



LION INDUSTRIES CORPORATION BERHAD

A Member of The Lion Group

(415-D)

Laporan Tahunan
2004
Annual Report



CONTENTS

	Page
Notice of Meeting	1
Corporate Information	5
Directors' Profile	6
Corporate Governance Statement	9
Statement on Internal Control	13
Audit Committee Report	14
Nomination Committee	18
Remuneration Committee	18
5 Years' Group Financial Highlights	19
The Group's Businesses	20
Chairman's Statement:	
Bahasa Malaysia	21
English	22
Chinese	23
Review of Operations	24
Financial Statements:	
Directors' Report	26
Report of the Auditors	33
Income Statements	34
Balance Sheets	35
Statements of Changes in Equity	37
Cash Flow Statements	38
Notes to the Financial Statements	45
Statement by Directors	111
Statutory Declaration	111
Material Contracts	112
Information on Level 1 Sponsored American Depositary Receipt Programme	113
List of Group Properties	114
Analysis of Shareholdings	118
Other Information	121
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Fourth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 22 November 2004 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 2004. | Resolution 1 |
| 2. | To approve the payment of a first and final dividend of 1.0% less 28% Malaysian Income Tax. | Resolution 2 |
| 3. | To approve the payment of Directors' fees amounting to RM192,000 (2003 : RM121,000). | Resolution 3 |
| 4. | To re-elect Directors: | |
| | (i) In accordance with Article 99 of the Company's Articles of Association, Mr Liew Jee Min @ Chong Jee Min who was appointed during the year retires and, being eligible, offers himself for re-election. | Resolution 4 |
| | (ii) In accordance with Article 98 of the Company's Articles of Association, the following Directors retire by rotation and, being eligible, offer themselves for re-election: | |
| | Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin | Resolution 5 |
| | Mr Heah Sieu Lay | Resolution 6 |
| 5. | To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 as an ordinary resolution: | |
| | "THAT Y. Bhg. Tan Sri Dato' Musa bin Hitam who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next annual general meeting." | Resolution 7 |
| 6. | To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. | Resolution 8 |
| 7. | Special Business | |
| | To consider and if thought fit, pass the following resolutions as ordinary resolutions: | |
| 7.1 | Authority to Directors to issue shares | |
| | "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." | Resolution 9 |

7.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 ("Recurrent Transactions") and with those related parties as detailed in paragraph 3.2 of the Circular to Shareholders of the Company dated 30 October 2004 subject to the following:

Resolution 10

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

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

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

whichever is the earlier,

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

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

DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares deposited into the depositor's securities account before 12.30 pm on 29 November 2004 in respect of shares exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00 pm on 1 December 2004 in respect of transfers; and
- (c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 21 December 2004 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 1 December 2004.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
30 October 2004

Notes:

1. *Proxy*
 - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
 - *An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.*
 - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*
 - *Form of Proxy sent through facsimile transmission shall not be accepted.*
2. *Resolution 3*

It is proposed that the Directors' fees be increased so as to be in line with the industrial practice to reflect the duties and responsibilities of the Directors.
3. *Resolution 9*

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

4. *Resolution 10*

This approval will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 30 October 2004, which are necessary for the Group's day-to-day operations and are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Details on the proposal are set out in the Circular to Shareholders dated 30 October 2004 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

Mr Liew Jee Min @ Chong Jee Min

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

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin
Mr Heah Sieu Lay

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

Y. Bhg. Tan Sri Dato' Musa bin Hitam

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

II. Details of attendance of Directors at Board Meetings

There were six (6) Board Meetings held during the financial year ended 30 June 2004. Details of attendance of the Directors are set out in the Directors' Profile on pages 6 to 8 of this Annual Report.

III. Place, date and time of the Seventy-Fourth Annual General Meeting

The Seventy-Fourth Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 22 November 2004 at 4.00 pm.

CORPORATE INFORMATION

Board of Directors	: Y. Bhg. Tan Sri Dato' Musa bin Hitam (Chairman) Y. Bhg. Datuk Cheng Yong Kim (Managing Director) Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay Mr Liew Jee Min @ Chong Jee Min
Secretaries	: Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No.	: 415-D
Registered Office	: Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage: http://www.lion.com.my
Share Registrar	: Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	: Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	: OCBC Bank (Malaysia) Berhad EON Bank Berhad Affin Merchant Bank Berhad RHB Sakura Merchant Bankers Berhad
Stock Exchange Listing	: Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	: LIONIND
Bursa Securities Stock No.	: 4235
Reuters Code	: LLBM.KL
ISIN Code	: MYL4235OO007

DIRECTORS' PROFILE

Tan Sri Dato' Musa bin Hitam

Chairman, Independent Non-Executive Director

Y. Bhg. Tan Sri Dato' Musa bin Hitam, a Malaysian, aged 70, was appointed a Director and Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee.

Tan Sri Musa received his Bachelor's degree from the University of Malaya and his Master's degree from the University of Sussex. He has since been awarded with various honours, including Honorary Doctorates from the University of Sussex and Universiti Sabah Malaysia, and fellowships from the Malaysian Institute of Management and the Centre For International Affairs, Harvard University.

Tan Sri Musa has held various posts at international level at various times. These included membership of the Commonwealth Ministers Action Group when he visited Nigeria, Pakistan, Fiji, The Gambia and Sierra Leone. Tan Sri Musa also led the Commonwealth Observer Group to the Pakistan General Elections that was held in September-October 2002.

Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs in 1981 and 1986 respectively, Tan Sri Musa was Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority, Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and since 1995, he has been the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group. Tan Sri Musa also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the Commission in 1995. At the national level, Tan Sri Musa had served as the Chairman of the Malaysian National Commission on Human Rights from 2000 to 2002. Tan Sri Musa is a member of the United Malays National Organisation and had held various positions within the party up to Deputy President until 1987.

Tan Sri Musa is also the Chairman of Kumpulan Guthrie Berhad, a public listed company.

During the financial year, Tan Sri Musa attended all six (6) Board Meetings held.

Datuk Cheng Yong Kim

Managing Director, Non-Independent Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 54, was appointed the Managing Director of the Company on 16 January 1995. He is also a member of the Company's Remuneration Committee.

Datuk Cheng obtained a Bachelor of Business Administration (Honours) degree from University of Singapore in 1971. He has more than 25 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre and chemical, computer and communications, retail, distribution and trading, agricultural products and property and community development. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of the Company. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Datuk Cheng's other directorships in public companies are as follows:

- Director of Silverstone Corporation Berhad and Lion Corporation Berhad, both public listed companies
- Director of Hy-Line Berhad, a public company

Datuk Cheng has a direct shareholding of 1,143,689 ordinary shares of RM1.00 each and an indirect shareholding of 299,998,443 ordinary shares of RM1.00 each in the Company. He also has an indirect interest of 457,000 ordinary shares by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 457,000 shares in the Company. Datuk Cheng's shareholding in the subsidiary companies of the Company is disclosed in page 120 of this Annual Report. He also has interest in certain companies which conduct similar business with the Company in the property development sector.

Datuk Cheng is the nephew of Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Mr Cheng Yong Liang is also a Director of the Company.

During the financial year, Datuk Cheng attended all six (6) Board Meetings held.

Tan Sri Datuk Asmat bin Kamaludin

Independent Non-Executive Director

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin, a Malaysian, aged 60, was appointed to the Board on 26 February 2001. He is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

Tan Sri Asmat obtained a Bachelor of Arts (Honours) degree in Economics from University of Malaya in 1966. He has served in the Ministry of Trade and Industry, now known as Ministry of International Trade and Industry ("MITI") for a period of approximately 35 years. During his tenure in the Civil Service, Tan Sri Asmat has served on the board of various companies and corporations as MITI's representative, including Heavy Industries Corporation of Malaysia, Malaysian Technology Development Corporation, Multimedia Development Corporation, Permodalan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, National Productivity Corporation, Malaysia External Trade Development Corporation, Small and Medium Industries Development Corporation and Perbadanan Johor. Between 1973 and 1976, he held the position of Senior Economic Counsellor to the European Community in Brussels. Tan Sri Asmat was appointed Secretary General of MITI in May 1992 and held the position till his retirement on 18 January 2001.

At international level, Tan Sri Asmat has also served in committees of different international organisations such as Asian Pacific Economy Cooperation, Association of South East Asian Nations and World Trade Organisation.

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad, Matsushita Electric Company (Malaysia) Berhad, SCOMI Group Berhad and Symphony House Berhad
- Director and Vice Chairman of YTL Cement Berhad
- Director of Carlsberg Brewery Malaysia Berhad, Commerce Asset-Holding Berhad, Malaysian Pacific Industries Berhad and Permodalan Nasional Berhad

Save for Permodalan Nasional Berhad, all the above companies are public listed companies.

During the financial year, Tan Sri Asmat attended five (5) of the six (6) Board Meetings held.

Dato' Kamaruddin @ Abas bin Nordin

Non-Independent Non-Executive Director

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 66, was appointed to the Board on 20 July 1994. He is also a member of the Company's Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee.

Dato' Kamaruddin graduated from the University of Canterbury, New Zealand in 1966 with a Masters of Arts degree majoring in Economics. He joined the Malaysian Civil Service upon his graduation and served until his retirement in 1993. During his tenure in the Civil Service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in MITI from 1966 to 1980. Between 1980 and 1990, he held the position of Deputy Secretary-General (Development) in the Ministry of Works. He retired in 1993 where his last position held was the Director-General, Registration Department, Ministry of Home Affairs.

He is also a Director of APM Automotive Holdings Berhad, Tan Chong Motor Holdings Berhad and Greatpac Holdings Berhad, all public listed companies.

Dato' Kamaruddin has a direct shareholding of 1,500 ordinary shares of RM1.00 each in the Company. He also has an indirect interest of 231,000 ordinary shares by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 231,000 shares in the Company.

During the financial year, Dato' Kamaruddin attended all six (6) Board Meetings held.

Cheng Yong Liang

Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 47, was appointed to the Board on 6 April 1994. He is also the Chairman of the Company's Executive Share Option Scheme Committee.

Mr Cheng holds a Diploma in Building from Singapore Polytechnic and a Bachelor of Science degree in Business Administration from University of San Francisco. Mr Cheng has been with the Lion Group for 19 years. He is primarily involved in the Property Division of the Lion Group.

Mr Cheng is also a Director of Syarikat Pekan Baru Kemajuan Berhad, a public company and has a direct shareholding of 47,880 ordinary shares of RM1.00 each in the Company.

He is the nephew of Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Datuk Cheng Yong Kim is the Managing Director of the Company.

During the financial year, Mr Cheng attended all six (6) Board Meetings held.

Heah Sieu Lay

Non-Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 51, was appointed to the Board on 6 June 2001. He is also a member of the Audit Committee of the Company.

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

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

He is also the Managing Director of Lion Diversified Holdings Berhad, a public listed company.

During the financial year, Mr Heah attended five (5) of the six (6) Board Meetings held.

Liew Jee Min @ Chong Jee Min

Independent Non-Executive Director

Mr Liew Jee Min @ Chong Jee Min, a Malaysian, aged 45, was appointed to the Board on 5 May 2004. He is also a member of the Company's Audit Committee.

Mr Chong graduated from the University of Leeds, England in 1984 with an Honours degree in law. He obtained his Certificate of Legal Practice, Malaya in 1985.

Mr Chong was admitted as an advocate and solicitor of the High Court of Malaya in 1986. He established the firm of J.M. Chong, Vincent Chee & Co in December 1986 and has been practising since, concentrating on banking, property and corporate matters.

Mr Chong is also a Director of Jaks Resources Berhad, a public listed company.

He attended the remaining one (1) Board Meeting held for the financial year ended 30 June 2004 subsequent to his appointment.

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance (“Code”). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2004 except where otherwise stated herein.

1. DIRECTORS

The Board

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2004, six (6) board meetings were held and each Director has attended at least 50% of the total board meetings held during the financial year. Details of attendance and the profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

Board Balance

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

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

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

Board Committees

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

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

Supply of Information

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

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

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competencies to be appointed to the Board. The members and terms of reference of the Nomination Committee are presented on page 18 of this Annual Report.

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

Re-election

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

2. DIRECTORS' REMUNERATION

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

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

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

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

	Fees RM	Salaries & Others RM	Total RM
Executive Director	20,000	479,000	499,000
Non-Executive Directors	204,000	943,000	1,147,000
	224,000	1,422,000	1,646,000

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

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
25,000 & below	–	2
25,001 – 50,000	–	1
50,001 – 100,000	–	1
100,001 – 150,000	–	1
450,001 – 500,000	1	–
850,001 – 900,000	–	1

3. SHAREHOLDERS

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 17 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Directors are satisfied that for the financial year ended 30 June 2004, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Financial Reporting

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 13 of this Annual Report.

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin
(Chairman, Independent Non-Executive Director)

Mr Heah Sieu Lay
(Non-Independent Non-Executive Director)

Mr Liew Jee Min @ Chong Jee Min
(Independent Non-Executive Director)

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

- **Secretaries**

The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi Lin and Puan Yasmin Weili Tan binti Abdullah are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held for which full attendance was recorded by Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin. Mr Heah Sieu Lay attended five (5) of the six (6) meetings while Mr Chong Jee Min attended the remaining one (1) meeting of the Audit Committee held during the financial year subsequent to his appointment as a member of the Audit Committee.

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

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

- **Financial Results**
 - (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.
 - (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes of accounting policy, significant and unusual event and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board (“MASB”) and other legal requirements.
- **Internal Audit**
 - (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.
 - (b) Reviewed the audit programmes, resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.
 - (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.
 - (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
 - (e) Reviewed the Internal Control – Self-Assessment ratings submitted by the respective operations management.
- **External Audit**
 - (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
 - (b) Reviewed with external auditors the results of the audit and the audit report in particular, reviewed accounting issues and significant audit adjustments arising from the external audit.
 - (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management’s response to the findings of the external auditors.
 - (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.
 - (e) Convened a meeting with the external auditors without the non-independent directors being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

Reviewed the following related party transactions entered into by the Group:

1. (a) Disposal by LLB Nominees Sdn Bhd (“LLB Nominees”) of 18% equity interest in Parkson Investment Pte Ltd and 20% equity interest in Parkson Venture Pte Ltd to Lion Diversified Holdings Berhad (“Parkson Disposal”).
(b) Put and call option on the redeemable convertible unsecured loan stock received pursuant to the Parkson Disposal.
2. Establishment of a captive insurance company.
3. (a) Revision to the borrowing of RM100 million by Amsteel Mills Sdn Bhd (“AMSB”).
(b) Assignment by AMSB of voting rights in Lion Forest Industries Berhad to the Company and LLB Nominees.
4. Second deferment of the redemption date of the preference shares in Likom Computer System Sdn Bhd held by the Company to 28 June 2005.

