



LION CORPORATION BERHAD

A Member of The Lion Group

(12890-A)

LAPORAN TAHUNAN

2002

ANNUAL REPORT

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	4
Directors' Profile	5
Corporate Governance Statement	8
Statement on Internal Control	11
Audit Committee Report	13
Nomination Committee	15
Remuneration Committee	15
5 Years' Group Financial Highlights	16
The Group's Businesses	17
Chairman's Statement	
Bahasa Malaysia	18
English	20
Chinese	22
Financial Statements:	
Directors' Report	24
Income Statements	29
Balance Sheets	30
Statements of Changes in Equity	31
Cash Flow Statements	33
Notes to the Financial Statements	35
Statement by Directors	64
Statutory Declaration	64
Report of the Auditors	65
Material Contracts	66
List of Group Properties	68
Analysis of Shareholdings	70
Other Information	75
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth 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 Thursday, 19 December 2002 at 4.00 pm for the following purposes:

AGENDA

- | | |
|--|--------------|
| 1) To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2002. | Resolution 1 |
| 2) To approve the payment of Directors' fees amounting to RM109,000 (2001: RM100,000). | Resolution 2 |
| 3) To re-elect Directors: | |
| a) 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. Datuk Cheng Yong Kim | Resolution 3 |
| Y. Bhg. Dato' Haji Yahya bin Haji Talib | 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: | |
| a) "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 |
| b) "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 resolution as an ordinary resolution: | |
| Ordinary resolution – Authority to Directors to issue shares | |
| "That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." | Resolution 8 |
| 7) To transact any other business for which due notice shall have been given. | |

By Order of the Board

MAK WAI CHIN
MOHAMMAD ZUBIR BIN ALWEE
Secretaries

Kuala Lumpur
26 November 2002

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 under 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.

2) Resolution 8 - Authority to Directors to issue shares

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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

Y. Bhg. Datuk Cheng Yong Kim
Y. Bhg. Dato' Haji Yahya bin Haji Talib

- 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 5 to 7 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 2002. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 5 to 7 of this Annual Report.

III. Place, date and time of the Twenty-Ninth Annual General Meeting

The Twenty-Ninth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 December 2002 at 4.00 pm.

CORPORATE INFORMATION

Directors	:	Y. Bhg. Tan Sri William H.J. Cheng (Chairman and Managing Director) Y. M. Raja Zainal Abidin bin Raja Haji Tachik Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Dato'Haji Yahya bin Haji Talib Mr M Chareon Sae Tang @ Tan Whye Aun Mr Folk Fong Shing @ Kok Fong Hing
Secretaries	:	Ms Mak Wai Chin Encik Mohammad Zubir bin Alwee
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 47, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Phileo Promenade 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	AmMerchant Bank Berhad Aseambankers Malaysia Berhad Malayan Banking Berhad Affin Bank Berhad RHB Bank Berhad RHB Sakura Merchant Bankers Berhad Bank of America (Malaysia) Berhad
Stock Exchange Listing	:	Kuala Lumpur Stock Exchange
Stock Name	:	Ordinary Shares Warrants LIONCOR LIONCOR-WA
KLSE Stock No.	:	3581 3581w
ISIN Code	:	MYL3581OO005 MYL3581WACC7
Reuters Code	:	LION.KL

DIRECTORS' PROFILE

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

Aged 59, Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development.

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

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

Tan Sri William Cheng has a direct shareholding in the Company of 180,000 ordinary shares of RM1.00 each and indirect shareholding in the Company comprising 104,833,273 ordinary shares of RM1.00 each, 25,855,162 warrants and options to subscribe for 175,000 ordinary shares in the Company under the Company's Executive Share Option Scheme. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company. 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 2002.

Raja Zainal Abidin bin Raja Haji Tachik
Independent Non-Executive Director

Aged 85, Y. M. Raja Zainal Abidin bin Raja Haji Tachik, a Malaysian, had completed a public administration course at the Oxford University, United Kingdom and a management and law course at the Columbia University, New York, the United States of America.

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.

Raja Zainal was appointed to the Board on 26 October 1973 and serves as the Chairman of the Company's Audit Committee. He has a direct shareholding of 300,000 ordinary shares of RM1.00 each and an indirect shareholding of 87,400 ordinary shares of RM1.00 each in the Company. He is also a Director of O.Y.L. Industries Berhad, a public listed company.

Raja Zainal attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Aged 52, Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, obtained his Bachelor of Business Administration (Honours) degree from University of Singapore in 1971.

Datuk Cheng has more than 25 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, brewery, retail, distribution and trading, agricultural products and property and community development. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of Lion Land Berhad. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Datuk Cheng has a direct shareholding of 277,500 ordinary shares of RM1.00 each and an indirect shareholding of 64,748,534 ordinary shares of RM1.00 each in the Company. He is deemed to be interested in the subsidiaries of the Company by virtue of his substantial interest in the Company. 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 was appointed to the Board on 19 July 1982 and serves as a member of the Company's Remuneration Committee. His other directorships in public companies are as follows:

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

Datuk Cheng is the nephew of Tan Sri 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 2002.

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

Aged 67, Y. Bhg. Dato' Haji Yahya bin Haji Talib, a Malaysian, obtained his Bachelor of Arts (Honours) degree in Economics from University of Malaya and completed the Advanced Management Programme from Harvard Business School, the United States of America.

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

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

Dato' Haji Yahya attended three (3) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

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

Aged 63, Mr M Chareon Sae Tang @ Tan Whye Aun, a Malaysian, obtained his Bachelor of Law degree from Kings College, University of London and is a Barrister-at-Law of the Inner Temple London.

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

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

Mr Tang attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

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

Aged 70, Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, obtained his Masters Degree in Business Administration from University of East Asia, Macau. He is a member of the Malaysian Institute of Accountants and a member of the Association of Australian Certified Practising Accountants.

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

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

Mr Folk attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2002.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lion Corporation Berhad (“the Board”) recognises the importance of practising good corporate governance and fully supports the recommendation of the Malaysian Code on Corporate Governance (“the Code”). The Board is committed in ensuring that the highest standard of corporate governance is practised throughout the Group as a fundamental part of discharging its responsibilities to direct the businesses of the Group towards enhancing business prosperity and corporate accountability.

These principles and best practices have been applied throughout the financial year ended 30 June 2002.

The Board is pleased to disclose 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 Code.

1. DIRECTORS

The Board

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders’ values. The Board has the overall responsibility for reviewing and adopting strategic plans for the Group, 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 2002, five (5) board meetings were held. Details of attendance by Directors are set out in the profile of the Directors.

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

Board Balance

The Board comprises six (6) Directors, of whom five (5) are non-executive. The current Board composition complies with the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”). The profile of the members of the Board are set out on pages 5 to 7 of this Annual Report. The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group.

The Group Chairman also assumes the position of the Group’s Managing Director. He brings with him the 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.

Represented on the Board are two (2) independent non-executive Directors who bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

To assist in discharging its duties, the Board may form committees delegated with specific authority and which operate under approved terms of reference or guidelines, whenever required.

Supply of Information

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

The Directors 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

In accordance with best practices in the Code, the Board has established the Nomination Committee. The Nomination Committee is responsible for recommending the right candidates with the necessary skills, experience and competencies to be appointed to the Board and also assessing the effectiveness of the Board and the contribution of each director. The members and terms of reference of the Nomination Committee are presented on page 15.

All Directors have attended the Mandatory Accreditation Programme and will undergo relevant training on a continuous basis as prescribed by the KLSE.

Re-election

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of Directors so as to ensure that it attracts and retains the Directors needed to run the Company successfully. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 15.

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

The details of the remuneration of each Director who served during the financial year ended 30 June 2002 are as follows:

	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive			
Tan Sri William H.J. Cheng	15,000	30,000	45,000
	<u>15,000</u>	<u>30,000</u>	<u>45,000</u>
Non-Executive			
Raja Zainal Abidin bin Raja Haji Tachik	20,000	-	20,000
Datuk Cheng Yong Kim	10,000	-	10,000
Dato' Haji Yahya bin Haji Talib	18,000	-	18,000
M Chareon Sae Tang @ Tan Whye Aun	10,000	-	10,000
Mr Loo Hooi Keat	18,000	-	18,000
Mr Folk Fong Shing @ Kok Fong Hing	18,000	-	18,000
	<u>94,000</u>	<u>-</u>	<u>94,000</u>
Total	<u><u>109,000</u></u>	<u><u>30,000</u></u>	<u><u>139,000</u></u>

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

Range of Remuneration (RM)	Executive	Non-Executive
25,000 & below	-	6
25,001 - 50,000	1	-

3. SHAREHOLDERS

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

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

4. ACCOUNTABILITY AND AUDIT

The Board has established an Audit Committee to oversee the financial reporting and the effectiveness of the internal control of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The responsibilities and activities of the Audit Committee are set out in the Audit Committee Report on pages 13 and 14.

The Audit Committee met six (6) times during the financial year.

Directors' Responsibility in Financial Reporting

The Directors are satisfied that for the financial year ended 30 June 2002, 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 in Malaysia and provisions of the Companies Act, 1965.

Financial Reporting

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

Internal Control

The Board has overall responsibility for maintaining a sound system of internal control, which encompasses financial, operational, compliance controls and risk management. This is necessary for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. These controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

A Risk Management Committee was established during the financial year to assist the Board in identifying and assessing risks and the control measures within the Group to comply with the Listing Requirements of the KLSE and the best practices as set out by the Code.

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 Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b), of the KLSE's Listing Requirements requires directors of listed companies to include a statement in their annual reports on the state of their internal controls. The KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is the Board of Directors' Internal Control Statement, which has been prepared in accordance with the Guidance.

Board Responsibility

The Board recognises the importance of sound internal control and risk management practices to good corporate governance. 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, it should be noted that such 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 or loss. The system of internal control covers risk management and financial, organisational, operational and compliance controls.

Following the issuance of the Guidance, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year and up to the date of approval of the Annual Report and financial statements. The process is regularly reviewed by the Board through its Audit Committee and assisted by the Internal Auditors.

Risk Management Framework

The Board is aware that a sound system of internal control should be embedded in the operations of the Group and forms part of its culture. In order to bring greater awareness of employees towards risk identification, evaluation, control and monitoring, an external professional firm of consultants was appointed to assist in the formalisation of a Corporate Risk Management Framework for the Group. The framework covers the following initiatives, which were undertaken during the financial year: -

- Holding of Risk Awareness Seminars for all operational managers of the Group to inculcate understanding of potential and current risks as faced by the various operating companies within the Group
- Workshops and training were conducted with operational managers to familiarise themselves with the principal risks and controls and the maintenance of a database of such risk profiles based on likelihood of occurrence and magnitude of impact
- Formation of Risk Management Committee (RMC) at the group level as well as Risk Management Teams at operation level charged with the responsibility of continuously reviewing and maintaining risk profiles identified

Subsequent to the financial year end, presentation was made to the Audit Committee by the Chairman of the RMC on key findings of risk profile on a quarterly basis.

The next step in risk management process is the issuance of a Corporate Risk Management manual which will outline the risk management framework for the Group and will offer guidance for all employees on risk management issues.

Control and Monitoring Process

The other key elements of the Group's internal control system are:

- An operational structure with defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability
- A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions
- Internal policies and procedures are in place and are regularly updated to reflect changing risks or resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported thereon by its internal audit function to the Board via the Audit Committee
- Detailed budgeting process established requiring all business units to prepare budget and business plan on an annual basis
- Effective reporting systems which expose significant variances against budget and plan are in place to monitor performance. Key variances are followed up by the management and reported to the Board on a quarterly basis
- The monitoring of control procedures is achieved through management review by the responsible director reporting to the Board. This is complemented by reviews undertaken by the internal audit function on the controls in operation in each individual business unit. Regular reports are produced and presented to the Audit Committee which will assess the impact of control issues and review remedial actions implemented by the management

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

Members

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

Secretaries

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

AUTHORITY

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

TERMS OF REFERENCE

- To consider the appointment of external auditors and the audit fee
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved
- To review the quarterly announcements to the Kuala Lumpur Stock Exchange and year end annual financial statements before submission to the Board, focusing on:
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgemental areas
- To discuss problems and reservations arising from the interim and final external audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary)
- To review the external auditors' management letter and management's response thereto
- To establish the following with the internal audit function:
 - review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work
 - review internal audit programme
 - ensure co-ordination of external audit with internal audit
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via the annual report
- To review the effectiveness of internal control systems
- To appraise and assess the members of the internal audit function

MEETINGS

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

During the financial year under review, six (6) Audit Committee Meetings were held. Y. M. Raja Zainal Abidin bin Raja Haji Tachik and Mr Folk Fong Shing @ Kok Fong Hing attended all the meetings while Y. Bhg. Dato'Haji Yahya bin Haji Talib attended three (3) out of the six (6) meetings.

ACTIVITIES

During the financial year, the Audit Committee met to review the quarterly reports and annual financial statements of Lion Corporation Berhad and its subsidiaries. The Audit Committee has met with the external auditors to discuss and consider the nature and scope of the audit, and significant changes and developments on accounting practices and standards issued by the Malaysian Accounting Standards Board and International Accounting Standard Body. Also discussed was the management's response to the various issues and internal control weaknesses highlighted by the external auditors in the management report to the Board. The Audit Committee concurrently reviewed and endorsed the internal audit programme of the Group and deliberated on the internal auditors' findings and recommendations. The various corporate proposals including the Proposed Group Wide Restructuring Scheme were deliberated upon and endorsed for approval by the Board. The Audit Committee also reviewed all recurrent related party transactions ("RRPTs") entered into between the Group and its related parties as mandated by a Shareholders' Mandate for RRPTs obtained from the shareholders on 25 February 2002.

The Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference.

INTERNAL AUDIT

The Internal Audit team performed its duties in accordance with its annual audit plan covering review of the internal control systems and operational audit of various subsidiaries. They have also conducted RRPTs reviews to ensure compliance with the Review Procedures as prescribed in the Shareholders' Mandate.

This year, the Internal Auditors with the oversight of the Audit Committee and Risk Management Committee has facilitated the development and implementation of the Strategic Corporate Risk Score Card programme in order to ensure the Company's risk management strategies for critical business risks are adequately addressed.

NOMINATION COMMITTEE

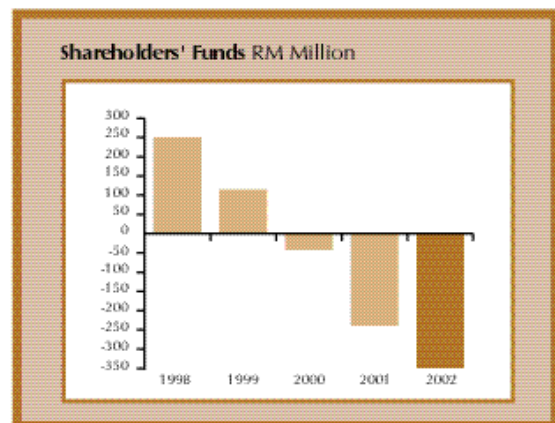
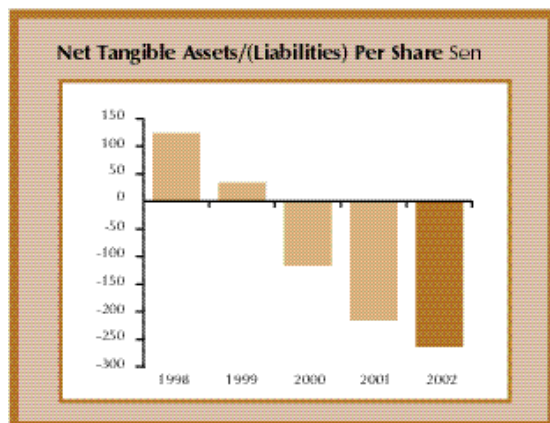
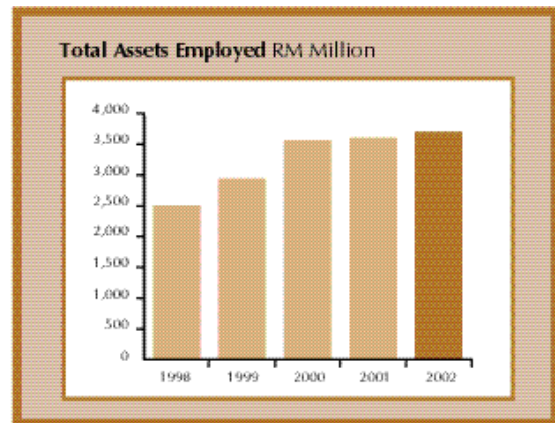
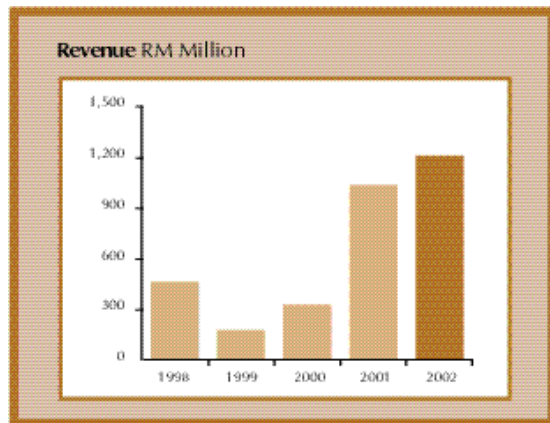
Chairman	:	Mr M Chareon Sae Tang @ Tan Whye Aun (Non-Independent Non-Executive Director)
Member	:	Mr Folk Fong Shing @ Kok Fong Hing (Independent Non-Executive Director)
Terms of Reference	:	<ul style="list-style-type: none">• To recommend to the Board, candidates for directorships in Lion Corporation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

REMUNERATION COMMITTEE

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

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	466,190	179,533	329,892	1,041,064	1,214,669
Profit/(Loss) from operations	12,537	10,982	(48,766)	(96,706)	29,033
Loss before taxation	(341,893)	(288,889)	(267,733)	(330,744)	(138,260)
Loss after taxation	(341,652)	(274,279)	(283,036)	(329,248)	(138,353)
Dividends:					
Gross rate (%)	1.0	0.1	0.1	0.1	-
Amount (net of tax)	1,316	132	132	132	-
Total assets employed	2,501,155	2,938,148	3,565,180	3,605,290	3,701,824
Shareholders' funds	250,354	114,599	(40,202)	(242,748)	(346,128)
Net tangible assets/(liabilities)	224,318	62,396	(208,012)	(394,656)	(482,134)
	Sen	Sen	Sen	Sen	Sen
Net tangible assets/(liabilities) per share	123	34	(114)	(216)	(264)
Loss per share	(231)	(150)	(141)	(135)	(56)



THE GROUP'S BUSINESSES



Aerial view of the 1.2km long Megasteel Sdn Bhd plant, producing hot rolled coils (HRC) in Banting, Selangor.

Pemandangan dari udara, kilang Megasteel Sdn Bhd sepanjang 1.2km yang mengeluarkan gelung besi keluli panas di Banting, Selangor.

Laminar Cooling System to ensure even strip temperature and mechanical properties of the coils (inset).

Sistem Penyejukan Laminar bagi memastikan suhu jalur dan unsur mekanikal yang serata untuk setiap gelung besi keluli (gambar kecil).



Range of steel furniture and personal safes produced by Lion Steelworks Sdn Bhd, ideal for office and home use.

Rangkaian perabot besi dan peti besi peribadi daripada Lion Steelworks Sdn Bhd, sesuai untuk kegunaan di pejabat dan rumah.

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah Lion Corporation Berhad, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit bagi Kumpulan and Syarikat untuk tahun kewangan berakhir 30 Jun 2002.

PRESTASI KEWANGAN

Pada tahun kewangan yang ditinjau, ekonomi Malaysia berhadapan dengan cabaran baru. Walaupun kegawatan ekonomi yang melanda Amerika Syarikat berikutan peristiwa 11 September, ekonomi tempatan mampu bertahan daripada mengalami penguncupan ekonomi. Malah, ekonomi tempatan terus mencatat pertumbuhan sederhana pada kadar 0.4% pada tahun 2001, hasil daripada rangsangan fizikal oleh Kerajaan dalam mempromosikan pertumbuhan domestik menerusi penggunaan peribadi dan perbelanjaan awam.

Berikutan dari kegawatan ekonomi sedunia, permintaan lingkaran gegelung besi keluli panas terus lemah hampir di sepanjang tahun ini. Bagaimanapun, harga pasaran lingkaran gegelung besi keluli panas menjadi stabil berikutan pasaran besi keluli rata yang semakin pulih dan ini membolehkan Kumpulan mencatat kerugian sebelum cukai yang lebih rendah berjumlah RM138.3 juta berbanding RM330.7 juta pada tahun lepas.

PERKEMBANGAN KORPORAT

Cadangan Skim Penyusunan Semula Seluruh Kumpulan ("Cadangan SPSSK") seperti yang diumumkan oleh Kumpulan telah mendapat kelulusan daripada Kementerian Perdagangan Antarabangsa dan Industri, Jawatankuasa Pelaburan Asing, Bank Negara Malaysia, Suruhanjaya Sekuriti dan para Pemiutang Skim. Cadangan SPSSK kini menunggu kelulusan daripada Bursa Saham Kuala Lumpur, para pemegang saham syarikat-syarikat Skim dan lain-lain pihak berkuasa berkenaan.

TINJAUAN OPERASI

Bahagian Besi Keluli

Megasteel, yang terbabit dalam pengeluaran lingkaran gegelung besi keluli panas terus menghadapi cabaran dalam tahun tinjauan. Lingkaran gegelung besi keluli panas merupakan salah satu daripada bahan mentah utama yang digunakan dalam pengeluaran, kejuruteraan dan aplikasi berkaitan pembinaan yang bernilai tambah. Kegawatan ekonomi sedunia pada tahun 2001 adalah lebih parah di luar jangkaan. Dengan dasar ekonomi terbuka Malaysia, kesan

negatif kegawatan ekonomi Amerika Syarikat turut dirasai. Ini terbukti dengan kapasiti pengeluaran yang berlebihan sehingga menyebabkan berleluasanya aktiviti penurunan harga. Walaupun dengan permintaan merosot dan harga lingkaran gegelung besi keluli panas yang rendah di pasaran antarabangsa, Bahagian ini telah mengambil langkah-langkah untuk menjimatkan kos dan meningkatkan produktiviti serta menjalin perikatan teknikal strategik dengan kilang-kilang besi di rantau ini bagi memantau kesan ketara. Syarikat terus menyediakan insentif untuk meningkatkan persaingan dalam industri-industri hiliran bagi membolehkan mereka berhadapan dengan cabaran daripada pengimportan barangan separuh siap dan siap sepenuhnya.

Akibat kemerosotan pasaran besi keluli antarabangsa, baru-baru ini kerajaan Malaysia telah mengenakan tarif yang lebih tinggi ke atas kesemua lingkaran gegelung besi keluli panas untuk produk-produk hulu dan hiliran. Tindakan ini bertujuan untuk melindungi industri besi keluli rata termasuk kedua-dua aktiviti hulu dan hiliran daripada longgokan pembekal luar negara serta menstabilkan pasaran tempatan. Di penghujung suku kedua tahun 2002, pasaran besi keluli antarabangsa mulai pulih dengan harga-harga besi keluli dan produk berasaskan besi keluli telah menunjukkan peningkatan. Bahagian mencatat kerugian yang lebih rendah berjumlah RM66.0 juta pada tahun ini berbanding RM202.7 juta pada tahun lepas.

Bahagian Motor

Pada tahun tinjauan, Kinabalu Motor Assembly Sdn Bhd, pemegang francais untuk pemasangan dan pengedaran kenderaan jenama Isuzu di Malaysia Timur, melaporkan perolehan lebih rendah berjumlah RM72.1 juta dengan keseluruhan jualan kenderaan berjumlah 904 unit. Kerugian yang dicatatkan adalah lebih tinggi berjumlah RM15.2 juta berbanding RM1.3 juta pada tahun sebelumnya. Kerugian besar ini berpunca daripada peruntukan yang dibuat ke atas penurunan nilai peralatan bahagian pengecatan dan inventori.

Jualan kenderaan pacuan dua roda crew cab adalah lebih rendah di Sabah manakala sambutan di Sarawak amat memberangsangkan. Pada tahun ini, jumlah jualan kenderaan pacuan empat roda crew cab terjejas akibat persaingan dengan model-model baru yang diperkenalkan oleh para pesaing. Untuk mengatasi persaingan ini, pihak pengurusan telah memulakan perbincangan dengan Isuzu Motor Limited, Jepun bagi mendapatkan model crew cab terbaru seperti yang telah diperkenalkan di pasaran negara Thailand pada bulan Jun 2002.

Bahagian perabot besi keluli

Pada tahun tinjauan, perniagaan "Pengeluaran Peralatan Asli" (Original Equipment Manufacturing - OEM) tidak berkembang seperti yang dijangkakan. Rakan kongsi OEM di Jepun tidak dapat memenuhi anggaran sasaran jualan. Pengukuhan matawang dolar Amerika berbanding Yen Jepun menyebabkan kos produk-produk kita yang dibeli dalam matawang Dolar Amerika telah melonjak tinggi. Barangan import daripada China yang lebih rendah telah memburukkan lagi keadaan. Pada tahun ini, Bahagian telah meluaskan rangkaian produk dengan memperkenalkan sistem perabot dinding untuk pasaran eksport ke Jepun.

DIVIDEN

Memandangkan suasana perniagaan semasa dan prestasi keseluruhan Kumpulan yang rendah, Lembaga Pengarah tidak mengesyorkan sebarang dividen untuk tahun kewangan berakhir 30 Jun 2002.

PROSPEK

Dengan pengukuhan prestasi sektor pengeluaran dan perkhidmatan, ekonomi Malaysia dijangka akan terus berkembang dengan kadar selesa pada tahun 2002.

Lembaga Pengarah optimis dengan langkah-langkah yang sedang diambil untuk mengukuhkan perniagaan Kumpulan. Kumpulan berupaya memulihkan prestasi operasinya.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan ikhlas kepada Y. Bhg. Dato' Dr Lee Chee Kuon dan Encik Loo Hooi Keat yang telah meletak jawatan daripada Lembaga pada tahun ini atas sumbangan mereka yang tidak ternilai.

PENGHARGAAN

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

Akhir kata, saya ingin mengucapkan ribuan terima kasih kepada para pengarah atas sokongan dan nasihat mereka yang tidak ternilai di sepanjang tahun.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Lion Corporation Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements for the Group and the Company for the financial year ended 30 June 2002.

FINANCIAL PERFORMANCE

For the year under review, the Malaysian economy was faced with new challenges. Despite the severe downturn in the United States economy following the aftermath of the September 11 incident, the local economy managed to avoid an economic contraction. Instead, the domestic economy continued to register a moderate growth of 0.4% in the year 2001, due mainly to the Government's fiscal stimulus to promote domestic growth in private consumption and public spending.

Resulting from the global economic slowdown, demand for hot rolled coils ("HRC") remained soft during the larger part of the year. However, with the improved market environment in the flat steel industry in year 2002, HRC prices have stabilised and this has enabled the Group to record a lower loss before tax of RM138.3 million as against RM330.7 million recorded last year.

