transacted in the Euro currency. The Group attempts to limit its exposure by entering into foreign currency forward contracts wherever possible.

There is no outstanding foreign currency forward contract as at balance sheet date. The Group's outstanding foreign currency forward contracts as at end of the last financial year 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 as at the end of the last financial year was an unfavourable net position of RM0.26 million.

33. FINANCIAL INSTRUMENTS (continued)

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 2004					
Functional currency					
Trade and other receivables					
Ringgit Malaysia	**25,042**	**-**	**-**	**-**	**25,042**
Trade and other payables					
Ringgit Malaysia	**161,007**	**3,753**	**6,629**	**-**	**171,389**
Bonds and debts					
Ringgit Malaysia	**10,823**	**-**	**-**	**-**	**10,823**
Borrowings					
Ringgit Malaysia	**955,107**	**24,077**	**-**	**-**	**979,184**
Project payables					
Ringgit Malaysia	**240**	**115,426**	**11**	**33**	**115,710**
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 and debts					
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

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 mainly 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

33. FINANCIAL INSTRUMENTS (continued)

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 balance sheet date 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**
2004				
Financial assets				
Quoted investments	**19,879**	**15,378**	**19,486**	**14,975**
Unquoted investments	**85**	**(iii)**	**-**	**-**
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)	-	-

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.

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.

33. FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of 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 of the Group's main investment and the net assets of other quoted investments as at end of the year are not significantly different from their carrying amounts.

(iii) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to time constraint, lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(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 sheet 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 Bursa Malaysia Securities Berhad.

(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	
	2004	**2003**	**2004**	**2003**
Total number of employees as at the end of the financial year	**2,089**	1,586	**2**	1

(d) The financial statements have been approved by the Board of Directors for issuance on 14 September 2004.

35. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year. However, for the conformity with MASB 29 Employee Benefits, the executive directors' remuneration, which was previously included in other operating expenses in the income statements, has been reclassified to staff costs.

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 29 to 73 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 2004 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 14 September 2004.

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

DATUK CHENG YONG KIM
Director

Kuala Lumpur

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 29 to 73 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 14 September 2004.

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 29 to 73. 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 reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe 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 the 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 2004 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 Act.

The names of subsidiary companies of which we have not acted as auditors are shown in Note 11 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 those 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 Section 174(3) of the Act.

Without qualifying our opinion, we draw attention to Note 1 in the financial statements concerning the term loans of a subsidiary company due for repayment and the steps taken by the Group to address the obligation.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

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

Kuala Lumpur
14 September 2004

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2004

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book 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 21	4,136	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5½, 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 29	3,573	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5½, 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 29	1,747	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 36	507	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 19	269	22.05.1985
Block B, Lot No 1 6½ 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 19	267	10.08.1985

LIST OF GROUP PROPERTIES (continued)

AS AT 30 JUNE 2004

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book 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 6	3,003	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 5	514,533	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 8	2,128	28.06.1999
Lot 1110, Plot 117 King's Park Commercial Centre, Miri Sarawak	Leasehold 06.06.2059	156.6 sq metres	Land	Vacant	534	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 5	749	15.12.1999
Lot 13, Kota Kinabalu Industrial Park Jalan Sepanggar Mengatal Kota Kinabalu Sabah	Leasehold	87,513 sq metres	Commercial Land	Vacant	6,531	06.07.2001

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2004

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 30 September 2004

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	73	1.49	2,463	0.01
100 - 1,000	1,328	27.19	861,718	0.09
1,001 - 10,000	2,525	51.69	9,636,451	1.05
10,001 - 100,000	695	14.23	22,837,470	2.48
100,001 - less than 5% of issued shares	260	5.32	398,354,543	43.34
5% and above of issued shares	4	0.08	487,347,977	53.03
	4,885	**100.00**	**919,040,622**	**100.00**

Thirty Largest Registered Shareholders as at 30 September 2004

Registered Shareholders	No. of Shares	% of Shares
1. LDH (S) Pte Ltd	226,716,252	24.67
2. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (BK 6/191-1)	149,462,999	16.26
3. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Horizon Towers Sdn Bhd (01-00800-000)	57,818,754	6.29
4. Horizon Towers Sdn Bhd	53,349,972	5.80
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. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (PCI)	24,420,000	2.66
8. Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Horizon Towers Sdn Bhd (230519)	15,418,335	1.68
9. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (PCI)	12,588,477	1.37
10. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd (T137-6110539213)	11,671,100	1.27

Thirty Largest Registered Shareholders as at 30 September 2004 (continued)