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

- **Allocation of Share Options**

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

NOMINATION COMMITTEE

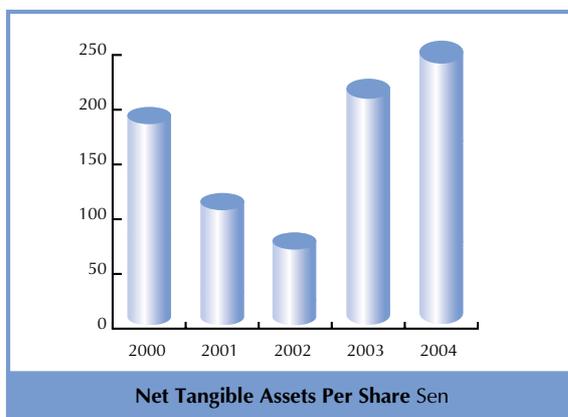
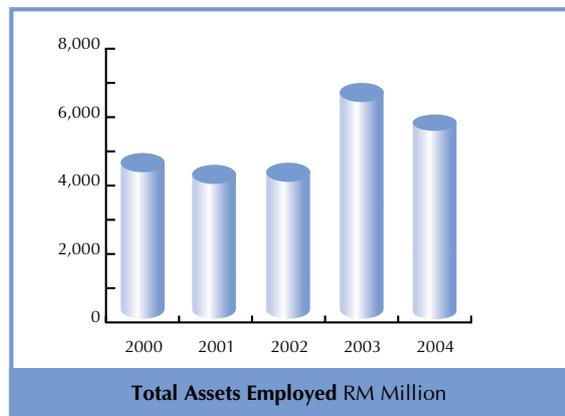
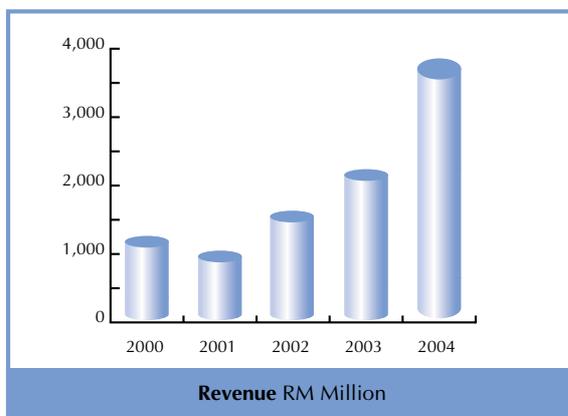
Chairman	:	Y. Bhg. Tan Sri Dato' Musa bin Hitam <i>(Independent Non-Executive Director)</i>
Members	:	Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin <i>(Independent Non-Executive Director)</i> Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin <i>(Non-Independent Non-Executive Director)</i>
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board, candidates for directorships in Lion Industries 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

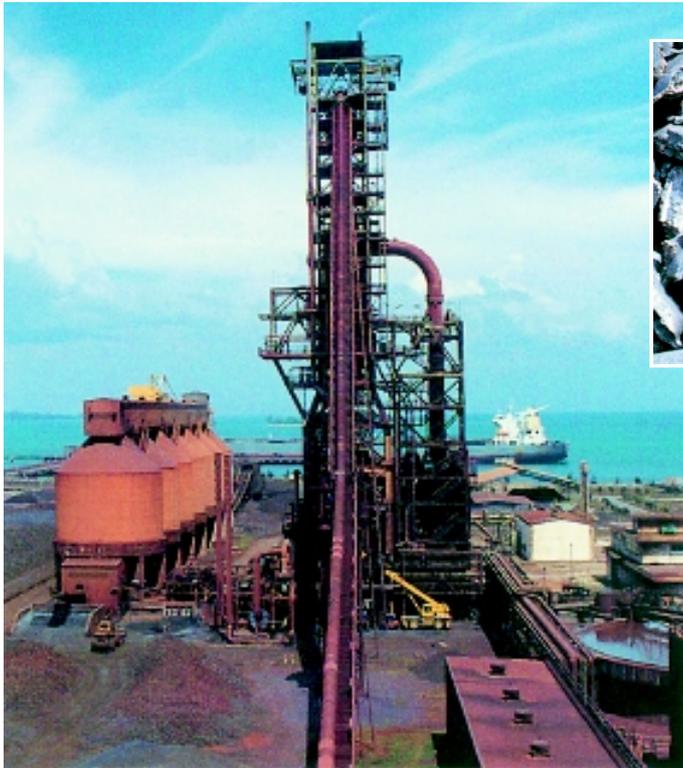
Chairman	:	Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin <i>(Independent Non-Executive Director)</i>
Members	:	Y. Bhg. Datuk Cheng Yong Kim <i>(Non-Independent Executive Director)</i> Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin <i>(Non-Independent Non-Executive Director)</i>
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	1,062,750	938,386	1,459,299	2,014,549	3,637,868
Profit/(Loss) before taxation	(97,095)	(470,445)	(195,824)	119,446	573,777
Profit/(Loss) after taxation	(115,158)	(473,499)	(202,282)	72,325	475,388
Dividends:					
Rate (%)	0.1	0.1	0.1	0.5	1.0
Amount (Net of tax)	427	427	427	2,445	4,890
Total assets employed	4,367,764	4,105,568	4,164,773	6,598,857	5,652,817
Shareholders' funds	1,306,485	837,365	618,029	1,881,206	2,023,201
Net tangible assets	1,101,929	644,227	427,198	1,474,996	1,686,119
	Sen	Sen	Sen	Sen	Sen
Net tangible assets per share	186	109	72	217	248
Earnings/(Loss) per share	(22.7)	(105.2)	(43.1)	13.7	49.5



THE GROUP'S BUSINESSES



- Hot Briquetted Iron (HBI) plant (left) operated by Amsteel Mills Sdn Bhd in Labuan, with a close-up of the finished product (inset).
- *Kilang besi briket panas (HBI) (kiri) yang dikendalikan oleh Amsteel Mills Sdn Bhd di Labuan, HBI dari jarak dekat. (gambar kecil)*



- Supply of molten steel via ladle pot carrier from Amsteel Mills.
- *Bekalan besi lebur dibawa dari Amsteel Mills menggunakan 'alat pengangkut khas'.*



- Steel making and rolling facilities to produce high grade bars and rods at Amsteel Mills' Banting operation (top).
- *Operasi melebur dan menggulung besi keluli untuk menghasilkan bar dan batang besi bermutu tinggi di Amsteel Mills, Banting (atas).*



- The Group's subsidiary and associated companies are also involved in various sectors encompassing (from top, clockwise) pulp & paper, property, retail, and electronic contract manufacturing services.
- *Anak syarikat dan syarikat bersekutu Kumpulan juga terbabit dalam pelbagai sektor merangkumi (dari atas, arah jam) pulpa dan kertas, hartanah, peruncitan dan perkhidmatan kontrak pengeluaran elektronik.*



PENYATA PENERUS

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

PRESTASI KEWANGAN

Kumpulan LICB telah menikmati tahun kewangan yang menggalakkan. Berikutan pertumbuhan kukuh yang berterusan dalam ekonomi tempatan dan permintaan sejagat yang pesat bagi komoditi dan produk elektronik, Kumpulan telah mencatatkan pemulihan besar dalam prestasi kesemua operasi perniagaan utamanya. Bersamaan dengan pelbagai strategi perniagaan dan inisiatif yang diambil dalam tahun sebelumnya untuk meningkatkan asas pendapatan, saya dengan sukacitanya melaporkan bahawa Kumpulan telah mencatat keuntungan yang lebih tinggi.

Pendapatan dalam tahun kewangan melonjak 80% kepada RM3.6 bilion berikutan pengukuhan permintaan antarabangsa yang luar biasa ditunjukkan oleh pasaran eksport bahagian besi keluli selain pertumbuhan pesat sektor perkilangan dan hartanah tempatan. Penyumbang utama lain dalam Kumpulan adalah bahagian perhutanan yang mencatatkan pertumbuhan besar berikutan harga kertas sejagat yang teguh. Di sebalik pertumbuhan secara organik, pendapatan Kumpulan turut digalakkan oleh penyatuan hasil kewangan setahun penuh anak-anak syarikat yang baru dimiliki melalui pelaksanaan Skim Penstrukturan Semula Seluruh Kumpulan ("SPSSK") pada bulan Mac tahun lalu.

Selaras dengan pendapatan Kumpulan yang tinggi, keuntungan operasi melonjak kepada RM370 juta berbanding RM110 juta pada tahun lalu. Bersamaan dengan keuntungan sebanyak RM315 juta yang dicatatkan melalui pelupusan sebahagian operasi kilang bir, keuntungan sebelum cukai Kumpulan meningkat tinggi kepada RM574 juta berbanding RM119 juta sebelumnya.

PERKEMBANGAN KORPORAT

Selari dengan usaha kita untuk menyatu dan merasionalisasi perniagaan Kumpulan, kita telah melupuskan 50% kepentingan dalam operasi kilang bir dan memperolehi keuntungan nyata sebanyak RM315 juta apabila ianya selesai pada bulan Januari 2004.

Perkembangan korporat utama lain dalam Kumpulan adalah kejayaan menyelesaikan usaha korporat pada Jun 2004 yang melibatkan pembelian Kumpulan Peruncitan Parkson, Kumpulan Komputer Likom dan sebuah projek pembangunan hartanah oleh Lion Diversified Holdings Berhad ("LDHB"). Pengambil-alihan Kumpulan Peruncitan Parkson akan menjadikan LDHB pemain utama dalam arena peruncitan tempatan dan lebih penting lagi akan terus menerajui pertumbuhan Parkson di China.

Berikutan kepada tahun kewangan, Kumpulan telah menerima surat tawaran untuk cadangan pelupusan pusat membeli-belah tunggal kita yang dikenali sebagai Klang Parade dengan balasan RM107.651 juta. Satu perjanjian jual-beli rasmi akan dimeterai apabila kajian berhemat selesai.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0% atau 1 sen sesaham (2003: 0.5% atau 0.5 sen sesaham), ditolak 28% cukai pendapatan. Jumlah dividen bersih berbayar, sekiranya diluluskan dalam Mesyuarat Agung Tahunan akan datang, berjumlah RM4.89 juta (2003: RM2.45 juta).

PROSPEK

Walaupun terdapat kesan peningkatan harga minyak mentah dan ketidaktentuan politik di bahagian tertentu dunia, pemulihan ekonomi sejagat dijangka akan dapat dikekalkan. Pertumbuhan pesat di rantau Asia Pasifik terutamanya China dan tidak kurang juga India, akan membantu mengimbangi permintaan yang rendah daripada ekonomi negara-negara utama dunia.

Berdasarkan pertumbuhan Keluaran Dalam Negara Kasar yang lebih tinggi daripada jangkakan sebanyak 7% pada tahun 2004, Lembaga Pengarah yakin Kumpulan akan mampu membina momentum pertumbuhan dan mencapai prestasi yang mantap dalam tahun kewangan akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin mengalu-alukan pelantikan Encik Liew Jee Min @ Chong Jee Min sebagai Pengarah.

PENGHARGAAN

Saya ingin mengucapkan terima kasih kepada rakan-rakan Pengarah saya, pihak pengurusan dan kakitangan Kumpulan LICB di atas komitmen dan sumbangan yang tidak ternilai kepada Kumpulan.

Kami juga ingin merakamkan penghargaan kepada para pemegang saham, pembiaya, sekutu perniagaan dan juga pelbagai pihak berkuasa kerajaan dan pengawalselia di atas sokongan berterusan dan keyakinan mereka terhadap kumpulan.

TAN SRI DATO' MUSA BIN HITAM

Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

It has been an encouraging year for the LICB Group. Riding on the continued strong growth in the local economy and the robust global demand for commodities and electronic products, the Group was able to chalk up significant improvements in its performance in all its major business operations. Together with the various business strategies and initiatives undertaken in the previous year to enhance its earnings base, I am pleased to report that the Group's profit was substantially higher.

Revenue for the year jumped 80% to RM3.6 billion on the back of exceptionally strong international demand from the steel division's export markets as well as the acceleration in growth of the local manufacturing and property sectors. Another significant contributor was from the Group's forestry division which achieved substantial growth on account of the firmer global paper prices. Besides organic growth, the Group's revenue was also boosted by the incorporation of a full year's results of its newly acquired subsidiaries pursuant to the implementation of the Group Wide Restructuring Scheme ("GWRS") in March last year.

In tandem with the higher Group revenue, operating profit rose to RM370 million as compared to RM110 million last year. Together with a gain of RM315 million recorded on the partial disposal of its brewery operations, the Group's profit before tax was much higher at RM574 million as against RM119 million previously.

CORPORATE DEVELOPMENTS

In line with our efforts to consolidate and rationalise the Group's businesses, we have disposed of the Group's 50% stake in our brewery operations and realised a gain of RM315 million upon completion of the divestment in January 2004.

Another major corporate development for the Group was the successful completion of the corporate exercise in June 2004, involving the acquisition by Lion Diversified Holdings Berhad ("LDHB") of the Parkson Retail Group, Likom Computer Group and a property development project. The acquisition of the Parkson Retail Group will transform LDHB into a key player in the local retail scene and more importantly spearhead Parkson's further growth in the People's Republic of China ("China").

Subsequent to the financial year, the Group has accepted a letter of offer for the proposed disposal of our only shopping centre known as Klang Parade for a consideration of RM107.651 million. A formal sale and purchase agreement will be executed upon completion of a due diligence review.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 1.0% or 1 sen per share (2003: 0.5% or 0.5 sen per share), less 28% income tax. Total net dividend payable, if approved at the forthcoming Annual General Meeting, will amount to RM4.89 million (2003: RM2.45 million).

PROSPECTS

Notwithstanding the impact of rising oil prices and political unrest in certain parts of the world, global economic recovery is expected to be sustained. Robust growth in the Asia Pacific regions, especially in China and to a lesser extent India, will help to mitigate lower demand from the major economies of the world.

Given the higher than expected Gross Domestic Product growth of the domestic economy of 7% for 2004, the Board is optimistic that the Group will be able to build on its growth momentum and achieve satisfactory performance in the next financial year.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to the newly appointed Director, Mr Liew Jee Min @ Chong Jee Min, to the Board.

ACKNOWLEDGEMENT

I would like to thank my fellow Directors, the management and staff of the LICB Group for their invaluable contribution and commitment to the Group.

We would also like to express our appreciation to shareholders, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group.