CORPORATE DEVELOPMENT

The Proposed Group Wide Restructuring Scheme ("Proposed GWRS") as announced by the Group has been approved by the Ministry of International Trade and Industry, Foreign Investment Committee, Bank Negara Malaysia, Securities Commission and Scheme Creditors. The Proposed GWRS is pending approvals from Kuala Lumpur Stock Exchange, shareholders of the various Scheme Companies and any other relevant authorities.

REVIEW OF OPERATIONS

Steel Division

The year under review remained challenging for Megasteel, which is principally involved in the manufacturing of HRC, one of the key raw materials used in higher value-added manufacturing, engineering, industrial and construction related applications. The global economic slowdown in 2001 was more severe than earlier anticipated. Given the openness of the Malaysian economy, the negative effects of the US economic downturn were felt almost immediately. This was manifested in excess manufacturing capacities leading to price dumping activities. Against the continuing scenario of falling demand and soft international prices of HRC, the steps

initiated by the division on cost and productivity improvements together with strategic technical tie-ups with regional steel mills have helped to mitigate its adverse impact. The company continued to provide incentives to shore up the competitiveness of the downstream industries to enable them to meet the challenges from importation of semi and finished goods.

In order to safeguard the local flat steel industry, both upstream and downstream, against dumping by overseas suppliers as a result of deterioration in the international steel market, the Malaysian Government has recently imposed higher tariffs on all HRC for both upstream and downstream products. This action has led to stability in the local market. An upturn in the international steel market in the later part of the second quarter of 2002 has led to a recovery in international prices of steel and steel products. The Division recorded a lower loss of RM66.0 million for the year as against RM202.7 million last year.

Motor Division

For the year under review, Kinabalu Motor Assembly Sdn Bhd, the franchise assembler and distributor of Isuzu vehicles in East Malaysia, reported a lower revenue of RM72.1 million with total sales volume of 904 units. Losses was correspondingly higher at RM15.2 million as compared to RM1.3 million in the previous year. The higher loss was also due to write downs of both the paint shop equipment and inventory to net realisable value.

Sales of our two wheel drive crew cab was lower in Sabah whilst the response in Sarawak was encouraging. Sales volume for the four wheel drive crew cab was also affected during the year by the newer models introduced by competitors as our model is coming of age. To counter this threat, the management has commenced discussion with Isuzu Motor Limited, Japan to obtain the latest model of crew cab which was introduced into the Thailand market in June 2002.

Steel Furniture Division

For the year under review, the Original Equipment Manufacturing ("OEM") business did not perform as expected. The OEM partner in Japan was not able to meet its projected sales target. This was due to the strengthening of the US dollar against the Japanese Yen resulting in the cost of our products quoted in US dollars to move up. This was further compounded by the cheaper imports from China. During the year, the Division was able to expand its product range to include wall system furniture for the export market in Japan.

DIVIDEND

In view of the current business environment and the overall Group performance, the Board does not recommend any dividend for the financial year ended 30 June 2002.

PROSPECTS

Led by stronger performance in the manufacturing and service sectors, the Malaysian economy is projected to continue to grow at a moderate pace in 2002.

The Board is optimistic that based on the various measures undertaken to strengthen the Group's businesses, the operational performance will improve.

BOARD OF DIRECTORS

On behalf of the Board, I would like to record my thanks to Y. Bhg. Dato' Dr Lee Chee Kuon and Mr Loo Hooi Keat who had resigned from the Board during the year, for their invaluable contributions.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record our appreciation to the Malaysian Government, financiers, business associates, valued customers and shareholders for their continued support and confidence in the Group. I would also like to thank the management and staff for their commitment and dedication to the Group.

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表金狮机构董事部，提呈本集团和本公司在截至2002年6月30日的会计年度的常年报告和经审核账目。

财务表现

在本财政年度，马来西亚经济面对新挑战。尽管在911事件之后，美国经济出现严重衰退，国内经济却影响不大。相反的，仍然取得0.4%的成长，这主要是由于政府采取财政刺激政策，通过增加私人消费和公共开支来促进国内的经济成长。

由于全球经济衰退，在本财政年度的较多时间内，对热轧钢的需求仍然疲弱。不过，在2002年，平板钢的市场环境有所改善，使到热轧钢的价格稳定下来，这也使到本集团的税前亏损减少到1亿3千830万零吉，上一个财政年度的亏损是3亿3千70万零吉。

公司发展

本集团所宣布的建议中集团重组计划(以下简称重组计划)已获得国际贸易与工业部、外资委员会、马来西亚中央银行、证券委员会以及计划债权人批准。上述计划还有待吉隆坡股票交易所、各计划公司的股东与任何有关当局的批准。

业务检讨

钢铁部门

在本财政年度内，万佳钢铁厂私人有限公司(Megasteel Sdn Bhd)仍然面对挑战。这家钢铁厂主要生产热轧钢，而热轧钢是一种用来在更高附加价值的制造、工程、工业及建筑等领域应用的主要原料。2001年全球的经济衰退比预期中严重。由于马来西亚经济开放，美国经济衰退的影响几乎马上被感受到。这可以从生产能力过剩、导致进行倾销价格战表现出来。在热轧钢需求减少而国际价格疲软的情况下，这个部门采取行动削减成本和改善生产力，同时和本地区的钢铁厂进行策略性技术联系，协助缓和不利的影响。本公司继续提供奖掖办法，以提高下游工业的生产力，使到它们能够应付半制成品和制成品入口所带来的挑战。

由于国际钢铁市场情况恶化，导致外国供应商进行倾销。为了保护本地的平板钢铁厂工业(包括上游工业和下游工业)，马来西亚政府最近对所有热轧钢产品(包括上游工业和下游工业)征收更高的入口税。这项行动促使本地市场稳定下来。在2002年下半年的较后部分，随著国际钢铁市场复苏，钢铁和钢铁产品的国际价格逐步回升。在本财政年度，本部门的亏损减少到6千600万零吉；上一个年度的亏损是2亿270万零吉。

汽车部门

在东马拥有装配销售 Isuzu 牌车辆特许权的 Kinabalu Motor Assembly Sendirian Berhad，在本财政年度，营业额减少到7千210万零吉，汽车的销售量只有904辆。因此，亏损增加至1千520万零吉，而上一年的亏损却只有130万零吉。这是由于降低漆厂配备和存货的价值，以使它们符合净可实现价值。

我们的两轮驱动车在沙巴州的销售量减少，在砂劳越州的反应则令人鼓舞。在本财政年度，四轮驱动车的销售量也受到影响，这是由于竞争者推出新款式，而我们的款式较落伍。为了抗拒这种威胁，管理层已和日本 Isuzu Motor Limited 谈商，以便获得最新款式四轮驱动车；这种新款式车已经在2002年6月在泰国市场推出。

钢铁家私部门

在本财政年度，原件代工(OEM)业务的表现达不到原定目标。在日本的原件代工伙伴，无法实现它所预期的销售。这是由于美元对日圆的汇率强劲，导致我们的产品以美元计算的成本提高。由于来自中国的进口货价格低廉，使情况更糟。在这一年内，这个部门扩大产品范围，包括把壁橱出口到日本去。

股息

鉴于目前的商业环境以及本集团的总体表现，董事部不建议针对在2002年6月30日结束的财政年度派发股息。

展望

制造业和服务业的表现强劲，预料在2002年，马来西亚经济将继续取得中度增长。

董事部乐观的认为，在采取各种措施以加强本集团的业务的情况下，本集团的业务表现将获得改善。

董事部

我谨代表董事部，表达我们对董事拿督李志强博士和吕少杰先生的谢意。他们已于本年度辞去董事的职位。我借此机会感谢他们任职期间对公司的贡献。

鸣谢

我谨代表董事部，感谢马来西亚政府、银行、商业伙伴、尊贵的客户以及股东们，继续支持本集团和对本集团有信心。我也要感谢管理层和职员对本集团的献身精神。

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

2002

For The Financial Year Ended 30 June 2002

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 2002.

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.

Other than as disclosed 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
Loss after taxation	(138,353)	(204,321)
Minority interests	35,641	-
Loss attributable to shareholders	<u>(102,712)</u>	<u>(204,321)</u>

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2002.

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri William H.J. Cheng
 Raja Zainal Abidin bin Raja Haji Tachik
 Datuk Cheng Yong Kim
 Dato'Haji Yahya bin Haji Talib
 M Chareon Sae Tang @ Tan Whye Aun
 Loo Hooi Keat (Resigned on 4.10.2002)
 Dato'Dr Lee Chee Kuon (Alternate Director to Datuk Cheng Yong Kim) (Resigned on 24.6.2002)
 Folk Fong Shing @ Kok Fong Hing

In accordance with Article 98 of the Company's Articles of Association, Datuk Cheng Yong Kim and Dato' Haji Yahya bin Haji Talib 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 seek re-appointment as Director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for fees for professional services paid to a firm which Mr M Chareon Sae Tang @ Tan Whye Aun is a member in his capacity as an advocate and solicitor and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 29 to the financial statements.

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

DIRECTORS' INTERESTS

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

	As at 1.7.2001	Number of ordinary shares		As at 30.6.2002
		Additions	Disposals	
Direct interest in shares				
Tan Sri William H.J. Cheng	180,000	-	-	180,000
Datuk Cheng Yong Kim	277,500	-	-	277,500
Raja Zainal Abidin bin Raja Haji Tachik	300,000	-	-	300,000

	As at 1.7.2001	Number of ordinary shares		As at 30.6.2002
		Additions	Disposals	
Indirect interest in shares				
Tan Sri William H.J. Cheng	105,439,273	-	42,000	105,397,273
Datuk Cheng Yong Kim	65,312,534	-	-	65,312,534
Raja Zainal Abidin bin Raja Haji Tachik	11,400	-	-	11,400
Dato' Haji Yahya bin Haji Talib	225,000	-	-	225,000

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

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

	As at 1.7.2001	Options over ordinary shares		As at 30.6.2002
		Granted	Exercised	
Tan Sri William H.J. Cheng	175,000	-	-	175,000

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

	As at 1.7.2001	Warrants		As at 30.6.2002
		Additions	Disposals	
Tan Sri William H.J. Cheng	25,855,162	-	-	25,855,162

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

	Nominal value per ordinary share	As at 1.7.2001	Number of ordinary shares		As at 30.6.2002
			Additions	Disposals	
Indirect interest in shares					
Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim					
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lion Sankyu Tekko Sdn Bhd	RM1.00	4,000,000	-	-	4,000,000
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	19,275,030	-	-	19,275,030
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001
Lyn (Pte) Ltd	SGD1.00	1,225,555	-	-	1,225,555
Bersatu Investments Company Limited	HK\$10.00	42,644	-	-	42,644

	As at 1.7.2001	Number of Preference "D" Shares of RM0.01 each		As at 30.6.2002
		Additions	Disposals	
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	As at 1.7.2001	Number of Preference "F" Shares of RM0.01 each		As at 30.6.2002
		Additions	Disposals	
Megasteel Sdn Bhd	26,670,000	-	-	26,670,000

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

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

The main features of the ESOS are as follows:

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

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

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

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

	Subscription price per share	Balance as at 1.7.2001	Granted	Exercised	Lapsed	No. of shares unissued as at 30.6.2002
Granted on 22.5.2000	RM2.69	1,996,000	-	-	336,000	1,660,000

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors:

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

AUDITORS

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

Signed in accordance with a resolution of the Directors dated 30 October 2002

TAN SRI WILLIAM H.J. CHENG
CHAIRMAN

DATUK CHENG YONG KIM
DIRECTOR

Kuala Lumpur
30 October 2002

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	4	1,214,669	1,041,064	755	6,335
Other operating income		6,274	1,592	8,659	6
Changes in inventories of finished goods and work-in-progress		(26,224)	96,489	-	-
Purchase of finished goods		(16,734)	(17,821)	-	-
Raw material and consumables used		(738,856)	(742,060)	-	-
Staff costs		(44,143)	(41,194)	-	-
Depreciation and amortisation expenses		(90,491)	(83,290)	-	-
Allowance for:					
- diminution in value of quoted investment		(2,107)	(17,046)	(346)	(17,046)
- diminution in value of investment in subsidiary companies		-	-	(3,556)	-
- diminution in value of investment in an associated company		-	-	(161,756)	-
- amount due from subsidiary companies		-	-	(9,799)	(9,855)
- doubtful debts arising from restructuring exercise		(4,956)	(9,855)	-	-
Other operating expenses	5	(268,399)	(324,585)	(5,515)	(5,602)
Profit/(loss) from operations	6	29,033	(96,706)	(171,558)	(26,162)
Finance costs	7	(167,245)	(180,355)	(32,763)	(32,613)
Share in results of associated companies		(48)	(53,683)	-	-
Loss before taxation		(138,260)	(330,744)	(204,321)	(58,775)
Taxation:	8				
- company and its subsidiary companies		(92)	8,586	-	8,527
- associated companies		(1)	(7,090)	-	-
Loss after taxation		(138,353)	(329,248)	(204,321)	(50,248)
Minority interests		35,641	82,127	-	-
Loss attributable to shareholders		(102,712)	(247,121)	(204,321)	(50,248)
Loss per share	9				
- Basic (sen)		(56)	(135)		
- Fully diluted (sen)		(56)	(135)		