Registered Shareholders	No. of Shares	% of Shares
11. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Horizon Towers Sdn Bhd	11,300,000	1.23
12. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd	9,286,966	1.01
13. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41408430028B)	9,257,871	1.01
14. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41435660121C)	8,917,773	0.97
15. Amanvest (M) Sdn Bhd	7,783,452	0.85
16. Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Malayan Banking Berhad (GRM-230592)	7,703,169	0.84
17. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd	7,407,654	0.81
18. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41403980012D)	6,447,455	0.70
19. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd	6,221,487	0.68
20. EB Nominees (Tempatan) Sendirian Berhad EON Bank Berhad	5,992,601	0.65
21. AMSEC Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.57
22. Mayfin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (BKBS)	5,157,996	0.56
23. Lion Holdings Sdn Bhd	4,883,795	0.53
24. HDM Nominees (Tempatan) Sdn Bhd P & O Capital Sdn Bhd for Exuniq Sdn Bhd	4,701,137	0.51
25. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	4,673,500	0.51
26. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Hidden Treasures Fund (240218)	4,500,000	0.49
27. HSBC Nominees (Asing) Sdn Bhd BOB (G) Ltd for Spinnaker Capital	4,255,170	0.46
28. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Balanced Returns Fund (N14011980060)	4,237,000	0.46
29. Amsteel Equity Capital Sdn Bhd	4,110,540	0.45
30. RHB Capital Nominees (Tempatan) Sdn Bhd RHB Bank Berhad (Account 1)	3,368,345	0.37

Substantial Shareholders as at 30 September 2004

	Direct Interest		Indirect Interest			
Substantial Shareholders	**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	674,724,219	73.42	42,160,189	448,000
2. Datuk Cheng Yong Kim	194,250	0.02	429,619,379	46.75	-	-
3. Lion Realty Pte Ltd	-	-	428,988,959	46.68	-	-
4. Lion Development (Penang) Sdn Bhd	2,541,093	0.28	369,896,680	40.25	-	-
5. Horizon Towers Sdn Bhd	367,722,825	40.01	-	-	-	-
6. LDH (S) Pte Ltd	226,716,252	24.67	-	-	-	-
7. Lion Industries Corporation Berhad	1,727,361	0.19	228,138,397	24.82	-	-
8. Lion Diversified Holdings Berhad	431,977	0.05	226,716,252	24.67	-	-
9. Amsteel Mills Sdn Bhd	985,968	0.11	227,148,229	24.72	-	-
10. Steelcorp Sdn Bhd	-	-	228,134,197	24.82	-	-
11. LLB Steel Industries Sdn Bhd	-	-	228,134,197	24.82	-	-

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.*

Directors' interests in shares in the Company and its related companies as at 30 September 2004

The Directors' interests in shares in the Company and its related companies as at 30 September 2004 are the same as that shown in the Directors' Report for the financial year ended 30 June 2004.

Distribution of Warrant Holdings as at 30 September 2004

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	1	0.07	50	0.01
100 to 1,000	305	20.36	302,850	0.33
1,001 to 10,000	858	57.28	3,865,400	4.23
10,001 to 100,000	272	18.16	8,566,200	9.37
100,001 to less than 5% of warrants issued	59	3.94	20,373,936	22.30
5% and above of warrants issued	3	0.19	58,272,314	63.76
	1,498	**100.00**	**91,380,750**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2004

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. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,475,000	1.61
5. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
6. Rahmah Binti Abdul Rahim	1,300,000	1.42
7. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	1,173,200	1.28
8. Choong Moh Guan	900,000	0.98
9. Pacific & Orient Insurance Co Berhad	865,000	0.95
10. Silverstone Corporation Berhad	710,250	0.78
11. Chin Lih Lih	650,000	0.71
12. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chye	536,200	0.59
13. Choo Li Lian	535,000	0.59
14. Lim Hock Jin	490,000	0.54
15. Fresh Direct Supply Sdn Bhd	482,000	0.53
16. Wang Wei	450,000	0.49
17. Goh Seng Hoon	384,000	0.42
18. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40
19. Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Lih Lih (CHI0443C)	365,700	0.40
20. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Meng Tut (CEB)	323,000	0.35

Thirty Largest Registered Warrant Holders as at 30 September 2004 (continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
21. ECM Libra Securities Nominees (Asing) Sdn Bhd ECM Libra Securities Limited for Libra Asia Securities Limited	320,000	0.35
22. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming	304,000	0.33
23. Paul Chan Kok Po	300,000	0.33
24. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Sing Kian (11195AW0821)	300,000	0.33
25. Ursula A/P C J French	300,000	0.33
26. Md Ali Bin Md Dewal	300,000	0.33
27. Angelina Corrina Fernandez	294,000	0.32
28. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Chun Fong (CEB)	292,000	0.32
29. Chai Chang Luen	287,000	0.31
30. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheong Chen Yue	280,000	0.31