TAN SRI DATO' MUSA BIN HITAM
Chairman



主席报告

我谨代表董事部，欣然提呈金狮工业机构有限公司截至2004年6月30日的会计年度之常年报告和经审核财务报告。

财务表现

对本集团而言，这是令人鼓舞的一年。由於国内经济持续强而有力的增长，以及全球对原产品和电子产品需求的上升，本集团所有主要营业部门的业务都有显著的改善。随着上一年度内为了巩固盈利基础而采取的各种商业策略和主动，我很荣幸的报告，本集团的利润有大幅度的提高。

今年度的营业额增加80%，达到36亿令吉，主要来自钢铁组出口市场特别强劲的国际需求，以及本地制造业和房地产业迅速的成长。本集团另一个主要营业收入源自林业组，由於全球纸张价格上涨，此组取得可观成长。除了有固定编制的成长之外，本集团的收入，也因融入新进并入的子公司全年业绩而大幅度增加。这些子公司是在去年3月所实行的金狮集团重组计划下而加入本集团。

随着本集团营业额的提高，营业利润增加至3亿7千万令吉；上一个会计年度则只有1亿1千万令吉。加上脱售酿酒业部分股权所取得3亿1千500万令吉的盈利，本集团的税前利润显著增至5亿7千400万令吉，相比于上一会计年度的1亿1千900万令吉。

企业发展

配合本集团巩固和合理化业务的方针，我们脱售本集团酿酒业的50%股权，在2004年1月完成这项脱售计划之后，我们取得3亿1千500万令吉的盈利。

本集团另一项重大的企业发展是在2004年6月所成功完成的企业计划，包括金狮多元控股有限公司收购百盛零售集团，丽康电脑集团以及一项产业发展工程。收购百盛零售集团使金狮多元控股转变为本地零售业的要角，更重要的是使到百盛在广大的中国市场取得进一步成长。

在本会计年度后，本集团接获一份建议收购计划书，献议以1亿765万1千令吉收购我们唯一的巴生百利购物中心。在完成谨慎的检讨之后，将会执行正式的买卖合同。

股息

董事部欣然建议，发出期初兼最后股息1%或每股1仙（2003年为0.5%或每股0.5仙），必须扣除28%所得税。如果获得即将举行的常年大会批准，应支付净股息总额将是489万令吉（2003年为245万令吉）。

展望

尽管石油涨价以及世界某些地区政治动乱，预料全球经济复苏将会持续。亚太地区，尤其是中国，以及在较小程度上印度的经济蓬勃发展，将会缓和世界主要经济个体需求减少所造成的不良影响。

基於在2004年，国内总生产取得比预期7%更佳的增长率，董事部乐观的认为，在下一个会计年度，本集团将会继续取得成长，并取得满意的表现。

董事部

我谨代表董事部，热烈欢迎新董事张裕民先生加入董事部。

鸣谢

我在此感谢金狮工业机构有限公司集团的诸位董事，管理层及职员，对本集团作出宝贵的贡献。

我们也要感谢股东、金融界、商业伙伴及各个政府机构与执法机构，继续支持本集团及对本集团具有信心。

主席

TAN SRI DATO' MUSA BIN HITAM

REVIEW OF OPERATIONS

Note : "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".

Steel

(RM Million)	2004	2003
Revenue	2,368	1,541
Profit	302	119

Product	Annual Rated Capacity (Million Metric Tons)
HBI	0.8
Billets	2.7
Bars and Rods	1.9

Our steel division again contributed significantly to the Group's performance with revenue and profit increasing by 54% and 154% respectively. Despite an escalation in global scrap prices, which has affected margins for long products in our Klang, Banting and Johor operations, our plant in Labuan which produces hot briquetted iron ("HBI") was able to benefit from the corresponding jump in demand and recorded a sterling set of results.

Labuan Plant

Riding on the back of a surge in demand for scrap in China, international prices of HBI rose to a record high during the year under review. Due to the plant shut-down in October 2003 for its planned annual maintenance, production level was only about 90% of its annual rated capacity of 0.8 million metric tons. Revenue and profit recorded were substantially higher at approximately RM560 million and RM260 million respectively.

Klang Plant

Our main steel operation, located strategically in the Klang Valley, produces steel billets, bars and wire rods mainly for consumption by the domestic construction and manufacturing sectors.

Scrap, which is the main ingredient for steel making, is largely imported as there are limited supply in the domestic market. The spiralling international scrap prices during the larger part of the year together with the restrictions on selling prices of billets and bars had impacted negatively on margins for steel millers. However, prompt action by

the Government to revise upwards the selling prices of steel bars and billets in the last quarter of the financial year has alleviated supplies to the construction sector. Production of steel bars by our Klang plant was correspondingly lower with greater emphasis placed on wire rods production.

Banting Plant

Following the commissioning of the Electric Arc Furnace in the middle of the year, sale of molten steel had contributed to the increase in the Group's revenue. Still in its gestation period, our Banting operations will continue to redouble its efforts to increase production efficiencies in order to reduce average production cost.

With the injection of an additional RM100 million from the Group's related company, the expected commencement of billets production will further enhance the plant's profitability.

Johor Plant

Our Johor plant under Antara Steel Mills Sdn Bhd continues to record satisfactory performance for the year under review. Higher production efficiencies and an upward revision in selling prices have mitigated the higher production costs arising from the increase in scrap prices.

Timber Extraction and Pulp & Paper

(RM Million)	2004	2003 *
Revenue	398	99
Profit	59	2

* Incorporated only 4 months' results upon implementation of the GWRS in March 2003.

Product	Annual Rated Capacity
Pulp	120,000 tons
Paper	150,000 tons
Sawn Timber	100,000 m ³
Plywood	120,000 m ³

Sabah Forest Industries Sdn Bhd ("SFI"), our Group's timber extraction and pulp & paper operation, recorded another year of satisfactory performance. Revenue rose substantially to RM398 million and at the SFI company level, a profit of

RM40 million was recorded. Together with adjustments arising from its acquisition by the Group, the Division contributed RM59 million to the current year's profit.

The Division has benefited from the rising prices of paper products in the global market with SFI's selling prices increasing steadily from USD600 per metric ton to USD650 per metric ton throughout the year. The current uptrend is expected to prevail in the foreseeable future as the global pulp & paper production is unable to meet the current robust market demand.

Furthermore, the recent imposition of import duties on paper products by the Asean countries to prevent external dumping activities will help to further strengthen regional market prices of paper in the coming years.

Beverage

(RM Million)	2004	2003 *
Revenue	378	203
Profit	25	13

* Incorporated only 4 months' results upon implementation of the GWRS in March 2003 as compared to approximately 6 months in 2004, prior to its divestment in January 2004.

The Group's brewery business in China is carried out through its former listed subsidiary company, Lion Diversified Holdings Berhad ("LDHB"). In January 2004, LDHB completed the disposal of its 50% stake in the brewery operations. The performance for the year under review represents six (6) months' results as compared to only four (4) months in 2003. Subsequent to the financial year end, LDHB has announced that it had completely disposed of its remaining 50% stake in the brewery operations in China.

Property & Construction

(RM Million)	2004	2003
Revenue	85	87
Profit	32	22

Following the scaling down of our construction operations due to low margins for the sector, the Division has reported lower revenue in the current year.

However, with better performance from our property management and development sectors, a higher profit was registered. Our major on-going projects in Klang, Melaka and Johor Bahru continue to contribute positively to the Group's earnings.

The performance of this Division is expected to be lower following the disposal of Mahkota Parade in March 2004 and the impending completion of the disposal of Klang Parade.

Building Materials

(RM Million)	2004	2003 *
Revenue	303	31
Profit	2	-

* Incorporated only 4 months' results upon implementation of the GWRS in March 2003.

This Division's business comprise mainly trading and distribution of building and construction materials for the domestic property and construction market.

During the year, the Division broadened its products range to include the sales of hot rolled coils and as such, revenue was significantly higher. The uptrend in the local property and construction sector will enable the Division to shift its product mix to higher margin products such as roofing, floor and wall tiles to improve its bottom line.

Others

(RM Million)	2004	2003
Revenue	105	53
Loss	(46)	(42)

This Division's business comprise the manufacturing and distribution of automotive lubricants and components, plastic and chemical products as well as education services.

The higher loss reported by the Division was due to the impairment provision made in respect of the proposed disposal of Klang Parade and also provision for diminution in value of quoted investments totalling RM27 million as compared to RM15 million last year. Revenue for the year was higher due to the incorporation of a full year's results for our profitable lubricant operation as against four (4) months last year.

FINANCIAL STATEMENTS

2004

For The Financial Year Ended 30 June 2004

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 47 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed under significant corporate events.

SIGNIFICANT CORPORATE EVENTS

During the current financial year, Lion Diversified Holdings Berhad ("LDHB"), a former subsidiary company of the Company, completed its corporate exercises on 1 June 2004. As part of LDHB's corporate exercises, LDHB disposed of 50% equity interest in its subsidiary companies which were principally involved in the brewery operations in January 2004. Upon disposal, these subsidiary companies became associated companies of LDHB. The disposal resulted in a gain of RM314.6 million to the Group and consequently, the Group ceased to operate in the brewery operations.

Also, upon completion of the corporate exercises undertaken by LDHB, the Group's equity interest in LDHB was diluted from 59% to 45%. Consequently, LDHB and its subsidiary companies ceased to be subsidiary companies and LDHB became an associated company of the Group.

SUBSEQUENT EVENT

On 23 August 2004, the Company announced that its wholly-owned subsidiary company, Lion Klang Parade Bhd, has accepted a letter of offer dated 11 August 2004 from TMW Lion GmbH, a wholly-owned subsidiary company of TMW Asia Property Fund I GmbH and Co KG, a German closed-end property fund for institutional investors, for the proposed disposal of its investment property comprising a shopping complex known as Klang Parade for a cash consideration of RM107.651 million. A formal sale and purchase agreement in respect of the proposed disposal will be executed after a due diligence review has been conducted to the satisfaction of the purchaser.

The said proposed disposal, which is subject to the relevant approvals being obtained, is expected to result in a Group loss of RM17 million. This amount has been provided in the financial statements as allowance for foreseeable loss on disposal of investment property as disclosed in Note 6 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	573,777	9,142
Income tax expense	(98,389)	(2,947)
Profit after tax	475,388	6,195
Minority interests	(139,164)	–
Net profit for the year	336,224	6,195

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the gain on disposal of subsidiary companies as disclosed in the Income Statements.

DIVIDENDS

A first and final dividend of 0.5%, less tax, amounting to RM2.45 million in respect of the previous financial year and dealt with in the previous directors' report was paid by the Company during the current financial year.

The Directors propose a first and final dividend of 1.0%, less tax, amounting to RM4.89 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS") of the Company became effective on 15 May 2000 and the main features of the ESOS are set out in Note 38 to the Financial Statements.

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

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

Exercisable from	Subscription price per share RM	Balance as of 1.7.2003	Number of options			Balance as of 30.6.2004
			Granted	Exercised	Lapsed	
19.5.2000	1.00	2,534,000	–	–	(211,000)	2,323,000
24.9.2003	1.00	–	9,529,000	–	(4,606,000)	4,923,000
27.4.2004	1.00	–	18,613,000	–	(6,790,000)	11,823,000
		<u>2,534,000</u>	<u>28,142,000</u>	<u>–</u>	<u>(11,607,000)</u>	<u>19,069,000</u>

The exercise period for the options will lapse on 14 May 2005.

During the financial year, the Company offered two grants of options to eligible executives and executive Directors of the Company. The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 110,000 options for each grant under the ESOS. The eligible employees who were granted 110,000 options or more for each grant during the financial year are as follows:

Name of employee	Number of options granted at a subscription price per share of RM1.00 on	
	24.9.2003	27.4.2004
1. Datuk Cheng Yong Kim	175,000	150,000
2. Chang Chee Seng	123,000	227,000
3. Lim Poon Thoo	123,000	227,000
4. Pang Fook Fah	123,000	157,000
5. Quah Teow Hean	123,000	139,000
6. Koay Boon Bioh	–	137,000
7. Rahmat bin Ibrahim	–	132,000
8. Vijaya Kumar a/l P.V. Ramayah	123,000	139,000
9. Liew Choon Yick	123,000	–
10. Chan Siew Chong	–	112,000
	<u> </u>	<u> </u>

OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and had satisfied themselves that no known bad receivables need to be written off and that adequate allowance had been made for doubtful receivables; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would require the writing off of bad receivables or render the amount of the allowance for doubtful receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to 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 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 liability of any other person; or
- (b) any contingent liability of the Group and 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 and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than as disclosed in Note 49 to the Financial Statements.

DIRECTORS

The following Directors served on the Board of the Company since the date of the last report:

Tan Sri Dato' Musa bin Hitam
Datuk Cheng Yong Kim
Tan Sri Datuk Asmat bin Kamaludin
Dato' Kamaruddin @ Abas bin Nordin
Cheng Yong Liang
Heah Sieu Lay
Liew Jee Min @ Chong Jee Min (appointed on 5.5.2004)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin and Mr Heah Sieu Lay retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Liew Jee Min @ Chong Jee Min, who was appointed to the Board subsequent to the date of the last Annual General Meeting, retires in accordance with Article 99 of the Company's Articles of Association and, being eligible, offers himself for re-election.

Y. Bhg. Tan Sri Dato' Musa bin Hitam, being over the age of seventy years, retires pursuant to Section 129(2) of the Companies Act, 1965 and seeks re-appointment as Director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' INTERESTS

The Directors' interests in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			Balance as of 30.6.2004
	Balance as of 1.7.2003	Additions	Disposals	
Direct interest				
Datuk Cheng Yong Kim	443,689	700,000	–	1,143,689
Dato' Kamaruddin @ Abas bin Nordin	1,500	–	–	1,500
Cheng Yong Liang	47,880	–	–	47,880
Indirect interest				
Datuk Cheng Yong Kim	319,488,273	–	(19,489,830)	299,998,443

In addition to the above, the following Directors are deemed to have interest in shares in the Company by virtue of options granted to them pursuant to the ESOS of the Company:

	Number of options			Balance as of 30.6.2004
	Balance as of 1.7.2003	Additions	Disposals	
Direct interest				
Datuk Cheng Yong Kim	132,000	325,000	–	457,000
Dato' Kamaruddin @ Abas bin Nordin	60,000	171,000	–	231,000

The Directors' interests in shares in related companies are as follows:

	Nominal value per ordinary share	Number of shares			Balance as of 30.6.2004
		Balance as of 1.7.2003	Additions	Disposals	
Datuk Cheng Yong Kim					
Indirect interest					
Lion Forest Industries Berhad	RM1.00	177,030,171	–	(5,124,379)	171,905,792
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
LLB Strategic Holdings Berhad	RM1.00	4,050,000	–	–	4,050,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
Sabah Forest Industries Sdn Bhd					
- ordinary shares Class 'A'	RM1.00	752,532,412	–	–	752,532,412
- ordinary shares Class 'B'	RM0.10	7,525,324,120	–	–	7,525,324,120
Soga Sdn Bhd	RM1.00	4,332,078	–	–	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Holdsworth Investment Pte Ltd	SGD1.00	4,500,000	–	–	4,500,000
Lion Biotech Pte Ltd	SGD1.00	1,000,000	–	–	1,000,000

	Nominal value per deferred share	Balance as of 1.7.2003	Number of shares		Balance as of 30.6.2004
			Additions	Disposals	
Datuk Cheng Yong Kim					
Indirect interest					
Sabah Forest Industries Sdn Bhd	RM1.00	146,000,000	–	–	146,000,000
	Currency	Balance as of 1.7.2003	Additions	Disposals	Balance as of 30.6.2004
Investments in the People's Republic of China					
Datuk Cheng Yong Kim					
Indirect interest					
Beijing Trostel Property Development Co Ltd	USD	6,650,000	–	–	6,650,000
Hebei Weiyuan Heilen Bio-Chemical Co Ltd	USD	2,313,982	–	–	2,313,982
Huangshi Heilen Pharmaceutical Co Ltd (under liquidation)	Rmb	45,416,040	–	–	45,416,040
Shanghai Lion Plastic Industrial Co Ltd	USD	3,690,000	–	–	3,690,000
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd	USD	10,878,944	–	–	10,878,944

Other than as disclosed above, the Directors do not have any interest in shares in the Company or in its related companies during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the balances and 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 42 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the Company's ESOS as disclosed in Note 42 to the Financial Statements.