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

BALANCE SHEETS

AS AT 30 JUNE 2002

	Note	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
PROPERTY, PLANT AND EQUIPMENT	10	2,617,595	2,674,561	-	-
SUBSIDIARY COMPANIES	11	-	-	38,202	41,758
ASSOCIATED COMPANIES	12	1,445	1,494	99,049	260,805
INVESTMENTS	13	41,239	57,296	37,981	45,896
INTANGIBLE ASSETS	14	136,006	151,908	-	-
		<u>2,796,285</u>	<u>2,885,259</u>	<u>175,232</u>	<u>348,459</u>
CURRENT ASSETS					
Inventories	15	406,997	380,158	-	-
Trade and other receivables	16	476,183	317,830	527,699	545,570
Tax recoverable		1,125	1,626	1,021	878
Deposits with financial institutions		18,049	11,429	565	513
Cash and bank balances		3,185	8,988	40	52
		<u>905,539</u>	<u>720,031</u>	<u>529,325</u>	<u>547,013</u>
CURRENT LIABILITIES					
Trade and other payables	17	1,240,205	1,005,553	106,459	93,102
Short term borrowings	18	1,639,250	995,758	586,883	236,702
Tax liabilities		837	2,243	-	-
		<u>2,880,292</u>	<u>2,003,554</u>	<u>693,342</u>	<u>329,804</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(1,974,753)</u>	<u>(1,283,523)</u>	<u>(164,017)</u>	<u>217,209</u>
		<u>821,532</u>	<u>1,601,736</u>	<u>11,215</u>	<u>565,668</u>
Financed by:					
SHARE CAPITAL	19	182,896	182,896	182,896	182,896
RESERVES	20	(529,024)	(425,644)	(171,681)	32,772
SHAREHOLDERS' FUNDS		<u>(346,128)</u>	<u>(242,748)</u>	<u>11,215</u>	<u>215,668</u>
MINORITY INTERESTS		356,862	392,503	-	-
TERM LOANS	21	810,205	1,101,431	-	-
BONDS	22	-	350,000	-	350,000
DEFERRED TAXATION	23	353	370	-	-
DEFERRED PAYABLES	24	240	180	-	-
		<u>821,532</u>	<u>1,601,736</u>	<u>11,215</u>	<u>565,668</u>
Net tangible liabilities per share (sen)		<u>(264)</u>	<u>(216)</u>		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

GROUP	Note	Share Capital RM'000	Share Premium RM'000	Reserve on consolidation and other reserves RM'000	Accumulated losses RM'000	Total RM'000
Balance at 1 July 2000						
- as previously reported		182,896	55,067	363,877	(642,042)	(40,202)
- prior year adjustment	25	-	-	-	132	132
- as restated		182,896	55,067	363,877	(641,910)	(40,070)
Amortisation of reserve on consolidation		-	-	(32)	-	(32)
Exchange differences		-	-	815	-	815
Revaluation surplus		-	-	16,453	-	16,453
Share of post - acquisition reserves in associated companies		-	-	27,339	-	27,339
Net gains not recognised in consolidated income statement		-	-	44,575	-	44,575
Net loss for the financial year		-	-	-	(247,121)	(247,121)
Dividend for the financial year ended 30 June 2000		-	-	-	(132)	(132)
Balance at 30 June 2001		182,896	55,067	408,452	(889,163)	(242,748)
Balance at 1 July 2001						
- as previously reported		182,896	55,067	408,452	(889,295)	(242,880)
- prior year adjustment	25	-	-	-	132	132
- as restated		182,896	55,067	408,452	(889,163)	(242,748)
Amortisation of reserve on consolidation		-	-	(32)	-	(32)
Exchange differences		-	-	(504)	-	(504)
Net losses not recognised in consolidated income statement		-	-	(536)	-	(536)
Net loss for the financial year		-	-	-	(102,712)	(102,712)
Dividend for the financial year ended 30 June 2001	26	-	-	-	(132)	(132)
Balance at 30 June 2002		182,896	55,067	407,916	(992,007)	(346,128)

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

STATEMENTS OF CHANGES IN EQUITY (Continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

COMPANY	Note	Share capital RM'000	Share premium RM'000	Accumulated profits/(losses) RM'000	Total RM'000
Balance at 1 July 2000					
- as previously reported	25	182,896	55,067	27,953	265,916
- prior year adjustment		-	-	132	132
- as restated		182,896	55,067	28,085	266,048
Net loss for the financial year		-	-	(50,248)	(50,248)
Dividend for the financial year ended 30 June 2000		-	-	(132)	(132)
Balance at 30 June 2001		182,896	55,067	(22,295)	215,668
Balance at 1 July 2001					
- as previously reported	25	182,896	55,067	(22,427)	215,536
- prior year adjustment		-	-	132	132
- as restated		182,896	55,067	(22,295)	215,668
Net loss for the financial year		-	-	(204,321)	(204,321)
Dividend for the financial year ended 30 June 2001	26	-	-	(132)	(132)
Balance at 30 June 2002		182,896	55,067	(226,748)	11,215

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss before taxation		(138,260)	(330,744)	(204,321)	(58,775)
Adjustments for non-cash items, interests and dividend	31(a)	310,929	356,596	198,806	53,173
Operating profit/(loss) before working capital changes		172,669	25,852	(5,515)	(5,602)
(Increase)/decrease in trade and other receivables		(216,536)	115,222	(318)	(53)
Increase/(decrease) in trade and other payables		86,513	(3,879)	(587)	5,361
Increase in inventories		(35,228)	(116,790)	-	-
Cash (used in)/generated from operations		7,418	20,405	(6,420)	(294)
Tax (paid)/refunded		(981)	1,429	-	3,905
Interest received		358	293	83	274
Interest paid		(20,268)	(71,342)	(10,500)	(12,079)
Net cash outflow from operating activities		(13,473)	(49,215)	(16,837)	(8,194)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	31(c)	(4,619)	(36,179)	-	-
Proceeds from disposal of property, plant and equipment		359	504	-	6
Dividend income from quoted and unquoted investments		128	133	513	646
Proceeds from disposal of quoted investments		16,228	-	16,228	-
Increase in amount due from subsidiary companies		-	-	8,318	(6,366)
Decrease in amount due from associated companies		133	350	88	345
Net cash inflow/(outflow) from investing activities		12,229	(35,192)	25,147	(5,369)

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

CASH FLOW STATEMENTS (Continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2002

	Note	GROUP		COMPANY	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Term loans repaid		(2,656)	(2,946)	-	-
Dividend paid to shareholders of the Company		(132)	(132)	(132)	(132)
Payment of hire purchases		(73)	(12)	-	-
Net (repayment of)/proceeds from short term borrowings		(5,372)	84,605	-	-
(Decrease)/increase in amount due to subsidiary companies		-	-	(8,319)	9,698
Net cash (outflow)/inflow from financing activities		<u>(8,233)</u>	<u>81,515</u>	<u>(8,451)</u>	<u>9,566</u>
Net decrease in cash and cash equivalents		(9,477)	(2,892)	(141)	(3,997)
Cash and cash equivalents at beginning of the financial year		9,690	12,582	(1,237)	2,760
Cash and cash equivalents at end of the financial year	31(b)	<u>213</u>	<u>9,690</u>	<u>(1,378)</u>	<u>(1,237)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2002

1. Going Concern

The Group incurred a loss after taxation and minority interests of RM102.71 million during the financial year ended 30 June 2002. At that date, current liabilities of the Group exceeded current assets by RM1,974.75 million. As disclosed in Notes 18 and 21 to the financial statements, the Group and the Company have not serviced some of their principal borrowings and interest charges.

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

The Company and its subsidiary companies have obtained the approval of their scheme creditors to restructure their debts pursuant to a scheme of arrangement under Section 176(1) of the Companies Act, 1965 and the Directors are of the opinion that the Proposed GWRS will be successfully implemented. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company is unable to continue as a going concern.

2. Basis of Accounting

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

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

3. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

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

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its assets.

3. Significant Accounting Policies (Continued)

(b) Goodwill and reserve on consolidation

Goodwill and reserve on consolidation represents the difference between the purchase price and the fair value of the net assets of subsidiary company at the date of acquisition. Goodwill and reserve on consolidation are amortised over a period of twenty five years. Goodwill is written down immediately through the income statement if there is a permanent diminution in its value.

(c) Associated companies

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

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

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for freehold land which is stated at valuation.

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

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 carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Freehold land is not amortised. Leasehold land is amortised over the period of the lease. Depreciation of the other property, plant and equipment is provided on the straight line basis to write off the cost 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, fittings and office equipment	5 - 20%
Motor vehicles	20%

3. Significant Accounting Policies (Continued)

(e) Deferred expenditure

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

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost consists of direct materials, direct labour, direct charges and appropriate production overheads where applicable and is determined on a weighted average basis or by specific identification. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

(g) 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.

(h) Revenue recognition

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

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

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

(i) Deferred taxation

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

Deferred tax benefit is only recognised when there is a reasonable expectation of realisation.

3. Significant Accounting Policies (Continued)

(j) Foreign currency

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates or at contracted rates where applicable. Monetary assets and liabilities in foreign currencies at the financial year end are translated into Ringgit Malaysia at the rates of exchange ruling at that date or contracted rates, where applicable. All exchange differences are included in the income statements except for exchange differences on long term loans obtained for acquiring property, plant and equipment which are capitalised until the assets are ready for their intended use.

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

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

The closing rates used in the translation are as follows:

RM1 = USD 0.26	(2001: RM1 = USD 0.26)
RM1 = SGD 0.47	(2001: RM1 = SGD 0.48)
RM1 = HK\$ 2.06	(2001: RM1 = HK\$ 2.06)

(k) Investments

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

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

(l) Capitalisation of interest

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

(m) 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.

(n) Receivables

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

3. Significant Accounting Policies (Continued)

(o) Finance leases/hire purchase

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

Property, plant and equipment acquired under finance leases/hire purchase are capitalised and depreciated in accordance with the depreciation policy set out in Note 3(d).

(p) Operating leases

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

4. REVENUE

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

Revenue for the Company comprises gross dividend and interest income.

Analysis of revenue is as follows:

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Sales of goods	1,211,516	1,029,574	-	-
Contract billings				
- current year	542	926	-	-
- over recognised in prior year	(3,272)	(1,546)	-	-
Registration and other professional fees	317	309	-	-
Dividend income	128	19	513	646
Interest income	5,438	11,782	242	5,689
	<u>1,214,669</u>	<u>1,041,064</u>	<u>755</u>	<u>6,335</u>

5. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils totalling to RM162.7 million (2001: RM222.7 million).

6. PROFIT/(LOSS) FROM OPERATIONS

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

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
After charging:				
Depreciation	74,621	67,420	-	-
Amortisation of:				
- pre-commercial production expenses	14,810	14,810	-	-
- goodwill on consolidation	1,092	1,092	-	-
Directors' remuneration*:				
- fees	109	100	109	100
- other emoluments	30	30	30	30
Auditors' remuneration:				
- current year	141	141	17	17
- over accrued in prior year	(36)	(15)	-	-
Rental of land and buildings	827	786	-	-
Allowance for doubtful debts	41,253	260	-	-
Lease rental	54	69	-	-
Property, plant and equipment written off/down	4,357	42	-	-
Bad debts written off	43	3,128	-	-
Inventories written down	4,314	21,201	-	-
Inventories written off	4,075	672	-	-
Professional fees paid to a firm in which a director, M Chareon Sae Tang @ Tan Whye Aun, has interest	1	30	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
And crediting:				
Gross dividend income from:				
- quoted investment in Malaysia	128	10	128	9
- unquoted subsidiaries	-	-	385	506
- unquoted investments	-	9	-	9
- associated company quoted in Malaysia	-	-	-	122
Rental income	197	232	-	-
Interest income from:				
- advances to subsidiary companies	-	-	159	5,415
- others	5,438	11,782	83	274
Allowance for doubtful debts written back	53	759	-	-
Gain on disposal of property, plant and equipment	62	376	-	6
Amortisation of reserve on consolidation	32	32	-	-
Gain on disposal of quoted investment	2,279	-	8,659	-
Gain on foreign exchange - realised	188	157	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Executive Directors:				
- Fees				
Tan Sri William H.J. Cheng	15	15	15	15
- Salaries and other emoluments				
Tan Sri William H.J. Cheng	30	30	30	30
Non-Executive Directors:				
- Fees				
Datuk Cheng Yong Kim	10	10	10	10
Raja Zainal Abidin bin Raja Haji Tachik	20	20	20	20
Dato' Haji Yahya bin Haji Talib	18	18	18	18
M Chareon Sae Tang @ Tan Whye Aun	10	17	10	17
Loo Hooi Keat	18	18	18	18
Folk Fong Shing @ Kok Fong Hing	18	2	18	2
	<u>139</u>	<u>130</u>	<u>139</u>	<u>130</u>

7. FINANCE COSTS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest expenses on:				
- advances from subsidiary companies	-	-	695	726
- bank overdrafts	1,534	858	166	155
- bonds	10,500	10,500	10,500	10,500
- term loans	113,990	133,055	6,229	6,261
- others	41,221	35,942	15,173	14,971
	<u>167,245</u>	<u>180,355</u>	<u>32,763</u>	<u>32,613</u>

8. TAXATION

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Malaysian:				
- current year	432	645	-	-
- prior years	(211)	(8,628)	-	(8,527)
Recovery of tax deducted at source on dividend received and receivable from subsidiary companies and associated companies	(112)	(263)	-	-
Deferred	(17)	(340)	-	-
Associated companies	1	7,090	-	-
	<u>93</u>	<u>(1,496)</u>	<u>-</u>	<u>(8,527)</u>

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

The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.04 million (2001: RM22.03 million) to frank the payment of dividend. The amount is subject to agreement with the tax authorities.

9. LOSS PER SHARE

Basic

Loss per share is calculated by dividing the Group's loss after tax and minority interests of RM102.71 million (2001: RM247.12 million) by the weighted average number of shares in issue of 182.90 million shares (2001: 182.90 million shares).