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM500.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2004 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.	Lion Industries Corporation Berhad ("LICB Group") [1]	328,075
	Amalgamated Containers Berhad ("ACB Group") [1]	153,560
	Lion Forest Industries Berhad ("LFIB Group") [1]	143,773
	Silverstone Corporation Berhad ("SCB Group") [1]	114
	Amsteel Corporation Berhad ("Amsteel Group") [1]	82
	Sims Holdings Sdn Bhd Group [1]	34,123
	Lion Holdings Pte Ltd Group [2]	1,790
		661,517
(ii) The purchase of hot briquetted iron, gases, scrap iron, lubricants, and other steel related products.	LICB Group [1]	529,225
	ACB Group [1]	67,712
	Lion Holdings Pte Ltd Group [2]	99,856
	Sims Holdings Sdn Bhd Group [1]	6,279
		703,072
(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]	3,765
	LFIB Group [1]	1,455
		5,220
(iv) The obtaining of marketing, distribution and transportation services.	Amsteel Group [1]	7,871
(v) The rental, water and electricity of office premises.	Amsteel Group [1]	92

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2004 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)	186
	LICB Group (1)	153
	LFIB Group (1)	30
		369
(ii) The purchase of motor vehicles and component parts of motor vehicles.	SCB Group (1)	4,668
(iii) Rental of office premises.	SCB Group (1)	138
(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)	31
	SCB Group (1)	201
	ACB Group (1)	18
	LFIB Group (1)	19
	Lion Diversified Holdings Berhad Group ("LDHB") (1)	18
	LICB Group (1)	1,381
		1,668
(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)	155
	Amble Bond Sdn Bhd Group (1)	28
	Ributasi Holdings Sdn Bhd Group (1)	223
		406

Notes:
"Group" includes subsidiary and associated companies.
(1) Company in which certain Directors and major shareholders of the Company have an interest.
(2) Company in which a Director of the Company has interest.

(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 Group Wide Restructuring Scheme ("GWRS") are as follows:

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

As mentioned in last year's Annual Report, the Group had strengthen its Organisational and Financial Management System through the recruitment of experienced and capable personnel to head the Group's operation and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

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, Public Listed Company ("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 ("MD") 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, they are 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 the MD. The Board is also supported by the Audit Committee, the majority of whom are independent Directors. The Audit Committee is assisted by the internal audit function.

1.3 KOC Organisation Structure

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team includes the Financial Controller and the heads of department of manufacturing, sales and marketing, 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 that LCB's financial performance is reported to its 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) Proceeds received/to be received (Jan - Dec 2004) Jan - June 2004	(b) Projected for July - Dec 2004	(a) + (b) Projected Jan - Dec 2004
	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	-	-	38.6	38.6
	71.9	-	-	71.9	71.9

(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/repay the LCB Bonds/ LCB Debts as scheduled. However, in the event that the Group is unable to effect the divestment on time, lenders consent will be sought to reschedule the redemption/repayment date of its LCB Bonds/LCB Debts.

(c) (i) Status of Issues Affecting the Joint-Venture Companies ("JV Co") of Amsteel Corporation Berhad ("Amsteel") (prior to the disposal of the JV Co to Lion Diversified Holdings Berhad on 1 June 2004) in the People's Republic of China ("PRC")

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
1.	Retail enterprises to restructure the shareholding ratio between the joint-venture parties and/or the term of operation and/or business scope as required by the State Council in the PRC.		Submitted the application to maintain or restructure the shareholding ratio and/or the term of operation and/or business scope for approval as required on the following dates:	
		Dalian Tianhe Parkson Shopping Centre Co Ltd (Amsteel Group's equity holding : 60%)*	26 December 2001	The bussiness licence to complete the restructuring was obtained on 29 August 2003. Issue resolved.
		Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%)*	7 December 2001	Approval from the relevant authorities had been obtained in mid-May 2004. Issue resolved.
		Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%)*	3 December 2001	Approval from the relevant authorities had been obtained in mid-May 2004. Issue resolved.
		Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%)*	20 February 2002	Approval from the relevant authorities for the restructuring and the amendments to the Joint-Venture Agreement and Articles of Association of this JV Co had been obtained on 14 February 2004 and in mid-May 2004 respectively. Issue resolved.

(c) (i) Status of Issues Affecting the Joint-Venture Companies ("JV Co") of Amsteel Corporation Berhad ("Amsteel") (prior to the disposal of the JV Co to Lion Diversified Holdings Berhad on 1 June 2004) in the People's Republic of China ("PRC") (continued)

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
2.	Land Use Right(s) for land(s) ("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 the 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 Management of the Amsteel Group is liaising very closely with LFXR to register the LUR certificate in the name of the JV Co. The JV Co expects to procure the registration by 28 February 2005. The Management of the Amsteel Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.
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 the 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 capital verification from the certified auditor for the injection of the Shortfall had been obtained on 21 April 2004. Issue resolved.