AUDITORS

The auditors, Messrs Deloitte KassimChan, have indicated their willingness to continue in office.

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

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
15 September 2004

REPORT OF THE AUDITORS TO THE MEMBERS OF LION INDUSTRIES CORPORATION BERHAD

We have audited the accompanying balance sheets as of 30 June 2004 and the related statements of income, cash flows and changes in equity for the year then ended. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of 30 June 2004 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 47 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KEK AH FONG
1880/4/06 (J)
Partner

Petaling Jaya
15 September 2004



INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	5	3,637,868	2,014,549	20,584	34,173
Other operating income	6	7,402	7,972	22,148	377
Net changes in inventories of finished goods and work-in-progress		50,044	71,720	-	-
Raw materials and consumables used		(2,304,870)	(1,449,398)	-	-
Purchase of trading merchandise		(282,792)	(29,240)	-	-
Contract costs recognised		(985)	(14,553)	-	-
Property development expenditure		(19,961)	(24,092)	(2,845)	(11,295)
Staff costs	6	(193,835)	(125,205)	(4,070)	(3,906)
Directors' remuneration	7	(1,646)	(600)	(695)	(316)
Depreciation of property, plant and equipment	13	(152,851)	(95,001)	(2,949)	(3,116)
Amortisation of:					
Forest concessions	15	(10,796)	(3,599)	-	-
Expenditure carried forward	22	(10,126)	(5,261)	-	(66)
Negative goodwill		38,613	13,951	-	-
Goodwill	23	(20,117)	(13,308)	-	-
Other operating expenses	6	(365,696)	(237,533)	(8,025)	(26,650)
Profit/(Loss) from operations		370,252	110,402	24,148	(10,799)
Finance costs	8	(153,906)	(131,439)	(38,329)	(37,945)
Share in results of associated companies		8,783	(9,433)	-	-
Income from other investments	9	34,042	29,553	23,323	17,800
Gain on disposal of subsidiary companies	18	314,606	-	-	-
Impact of GWRS	10	-	120,363	-	47,092
Profit before tax		573,777	119,446	9,142	16,148
Income tax expense:	11				
- Company and subsidiary companies		(94,337)	(46,517)	(2,947)	(4,744)
- Associated companies		(4,052)	(604)	-	-
Profit after tax		475,388	72,325	6,195	11,404
Minority interests		(139,164)	(877)	-	-
Net profit for the year		336,224	71,448	6,195	11,404
Earnings per ordinary share	12	49.5 sen	13.7 sen		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS

AS OF 30 JUNE 2004

	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment	13	2,069,109	2,813,365	100,978	103,812
Investment properties	14	109,315	335,513	–	–
Forest concessions	15	311,728	322,524	–	–
Plantation development expenditure	16	140,824	133,061	–	–
Property development projects					
- non-current portion	17	90,134	98,873	111	436
Investment in subsidiary companies	18	–	–	291,298	325,718
Investment in associated companies	19	354,177	104,257	33,213	–
Long-term investments	20	356,902	394,257	93,072	101,191
Deferred tax assets	21	33,457	33,185	–	–
Long-term receivable	28	–	42,270	–	–
Expenditure carried forward	22	4,844	49,619	140	140
Goodwill	23	332,238	356,591	–	–
Current Assets					
Property development projects					
- current portion	17	11,520	18,568	–	8,253
Inventories	24	811,845	644,729	43	–
Amount due by contract customers	25	1,014	1,499	–	–
Short-term investments	26	32,839	32,224	4,639	4,182
Trade receivables	27	420,242	330,685	2,255	449
Other receivables, deposits and prepayments	28	292,202	479,136	59,922	60,593
Amount owing by subsidiary companies	29	–	–	1,287,206	1,283,290
Amount owing by associated companies	29	28,500	30,331	–	3
Deposits, cash and bank balances	30	251,927	378,170	20,505	22,761
		1,850,089	1,915,342	1,374,570	1,379,531
Current Liabilities					
Trade payables	31	292,657	296,715	1,416	2,084
Advance billings of property development projects	17	–	–	219	–
Amount due to contract customers	25	951	953	–	–
Other payables, deposits and accruals	32	507,266	764,749	13,614	10,372
Amount owing to subsidiary companies	29	–	–	246,202	242,700
Lease and hire-purchase payables	33	637	419	–	–
Short-term borrowings	34	148,287	449,039	–	–
LICB Bonds and USD Debts	35	115,120	184,536	125,494	203,614
Tax liabilities		36,866	78,283	3,788	3,482
		1,101,784	1,774,694	390,733	462,252
Net Current Assets		748,305	140,648	983,837	917,279

(Forward)



	Note	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-Current And Deferred Liabilities					
LICB Bonds and USD Debts	35	394,375	332,187	444,066	393,743
Long-term borrowings	36	1,518,349	1,587,636	–	–
Lease and hire-purchase payables	33	1,713	1,288	–	–
Deferred tax liabilities	21	107,443	47,863	3,036	3,036
Deferred liabilities	37	99,714	137,515	–	–
		(2,121,594)	(2,106,489)	(447,102)	(396,779)
Minority interests		(406,238)	(836,468)	–	–
Net Assets		2,023,201	1,881,206	1,055,547	1,051,797
Represented By:					
Issued capital	38	679,235	679,235	679,235	679,235
Reserves	39	1,343,966	1,201,971	376,312	372,562
Shareholders' Equity		2,023,201	1,881,206	1,055,547	1,051,797

The accompanying Notes form an integral part of the Financial Statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

The Group

←----- Non-Distributable Reserves -----→

	Note	Issued capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation adjustment account RM'000	Negative goodwill RM'000	Accumulated loss RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2002		593,380	515,190	59,551	59,014	-	(609,106)	24,649	618,029
Capital reconstruction	38	(148,345)	-	-	-	-	148,345	148,345	-
Issue of shares	38	234,200	-	-	-	-	-	-	234,200
Acquisition of subsidiary companies	-	-	-	-	-	973,400	-	973,400	973,400
Amortisation for the year	-	-	-	-	-	(13,951)	-	(13,951)	(13,951)
Currency translation differences	-	-	-	-	(1,493)	-	-	(1,493)	(1,493)
Net profit for the year	-	-	-	-	-	-	71,448	71,448	71,448
Dividend	-	-	-	-	-	-	(427)	(427)	(427)
Balance as of 30 June 2003		679,235	515,190	59,551	57,521	959,449	(389,740)	1,201,971	1,881,206
Revaluation deficit of investment property	14	-	-	(59,551)	-	-	-	(59,551)	(59,551)
Realisation pursuant to dilution of subsidiary companies	18	-	-	-	-	(45,643)	-	(45,643)	(45,643)
Reclassified to investment in associated companies	19	-	-	-	-	(46,514)	-	(46,514)	(46,514)
Amortisation for the year	-	-	-	-	-	(38,613)	-	(38,613)	(38,613)
Currency translation differences	-	-	-	-	(1,463)	-	-	(1,463)	(1,463)
Net profit for the year	-	-	-	-	-	-	336,224	336,224	336,224
Dividend	40	-	-	-	-	-	(2,445)	(2,445)	(2,445)
Balance as of 30 June 2004		679,235	515,190	-	56,058	828,679	(55,961)	1,343,966	2,023,201

The Company

Non-Distributable Reserve

	Note	Issued capital RM'000	Share premium RM'000	Accumulated loss RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2002		593,380	515,190	(301,950)	213,240	806,620
Capital reconstruction	38	(148,345)	-	148,345	148,345	-
Issue of shares	38	234,200	-	-	-	234,200
Net profit for the year	-	-	-	11,404	11,404	11,404
Dividend	-	-	-	(427)	(427)	(427)
Balance as of 30 June 2003		679,235	515,190	(142,628)	372,562	1,051,797
Net profit for the year	-	-	-	6,195	6,195	6,195
Dividend	40	-	-	(2,445)	(2,445)	(2,445)
Balance as of 30 June 2004		679,235	515,190	(138,878)	376,312	1,055,547

The accompanying Notes form an integral part of the Financial Statements.



CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

The Group

	Note	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		573,777	119,446
Adjustments for:			
Interest expense		153,906	131,439
Depreciation of property, plant and equipment		152,851	95,001
Allowance for:			
Foreseeable loss on disposal of investment property		17,000	–
Doubtful trade and other receivables		13,237	6,172
Diminution in value of investments		10,000	15,000
Inventories obsolescence		1,286	5,975
Expenditure carried forward written off		7,163	–
Impairment loss on property, plant and equipment		3,448	–
Provision for:			
Compensation on late delivery		597	499
Decline in value of property development projects		–	2,983
Property, plant and equipment written off		456	2,107
Gain on disposal of subsidiary companies		(314,606)	–
Amortisation of:			
Forest concessions		10,796	3,599
Expenditure carried forward		10,126	5,261
Goodwill/(Negative goodwill) – net		(18,496)	(643)
Dividend income		(23)	(23)
(Gain)/Loss on disposal of investments		(42)	3,442
Gain on disposal of property, plant and equipment		(911)	(205)
Allowance no longer required for:			
Cost to completion for property development projects		(1,140)	(604)
Doubtful trade and other receivables		(811)	(3,003)
Loss overprovided on disposal of subsidiary company in prior year		–	(1,343)
Unrealised gain on foreign exchange – net		(1,892)	(725)
Share in results of associated companies		(8,783)	9,433
Impact of GWRS	10	–	(127,861)
Interest income		(34,291)	(29,854)
Operating Profit Before Working Capital Changes		573,648	236,096
(Increase)/Decrease in:			
Property development projects – current portion		7,615	(3,658)
Inventories (Net of depreciation of property, plant and equipment of RM2,178,000 (2003: RM Nil) and amortisation of plantation development expenditure of RM81,000 (2003: RM Nil))		(293,560)	(108,076)
Amount due by contract customers		485	2,265
Trade receivables		(132,575)	24,526
Other receivables, deposits and prepayments		(98,043)	19,010
Increase/(Decrease) in:			
Trade payables		66,672	(16,068)
Other payables, deposits and accruals		66,541	57,762
Amount due to contract customers		(2)	(84)
Movements in translation adjustment account		(1,523)	(267)
Cash Generated From Operations		189,258	211,506
Income tax paid		(53,266)	(39,025)
Net Cash Generated From Operating Activities		135,992	172,481

(Forward)

	2004	2003
Note	RM'000	RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Cash flow on disposal of subsidiary companies (iii)	427,957	(98)
Proceeds from disposal of investment properties	277,583	–
Deposits received on proposed disposal of remaining interests in brewery operations	186,127	–
Proceeds from disposal/redemption of investments	30,196	15,866
Interest received	24,179	14,335
Proceeds from disposal of property, plant and equipment	10,056	3,037
Dividend received	17	17
Acquisition of subsidiary companies, net of cash and cash equivalents acquired (ii)	–	226,265
Additions to expenditure carried forward	(1,635)	(68)
Purchase of property, plant and equipment (i)	(114,331)	(70,665)
Deposits paid on proposed acquisition of new businesses	(152,782)	–
Cash flow on dilution of subsidiary companies (iv)	(207,207)	–
Purchase of investment in associated companies	(226,747)	–
(Increase)/Decrease in:		
Property development projects - non-current portion	8,739	(824)
Plantation development expenditure (Net of depreciation of property, plant and equipment of RM433,000 (2003: RM149,000))	(7,411)	(1,733)
Net Cash Generated From Investing Activities	254,741	186,132
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of short-term borrowings	(247,873)	(24,890)
Interest paid	(123,159)	(88,566)
Redemption/Repayment of LICB Bonds and USD Debts	(62,025)	(32,038)
Capital repayment to minority interests of a subsidiary company	(56,618)	–
Dividend paid to shareholders of the Group	(2,593)	–
Dividend paid to shareholders of the Company	(2,445)	(427)
Repayment of lease and hire-purchase liabilities	(502)	(189)
Proceeds from short-term borrowings	–	141,000
Decrease in security deposits received	–	(342)
(Increase)/Decrease in cash and cash equivalents – restricted	17,219	(19,848)
Net Cash Used In Financing Activities	(477,996)	(25,300)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(87,263)	333,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	284,382	(48,936)
Effects of changes in exchange rates	6	5
CASH AND CASH EQUIVALENTS AT END OF YEAR	41 197,125	284,382

- (i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM115,476,000 (2003: RM71,987,000), of which RM1,145,000 (2003: RM1,322,000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM114,331,000 (2003: RM70,665,000).