Fully diluted

The fully diluted loss per share has been calculated based on the Group's loss after tax and minority interests of RM 102.71 million (2001:RM247.12 million) by the weighted average number of shares in issue of 182.90 million shares (2001:182.90 million shares). The weighted average numbers of shares is arrived at without taking into account the number of shares under Warrants and Executive Share Option Scheme in the computation because the effect on basic loss per share is anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
GROUP						
COST/VALUATION						
At 1 July 2001	578,269	2,200,213	9,446	5,194	16,291	2,809,413
Additions	10,722	733	1,240	503	9,120	22,318
Disposals	-	(448)	-	(534)	-	(982)
Written off/down	(262)	(5,292)	(202)	-	(2,832)	(8,588)
Reclassification	-	(2,666)	2,666	-	-	-
At 30 June 2002	588,729	2,192,540	13,150	5,163	22,579	2,822,161
Representing items at:						
Cost	288,729	2,192,540	13,150	5,163	22,579	2,522,161
Valuation	300,000	-	-	-	-	300,000
	588,729	2,192,540	13,150	5,163	22,579	2,822,161
ACCUMULATED DEPRECIATION						
At 1 July 2001	30,876	96,255	4,857	2,864	-	134,852
Charge for the financial year	7,378	65,276	1,207	769	-	74,630
Disposals	-	(231)	-	(454)	-	(685)
Written off/down	(111)	(3,956)	(164)	-	-	(4,231)
Reclassification	-	(1,404)	1,404	-	-	-
At 30 June 2002	38,143	155,940	7,304	3,179	-	204,566
Representing items at:						
Cost	38,143	155,940	7,304	3,179	-	204,566
Valuation	-	-	-	-	-	-
	38,143	155,940	7,304	3,179	-	204,566

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
GROUP						
NET BOOK VALUE						
At 30 June 2002						
- at cost	250,586	2,036,600	5,846	1,984	22,579	2,317,595
- at valuation	300,000	-	-	-	-	300,000
	<u>550,586</u>	<u>2,036,600</u>	<u>5,846</u>	<u>1,984</u>	<u>22,579</u>	<u>2,617,595</u>
At 30 June 2001						
- at cost	247,393	2,103,958	4,589	2,330	16,291	2,374,561
- at valuation	300,000	-	-	-	-	300,000
	<u>547,393</u>	<u>2,103,958</u>	<u>4,589</u>	<u>2,330</u>	<u>16,291</u>	<u>2,674,561</u>
Depreciation charge for the financial year ended 30 June 2001	<u>7,283</u>	<u>58,553</u>	<u>908</u>	<u>686</u>	<u>-</u>	<u>67,430</u>

Analysis of land and buildings is as follows:

	Freehold land, buildings and land improvement RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Total RM'000
GROUP				
COST/VALUATION				
At 1 July 2001	535,290	14,951	28,028	578,269
Additions	2,323	8,387	12	10,722
Written off/down	-	-	(262)	(262)
At 30 June 2002	<u>537,613</u>	<u>23,338</u>	<u>27,778</u>	<u>588,729</u>
Representing items at:				
Cost	237,613	23,338	27,778	288,729
Valuation	300,000	-	-	300,000
	<u>537,613</u>	<u>23,338</u>	<u>27,778</u>	<u>588,729</u>
ACCUMULATED DEPRECIATION				
At 1 July 2001	7,745	8,263	14,868	30,876
Charge for the financial year	6,226	690	462	7,378
Written off/down	-	-	(111)	(111)
At 30 June 2002	<u>13,971</u>	<u>8,953</u>	<u>15,219</u>	<u>38,143</u>

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land, buildings and land improvement RM'000	Long leasehold land and buildings RM'000	Short leasehold land and buildings RM'000	Total RM'000
GROUP				
Representing items at:				
Cost	13,971	8,953	15,219	38,143
Valuation	-	-	-	-
	<u>13,971</u>	<u>8,953</u>	<u>15,219</u>	<u>38,143</u>
NET BOOK VALUE				
At 30 June 2002				
- cost	223,642	14,385	12,559	250,586
- valuation	300,000	-	-	300,000
	<u>523,642</u>	<u>14,385</u>	<u>12,559</u>	<u>550,586</u>
At 30 June 2001				
- cost	227,545	6,688	13,160	247,393
- valuation	300,000	-	-	300,000
	<u>527,545</u>	<u>6,688</u>	<u>13,160</u>	<u>547,393</u>
Depreciation charge for the financial year ended 30 June 2001	<u>6,060</u>	<u>575</u>	<u>648</u>	<u>7,283</u>

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

The revalued freehold land if stated at cost less depreciation would amount to RM35.0 million (2001: RM35.0 million) as at the financial year end.

Certain property, plant and equipment of a subsidiary company with carrying value of RM26.2 million (2001: RM23.1 million) have been charged to banks as securities for credit facilities granted to the subsidiary company.

The net book value of motor vehicles acquired under hire purchase amounted to RM374,000 (2001: RM260,000) as at the financial year end.

The land and strata titles of certain leasehold land and buildings of a subsidiary company with net book value of RM11.5 million (2001: RM3.9 million) have not been issued by the relevant authorities.

11. SUBSIDIARY COMPANIES

Investment in subsidiary companies:

	COMPANY	
	2002 RM'000	2001 RM'000
Unquoted shares at cost	41,758	41,758
Allowance for diminution in value	(3,556)	-
	38,202	41,758

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2002 %	2001 %	
Lion Construction & Engineering Sdn Bhd	Malaysia	100	100	Construction and civil engineering work
Lion Rubber Works Sdn Bhd	Malaysia	100	100	Ceased operations
Limpahjaya Sdn Bhd	Malaysia	100	100	Investment holding
Lion Steelworks Sdn Bhd	Malaysia	100	100	Manufacture and distribution of office equipment and related steel products
Lion Trading & Marketing Sdn Bhd	Malaysia	100	100	Trading and marketing agency for the distribution of office equipment, security equipment and steel related products
*Lion General Trading & Marketing (S) Pte Ltd	Singapore	100	100	General merchant
Lion Excellent Sdn Bhd	Malaysia	100	100	Ceased operations
Umevest Sdn Bhd	Malaysia	100	100	# Investment holding
Secretarial Communications Sdn Bhd	Malaysia	100	100	# Share registration and secretarial services
*Lion-Fichet (HK) Limited	Hong Kong	100	100	# Ceased operations
*Glit Investments Company Limited	Hong Kong	100	100	# Dormant
*Logic Concepts (S) Pte Ltd	Singapore	100	100	# Ceased operations
*Logic Furniture (S) Pte Ltd	Singapore	100	100	# Ceased operations
Lion Com Sdn Bhd	Malaysia	100	100	# Investment holding
LCB Harta (M) Sdn Bhd (formerly known as Ishjaya Sdn Bhd)	Malaysia	100	-	Treasury business

11. SUBSIDIARY COMPANIES (Continued)

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2002 %	2001 %	
*KMA Marketing Sdn Bhd	Malaysia	100	100	# Trading of motor vehicles
*Kinabalu Car Distributors Sdn Bhd	Malaysia	100	100	# Dormant
PMB Building System Sdn Bhd	Malaysia	100	100	# Investment holding
Lion Fichet Sdn Bhd	Malaysia	100	100	# Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	91	91	# Ceased operations
*Lyn (Pte) Ltd	Singapore	79	79	# Investment holding
Lion Sankyu Tekko Sdn Bhd	Malaysia	80	80	# Ceased operations
Logic Concepts (M) Sdn Bhd	Malaysia	71	71	# Ceased operations
*Bersatu Investments Company Limited	Hong Kong	71	71	# Ceased operations
*Kinabalu Motor Assembly Sendirian Berhad	Malaysia	50.01	50.01	Assembly of commercial vehicles
Megasteel Sdn Bhd	Malaysia	50**	50**	# Manufacturing of hot rolled coils, bands, plates and sheets

Note: * Financial statements of subsidiary companies not audited by Ong Boon Bah & Co

** Holding in equity represents 50% plus 1 share

Holding in equity by subsidiary companies

12. ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Quoted shares in Malaysia at cost	375,581	375,581	259,265	259,265
Allowance for diminution in value	-	-	(161,756)	-
	<u>375,581</u>	<u>375,581</u>	<u>97,509</u>	<u>259,265</u>
Unquoted shares at cost	1,540	1,540	1,540	1,540
	<u>377,121</u>	<u>377,121</u>	<u>99,049</u>	<u>260,805</u>
Group's share of retained losses and reserves	(375,676)	(375,627)	-	-
	<u>1,445</u>	<u>1,494</u>	<u>99,049</u>	<u>260,805</u>
Market value of quoted shares	(33,292)	48,088	20,721	31,690
	<u>1,445</u>	<u>1,494</u>	<u>-</u>	<u>-</u>
Share of net assets in the associated companies	<u>1,445</u>	<u>1,494</u>	<u>-</u>	<u>-</u>

12. ASSOCIATED COMPANIES (Continued)

Amsteel Corporation Berhad Group is holding 20.2% (2001: 20.2%) equity interest in Lion Corporation Berhad as at the end of the financial year.

The Group's share of losses in an associated company, Amsteel Corporation Berhad, has been recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses in excess of carrying amount amounted to RM267.7 million (2001: RM109.6 million) and RM158.1 million (2001: RM109.6 million) respectively.

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

The associated companies are:

Name of Company	Country of Incorporation	Holding in Equity		Accounting Year End	Principal Activities
		2002 %	2001 %		
Amsteel Corporation Berhad	Malaysia	29.4	29.4	30 June	Investment holding
Lion Plantations Sdn Bhd	Malaysia	30	30	30 June	Investment holding

13. INVESTMENTS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unquoted shares at cost	13,265	13,265	11,150	11,150
Allowance for diminution in value	(123)	(123)	-	-
	<u>13,142</u>	<u>13,142</u>	<u>11,150</u>	<u>11,150</u>
Quoted shares in Malaysia at cost	30,179	61,175	27,177	51,792
Allowance for diminution in value	(2,107)	(17,046)	(346)	(17,046)
	<u>28,072</u>	<u>44,129</u>	<u>26,831</u>	<u>34,746</u>
Other investment at cost	25	25	-	-
Total	<u><u>41,239</u></u>	<u><u>57,296</u></u>	<u><u>37,981</u></u>	<u><u>45,896</u></u>
Market value of quoted shares	<u>6,946</u>	<u>20,245</u>	<u>6,497</u>	<u>19,787</u>

Included in the unquoted shares of the Group and the Company are shares with carrying amounts of RM13.1 million and RM11.1 million respectively to be divested under the Proposed GWRS.

14. INTANGIBLE ASSETS

	GROUP	
	2002	2001
	RM'000	RM'000
Goodwill on consolidation		
At 1 July and 30 June	27,503	27,503
	<hr/>	<hr/>
Cumulative amortisation at 1 July	(6,421)	(5,329)
Amortisation for current financial year	(1,092)	(1,092)
	<hr/>	<hr/>
Cumulative amortisation at 30 June	(7,513)	(6,421)
	<hr/>	<hr/>
Net	19,990	21,082
	<hr/>	<hr/>
Deferred expenditure		
Pre-commercial production expenses	148,104	148,104
	<hr/>	<hr/>
Cumulative amortisation at 1 July	(17,278)	(2,468)
Amortisation for current financial year	(14,810)	(14,810)
	<hr/>	<hr/>
Cumulative amortisation at 30 June	(32,088)	(17,278)
	<hr/>	<hr/>
Net	116,016	130,826
	<hr/>	<hr/>
Total	136,006	151,908
	<hr/> <hr/>	<hr/> <hr/>

15. INVENTORIES

	GROUP	
	2002	2001
	RM'000	RM'000
At cost:		
Raw materials	106,489	54,004
Work-in-progress	2,209	3,371
Finished goods	230,480	39,636
General and consumables stores	59,609	78,883
Goods-in-transit	32	57
	<hr/>	<hr/>
	398,819	175,951
At net realisable value:		
Raw materials	2,008	-
Finished goods	6,170	204,207
	<hr/>	<hr/>
Total	406,997	380,158
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of raw materials and finished goods carried at net realisable value as at 30 June 2002 are RM2.9 million and RM9.6 million (2001: RM nil and RM225.53 million) respectively.

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	231,012	142,020	-	-
Allowance for doubtful debts	(14,120)	(9,894)	-	-
	<u>216,892</u>	<u>132,126</u>	<u>-</u>	<u>-</u>
Retention monies	4,012	4,180	-	-
Allowance for doubtful debts	(106)	-	-	-
	<u>3,906</u>	<u>4,180</u>	<u>-</u>	<u>-</u>
Other receivables, deposits and prepayments	310,463	189,649	8,005	7,789
Allowance for doubtful debts	(51,759)	(9,935)	-	-
Interest in suspense	(4,997)	-	(41)	-
	<u>253,707</u>	<u>179,714</u>	<u>7,964</u>	<u>7,789</u>
Amount due from an associated company	-	133	-	88
	<u>253,707</u>	<u>179,847</u>	<u>7,964</u>	<u>7,877</u>
Amount due from subsidiary companies	-	-	539,575	547,548
Allowance for doubtful debts	-	-	(19,654)	(9,855)
Interest in suspense	-	-	(186)	-
	<u>-</u>	<u>-</u>	<u>519,735</u>	<u>537,693</u>
Gross amount due from contract customers (See below)	1,678	1,677	-	-
Total	<u>476,183</u>	<u>317,830</u>	<u>527,699</u>	<u>545,570</u>

Included in other receivables, deposits and prepayments of the Group is an amount of RM99.7 million (2001: RM22.5 million) relating to prepayment for purchase of raw materials of a subsidiary company.

Included also in other receivables of the Group are certain amounts due from related parties as disclosed in Note 29.