(c) (i) Status of Issues Affecting the Joint-Venture Companies ("JV Co") of Amsteel Corporation Berhad ("Amsteel") (prior to the disposal of the JV Co to Lion Diversified Holdings Berhad on 1 June 2004) in the People's Republic of China ("PRC") (continued)

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
4.	The PRC party has not obtained the LUR or Property Ownership Right(s) for building(s) ("POR") certificate in its favour for property leased by the PRC Party to the JV Co or the lease of the LUR or POR to the JV Co has not been registered with the relevant authorities in the PRC.	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%)*	The Management of the 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 had been registered on 20 July 2004. Issue resolved.
		Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%)*	The Management of the 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 28 February 2005. The Management of the Amsteel Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time. In the meantime, SHC had issued a letter dated 20 February 2004 to confirm that the JV Co is entitled to use the building pending the said transfer.

(c) (i) Status of Issues Affecting the Joint-Venture Companies ("JV Co") of Amsteel Corporation Berhad ("Amsteel") (prior to the disposal of the JV Co to Lion Diversified Holdings Berhad on 1 June 2004) in the People's Republic of China ("PRC") (continued)

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
4.		Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%)*	The Management of the 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.	The parent company of CWE and owner of the building had authorised CWE to lease the building to the JV Co Issue resolved.
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 the 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 the 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 outstanding loan had been repaid on 27 July 2004. The registration of the pledge is no longer an issue.

Notes:

* *As from 1 June 2004, these JV Cos became the subsidiaries of Lion Diversified Holdings Berhad ("LDHB") following the disposal of the entire equity interests in the companies holding interests in the said JV Cos ("Disposed Companies") to LDHB. The respective vendors of the Disposed Companies had undertaken to the Securities Commission ("SC") that they shall indemnify LDHB for any losses incurred by LDHB as a result of any non-compliance with the laws and regulations of the PRC.*

(c) (ii) Status of Issues Affecting the JV Co 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 30 September 2004
1.	The amount of JV Co's capital had exceeded the authorised limit of the provincial Ministry of Commerce (formerly "MOFTEC") ("MOC") amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOC 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 the LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co from MOC in Beijing through the provincial MOC for the excess of USD30.24 million (equivalent to approximately RM114.91 million).	The provincial MOC had requested the JV Co to rely on the letter of approval dated 11 September 1995 from the provincial MOC, in that the capital of the JV Co has been properly approved. It is the duty of the provincial MOC to apply for endorsement from the MOC in Beijing. The LICB Group expects to obtain the endorsement by 28 February 2005. The Management of the LICB Group will closely monitor the development and endeavour to resolve this issue within the aforesaid time.

(c) (ii) Status of Issues Affecting the JV Co 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 30 September 2004
2.	POR to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of the LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company ("HZJ"), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC to the JV Co.	The Management of the LICB Group is in the process of procuring HZJ to transfer the ownership of the POR to the JV Co by 28 February 2005. The Management of the LICB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.
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 the LICB Group had liaised with HZJ to register the lease over the land located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC with the relevant authorities.	The Management of the LICB Group is in the process of procuring HZJ to obtain the approval for the lease by 28 February 2005. The Management of the LICB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.

(c) (iii) Status of Issues Affecting the JV Co 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 30 September 2004
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.		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:	
		Hunan Changfa Automobile Engine Co Ltd (SCB Group's equity holding : 50%)	PRC Party: Changsha Auto Engine General Factory Building: No. 39, Shao Shan Lu, Dong Qu, Changsha, Hunan Province, PRC Land: Xian Jia Hu, He Xi, Changsha, Hunan Province, PRC	The PRC Party is 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 28 February 2005. The Management of the SCB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.
		Dong Feng Lion Tyre Co Ltd ("Dong Feng") (SCB Group's equity holding : 55%)	PRC Party: China Dong Feng Tyre Factory Building: No. 221, Hanjiang Road, Shiyan City, Hubei Province, PRC	The POR had been transferred to the JV Co. Issue resolved.

(c) (iii) Status of Issues Affecting the JV Co 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 30 September 2004
2.	The amount of JV Co's capital had exceeded the authorised limit of the provincial MOC amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOC 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).	The SCB Group had disposed of its 50% equity holding in JFM to Kau Hua Int'l Investment Co Ltd. The disposal was completed on 6 April 2004.
		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 MOC in Beijing through the provincial MOC for the excess of USD33.20 million (equivalent to approximately RM126.16 million).	The provincial MOC had requested Dong Feng to rely on the letter of approval dated 4 December 1993 from the provincial MOC, in that the capital of Dong Feng has been properly approved. It is the duty of the provincial MOC to apply for endorsement from the MOC in Beijing.

LION CORPORATION BERHAD
(Incorporated in Malaysia) (12890-A)

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 Thirty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 22 November 2004 at 10.00 am 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, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
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 of 2004

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.

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