(Forward)

(ii) ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANIES

	2004 RM'000	2003 RM'000
Property, plant and equipment	–	1,579,225
Investment property	–	146,513
Forest concessions	–	326,123
Plantation development expenditure	–	131,179
Investment in associated companies	–	53,963
Long-term investments	–	37,268
Deferred tax assets	–	33,185
Expenditure carried forward	–	34,280
Goodwill acquired	–	199,604
Inventories	–	238,134
Trade receivables	–	92,833
Other receivables, deposits and prepayments	–	332,415
Amount owing by other related companies	–	95,715
Deposits, cash and bank balances	–	251,069
Trade payables	–	(81,200)
Other payables, deposits and accruals	–	(409,387)
Amount owing to other related companies	–	(3,634)
Lease and hire-purchase payables	–	(119)
Short-term borrowings	–	(181,162)
Tax liabilities	–	(41,502)
Long-term borrowings	–	(235,362)
Deferred tax liabilities	–	(240)
Minority interests	–	(816,352)
	–	–
Fair value of net assets acquired	–	1,782,548
Negative goodwill	–	(973,400)
	–	–
Total purchase consideration	–	809,148
Less: Purchase consideration satisfied by settlement of amount owing by ultimate holding company	–	(809,148)
	–	–
Cash and cash equivalents acquired	–	226,265
	–	–
Cash flow on acquisition, net of cash and cash equivalents acquired	–	226,265

(Forward)

(iii) ANALYSIS OF DISPOSAL OF SUBSIDIARY COMPANIES

	2004	2003
	RM'000	RM'000
Property, plant and equipment	685,591	3
Investment in associated company	53,097	–
Expenditure carried forward	29,123	–
Property development projects	–	55,113
Inventories	115,550	–
Trade receivables	43,111	18
Other receivables, deposits and prepayments	113,644	189
Amount owing by other related companies	–	494
Deposits, cash and bank balances	70,571	98
Trade payables	(69,575)	–
Other payables, deposits and accruals	(344,734)	(157)
Short-term borrowings	(42,863)	–
Tax liabilities	(6,276)	(1)
Long-term borrowings	(57,538)	–
Deferred tax liabilities	–	(4,639)
Goodwill	4,206	–
Minority interests	(229,531)	–
	<hr/>	<hr/>
Fair value of net assets disposed of	364,376	51,118
Reclassified to investment in associated companies	(180,454)	–
Reversal of provision for foreseeable loss made in prior year	–	(16,800)
Gain on disposal recognised in income statement	314,606	–
Loss overprovided	–	1,343
	<hr/>	<hr/>
	498,528	35,661
Disposal proceeds received in term of bonds investment	–	35,661
	<hr/>	<hr/>
Total cash consideration	498,528	–
Less: Cash and cash equivalents disposed of	(70,571)	(98)
	<hr/>	<hr/>
Cash flow on disposal	427,957	(98)
	<hr/> <hr/>	<hr/> <hr/>

(Forward)

(iv) ANALYSIS OF DILUTION OF SUBSIDIARY COMPANIES

	2004 RM'000	2003 RM'000
Property, plant and equipment	5,630	–
Investment in associated companies	405,390	–
Long-term investments	33,762	–
Inventories	11,869	–
Short-term investments	6,209	–
Trade receivables	718	–
Other receivables, deposits and prepayments	236,183	–
Deposits, cash and bank balances	207,207	–
Trade payables	(1,155)	–
Other payables, deposits and accruals	(204,030)	–
Tax liabilities	(13,764)	–
Goodwill	30	–
Minority interests	(278,685)	–
	<hr/>	<hr/>
Fair value of net assets diluted	409,364	–
Negative goodwill	(46,514)	–
	<hr/>	<hr/>
	362,850	–
Reclassified to investment in associated companies	(317,207)	–
Loss on dilution recognised in reserve	(45,643)	–
	<hr/>	<hr/>
	–	–
Less: Cash and cash equivalents diluted	(207,207)	–
	<hr/>	<hr/>
Cash flow on dilution	(207,207)	–
	<hr/> <hr/>	<hr/> <hr/>

(Forward)

The Company

	Note	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		9,142	16,148
Adjustments for:			
Interest expense		38,329	37,945
Allowance for:			
Diminution in value of investments		5,000	15,000
Doubtful other receivables		450	5,000
Depreciation of property, plant and equipment		2,949	3,116
Provision for compensation on late delivery		597	499
Amortisation of expenditure carried forward		–	66
Loss on disposal of:			
Investments		–	3,442
Subsidiary company		–	131
Associated company		–	120
Property, plant and equipment written off		–	9
Impact of GWRS	10	–	(54,590)
Allowance for doubtful trade receivables no longer required		–	(152)
Gain on disposal of property, plant and equipment		–	(63)
Dividend income		(6,426)	(6,271)
Reversal of impairment losses on investment in subsidiary companies		(22,000)	–
Interest income		(23,471)	(17,962)
		<hr/>	<hr/>
Operating Profit Before Working Capital Changes		4,570	2,438
(Increase)/Decrease in:			
Property development projects – current portion		8,472	(980)
Inventories		(43)	7,503
Trade receivables		(1,806)	813
Other receivables, deposits and prepayments		(1,575)	(13,634)
Increase/(Decrease) in:			
Trade payables		(668)	(843)
Other payables, deposits and accruals		3,907	3,212
		<hr/>	<hr/>
Cash Generated From/(Used In) Operations		12,857	(1,491)
Income tax paid		(2,109)	(5,975)
		<hr/>	<hr/>
Net Cash Generated From/(Used In) Operating Activities		10,748	(7,466)
		<hr/>	<hr/>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(115)	(191)
Proceeds from disposal of property, plant and equipment		–	81
Proceeds from disposal/redemption of investments		28,717	4,135
Additions to expenditure carried forward		–	(66)
Dividend received		4,627	4,609
(Increase)/Decrease in:			
Amount owing by subsidiary companies		7,936	6,845
Amount owing by associated companies		3	–
Property development projects – non-current portion		325	(133)
Interest received		6,623	3,250
		<hr/>	<hr/>
Net Cash Generated From Investing Activities		48,116	18,530
		<hr/>	<hr/>

(Forward)

	Note	2004 RM'000	2003 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividend paid to shareholders of the Company		(2,445)	(427)
Redemption/Repayment of LICB Bonds and USD Debts		(58,675)	–
(Increase)/Decrease in cash and cash equivalents – restricted		11,864	(13,569)
Proceeds from short-term borrowings		–	1,294
		<hr/>	<hr/>
Net Cash Used In Financing Activities		(49,256)	(12,702)
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,608	(1,638)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,192	10,830
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	41	18,800	9,192
		<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 47.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 2.

The total number of employees of the Group and of the Company as of 30 June 2004 were 5,996 (2003: 13,628) and 54 (2003: 48) respectively.

The registered office of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The principal place of business of the Company is located at Level 13-14, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

2. SIGNIFICANT CORPORATE EVENTS

During the current financial year, Lion Diversified Holdings Berhad ("LDHB"), a former subsidiary company of the Company, completed its corporate exercises on 1 June 2004. As part of LDHB's corporate exercises, LDHB disposed of 50% equity interest in its subsidiary companies which were principally involved in the brewery operations in January 2004. Upon disposal, these companies became associated companies of LDHB. The disposal resulted in a gain of RM314.6 million to the Group and consequently, the Group ceased to operate in the brewery operations.

Also, upon completion of the corporate exercises undertaken by LDHB, the Group's equity interest in LDHB was diluted from 59% to 45%. Consequently, LDHB and its subsidiary companies ceased to be subsidiary companies and LDHB became an associated company of the Group.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Board of Directors for issuance on 15 September 2004.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

Basis of Consolidation

The Group's financial statements incorporate the financial statements of the Company and of all the subsidiary companies made up to the end of the financial year as listed under Note 47. Subsidiary companies are consolidated using the acquisition method of accounting.

The results of subsidiary companies acquired or disposed of during the financial year are included in the income statement of the Group from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances are eliminated on consolidation.

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

Revenue and Revenue Recognition

Revenue of the Group consists of the sales invoice value of goods supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, proportion of the total contract value attributable to the percentage of construction work performed, gross rental income, tuition fees and other related fees receivable net of scholarship and dividend income receivable from quoted and unquoted investments.

Revenue of the Company consists of gross rental income and dividend income, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed and sales value of land under development and completed property units.

The revenue recognition policies of the Group and of the Company are as follows:

(i) Steel Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(ii) Property and Construction Division

Property development projects – based on the percentage of completion method. The stage of completion is determined based on the proportion of development cost incurred to date against the total estimated cost on projects where the outcome of the projects can be reliably estimated and are in respect of sales where agreements have been finalised by the end of the financial year. All anticipated losses on development projects are fully provided.

Sales of land under development and completed property units – when the agreements are executed.

Construction contracts – based on the percentage of completion method. The stage of completion is determined based on the proportion of contract costs incurred to date against the total estimated cost on contracts where the outcome of the contracts can be reliably estimated. Any foreseeable loss on contracts are provided for in full.

Rental income – on accrual basis.

(iii) Timber Extraction and Pulp and Paper Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(iv) Beverage Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(v) Building Materials

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(vi) Other Divisions

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

Tuition fees and other related fees receivable net of scholarship – when services are performed.

Gross dividend income – where the shareholders' right to receive payment is established.

Foreign Currency Conversion

(i) Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses arising from conversion of foreign currency amounts are dealt with through the income statements.

(ii) Translation of foreign currency operations

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Share capital	- at historical rate
Revenue and expenses	- at average rate

The results of foreign associated companies are translated at the average rate of exchange for the financial year.

All translation gains or losses are taken up and reflected in translation adjustment account under shareholders' equity.

Difference in exchange arising from the retranslation of the opening net investments in foreign subsidiary and associated companies, and from the translation of the results of those companies at the average rate, are taken to shareholders' equity.

The principal exchange rates used in the conversion of foreign currency amounts are as follows:

	Average rate		Year end rate	
	2004 RM	2003 RM	2004 RM	2003 RM
1 United States Dollar	3.80	3.80	3.80	3.80
1 Renminbi	0.46	0.46	0.46	0.46
1 Singapore Dollar	2.20	2.16	2.21	2.15

Employee Benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined contribution plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statements as incurred.

Income Tax

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

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

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

Impairment of Assets

The carrying amounts of property, plant and equipment and other non-current assets, including intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of asset or its cash-generating unit exceeds its recoverable amount.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there have been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in the income statements.

Property, Plant and Equipment

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

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statements.

Depreciation of property, plant and equipment, except freehold land and construction work-in-progress which are not depreciated, is computed on the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Leasehold land and buildings	1% - 8%
Other buildings and improvements	2% - 10%
Pulp and paper mill	2% - 4%
Plant, machinery and equipment	2% - 20%
Housing colony and infrastructures	2% - 10%
Jetty and access roads	2% - 4%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Renovations	2% - 10%

Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets (which approximate the present value of the minimum lease payments) at the beginning of the respective lease terms. The interest element of lease rentals, calculated using the 'sum of digit' method, is charged to the income statements. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment Properties

Investment properties are real properties held for long-term purpose for investment potential and for rental income. Investment properties are stated at cost or Directors' valuation and are not depreciated. Directors' valuation recognises the value of the investment properties based on latest valuation reports by independent firms of professional valuers using the "open market value" basis. The investment properties will be revalued at least once at regular intervals of 5 years with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued investments are materially different from the market values.

An increase in carrying amount arising from the revaluation of each individual investment property will be credited to shareholders' equity as revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase that has been credited to revaluation reserve and not subsequently reversed or utilised, it will be charged against that revaluation reserve. In all other cases, a decrease in carrying amount will be charged to income statements. An increase on revaluation directly related to a previous decrease in carrying amount that was charged to income statements will be credited to income statements to the extent that it offsets the previously recorded decrease.

On disposal of a previously revalued investment property, the difference between net disposal proceeds and the net carrying amount will be charged or credited to the income statements and the unutilised portion of the related revaluation reserve is taken directly to accumulated loss.

Forest Concessions

Forest concessions, which consist of two forest areas of 158,623 hectares and 118,000 hectares, are stated at cost less accumulated amortisation. The said concessions are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

Plantation Development Expenditure

Development and planting expenditure incurred in the establishment and development of tree plantations, including a proportion of the Group's forestry division general charges incurred in relation to the planting of trees, are deferred and capitalised to plantation development expenditure. This expenditure is charged to the income statements when the trees are harvested upon maturity.

Subsidiary Companies

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.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less accumulated impairment losses.

Associated Companies

An associated company is a non-subsidiary company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

Investment in associated companies is stated in the Company's financial statements at cost less any accumulated impairment losses. The Group's investment in associated companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated companies made up to 30 June 2004. Under this method of accounting, the Group's interest in the post-acquisition profit or loss of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Investments

Investments in quoted and unquoted corporations are stated in both the Group's financial statements and the Company's financial statements at cost or at group cost, adjusted for accretion of interest, where applicable, less allowance for diminution in value of investments to recognise any decline, other than a temporary decline, in the value of investments.

Expenditure Carried Forward

Expenditure carried forward comprises proprietary technology and patents, and development expenditure. Proprietary technology and patents consist of license fee which represents the acquisition cost of the design and manufacture rights while development expenditure represents expenses incurred in the development of new or substantially improved products prior to the commencement of commercial production.

Proprietary technology and patents and development expenditure are amortised systematically using the straight line method over their estimated useful lives of between 10 and 50 years upon commencement of operations or commercial production. These expenses will be written off if future economic benefits relating to these expenses cannot be determined with reasonable certainty.

Goodwill or Negative Goodwill

Goodwill or negative goodwill represents the difference between the purchase consideration for an acquisition and the sum of the fair value of the identifiable net assets at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill or negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed 25 years.

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and a proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Cost of developed industrial land for sale comprises proportionate cost of land and related development expenditure.

Goods-in-transit are valued at the lower of cost and net realisable value.

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.

In arriving at net realisable value, due allowance is made for all obsolete and slow moving inventories.

Property Development Projects

Property development projects consist of land held for development, development expenditure and portion of profit attributable to development work performed to date, less applicable progress billings, provision for foreseeable loss and provision for decline in value, if any. Land held for development is stated at cost except for certain development properties of subsidiary companies which are stated in the Group's financial statements at values reflecting approximately the effective acquisition costs by the Group (group cost) of these assets. Development expenditure, which comprises construction and other related development costs including finance costs and administrative overheads relating to the projects, is stated at cost.

Provision for foreseeable loss is made for property development projects based on losses estimated to arise upon the completion of the projects which are already in progress.

Finance costs incurred on the development of property projects are capitalised and included as part of development expenditure. However, capitalisation of finance costs is suspended during extended periods in which active development is interrupted.

Profits on property development projects are recognised, using the percentage-of-completion method, in respect of sales where agreements have been finalised by the end of the financial year.

Construction Contracts

Construction contracts are stated at cost and portion of profit attributable to contract work performed to date, less applicable progress billings and provision for foreseeable loss, if any. Costs consist of direct materials, labour and direct expenses.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for bad and doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts while receivables considered to be uncollectible are written off.

RM Denominated Bonds ("LICB Bonds") and USD Consolidated and Rescheduled Debts ("USD Debts")

LICB Bonds and USD Debts are recorded at the net present value of debts settled, net of borrowing costs, if any, adjusted for accretion of interest over the period of the debts. Borrowing costs are amortised, using the straight-line method, over the period of the debts.

Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sales of goods	3,534,453	1,915,696	–	–
Gross rental income	46,863	36,122	7,330	7,739
Revenue from:				
Property development	30,781	25,229	3,418	9,163
Sales of land under development and completed property units	10,846	14,659	3,410	11,000
Construction contracts	460	10,849	–	–
Tuition and other related fees	14,442	11,971	–	–
Gross dividend income from:				
Subsidiary companies	–	–	6,403	6,248
Other investment quoted in Malaysia	23	23	23	23
	3,637,868	2,014,549	20,584	34,173

6. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

Other operating income/(expenses) comprise the following:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Allowance for:				
Foreseeable loss on disposal of investment property	(17,000)	–	–	–
Doubtful trade and other receivables	(13,237)	(6,172)	(450)	(5,000)
Diminution in value of investment in quoted shares	(10,000)	(15,000)	(5,000)	(15,000)
Inventories obsolescence	(1,286)	(5,975)	–	–
Rental of:				
Plant, machinery and equipment	(6,709)	(3,274)	–	–
Jetties and leasehold land	(3,642)	(3,447)	–	–
Premises	(1,382)	(1,776)	(70)	(81)
Premises payable to other related companies	(861)	(821)	–	–
Expenditure carried forward written off	(7,163)	–	–	–
Impairment loss on property, plant and equipment	(3,448)	–	–	–
Audit fees:				
Current year	(859)	(544)	(39)	(36)
Over/(Under) provision in prior year	(1)	3	(3)	–
Provision for:				
Compensation on late delivery	(597)	(499)	(597)	(499)
Decline in value of property development projects	–	(2,983)	–	–
Loss on foreign exchange:				
Realised	(293)	(734)	–	–
Unrealised	(185)	(540)	–	–



	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property, plant and equipment written off	(456)	(2,107)	–	(9)
Management fee payable to other related companies	(25)	(236)	–	–
Loss on disposal of:				
Investments	–	(3,442)	–	(3,442)
Subsidiary company	–	–	–	(131)
Associated company	–	–	–	(120)
Gain on foreign exchange:				
Realised	2,137	1,236	–	–
Unrealised	2,077	1,265	–	–
Allowance no longer required for:				
Cost to completion for property development projects	1,140	604	–	–
Doubtful trade and other receivables	811	3,003	–	152
Gain on disposal of:				
Property, plant and equipment	911	205	–	63
Quoted investment	42	–	–	–
Interest income from Housing Development Accounts	249	301	148	162
Bad receivables recovered	35	15	–	–
Reversal of impairment losses on investment in subsidiary companies	–	–	22,000	–
Loss overprovided on disposal of subsidiary company in prior year	–	1,343	–	–

Staff costs include salaries, bonuses, contributions for defined contribution plans and all other staff related expenses, excluding Directors' remuneration (Note 7). Contribution for defined contribution plans by the Group and the Company amounted to RM23,923,000 (2003: RM15,644,000) and RM519,000 (2003: RM424,000) respectively.

7. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified by executive and non-executive Directors are as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Executive Director:				
Fee	20	10	20	10
Salary and bonus	420	150	420	150
Defined contribution plans	59	21	59	21
	499	181	499	181
Non-executive Directors:				
Fees	204	119	172	111
Salary, bonuses and allowances	849	282	24	24
Defined contribution plans	94	18	–	–
	1,147	419	196	135
Total	1,646	600	695	316

8. FINANCE COSTS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest expense on:				
Term loans	107,098	98,166	–	–
LICB Bonds and USD Debts	28,870	40,997	33,547	48,180
Bills payable	7,889	11,404	–	–
Bank overdrafts	2,252	1,505	–	–
Lease and hire-purchase	119	35	–	–
Advances from subsidiary companies	–	–	2,892	2,047
Related parties	63	45	14	45
Others	7,615	4,503	1,876	1,876
Net interest over accrued in prior years reversed upon completion of the GWRS	–	(25,216)	–	(14,203)
	153,906	131,439	38,329	37,945

9. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income from:				
Investment in unquoted bonds	10,112	15,519	2,848	4,095
Fixed deposits	8,222	6,341	203	82
Subsidiary companies	–	–	12,968	10,617
Related parties	10,283	6,712	3,466	2,851
Deferment of redemption of investment in unquoted preference shares (Note 20)	3,753	–	3,753	–
Others	1,672	981	85	155
	34,042	29,553	23,323	17,800

10. IMPACT OF GWRS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gain on waiver of principal debts from:				
- Financial institutions	-	112,011	-	-
- A related party	-	11,166	-	-
	-	123,177	-	-
Restructuring expenses	-	(7,498)	-	(7,498)
	-	115,679	-	(7,498)
(Allowance)/Allowance no longer required for doubtful receivable on:				
- Amount owing by former ultimate holding company	-	4,684	-	164,590
- Amount owing by a subsidiary company	-	-	-	(110,000)
	-	4,684	-	54,590
	-	120,363	-	47,092

Gain on waiver of principal debts in 2003 arose from the settlement of debts with financial institutions and a related party pursuant to the implementation of the group wide restructuring scheme ("GWRS").

11. INCOME TAX EXPENSE

Income tax expense for the Group and the Company consists of:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current estimated tax payable:				
Current year:				
Malaysian	(25,599)	(8,553)	(3,275)	(4,744)
Foreign	(6,291)	(3,012)	-	-
Over/(Under)provision in prior years	(5)	(19,631)	328	-
Deferred taxation:				
Current year:				
Malaysian (Note 21)	(62,442)	(15,321)	-	-
	(94,337)	(46,517)	(2,947)	(4,744)
Share in income tax expense of associated companies	(4,052)	(604)	-	-
	(98,389)	(47,121)	(2,947)	(4,744)

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

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before tax	573,777	119,446	9,142	16,148
Taxation at statutory tax rate of 28% (2003: 28%)	(160,658)	(33,445)	(2,560)	(4,521)
Effect of different tax rates in other countries	1,321	1,674	–	–
Income not subject to tax	100,248	41,174	6,160	46,085
Expenses not deductible for tax purposes	(37,155)	(32,508)	(6,875)	(46,308)
Deferred tax asset not recognised	(2,140)	(4,385)	–	–
Over/(Under)provision in prior years	(5)	(19,631)	328	–
Income tax expense	(98,389)	(47,121)	(2,947)	(4,744)

As of 30 June 2004, the Company has tax exempt income account amounting to approximately RM21,170,000 (2003: RM21,170,000) arising from waiver of tax payable on chargeable income earned in 1999 under the Income Tax (Amendment) Act, 1999 which, subject to agreement with the tax authorities, is available for distribution as tax exempt dividends. As of 30 June 2004, the Company has not distributed any of its tax exempt income as tax exempt dividends.

12. EARNINGS PER ORDINARY SHARE

Basic

Earnings per ordinary share for the Group is computed based on the profit after tax and minority interests of RM336,224,000 (2003: RM71,448,000) and the weighted average number of ordinary shares in issue during the financial year of 679,235,000 (2003: 523,102,000).

	2004 '000	2003 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	679,235	593,380
Effect of capital reconstruction (Note 38)	–	(148,345)
	679,235	445,035
Effect of shares issued pursuant to the GWRS	–	78,067
	679,235	523,102

Diluted

Under MASB Standard No. 13, Earnings Per Share, the options over 19,069,000 (2003: 2,534,000) unissued ordinary shares of RM1.00 each granted to eligible employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2004. The terms of the unexercised options are set out in Note 38.

13. PROPERTY, PLANT AND EQUIPMENT

The Group 2004

	At beginning of year RM'000	Additions RM'000	Disposals RM'000	COST Effect of disposal/ dilution of subsidiary companies RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of year RM'000
Freehold land	73,162	–	–	–	–	–	73,162
Freehold buildings	187,624	1,523	–	–	–	35,525	224,672
Leasehold land and buildings under long lease	329,522	47	(704)	(6,823)	(20)	–	322,022
Leasehold land and buildings under short lease	425,824	264	(3,679)	(313,176)	(134)	290	109,389
Other buildings and improvements	80	–	–	–	–	–	80
Pulp and paper mill	789,002	–	(20,538)	–	–	–	768,464
Plant, machinery and equipment	1,827,612	48,139	(10,870)	(678,349)	(729)	200,254	1,386,057
Housing colony and infrastructures	115,091	–	–	–	–	–	115,091
Jetty and access roads	99,041	606	–	–	–	733	100,380
Motor vehicles	39,073	2,342	(844)	(21,460)	–	–	19,111
Furniture and office equipment	88,029	3,835	(747)	(26,953)	(403)	369	64,130
Computer equipment	3,780	103	(10)	–	(1)	–	3,872
Renovations	4,892	31	–	–	(12)	–	4,911
Construction work-in-progress	351,253	58,586	–	(52,520)	–	(237,171)	120,148
Total	4,333,985	115,476	(37,392)	(1,099,281)	(1,299)	–	3,311,489

ACCUMULATED DEPRECIATION

	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Effect of disposal/ dilution of subsidiary companies RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of year RM'000
Freehold buildings	5,498	3,644	–	–	–	–	9,142
Leasehold land and buildings under long lease	100,495	7,774	(492)	(1,694)	(20)	–	106,063
Leasehold land and buildings under short lease	105,047	9,672	(771)	(75,943)	(70)	39	37,974
Other buildings and improvements	49	1	–	–	–	–	50
Pulp and paper mills	389,790	16,605	(20,538)	–	–	–	385,857
Plant, machinery and equipment	715,073	101,235	(4,949)	(302,973)	(346)	–	508,040
Housing colony and infrastructures	51,347	4,591	–	–	–	(39)	55,899
Jetty and access roads	50,541	4,098	–	–	–	–	54,639
Motor vehicles	24,905	2,663	(768)	(12,726)	–	–	14,074
Furniture and office equipment	65,256	4,529	(725)	(14,724)	(395)	–	53,941
Computer equipment	3,085	215	(4)	–	–	–	3,296
Renovations	3,110	435	–	–	(12)	–	3,533
Total	1,514,196	155,462	(28,247)	(408,060)	(843)	–	1,232,508



**The Group
2004**

	ACCUMULATED IMPAIRMENT LOSSES				NET BOOK VALUE		
	At beginning of year RM'000	Charge for the year RM'000	At end of year RM'000	Impairment losses for 2003 RM'000	At beginning of year RM'000	At end of year RM'000	Depreciation charge for 2003 RM'000
Freehold land	-	-	-	-	73,162	73,162	-
Freehold buildings	-	-	-	-	182,126	215,530	3,607
Leasehold land and buildings under long lease	-	-	-	-	229,027	215,959	6,652
Leasehold land and buildings under short lease	-	-	-	-	320,777	71,415	5,991
Other buildings and improvements	-	-	-	-	31	30	4
Pulp and paper mills	-	3,448	3,448	-	399,212	379,159	5,535
Plant, machinery and equipment	6,424	-	6,424	-	1,106,115	871,593	64,847
Housing colony and infrastructures	-	-	-	-	63,744	59,192	1,539
Jetty and access roads	-	-	-	-	48,500	45,741	1,356
Motor vehicles	-	-	-	-	14,168	5,037	1,657
Furniture and office equipment	-	-	-	-	22,773	10,189	3,375
Computer equipment	-	-	-	-	695	576	171
Renovations	-	-	-	-	1,782	1,378	416
Construction work-in-progress	-	-	-	-	351,253	120,148	-
Total	6,424	3,448	9,872	-	2,813,365	2,069,109	95,150

**The Company
2004**

	COST			
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	At end of year RM'000
Leasehold land and buildings under long lease	123,662	-	-	123,662
Plant, machinery and equipment	2,105	-	-	2,105
Motor vehicles	518	-	-	518
Furniture and office equipment	1,198	98	(2)	1,294
Computer equipment	1,030	17	-	1,047
Renovations	3,826	-	-	3,826
Total	132,339	115	(2)	132,452

**The Company
2004**

	ACCUMULATED DEPRECIATION				NET BOOK VALUE		
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	At end of year RM'000	At beginning of year RM'000	At end of year RM'000	Depreciation charge for 2003 RM'000
Leasehold land and buildings under long lease	22,175	2,377	–	24,552	101,487	99,110	2,378
Plant, machinery and equipment	2,105	–	–	2,105	–	–	104
Motor vehicles	379	15	–	394	139	124	84
Furniture and office equipment	1,022	81	(2)	1,101	176	193	75
Computer equipment	542	108	–	650	488	397	105
Renovations	2,304	368	–	2,672	1,522	1,154	370
Total	28,527	2,949	(2)	31,474	103,812	100,978	3,116

Included in property, plant and equipment of the Group are motor vehicles acquired under lease and hire-purchase arrangements with net book values of RM2,926,000 (2003: RM1,974,000).

As of 30 June 2004, the titles to all parcels of leasehold land of the Company and certain parcels of freehold and leasehold land of subsidiary companies with carrying values totalling RM101.9 million (2003: RM123.1 million) have not been registered in the name of the Company and the respective subsidiary companies.

As of 30 June 2004, the leasehold land of the Company and property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,199.2 million (2003: RM1,251.7 million) have been pledged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

In 2003, the titles of certain motor vehicles of the Group with carrying values totalling RM459,000 were in the process of being registered in the name of the Group. The registration of the said titles was completed during the current financial year.

The depreciation charge is allocated as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income statements	152,851	95,001	2,949	3,116
Inventories (Note 24)	2,178	–	–	–
Plantation development expenditure (Note 16)	433	149	–	–
	155,462	95,150	2,949	3,116

14. INVESTMENT PROPERTIES

Investment properties of the Group represent commercial shopping complexes erected thereon belonging to certain subsidiary companies.

	The Group	
	2004 RM'000	2003 RM'000
Freehold land and building – at valuation		
At beginning of year	189,000	189,000
Revaluation deficit	(62,685)	–
At end of year	126,315	189,000
Leasehold land and building under long lease – at cost	–	146,513
	126,315	335,513
Allowance for foreseeable loss on disposal of investment property	(17,000)	–
	109,315	335,513

The revaluation deficit in 2004 arose mainly as a result of the following:

	Revaluation Reserve RM'000	Tax Effect (Note 21) RM'000	Total RM'000
Revaluation exercise	9,500	500	10,000
Proposed disposal	50,051	2,634	52,685
	59,551	3,134	62,685

The freehold land and building was revalued as of 31 March 2004 by the Directors based on valuation carried out by Mr P'ng Soo Theng, a registered valuer of CH Williams Talhar & Wong Sdn Bhd using the "open market value" basis. The deficit amounting to RM9,500,000 (net of tax effect of RM500,000) has been debited to revaluation reserve account.

As mentioned in Note 49, subsequent to the end of the financial year, the Group proposed to dispose of its investment property. The carrying amount of the investment property at balance sheet date exceeds the estimated cash consideration for the said proposed disposal. Accordingly, a further revaluation deficit of RM50,051,000 (net of tax effect of RM2,634,000) has been debited to revaluation reserve account to reverse the previous revaluation surplus and an allowance for foreseeable loss on disposal of RM17,000,000 has been charged to income statement of the Group.

The investment properties of the Group have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

As of 30 June 2003, the title to leasehold land under long lease has not been transferred to the subsidiary company. The said investment property together with the leasehold land had been disposed of during the current financial year.