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

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

	GROUP	
	2002 RM'000	2001 RM'000
Contract cost to date	63,818	63,818
Attributable profits	1,422	1,422
	<u>65,240</u>	<u>65,240</u>
Progress billings	(63,562)	(63,563)
Gross amount due from contract customers	<u>1,678</u>	<u>1,677</u>

16. TRADE AND OTHER RECEIVABLES (Continued)

As of 30 June 2002, retention monies held by customers for contract work amounted to RM4.0 million (2001: RM4.2 million).

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

	GROUP	
	2002 RM'000	2001 RM'000
Depreciation	8	8

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	311,555	178,199	-	-
Other payables and accruals	926,717	825,448	93,362	72,381
Gross amount due to contract customers (see below)	1,851	1,858	-	-
Amount due to subsidiary companies	-	-	13,097	20,721
Hire purchase creditors (Note 24)	82	48	-	-
	<u>1,240,205</u>	<u>1,005,553</u>	<u>106,459</u>	<u>93,102</u>

Included in other payables and accruals of the Group are interest charges of RM292.3 million (2001: RM153.1 million), construction costs for plant and machinery payable of RM314.4 million (2001: RM336.9 million) and electricity charges payable of RM135.1 million (2001: RM140.9 million).

Included in other payables and accruals of the Company is interest charges of RM71.9 million (2001: RM51.0 million).

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

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

	GROUP	
	2002 RM'000	2001 RM'000
Contract cost to date	159,069	159,028
Attributable profits	2,629	2,629
	<u>161,698</u>	<u>161,657</u>
Progress billings	(163,549)	(163,515)
Gross amount due to contract customers	<u>(1,851)</u>	<u>(1,858)</u>

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

	GROUP	
	2002 RM'000	2001 RM'000
Depreciation	1	2

18. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Term loans:				
Portion repayable within one year (Note 21)	867,757	579,187	100,000	100,000
Bonds:				
Portion repayable within one year (Note 22)	350,000	-	350,000	-
Unsecured:				
Bank overdrafts	4,604	4,164	1,983	1,802
Bills payable	153	-	-	-
Revolving credits	50,750	50,750	47,500	47,500
Short term loans	87,400	87,400	87,400	87,400
	<u>142,907</u>	<u>142,314</u>	<u>136,883</u>	<u>136,702</u>
Secured:				
Bank overdrafts	16,417	6,563	-	-
Bills payable	110,330	115,855	-	-
Revolving credits	41,839	41,839	-	-
Short term loans	110,000	110,000	-	-
	<u>278,586</u>	<u>274,257</u>	<u>-</u>	<u>-</u>
Total	<u>1,639,250</u>	<u>995,758</u>	<u>586,883</u>	<u>236,702</u>

The Group and the Company have not serviced some of their principal borrowings and interest charges. As a result, certain principal bankers have frozen or withdrawn the existing credit facilities available to the Group. However, the Company and its subsidiary companies have obtained the approval of their bankers to restructure their debts pursuant to a scheme of arrangement under Section 176(1) of the Companies Act, 1965.

Bank overdrafts and bills payable 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 revolving credits and short term loans of certain subsidiary companies are secured against quoted shares held by a subsidiary company.

Short term loans of certain subsidiary companies are secured by way of first fixed charge, second fixed charge and second floating charge over their respective assets, property, plant and equipment.

Short term borrowings carry interest rates ranging from 4.25% to 9.9% (2001:4.38% to 10.3%) per annum.

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

19. SHARE CAPITAL

	GROUP AND COMPANY	
	2002	2001
	RM'000	RM'000
Ordinary shares of RM1.00 each		
(a) Authorised		
At beginning and end of the financial year	500,000	500,000
(b) Issued and fully paid		
At beginning and end of the financial year	182,896	182,896

As at 30 June 2002, there were 91,380,750 unexercised warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held at the subscription price of RM2.60 per ordinary share not exercised. The warrant holders may exercise their right at any time not later than 5.00 pm on 10 December 2003.

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

As at 30 June 2002, there were 1,929,000 unissued shares under options granted pursuant to the ESOS.

The main features of the ESOS are as follows:

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

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

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

	Subscription price per share	Balance as at 1.7.2001	Granted	Exercised	Lapsed	No. of shares unissued as at 30.6.2002
22.5.2000	RM2.69	1,996,000	-	-	336,000	1,660,000

20. RESERVES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-distributable :				
Share premium	55,067	55,067	55,067	55,067
Reserve on consolidation	639	671	-	-
Revaluation reserve	116,453	116,453	-	-
Capital reserves	288,222	288,222	-	-
Translation reserves	2,602	3,106	-	-
	<u>462,983</u>	<u>463,519</u>	<u>55,067</u>	<u>55,067</u>
Distributable :				
Accumulated losses (Note 25)	(992,007)	(889,163)	(226,748)	(22,295)
	<u>(529,024)</u>	<u>(425,644)</u>	<u>(171,681)</u>	<u>32,772</u>

Capital reserves comprise mainly of share in post acquisition reserves of an associated company, Amsteel Corporation Berhad.

21. TERM LOANS

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Secured	1,677,962	1,680,618	100,000	100,000
Portion repayable within one year and included under short term borrowings (Note 18)	(867,757)	(579,187)	(100,000)	(100,000)
	<u>810,205</u>	<u>1,101,431</u>	<u>-</u>	<u>-</u>

The term loans are repayable over the following periods:

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Within one year	867,757	579,187	100,000	100,000
From one to two years	281,302	295,409	-	-
From two to five years	528,903	806,022	-	-
	<u>1,677,962</u>	<u>1,680,618</u>	<u>100,000</u>	<u>100,000</u>

The Group and the Company have not serviced some of their principal borrowings and interest charges. However, the Company and its subsidiary companies have obtained the approval of their bankers to restructure their debts pursuant to a scheme of arrangement under Section 176(1) of the Companies Act, 1965.

The term loans of certain subsidiary companies totalling to RM1,578.0 million (2001: RM1,580.6 million) are secured by way of a first fixed and floating charge over the assets of the subsidiaries concerned. The term loans carry interest rates ranging from 3.5 % to 8.7 % (2001: 5.1% to 10.3%) per annum.

21. TERM LOANS (Continued)

The term loan of the Company is secured by way of investment in shares of an associated company. The term loan carries interest rates ranging from 6.0% to 7.4% (2001: 5.8% to 7.4%) per annum.

22. BONDS

	GROUP AND COMPANY	
	2002	2001
	RM'000	RM'000
3% Redeemable Bank Guaranteed Unsecured Bonds 1997/2002	350,000	350,000
Portion repayable within one year and included under short term borrowings (Note 18)	(350,000)	-
	<u> </u>	<u> </u>
	-	350,000
	<u> </u>	<u> </u>

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

The salient features of the Bonds are summarised as follows:

- (i) The Bonds bears a fixed interest rate of 3% per annum which is on the principal amount from the date of issue and shall be payable semi-annually in arrears and has a maturity period of five years from the date of issue.
- (ii) The Bonds is unconditionally and irrevocably guaranteed as to the payment of the principal together with any accrued but unpaid interest of up to six months by a consortium of banks and financial institutions.
- (iii) The Bonds and interest will constitute direct and unconditional obligations of the Company and will rank pari passu amongst themselves, subject only to those preferred by mandatory provisions of law.
- (iv) Unless previously redeemed, purchased or cancelled, the Bonds will be redeemed at 100% of its nominal value on 19 December 2002 ("maturity date") together with interest accrued to the date of redemption on maturity date.
- (v) All Bonds which are redeemed by the Issuer, or which are purchased by the Issuer or any of its subsidiary companies shall be cancelled forthwith in accordance with the provisions of the Depository and Paying Agency Agreement.

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

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

As at 30 June 2002, there were a total of 91,380,750 warrants not exercised.

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

- i) the duration and exercise period of the warrants would be initially extended for a period of one year from 10 December 2002 to 10 December 2003 (initial extension period); and

22. BONDS (Continued)

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

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

23. DEFERRED TAXATION

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deferred tax liabilities provided for in the financial statements:				
Excess of capital allowances over depreciation				
Balance at beginning of the financial year	370	710	-	-
Net transfer to income statement (Note 8)	(17)	(340)	-	-
Balance at end of the financial year	<u>353</u>	<u>370</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities not provided for in the financial statements:				
Tax effects of revaluation of freehold land	<u>13,250</u>	<u>13,250</u>	<u>-</u>	<u>-</u>
Tax losses carried forward for which no credit has been taken in the net income of the current or prior years	<u>131,613</u>	<u>179,998</u>	<u>641</u>	<u>641</u>
Unabsorbed capital allowances for which no credit has been taken in the net income of the current or prior years	<u>3,689</u>	<u>4,044</u>	<u>17</u>	<u>17</u>
Unabsorbed reinvestment allowance for which no credit has been taken in the net income of the current or prior years	<u>1,881</u>	<u>1,881</u>	<u>-</u>	<u>-</u>
Estimated tax exempt account available for the payment of tax exempt dividend	<u>17,442</u>	<u>17,442</u>	<u>17,442</u>	<u>17,442</u>

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

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

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

24. DEFERRED PAYABLES

	GROUP	
	2002 RM'000	2001 RM'000
Hire purchase liabilities		
Payable within one year	101	60
Payable between 1 and 5 years	300	225
	<hr/>	<hr/>
	401	285
Finance charges	(79)	(57)
	<hr/>	<hr/>
	<u>322</u>	<u>228</u>

The hire purchase liabilities are repayable over the following period:

	GROUP	
	2002 RM'000	2001 RM'000
Due within one year (Note 17)	82	48
Due between one and five years	240	180
	<hr/>	<hr/>
	<u>322</u>	<u>228</u>

The hire purchase liabilities carry interest rates ranging from 4.7% to 5.0% per annum.

25. PRIOR YEAR ADJUSTMENT

In previous years, dividend was accrued as a liability when proposed by Directors. During the financial year, the Group changed its accounting policy on the recognition of liabilities in respect of proposed dividend in compliance with MASB 19 "Events After The Balance Sheet Date", whereby dividend is recognised in shareholders' equity when the obligation to pay is established. Accordingly, the final dividend is included as a liability in the financial statements after the approval of the shareholders at the Annual General Meeting.

This change in accounting policy has been accounted for retrospectively.

The effects of the new accounting policy on the financial statements are as follows:

	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
GROUP			
As at 1 July 2000			
Accumulated losses	(642,042)	132	(641,910)
As at 1 July 2001			
Accumulated losses	(889,295)	132	(889,163)
Proposed dividend	132	(132)	-
	<hr/>	<hr/>	<hr/>
COMPANY			
As at 1 July 2000			
Accumulated profits	27,953	132	28,085
As at 1 July 2001			
Accumulated losses	(22,427)	132	(22,295)
Proposed dividend	132	(132)	-
	<hr/>	<hr/>	<hr/>

26. DIVIDEND

	GROUP AND COMPANY			
	2002		2001	
	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
Proposed final dividend	-	-	0.1	132

The proposed final dividend of 0.1 sen per share less 28% income tax amounting to RM131,685 in respect of ordinary shares in the previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

Upon adoption of MASB 19 "Events After The Balance Sheet Date", the Group recognises dividend in the financial year when the obligation to make future payment is established. This represents a change in accounting policy from that of prior years as explained in Note 25.

27. COMMITMENTS

(a) Capital commitments

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

	GROUP	
	2002 RM'000	2001 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	15,795	15,795
- approved but not contracted for	66,200	66,200
	<u>81,995</u>	<u>81,995</u>

(b) Operating lease commitment

	GROUP	
	2002 RM'000	2001 RM'000
The future minimum lease payments under non-cancellable operating lease is as follows:		
Not later than one year	-	54
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>54</u>

The above commitment represents lease agreement executed into by a subsidiary company in 1997 in conjunction with leasing of equipments.

28. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Guarantees in respect of loans and credit facilities granted to subsidiary companies - unsecured	-	-	50,018	66,240
Interest payable on late payment to a trade payable still under negotiation by a subsidiary company - unsecured	427	376	-	-
Litigation *	342	-	-	-
	<u>769</u>	<u>376</u>	<u>50,018</u>	<u>66,240</u>

* A claim of RM0.3 million was 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 losses to arise. Accordingly, no provision is made in the financial statements.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Name of Company	Type of transaction	GROUP	
		2002 RM'000	2001 RM'000
i) <u>With Amsteel Corporation Berhad Group ("Amsteel"):</u>			
Amsteel Mills Sdn Bhd	Trade sales	145,308	10,862
	Trade purchases	167,423	97,443
JOPP Builders Sdn Bhd	Interest income	4,956	9,855
Lion Suzuki Motor Sdn Bhd	Trade purchases	6,088	3,312
	Assembly fees for motor vehicles	214	1,200
Lion Tooling Sdn Bhd	Trade purchases	1,940	4,047
Secomex Manufacturing (M) Sdn Bhd	Trade purchases	399	11,658
	Supply of utilities	16,570	27,696
Silverstone Berhad	Trade purchases	241	677
Singa Logistics Sdn Bhd	Logistic services	4,033	1,819
Angkasa Marketing Berhad	Management services	<u>1,828</u>	<u>2,060</u>

Amsteel is an associated company of the Company.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Name of Company	Type of transaction	GROUP	
		2002 RM'000	2001 RM'000
ii) <u>With other related parties</u>			
Bright Steel Sdn Bhd	Trade sales	47,825	56,648
	Trade purchases	1,601	4,475
Bright Steel Service Centre Sdn Bhd	Trade purchases	501	977
	Trade sales	5,130	-
Lion Holdings Pte Ltd	Trade purchases	72,785	91,877
Affin Insurance Brokers Sdn Bhd	Purchase of insurance	<u>6,752</u>	<u>6,699</u>

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

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

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

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

Included in the other receivables, deposits and prepayments of the Group is an amount RM108.8 million (2001: RM108.8 million) net of allowance for doubtful debts of RM14.8 million (2001: RM9.9 million) due from a related party which arose from advance claim. The amount is unsecured and interest bearing.