15. FOREST CONCESSIONS

	The Group	
	2004 RM'000	2003 RM'000
At cost:		
Forest concessions	388,200	388,200
Cumulative amortisation:		
At beginning of year	(65,676)	–
Current amortisation	(10,796)	(3,599)
Acquisition of a subsidiary company	–	(62,077)
At end of year	(76,472)	(65,676)
Net	<u>311,728</u>	<u>322,524</u>

The forest concessions consist of two forest areas with a total area of 276,623 hectares. The values attributable to the concessions of 158,623 hectares and 118,000 hectares are RM131,200,000 and RM257,000,000 respectively. The 158,623 hectares and 118,000 hectares of concession are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

16. PLANTATION DEVELOPMENT EXPENDITURE

	The Group	
	2004 RM'000	2003 RM'000
At cost:		
At beginning of year	137,377	–
Additions for the year	7,844	1,882
Acquisition of a subsidiary company	–	135,495
At end of year	145,221	137,377
Cumulative amortisation:		
At beginning of year	(4,316)	–
Amortisation for the year	(81)	–
Acquisition of a subsidiary company	–	(4,316)
At end of year	(4,397)	(4,316)
Net	<u>140,824</u>	<u>133,061</u>

Charges to plantation development expenditure during the financial year include depreciation of property, plant and equipment amounting to RM433,000 (2003: RM149,000).

Current amortisation of RM81,000 (2003: RM Nil) has been charged to inventories.

17. PROPERTY DEVELOPMENT PROJECTS/(ADVANCE BILLINGS)

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Land:				
At cost	38,311	39,865	565	3,141
At group cost	44,795	47,443	–	–
Development expenditure:				
At cost	76,525	107,630	3,331	34,032
Total	159,631	194,938	3,896	37,173
Provision for decline in value	(37,229)	(47,799)	–	–
	122,402	147,139	3,896	37,173
Non-current portion	(90,134)	(98,873)	(111)	(436)
	32,268	48,266	3,785	36,737
Portion of profit attributable to development work performed to date	29,244	35,343	2,696	13,361
Progress billings	61,512	83,609	6,481	50,098
	(49,992)	(65,041)	(6,700)	(41,845)
Current portion	11,520	18,568	(219)	8,253

The Group considers as current asset that portion of property projects on which development work has commenced and is expected to be completed within the normal operating cycle of one to two years. The portion transferred to current assets includes the related profit attributable to development work performed to date, net of the applicable progress billings and provision for decline in value.

As of 30 June 2004, certain parcels of land of the Group with carrying values totalling RM39.5 million (2003: RM47.4 million) have been charged as security for LICB Bonds and USD Debts (Note 35).

As of 30 June 2004, the titles to certain parcels of land held for development of the Group with carrying values totalling RM5.7 million (2003: RM4.9 million) have yet to be registered in the name of the subsidiary companies.

18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2004	2003
	RM'000	RM'000
Shares quoted in Malaysia:		
At cost	139,837	196,257
Unquoted shares in Malaysia:		
At cost	297,702	297,702
Accumulated impairment losses	(146,241)	(168,241)
	151,461	129,461
Total	291,298	325,718
Market value of quoted shares	110,019	117,687

As mentioned in Note 2, LDHB, a former subsidiary company of the Company, completed its corporate exercises on 1 June 2004. As part of LDHB's corporate exercises, LDHB disposed of 50% equity interest in its subsidiary companies which were principally involved in the brewery operations in January 2004. Upon disposal, these subsidiary companies became associated companies of LDHB.

Also, upon completion of the corporate exercises undertaken by LDHB, the Group's equity interest in LDHB was diluted from 59% to 45%. Consequently, LDHB and its subsidiary companies ceased to be subsidiary companies and LDHB became an associated company of the Group.

The effects of the abovementioned disposal/dilution on the financial results of the Group for the financial year are as follows:

	Disposal/Dilution in 2004	
	(Unaudited)	(Audited)
	(Up to the date of disposal/dilution)	
	2004	2003
	RM'000	RM'000
Revenue	405,080	220,410
Operating expenses	(363,935)	(193,420)
Profit from operations	41,145	26,990
Finance costs	(8,952)	(9,250)
Profit before tax	32,193	17,740
Income tax expense	(17,378)	(7,346)
Profit after tax	14,815	10,394
Minority interests	(10,331)	(7,984)
Net profit attributable to shareholders of the Company	4,484	2,410

The effects of the abovementioned disposal/dilution on the financial position of the Group as of 30 June 2004 are as follows:

	Disposal in 2004	Dilution in 2004	
	(Unaudited) (At the date of disposal) 2004 RM'000	(Unaudited) (At the date of dilution) 2004 RM'000	(Audited) 2003 RM'000
Property, plant and equipment	685,591	5,630	699,416
Investment property	–	–	146,513
Investment in associated companies	53,097	405,390	50,288
Long-term investments	–	33,762	32,225
Long-term receivable	–	–	42,270
Expenditure carried forward	29,123	–	32,856
Goodwill on consolidation	4,206	30	4,369
Inventories	115,550	11,869	134,492
Short-term investments	–	6,209	7,720
Trade receivables	43,111	718	44,822
Other receivables, deposits and prepayments	113,644	236,183	254,436
Deposits, cash and bank balances	70,571	207,207	123,400
Trade payables	(69,575)	(1,155)	(73,663)
Other payables, deposits and accruals	(344,734)	(204,030)	(367,291)
Short-term borrowings	(42,863)	–	(274,413)
Tax liabilities	(6,276)	(13,764)	(31,570)
Long-term borrowings	(57,538)	–	(96,413)
	<hr/>	<hr/>	<hr/>
Net assets	593,907	688,049	729,457
Negative goodwill	–	(46,514)	(97,008)
Minority interests	(229,531)	(278,685)	(428,963)
	<hr/>	<hr/>	<hr/>
	364,376	362,850	203,486
			<hr/> <hr/>
Reclassified to investment in associated companies	(180,454)	(317,207)	
	<hr/>	<hr/>	
Loss on dilution recognised in reserve		45,643	
		<hr/> <hr/>	
Cost of disposal	183,922		
Proceeds from disposal	(498,528)		
	<hr/>		
Gain on disposal recognised in income statement	314,606		
	<hr/> <hr/>		

In 2003, pursuant to the implementation of the GWRS, the Company disposed of its entire equity interest in Lion Plaza Sdn Bhd ("Lion Plaza"), a former subsidiary company. Lion Plaza is principally involved in property development.

The effects on the abovementioned disposal on the financial results of the Group for 2003 are as follows:

	Disposal (Unaudited) (Up to the date of disposal) 2003 RM'000
Revenue	225
Operating income	28
Profit from operations	253
Finance costs	(578)
Loss before tax	(325)
Income tax expense	-
Loss after tax	(325)
Minority interests	-
Net loss attributable to shareholders of the Company	(325)

The effects of the abovementioned disposal on the financial position of the Group as of 30 June 2003 are as follows:

	Disposal (Unaudited) (At the date of disposal) 2003 RM'000
Property, plant and equipment	3
Property development project	55,113
Trade receivables	18
Other receivables, deposits and prepayments	189
Amount owing by other related companies	494
Deposits, cash and bank balances	98
Other payables, deposits and accruals	(157)
Tax liabilities	(1)
Deferred tax liabilities	(4,639)
Net assets	51,118

In 2003, pursuant to the implementation of the GWRS, Lion Forest Industries Berhad (“LFIB”) and LDHB and their respective subsidiary companies became subsidiary companies of the Company.

The effects of the abovementioned acquisitions and the completion of the acquisition of Antara Steel Mills Sdn Bhd on the financial results of the Group for 2003 were as follows:

	Acquisitions (Unaudited) 2003 RM'000
Revenue	364,694
Operating expenses	(330,447)
Profit from operations	34,247
Finance costs	(10,183)
Profit before tax	24,064
Income tax expense	(9,290)
Profit after tax	14,774
Minority interests	(6,600)
Net profit attributable to shareholders of the Company	<u>8,174</u>

The effects of the abovementioned acquisitions and the completion of the said acquisition on the financial position of the Group as of 30 June 2003 were as follows:

	Acquisitions (Audited) 2003 RM'000
Property, plant and equipment	1,559,933
Investment property	146,513
Forest concessions	322,524
Plantation development expenditure	133,061
Investment in associated companies	54,235
Long-term investments	32,500
Deferred tax assets	33,185
Long-term receivable	42,270
Expenditure carried forward	32,856
Inventories	346,096
Short-term investments	7,720
Trade receivables	109,492
Other receivables, deposits and prepayments	290,991
Amount owing by other related companies	94,082
Deposits, cash and bank balances	260,238
Trade payables	(149,507)
Other payables, deposits and accruals	(442,927)
Amount owing to other related companies	(30,354)
Short-term borrowings	(296,910)
Tax liabilities	(35,317)
Long-term borrowings	(96,413)
Deferred liabilities	(302)
Deferred tax liabilities	(239)
Goodwill acquired	196,134
Minority interests	(816,150)
Group's share of net assets	<u>1,793,711</u>

19. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost:				
Quoted investments	296,971	–	33,213	–
Unquoted investments	109,694	161,476	–	–
	406,665	161,476	33,213	–
Share in post-acquisition results	(52,488)	(57,219)	–	–
	354,177	104,257	33,213	–
Market value of quoted investments	219,643	–	61,500	–

As mentioned in Notes 2 and 18, the Group's investment in LDHB was reclassified from investment in subsidiary companies to investment in associated companies upon the completion of the corporate exercises undertaken by LDHB on 1 June 2004.

The carrying value of the Group's investment in associated companies is represented by:

	The Group	
	2004 RM'000	2003 RM'000
Share of net assets (excluding goodwill)	321,567	103,733
Share of goodwill of associated companies	78,600	–
	400,167	103,733
Premium on acquisition	524	524
	400,691	104,257
Negative goodwill on acquisition	(46,514)	–
	354,177	104,257

Included in the investment in associated companies is exchange gain of RM29.85 million (2003: RM29.85 million) arising on year end translation of investment in foreign associated companies.

As of 30 June 2004, certain investment in associated companies of the Group with carrying values totalling RM4.8 million (2003: RM10.3 million) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The Group's share in results of certain associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM15.0 million (2003: RM7.5 million) and RM7.5 million (2003: RM77.3 million) respectively.

20. LONG-TERM INVESTMENTS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Shares quoted in Malaysia:				
At cost				
Former ultimate holding company	140,899	140,899	37,302	37,302
Former other related companies/parties	9,413	6,700	1,728	–
Others	280	271	9	9
	150,592	147,870	39,039	37,311
Allowance for diminution in value of investments	(25,000)	(15,000)	(20,000)	(15,000)
	125,592	132,870	19,039	22,311
Shares quoted outside Malaysia:				
At cost	56	56	56	56
Unquoted investments:				
At cost				
Ordinary shares	33,097	35,823	400	400
Preference shares	40,613	43,613	40,613	43,613
RCCPS*	6,700	6,700	–	–
RCULS**	4,778	–	–	–
Allowance for diminution in value of investments	(227)	(227)	–	–
	84,961	85,909	41,013	44,013
Unquoted bonds (at cost, adjusted for accretion of interest) issued by:				
Former ultimate holding company	72,106	89,568	37,603	38,993
Former other related company	107,026	117,331	–	–
	179,132	206,899	37,603	38,993
Redeemable within one year (Note 26)	(32,839)	(31,477)	(4,639)	(4,182)
	146,293	175,422	32,964	34,811
Total	356,902	394,257	93,072	101,191
Market value of quoted shares	30,485	36,160	8,050	8,868

* Represents redeemable cumulative convertible preference shares issued by a former other related company.

** Represents redeemable convertible unsecured loan stocks issued by LDHB.

Certain of the Group's investments with carrying values totalling RM384.2 million (2003: RM406.6 million) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The unquoted preference shares represent 5-year cumulative redeemable preference shares of RM0.01 each ("RPS") in Likom Computer System Sdn Bhd ("LCS"), a related party of the Company.

Pursuant to a deferment agreement dated 29 January 2003 made between LCS and the Company, the redemption date for the 43,613,000 RPS at a premium of RM0.99 per RPS held by the Company was deferred to 28 December 2003 ("First Deferment"). On 26 December 2003, LCS had redeemed 2 million of the 43,613,000 RPS.

On 12 March 2004, the Company entered into another deferment agreement with LCS to defer the redemption date of the remaining 41,613,000 RPS held by the Company from 28 December 2003 to 28 June 2005 ("Second Deferment"). On 17 June 2004, LCS redeemed another 1 million of the RPS.

The securities for the deferment of the RPS in LCS include the following:

- (i) 175,000 ordinary shares of RM1 each fully paid-up in the share capital of Ributasi Holdings Sdn Bhd belonging to a related party.
- (ii) Landed properties belonging to a related party with a value of not less than RM10 million being valued by an independent valuer.
- (iii) Charge on RM15.29 million nominal value LDHB irredeemable convertible unsecured loan stocks and 11.17 million LDHB shares.
- (iv) Charge of an escrow account in favour of the Company in which any benefits or entitlements arising from (i) to (iii) above shall be deposited.
- (v) Part payment of the deferment compensation computed at 1.75% per annum above the Base Lending Rate of Malayan Banking Berhad ("BLR") from 29 June 2001 to 28 December 2002 amounting to RM5.3 million, of which RM3.7 million has been received and recognised as interest income during the financial year (Note 9). Interest shall accrue on the RPS value of RM46.27 million at the date of redemption of the RPS, less any cumulative dividend declared and paid by LCS, calculated at 1.75% per annum above BLR from 29 December 2002 to 28 December 2003.
- (vi) Interest on the RPS value of RM47.87 million calculated at 1.75% per annum above BLR less any cumulative dividend declared and paid by LCS from 29 December 2003 to 28 June 2005.

The investment in unquoted bonds of the Company and of certain subsidiary companies bear a yield to maturity of 7.75% and 4.75% (2003: 7.75% and 4.75%) per annum respectively.

The currency exposure profile of long-term investments is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	324,426	359,054	93,016	101,135
Renminbi	32,420	32,025	–	–
Singapore Dollar	56	3,178	56	56
	356,902	394,257	93,072	101,191

21. DEFERRED TAX ASSETS/LIABILITIES

Deferred Tax Assets

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of year	33,185	–	–	–
Transfer from income statement (Note 11)	272	–	–	–
Acquisition of subsidiary companies	–	33,185	–	–
At end of year	33,457	33,185	–	–

The above deferred tax assets represent the tax effects on the unabsorbed capital allowances and unutilised tax losses of certain subsidiary companies.

As of 30 June 2004, the Group has unrecognised deferred tax assets totalling RM710 million (2003: RM750 million) in respect of the unutilised tax losses and unabsorbed capital allowances of certain subsidiary companies. This amount has not been recognised in the financial statements in view of the uncertainty of their recoverability.

The unabsorbed capital allowances and unutilised tax losses claimed are subject to the agreement with the tax authorities.