Included also in the other receivables, deposits and prepayments of the Group is an amount RM7.2 million (2001: RM42.3 million) net of allowance for doubtful debts of RM36.0 million (2001: RM Nil) due from a related party which arose from supplying of utilities net off trade purchases. The amount is unsecured and interest free.

b) ESOS granted to Directors

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

	Number of options over ordinary shares			
	Granted during the financial year		Unexercised options at financial year end	
	2002	2001	2002	2001
Tan Sri William H.J. Cheng	<u>-</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>

30. SEGMENTAL ANALYSIS

	Revenue RM'000	Profit/ (Loss) RM'000	Total Assets Employed RM'000
2002			
Industry segment			
Steel	1,115,556	62,913	3,469,846
Construction and engineering	(2,686)	(8,856)	78,731
Manufacturing	29,134	(1,365)	28,279
Motor	72,143	(13,231)	69,380
Investment and others	522	@(12,065)	54,143
	<u>1,214,669</u>	<u>27,396</u>	<u>3,700,379</u>
Share in results of associated companies		(48)	1,445
Net interest expenses		(164,548)	-
Amortisation of goodwill on consolidation		(1,092)	-
Amortisation of reserve on consolidation		32	-
Loss before taxation		<u>(138,260)</u>	<u>3,701,824</u>

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

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

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

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

Inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

31. CASH FLOW STATEMENTS

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

	GROUP		COMPANY	
	2002	2001	2002	2001
Share in results of associated companies	48	53,683	-	-
Depreciation	74,621	67,420	-	-
Interest expenses	167,245	180,355	32,763	32,613
Gain on disposal of quoted investment	(2,279)	-	(8,659)	-
Gain on disposal of property, plant and equipment	(62)	(376)	-	(6)
Amortisation of :				
- pre-commercial production expenses	14,810	14,810	-	-
- goodwill	1,092	1,092	-	-
- reserve on consolidation	(32)	(32)	-	-
Property, plant and equipment written off/down	4,357	42	-	-
Interest income	(5,438)	(11,782)	(242)	(5,689)
Allowance for doubtful debts written back	(53)	(759)	-	-
Allowance for doubtful debts:				
- subsidiary companies	-	-	9,799	9,855
- others	46,209	10,115	-	-
Dividend income	(128)	(19)	(513)	(646)
Bad debts written off	43	3,128	-	-
Inventories written down	4,314	21,201	-	-
Inventories written off	4,075	672	-	-
Allowance for:				
- diminution in value of quoted investments	2,107	17,046	346	17,046
- diminution in value of investment in subsidiary companies	-	-	3,556	-
- diminution in value of investment in an associated company	-	-	161,756	-
	<u>310,929</u>	<u>356,596</u>	<u>198,806</u>	<u>53,173</u>

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

	GROUP		COMPANY	
	2002	2001	2002	2001
Cash and bank balances	3,185	8,988	40	52
Deposits with the financial institutions	18,049	11,429	565	513
Bank overdrafts	(21,021)	(10,727)	(1,983)	(1,802)
	<u>213</u>	<u>9,690</u>	<u>(1,378)</u>	<u>(1,237)</u>

c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM22.32 million (2001: RM175.02 million) of which RM0.17 million (2001: RM0.24 million) was acquired by a means of hire purchase. Cash payments of RM4.62 million (2001: RM36.18 million) were made to purchase property, plant and equipment, an amount of RM0.64 million (2001: RM138.60 million) was accrued for payment and included in other payables and RM16.89 million related to deposit for purchase of long leasehold land and capital-work-in-progress, were previously classified under other receivables.

d) The effects on acquisition of a dormant subsidiary company on the financial results and position of the Group and the details of net assets acquired at date of acquisition are not shown as they are immaterial.

32. CORPORATE INFORMATION

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

	GROUP		COMPANY	
	2002	2001	2002	2001
Total number of employees as at the end of the financial year	<u>1,638</u>	<u>1,726</u>	<u>1</u>	<u>1</u>

33. SIGNIFICANT EVENTS

The Company announced certain revisions to the Proposed GWRS on 8 October 2001 and 26 March 2002. The details of the Proposed GWRS pertaining to the Company and its subsidiary companies involves the following proposals:

- (i) Reduction of RM0.30 in each of the existing issued and paid-up capital of RM1.00 each in the Company and thereafter consolidation on the basis of 10 ordinary shares of RM0.70 each into 7 ordinary shares of RM1.00 each.
- (ii) Acquisition of 40% equity interest in Megasteel Sdn Bhd comprising 240,000,000 ordinary shares of RM1.00 each fully paid from Akurjaya Sdn Bhd, 49,000,000 Preference "D" shares of RM0.01 each fully paid from Crystavel Sdn Bhd and 26,670,000 Preference "F" shares of RM0.01 each fully paid from Amsteel Corporation Berhad ("Amsteel") for a total consideration of RM1,007.92 million to be satisfied by the issuance of Lion Corporation Berhad ("LCB") Bonds and new LCB Shares to the Amsteel Group.
- (iii) Acquisition of 50.45% equity interest in Lion Land Berhad ("LLB") comprising 224,540,882 ordinary shares of RM1.00 each from Amsteel Group for a consideration of RM260.47 million to be satisfied by the issuance of LCB Bonds and new LCB Shares to the Amsteel Group.
- (iv) Acquisition of 429,142,436 million Amsteel Shares from parties deemed connected with Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim ("TSWC Group") for a consideration of RM429.14 million to be satisfied by the issuance of new LCB Shares to the TSWC Group.
- (v) Exchange of 47,274,317 ordinary shares of RM1.00 each fully paid in LLB to be held by LCB pursuant to proposal (iii) above for 40,135,777 ordinary shares of RM1.00 each held by Lembaga Tabung Angkatan Tentera, based on the exchange ratio of 1.18 LLB shares for 1 Amsteel share.
- (vi) Disposal of 6.35% equity interest in Silverstone Berhad to the Angkasa Marketing Berhad ("AMB") Group for a consideration of RM16.24 million, comprising 12,946,752 ordinary shares of RM1.00 each to be satisfied by the issuance of 8.97 million AMB shares at RM1.05 per AMB share with the balance RM6.83 million to be set off against inter-company balances owing by the LCB Group to the AMB Group.
- (vii) Disposal of 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd comprising 135,000 ordinary shares of RM1.00 each to the Amsteel Group for a consideration of RM1.915 million which shall be fully netted off against inter-company balances owing by the LCB Group to the Amsteel Group.
- (viii) The LCB Group will receive RM1.16 million from Chocolate Products (Malaysia) Berhad ("CPB") for the settlement of inter-company balances owing by the CPB Group to the LCB Group.
- (ix) It was proposed that the Group settles its inter-company balances with Amsteel Group by netting off against considerations pursuant to the transactions of the Proposed GWRS with the inter-company balances and the issuance of new shares and bonds.

33. SIGNIFICANT EVENTS (Continued)

- (x) Indebtedness of affected FI-Creditors denominated in Ringgit Malaysia ("RM") are to be settled by the issuance of RM denominated Bonds, whilst indebtedness of affected FI-Creditors denominated in US Dollars ("USD") are to be settled by issuance of USD denominated Consolidated Rescheduled Debts.

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

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

The Scheme Creditors of the Company and the Scheme Companies had approved the Scheme of Arrangement at the Scheme Meetings held on 16 September 2002.

The Company had obtained the approval of Bank Negara Malaysia, Securities Commission, Foreign Investment Committee, Ministry of International Trade and Industry, Scheme Creditors of the Company and the Scheme Companies. The implementation of the Proposed GWRS is pending the approval from Kuala Lumpur Stock Exchange, shareholders of the Company and the Scheme Companies and all other participating companies concerned and any other relevant authorities.

34. COMPARATIVE FIGURES

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

The tax recoverable which was included under other receivables, deposits and prepayments in the previous financial statements has now been presented separately in the balance sheets to conform with the applicable approved accounting standards in Malaysia.

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 63 are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2002 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 30 October 2002

TAN SRI WILLIAM H.J. CHENG
Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur
30 October 2002

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 63 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 30 October 2002.

TAN SRI WILLIAM H.J. CHENG

Before me

P. SETHURAMAN
W-217
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 63. The preparation of these financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2002 and of the results, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

Without qualifying our opinion, we draw attention to Notes 1,18, 21 and 33 to the financial statements which explain the financial position of the Group and the Company and the plans of the Directors to implement a scheme involving the restructuring of the Group's and the Company's debts and rationalisation of the Group structure. The validity of preparing the financial statements on the going concern basis depends upon successful implementation of these restructuring plans.

The names of subsidiary companies of which we have not acted as auditors are shown in Note 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 these purposes.

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THAM
1315/11/02(J)
Partner of the Firm

Kuala Lumpur
30 October 2002

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

- 1) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002 and Fourth Supplemental Agreement dated 3 September 2002 between the Company of the one part and Amsteel Corporation Berhad ("Amsteel"), a company in which certain directors and major shareholders have an interest, together with Umatrac Enterprises Sdn Bhd ("Umatrac") and Konming Investments Limited ("Konming"), both subsidiaries of Amsteel ("Vendors A") of the other part for the disposal by Vendors A of 224,540,882 ordinary shares of RM1.00 each representing 50.45% equity interest in Lion Land Berhad ("LLB") to the Company for a consideration of RM260,467,423 to be satisfied by an issue of RM219,973,973 LCB Bonds and an issue of RM40,493,450 in value of new LCB shares and that Amsteel, Umatrac and Konming shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the LLB Group in the People's Republic of China ("PRC") upon the terms therein contained.

- 2) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002 and Fourth Supplemental Agreement dated 3 September 2002 between the Company, Limpahjaya Sdn Bhd ("Limpahjaya") a subsidiary of the Company, Amsteel, Umatrac and Posim Berhad, a subsidiary of Amsteel ("Vendors B") of the one part and Angkasa Marketing Berhad ("AMB"), a subsidiary of Amsteel and a company wherein certain directors and major shareholders have an interest of the other part for the disposal by Vendors B of 119,653,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad to AMB for a consideration of RM150,055,564 to be satisfied by an issue of RM143,231,483 in value of new AMB shares and the balance of RM6,824,081 to be set-off against inter-company balances owing by the Group to the AMB Group; the issue price of the new AMB shares shall be set at a 5% premium to the then theoretical market price of AMB shares, subject to a minimum issue price of RM1.00 each, provided that the theoretical market price shall be below RM0.95 and that AMB shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the AMB Group in the PRC upon the terms therein contained.

- 3) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002 and Fourth Supplemental Agreement dated 8 July 2002 between Limpahjaya and Akurjaya Sdn Bhd ("Akurjaya"), a subsidiary of Amsteel for the acquisition by Limpahjaya of 240,000,000 ordinary shares of RM1.00 each in the capital of Megasteel Sdn Bhd ("Megasteel") from Akurjaya, to include Amsteel and Crystavel Sdn Bhd ("Crystavel") as co-vendors and the additional disposal of 49,000,000 Preference "D" Shares of RM0.01 each by Crystavel and 26,670,000 Preference "F" Shares of RM0.01 each by Amsteel, both in Megasteel to Limpahjaya for a consideration forming part of the total consideration of RM1,007,921,816 to be satisfied by an issue of RM851,225,707 LCB Bonds and RM156,696,109 in value of new LCB shares at an indicative price of RM1.00 per LCB share.

- 4) Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 8 October 2001 between the Company and Umatrac for the disposal of 135,000 ordinary shares of RM1.00 each representing 13.5% equity interest in Hiap Joo Chong Realty Sdn Bhd for a consideration of RM1,915,000 to be satisfied by netting-off against inter-company balances owing by the Group to Amsteel Group.

- 5) Conditional Share Sale Agreement dated 5 July 2000 and First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 26 March 2002 and Third Supplemental Agreement dated 11 October 2002 between the Company and Lembaga Tabung Angkatan Tentera ("LTAT"), a major shareholder of the Company for the disposal of 71,422,170 LLB shares for a consideration of such number of fully paid-up or credited as fully paid-up ordinary shares in the share capital of Amsteel held by LTAT taking into account the terms therein contained, to include that the disposal by the Company shall be of a revised 47,274,317 share in LLB in exchange for a revised 40,135,777 shares in Amsteel based on the exchange ratio of 1.17785978 LLB share for 1 Amsteel share.

- 6) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 19 October 2000 and Fourth Supplemental Agreement dated 3 September 2002 between Horizon Towers Sdn Bhd, Amanvest (M) Sdn Bhd, Lion Holdings Sdn Bhd, Araniaga Holdings Sdn Bhd, Finlink Holdings Sdn Bhd, Happyvest (M) Sdn Bhd, Panoron Sdn Bhd, Teck Bee Mining (M) Sendirian Berhad, Tirta Enterprise Sdn Bhd, William Cheng Sdn Bhd, Ceemax Electronics Sdn Bhd, Lancaster Trading Company Limited and Lion Holdings Pte Ltd, all of which are companies wherein certain directors and major shareholders of the Company have an interest, of the one part ("Vendors C") and the Company of the other part, for the acquisition by the Company of 412,515,555 ordinary shares of RM1.00 each in Amsteel from Vendors C for a consideration of RM431,619,867 and that the Vendors C shall resolve or cause to be resolved all the issued affecting the joint-venture operations of the Amsteel Group in the PRC upon the terms therein contained.

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

- 8) Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001 and Third Supplemental Agreement dated 3 September 2002 between Jelajah Jaya Sdn Bhd ("JJSB"), Bayview Properties Sdn Bhd ("Bayview"), Lion Development (Penang) Sdn Bhd ("LDP"), Lion Management Sdn Bhd ("LM"), Narajaya Sdn Bhd ("Narajaya") and Trillionvest Sdn Bhd ("Trillionvest"), all of which are companies wherein certain directors and major shareholders of the Company have an interest and TSWC of the one part ("Vendors D") and the Company of the other part of the acquisition of 2,958,114 ordinary shares of RM1.00 each in Amsteel by the Company from Vendors D for a consideration of RM2,958,114 and that JJSB, Bayview, LDP, LM, Narajaya, Trillionvest and TSWC shall resolve or cause to be resolved all the issues affecting the joint venture operations of the Amsteel Group in the PRC upon the terms therein contained.

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2002

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Present Capital Value RM'000	Date of Acquisition/ Valuation
Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor - HS (D) 24275 PT. No. 3499 Mukim Bukit Raja Daerah Klang, Selangor	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse 19	5,174	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5 ¹ / ₂ , Jalan Tuaran Inanam, Kota Kinabalu - CL015379790 Mile 5, Tuaran Road Daerah Kota Kinabalu	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 27	3,876	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5 ¹ / ₂ , Jalan Tuaran Inanam, Kota Kinabalu - CL015379772 Mile 5, Tuaran Road Daerah Kota Kinabalu	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 27	1,867	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 34	532	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 17	285	22.05.1985
Block B, Lot No 1 6 ¹ / ₂ Miles, Jalan Tuaran Inanam, Kota Kinabalu - CL015449233 Inanam Daerah Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 17	281	10.08.1985

LIST OF GROUP PROPERTIES (Continued)

AS AT 30 JUNE 2002

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Present Capital Value RM'000	Date of Acquisition/ Valuation
Unit No-2-1-14B & 15 Level 1, Ground Floor Wawasan Plaza Kota Kinabalu	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 4	3,137	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 3	523,641	1998
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri	Leasehold 06.06.2059	621 sq metres	Shophouse	Office Block cum Showroom 6	2,222	28.06.1999
Lot 1110, Plot 117 King's Park Commercial Centre, Miri	Leasehold 06.06.2059	156.6 sq metres	Land	Vacant	558	22.06.1999
Lot 93 & 94 Teck Guan Ind. Shoplot Jalan Segama Lahad Datu	Leasehold 08.05.2933	390.2 sq metres	Shoplots	Office Block cum Showroom 3	750	15.12.1999
Lot 13, Kota Kinabalu Industrial Park Jalan Sepanggar Mengatal Kota Kinabalu	Leasehold	87,513 sq metres	Commercial land	Vacant	8,263	06.07.2001

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2002

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

Distribution of Shareholdings as at 15 October 2002

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 1,000	392	9.90	149,004	0.08
1,000 – 10,000	3,106	78.41	9,283,179	5.08
10,001 – 100,000	358	9.04	10,756,578	5.88
100,001 – to less than 5% of issued shares	102	2.58	125,090,575	68.39
5% and above of issued shares	3	0.07	37,616,164	20.57
	<u>3,961</u>	<u>100.00</u>	<u>182,895,500</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 15 October 2002

Registered Shareholders	No. of Shares	% of Shares
1. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd (T137-6110539213)	16,673,000	9.12
2. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd	10,582,364	5.79
3. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Umatrac Enterprises Sdn Bhd (Lion Asia Inv)	10,360,800	5.66
4. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd	8,887,839	4.86
5. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Umatrac Enterprises Sdn Bhd	8,775,847	4.80
6. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A)	8,445,600	4.62
7. Amsec Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	7,440,000	4.07
8. HSBC Nominees (Tempatan) Sdn Bhd BOA (M) Berhad for Amanvest (M) Sdn Bhd	6,908,400	3.78
9. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Affin Merchant Bank Berhad	6,715,926	3.67
10. Amsteel Securities (M) Sdn Bhd	5,872,200	3.21
11. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Amanvest (M) Sdn Bhd (MB 39A)	5,364,000	2.93

Thirty Largest Registered Shareholders (Continued)

Registered Shareholders	No. of Shares	% of Shares
12. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (301-682258-089)	4,200,000	2.30
13. Lion Holdings Sdn Bhd	4,102,356	2.24
14. Mayban Nominees (Tempatan) Sdn Bhd J. P. Morgan Chase Bank Berhad for Amanvest (M) Sdn Bhd (220013)	3,801,600	2.08
15. Cartaban Nominees (Tempatan) Sdn Bhd Westdeutsche Landesbank Girozentrale Ag, Singapore Branch for Umatrac Enterprises Sdn Bhd	3,600,000	1.97
16. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Development (Penang) Sdn Bhd (HLFTL148)	3,398,517	1.86
17. Cimsec Nominees (Tempatan) Sdn Bhd Danaharta Managers (L) Ltd for Umatrac Enterprises Sdn Bhd	3,315,600	1.81
18. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	2,400,000	1.31
19. Amsec Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0722B)	2,226,000	1.22
20. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd (01-00007-000)	2,076,000	1.14
21. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pelikan (Malaysia) Sdn Bhd	2,050,000	1.12
22. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (514356803766)	1,875,800	1.03
23. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd (51403950510A)	1,800,000	0.98
24. Amanvest (M) Sdn Bhd	1,539,457	0.84
25. Angkasa Marketing Berhad	1,420,500	0.78
26. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Holdings Sdn Bhd (T219-Corp Bkg)	1,387,200	0.76
27. Employees Provident Fund Board	1,315,200	0.72
28. Louis Albert Kwong	1,156,000	0.63
29. Universal Trustee (Malaysia) Berhad CMS Premier Fund	1,026,000	0.56
30. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Capitalvent Industries Sdn Bhd (BK 7/515-1)	975,000	0.53

Substantial Shareholders as at 31 October 2002

Substantial Shareholders	Direct Interest		Indirect Interest			
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants ⁽¹⁾	No. of Options ⁽²⁾
1. Tan Sri William H.J. Cheng	180,000	0.10	104,833,273	57.32	25,855,162	175,000
2. Datuk Cheng Yong Kim	277,500	0.15	64,748,534	35.40	-	-
3. Lion Realty Pte Ltd	-	-	62,947,934	34.42	-	-
4. William Cheng Sdn Bhd	376,800	0.21	59,549,416	32.56	-	-
5. Lancaster Trading Company Limited	-	-	59,549,416	32.56	-	-
6. Utara Enterprise Sdn Bhd	-	-	59,549,416	32.56	-	-
7. Lion Holdings Sdn Bhd	15,835,395	8.66	43,714,021	23.90	-	-
8. Happyvest (M) Sdn Bhd	-	-	43,714,021	23.90	-	-
9. Lembaga Tabung Angkatan Tentera	-	-	36,932,873	20.19	25,855,162	-
10. Amsteel Corporation Berhad	-	-	36,932,873	20.19	25,855,162	-
11. Timuriang Sdn Bhd	-	-	36,196,823	19.79	25,486,537	-
12. Mirzan bin Mahathir	-	-	28,903,000	15.80	-	-
13. Amanvest (M) Sdn Bhd	43,714,021	23.90	-	-	-	-
14. Umatrac Enterprises Sdn Bhd	34,770,323	19.01	-	-	25,486,537	-
15. Peringkat Prestasi (M) Sdn Bhd	28,903,000	15.80	-	-	-	-

Directors' interest in shares in the Company and its related companies as at 31 October 2002

The Directors' interest in shares in the Company and its related companies as at 31 October 2002 are the same as that shown in the Directors' Report for the financial year ended 30 June 2002 except for the following:

In the Company	Direct Interest		Indirect Interest			
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants ⁽¹⁾	No. of Options ⁽²⁾
Tan Sri William H.J. Cheng	180,000	0.10	104,833,273	57.32	25,855,162	175,000
Raja Zainal Abidin bin Raja Haji Tachik	300,000	0.16	87,400	0.05	-	-
Datuk Cheng Yong Kim	277,500	0.15	64,748,534	35.40	-	-

Notes:

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

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

Distribution of Warrant Holdings as at 15 October 2002

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 1,000	4	0.19	2,500	0.00
1,000 – 10,000	1,671	80.97	5,928,000	6.49
10,001 – 100,000	329	15.94	9,982,000	10.92
100,001 – to less than 5% of issued shares	56	2.71	17,195,936	18.82
5% and above of issued shares	4	0.19	58,272,314	63.77
	<u>2,064</u>	<u>100.00</u>	<u>91,380,750</u>	<u>100.00</u>

Thirty Largest Registered Warrant Holders as at 15 October 2002

Registered Warrant Holders	No. of Warrants	% of Warrants
1. Amsteel Securities (M) Sdn Bhd	17,194,000	18.82
2. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Affin Merchant Bank Berhad	16,305,027	17.84
3. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Umatrac Enterprises Sdn Bhd	12,746,883	13.95
4. Umatrac Enterprises Sdn Bhd	12,026,404	13.16
5. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,475,000	1.61
6. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
7. Choong Moh Guan	900,000	0.98
8. Pacific & Orient Insurance Co Berhad	865,000	0.95
9. Angkasa Marketing Berhad	710,250	0.78
10. Chin Lih Lih	650,000	0.71
11. Lee Sui Hee	639,000	0.70
12. Universal Trustee (Malaysia) Berhad CMS Premier Fund	600,000	0.66
13. Rahmah binti Abdul Rahim	512,000	0.56
14. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Meng Tut (CEB)	493,000	0.54
15. Lim Hock Jin	490,000	0.54
16. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40
17. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Ah Lek (MEMO3)	337,000	0.37
18. Libra Asia Security Limited c/o Libra Capital Management Sdn Bhd	320,000	0.35

Thirty Largest Registered Warrant Holders as at 15 October 2002 (Continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
19. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Md Ali bin Md Dewal (3555-003 CMSD)	300,000	0.33
20. Angelina Corrina Fernandez	294,000	0.32
21. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Chun Fong (CEB)	292,000	0.32
22. Libra Capital Markets Sendirian Berhad Libra Asia Securities Limited for Cheong Chen Yue	280,000	0.31
23. Chai Chang Luen	277,000	0.30
24. Goh Seng Hoon	273,000	0.30
25. Hai Leng Enterprise Sdn Bhd	250,000	0.27
26. Libra Capital Markets Sendirian Berhad Libra Asia Securities Limited for Djelas Co S.A.	250,000	0.27
27. Tan Lim Mook	235,000	0.26
28. Choong Holdings Sdn Berhad	230,000	0.25
29. Botly Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee See Hok	226,000	0.25
30. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loo Seow Yean (CEB)	218,000	0.24

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM35,000.

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2002 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale and purchase of hot rolled coils, steel bars, hot briquetted iron, billets, gases, lubricants, scrap iron and other steel related products such as steel bands, steel sheets and steel furniture etc.	Lion Land Berhad Group ("LLB Group") ⁽¹⁾ Amalgamated Containers Berhad ("ACB Group") ⁽¹⁾ Posim Berhad ("Posim Group") ⁽¹⁾ Lion Holdings Pte Ltd ⁽¹⁾ Angkasa Marketing Berhad Group ("AMB Group") ⁽¹⁾ Lembaga Tabung Angkatan Tentera Group ("LTAT Group") ⁽²⁾ Amsteel Corporation Berhad Group ("Amsteel Group") ⁽¹⁾	329,708 55,086 904 72,785 428 87 6,468 <u>465,466</u>
(ii) The sale and purchase of machinery, spare parts, tools and dies, insurance and other related products and services such as component parts, repair and maintenance.	Amsteel Group ⁽¹⁾ LTAT Group ⁽²⁾	1,940 6,752 <u>8,692</u>
(iii) The obtaining of marketing, distribution and transportation services.	Amsteel Group ⁽¹⁾	<u>4,033</u>
(iv) Rental, water and electricity of office premises	Amsteel Group ⁽¹⁾	<u>72</u>
(b) Motor vehicles related transactions		
(i) The sale and purchase of motor vehicles and component parts, assembly and services of motor vehicles.	AMB Group ⁽¹⁾ Amsteel Group ⁽¹⁾	6,302 88 <u>6,390</u>

RECURRENT RELATED PARTY TRANSACTIONS (Continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000	
(ii) The purchase of spare parts, tyres, lubricants and other related products such as rubber compounds and spark plugs.	Posim Group ⁽¹⁾	17	
	Amsteel Group ⁽¹⁾	242	
		259	
(iii) Rental of office premises	Posim Group ⁽¹⁾	16	
	Amsteel Group ⁽¹⁾	138	
		154	
(c) Others	(i) The provision of management and support and obtaining training and educational and other related services such as healthcare and secretarial services	Amsteel Group ⁽¹⁾	1,445
		LLB Group ⁽¹⁾	53
		AMB Group ⁽¹⁾	1,853
		Posim Group ⁽¹⁾	23
		Chocolate Products (Malaysia) Berhad Group ⁽¹⁾	25
		ACB Group ⁽¹⁾	22
		3,421	
(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⁾	391	
	Amble Bond Sdn Bhd Group ⁽¹⁾	32	
	LLB Group ⁽¹⁾	24	
		447	

Notes:

"Group" includes subsidiary and associated companies.

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

(2) Major shareholder of the Company.

SANCTION BY THE SECURITIES COMMISSION

The Company was compounded an amount of RM100,000 on 3 June 2002 in respect of the infringement of section 32(6) of the Securities Commission Act 1993.

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 Twenty-Ninth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 19 December 2002 at 4.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
4. To re-elect as Director, Y. Bhg. Dato' Haji Yahya bin Haji Talib		
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		

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 2002

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. An 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 under 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.