Deferred Tax Liabilities

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of year	47,863	36,941	3,036	3,036
Transfer from income statement (Note 11)	62,714	15,321	–	–
Revaluation reserve (Note 14)	(3,134)	–	–	–
Disposal of a subsidiary company	–	(4,639)	–	–
Acquisition of subsidiary companies	–	240	–	–
At end of year	107,443	47,863	3,036	3,036

The deferred tax liabilities represent the tax effects of the following:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Temporary differences arising from:				
Group's acquisition cost over tax base cost of certain development properties	2,882	2,882	-	-
Property, plant and equipment	111,336	40,771	3,036	2,624
Difference in method of recognising finance and administrative expenses for tax purposes and for accounting purposes	-	851	-	-
Revaluation reserve	-	3,134	-	-
Unabsorbed capital allowances and unutilised tax losses	(6,411)	(171)	-	-
Others	(364)	396	-	412
	107,443	47,863	3,036	3,036

22. EXPENDITURE CARRIED FORWARD

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At cost:				
At beginning of year	77,865	27,503	1,463	1,397
Addition during the year	1,635	68	-	66
Translation difference	4	(8)	-	-
Acquisition of subsidiary companies	-	50,302	-	-
Disposal of subsidiary companies	(50,302)	-	-	-
Write-offs	(9,033)	-	-	-
At end of year	20,169	77,865	1,463	1,463
Cumulative amortisation:				
At beginning of year	(28,246)	(6,967)	(1,323)	(1,257)
Amortisation for the year	(10,126)	(5,261)	-	(66)
Translation difference	(2)	4	-	-
Acquisition of subsidiary companies	-	(16,022)	-	-
Disposal of subsidiary companies	21,179	-	-	-
Write-offs	1,870	-	-	-
At end of year	(15,325)	(28,246)	(1,323)	(1,323)
Net	4,844	49,619	140	140

23. GOODWILL

	The Group	
	2004 RM'000	2003 RM'000
At cost:		
At beginning of year	505,242	245,748
Acquisition of subsidiary companies	–	259,494
Disposal of subsidiary companies	(5,796)	–
Effect on dilution of subsidiary companies	(52)	–
At end of year	499,394	505,242
Cumulative amortisation:		
At beginning of year	(148,651)	(75,453)
Amortisation for the year	(20,117)	(13,308)
Acquisition of subsidiary companies	–	(59,890)
Disposal of subsidiary companies	1,590	–
Effect on dilution of subsidiary companies	22	–
At end of year	(167,156)	(148,651)
Net	332,238	356,591

24. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Property:				
Completed units and industrial land for sale (net of provision for write down of RM1,771,000 (2003: RM1,918,000) for the Group)	6,416	21,065	43	–
Products at cost:				
Raw materials	386,463	256,892	–	–
Work-in-progress	13,067	29,290	–	–
Finished goods	183,907	196,494	–	–
General and consumable stores	94,385	88,898	–	–
Engineering spares	35,352	33,969	–	–
Trading merchandise	29,185	5,836	–	–
Goods-in-transit	72,512	24,672	–	–
	814,871	636,051	–	–
Less: Allowance for inventories obsolescence	(9,442)	(12,387)	–	–
	805,429	623,664	–	–
Net	811,845	644,729	43	–

Certain of the Group's inventories with carrying values totalling RM488.8 million (2003: RM288.7 million) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

As of 30 June 2003, the title to the industrial land for sale of a subsidiary company with carrying value of RM13.2 million had not been transferred to the said subsidiary company. The said subsidiary company ceased to be a subsidiary company and became an associated company during the financial year as mentioned in Note 2.

Charges to inventories include depreciation of property, plant and equipment of RM2,178,000 (2003: RM Nil) and amortisation of plantation development expenditure of RM81,000 (2003: RM Nil).

25. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS

Amount due by/(to) contract customers (denominated in Ringgit Malaysia), pertaining to a subsidiary company, consists of the following:

	The Group	
	2004	2003
	RM'000	RM'000
Contract cost	660,128	677,896
Profit attributable to work performed todate	22,919	26,136
	<hr/>	<hr/>
Total	683,047	704,032
Progress billings	(682,033)	(702,533)
	<hr/>	<hr/>
Amount due by contract customers	1,014	1,499
	<hr/> <hr/>	<hr/> <hr/>
Contract cost	178,474	178,456
Profit attributable to work performed todate	5,142	5,142
	<hr/>	<hr/>
Total	183,616	183,598
Progress billings	(184,567)	(184,551)
	<hr/>	<hr/>
Amount due to contract customers	(951)	(953)
	<hr/> <hr/>	<hr/> <hr/>

As of 30 June 2004, retentions held by customers for contract works amounted to RM4,286,000 (2003: RM6,192,000).

26. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Shares quoted in Malaysia:				
At cost	-	2,549	-	-
Allowance for diminution in value of investments	-	(1,802)	-	-
	-	747	-	-
Unquoted bonds redeemable within one year (Note 20)	32,839	31,477	4,639	4,182
Total	32,839	32,224	4,639	4,182
Market value of quoted shares	-	747	-	-

Short-term investment in quoted shares in 2003 represent the Group's investment which have been earmarked for disposal in the next twelve (12) months.

The short-term investments are denominated in Ringgit Malaysia.

27. TRADE RECEIVABLES

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	436,158	348,738	2,255	449
Less: Allowance for doubtful receivables	(20,202)	(24,245)	-	-
	415,956	324,493	2,255	449
Retention monies	4,286	6,192	-	-
	420,242	330,685	2,255	449
Lease, hire-purchase and loan receivables	18,190	18,406	-	-
Less: Allowance for doubtful receivables	(18,190)	(18,406)	-	-
	-	-	-	-
	420,242	330,685	2,255	449

The credit period granted to the trade receivables range from cash term to 90 days (2003: cash term to 90 days).

An allowance of RM20,202,000 (2003: RM24,245,000) for the Group has been made for estimated irrecoverable amounts. This allowance has been determined by reference to past default experience.

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	398,249	266,640	2,255	449
United States Dollar	13,587	7,196	–	–
Renminbi	8,057	55,880	–	–
Singapore Dollar	349	969	–	–
	420,242	330,685	2,255	449

As of 30 June 2004, the receivables of the Group amounting to RM196.8 million (2003: RM49.2 million) have been charged as security, by way of floating charge, for borrowings obtained by the Group (Notes 34 and 36).

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

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other receivables	182,993	266,439	89,504	89,682
Less: Allowance for doubtful receivables	(47,345)	(44,736)	(31,261)	(30,811)
	135,648	221,703	58,243	58,871
Tax recoverable	5,334	10,658	–	–
Refundable deposits	8,818	9,621	831	836
Prepayments	142,402	78,354	848	886
Sale proceeds receivable	–	158,800	–	–
	292,202	479,136	59,922	60,593

The sale proceeds receivable in 2003 is in respect of the disposal of a shopping mall known as Subang Parade by a former subsidiary company which became an associated company during the financial year. The total proceeds (denominated in Ringgit Malaysia) in 2003 is analysed as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Total proceeds from disposal	–	223,410
Deposit received	–	(22,340)
	–	201,070
Amount receivable after 12 months	–	(42,270)
	–	158,800
Amount receivable within 12 months	–	158,800

As of 30 June 2004, the other receivables, deposits and prepayments of the Group with carrying value of RM134.4 million (2003: RM66.4 million) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

The currency exposure profile of other receivables, deposits and prepayments is as follows:

	The Group		The Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	268,268	357,628	54,112	54,783
Renminbi	23,934	121,290	5,810	5,810
Singapore Dollar	–	218	–	–
	292,202	479,136	59,922	60,593

29. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2004 RM'000	2003 RM'000
Amount owing by subsidiary companies	1,397,294	1,393,378
Less: Allowance for doubtful receivables	(110,088)	(110,088)
	1,287,206	1,283,290
	246,202	242,700

The amounts owing by/to subsidiary companies arose mainly from inter-company advances, novation of debts, interest and dividend receivable and payable.

The amount owing by subsidiary companies are either interest-free or bear interest at 1% or 8% (2003: either interest-free or bear interest at 1% or 8%) per annum and have no fixed repayment terms.

The amount owing by a subsidiary company under liquidation of RM5,810,000 (2003: RM5,810,000) (net of allowance for doubtful receivables) is included in other receivables, deposits and prepayments (Note 28).

The amount owing to subsidiary companies are either interest-free or bear interest at 1% or 8% (2003: either interest-free or bear interest at 1% to 8%) per annum and have no fixed repayment terms.

The currency exposure profile of balances owing by subsidiary companies is as follows:

	The Company	
	2004 RM'000	2003 RM'000
Ringgit Malaysia	1,192,447	1,188,492
Singapore Dollar	92,971	92,971
Renminbi	1,788	1,827
	1,287,206	1,283,290
	246,202	242,700

The currency exposure profile of balances owing to subsidiary companies is as follows:

	The Company	
	2004 RM'000	2003 RM'000
Ringgit Malaysia	189,393	184,935
United States Dollar	56,809	57,765
	246,202	242,700
	246,202	242,700

(b) Amount owing by associated companies

The amount owing by associated companies arose mainly from advances, which is interest-free (2003: interest-free) and has no fixed repayment terms.

The currency exposure profile of balances owing by associated companies is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Renminbi	28,500	30,328	–	–
Ringgit Malaysia	–	3	–	3
	28,500	30,331	–	3

(c) Related companies/parties transactions

Significant transactions of the Company and subsidiary companies with related parties/former related companies, in addition to those disclosed in Notes 6, 8 and 9, are as follows:

Name of Company	Nature	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Subsidiary companies*					
Lion Forest Industries Berhad	Sales of goods	–	12,335	–	–
Posim Petroleum Marketing Sdn Bhd	Purchase of consumables	–	757	–	–
Related parties**					
Parkson Corporation Sdn Bhd	Rental income	6,669	4,835	–	–
Lion Tooling Sdn Bhd	Purchase of tooling	2,943	3,995	–	–
Singa Logistics Sdn Bhd	Transportation charges	2,815	5,320	–	–
Lion Metal Industries Sdn Bhd	Rental expense	529	770	–	–
Araprop Development Sdn Bhd	Progress billings for contract work	389	373	–	–
	Interest income	8	–	8	–

Name of Company	Nature	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amalgamated Rolling Mill Sdn Bhd	Purchase of raw materials	175	10,273	–	–
Bandar Akademia Sdn Bhd	Progress billings for contract work	15	5,262	–	–
Ayer Keroh Resort Sdn Bhd	Progress billings for contract work	–	659	–	–
Amsteel Equity Capital Sdn Bhd	Rental income	–	121	–	121
Silverstone Corporation Berhad	Purchase of raw materials	–	10	–	–

* Became subsidiary companies subsequent to the implementation of the GWRS in March 2003.

** Became related parties subsequent to the implementation of the GWRS in March 2003.

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

(d) Financing of up to RM100 million to Amsteel Mills Sdn Bhd

On 15 June 2004, the Company obtained the approval of its shareholders at an Extraordinary General Meeting held on the same day to borrow up to RM100 million, for financing required to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan by Amsteel Mills Sdn Bhd (“AMSB”), a 99% owned subsidiary company of the Company, from Lion Forest Industries Berhad (“LFIB”), an 83% owned subsidiary company of the Company, the sum of which is to be advanced by Sabah Forest Industries Sdn Bhd (“SFI”), a 98% owned subsidiary company of LFIB (“Financing”). The Financing superseded the earlier proposal as reported in the previous financial statements, wherein SFI was to lend up to RM100 million directly to AMSB.

As of 30 June 2004, the Company has received an advance of RM80 million from LFIB, which has been fully advanced to AMSB. The amount receivable from AMSB and amount payable to LFIB amounting to RM80 million and the interest income and expense amounting to RM0.2 million arising therefrom have been offset in the financial statements as the Company has a legal enforceable right to offset these amounts and also has the intention to realise the receivable and settle the liability simultaneously. The said amount bears interest at 12% per annum.

(e) Deferred Shares of Sabah Forest Industries Sdn Bhd

As of 30 June 2004, Sabah Forest Industries Sdn Bhd, a subsidiary company, has in issue 146 million deferred shares of RM1.00 each. The said deferred shares, which do not carry any entitlement to dividend, voting rights and rights to receive notice of general meetings, are only entitled to a repayment of capital after the ordinary shares in the event of a winding-up. The said deferred shares are redeemable at any time at the option of the subsidiary company. As of the end of the financial year, the said deferred shares amounting to RM109.5 million (2003: RM109.5 million) pertaining to minority shareholders have been included as part of the minority interests of the Group.

30. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with:				
Licensed banks:				
Restricted	600	16,875	600	11,450
Unrestricted	168,869	221,895	7,320	400
	169,469	238,770	7,920	11,850
Licensed financial institutions	1,400	4,526	–	–
Housing Development Accounts	16,284	15,029	11,140	8,682
Cash and bank balances:				
Restricted	2,131	3,075	1,105	2,119
Unrestricted	62,643	116,770	340	110
	251,927	378,170	20,505	22,761

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure has been fully settled.

Included in deposits with licensed banks and bank balances of the Group and of the Company are amounts totalling RM2.7 million (2003: RM19.9 million) and RM1.7 million (2003: RM13.6 million), respectively, which have been earmarked for the purposes of repayment of borrowings, LICB Bonds and USD Debts (Notes 34 to 36) and pledged as security for bank guarantees granted.

The average effective interest rates during the financial year were as follows:

	The Group		The Company	
	2004	2003	2004	2003
Fixed deposits with:				
Licensed banks	2.3%	2.5%	2.4%	2.4%
Licensed financial institutions	3.0%	3.0%	–	–

Deposits of the Group and of the Company have an average maturity of 22 days (2003: 23 days).

The currency exposure profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	221,759	269,830	20,505	22,761
Renminbi	30,090	108,238	–	–
Singapore Dollar	78	102	–	–
	251,927	378,170	20,505	22,761

The deposits, cash and bank balances denominated in Renminbi of the subsidiary companies in the People's Republic of China are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiary companies in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

31. TRADE PAYABLES

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	285,883	290,154	132	598
Retention monies	6,774	6,561	1,284	1,486
	292,657	296,715	1,416	2,084

The normal credit period granted to the Group and the Company for trade purchases range from cash term to 60 days (2003: cash term to 60 days).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	281,281	212,087	1,416	2,084
Renminbi	10,132	82,396	–	–
Others	1,244	2,232	–	–
	292,657	296,715	1,416	2,084

32. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other payables and deposits	273,349	606,225	10,108	9,648
Accrued expenses	233,917	158,524	3,506	724
	507,266	764,749	13,614	10,372

Included in other payables and deposits of the Group in 2003 are taxes payable (other than corporate tax) of the subsidiary companies in the People's Republic of China amounting to RM126 million. The said subsidiary companies have been disposed of during the financial year.

The currency exposure profile of other payables, deposits and accruals is as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	469,796	360,191	13,614	10,372
Renminbi	37,452	404,458	–	–
Others	18	100	–	–
	507,266	764,749	13,614	10,372

33. LEASE AND HIRE-PURCHASE PAYABLES

	The Group	
	2004	2003
	RM'000	RM'000
Lease and hire-purchase	2,350	1,707
Portion due within one year (shown under current liabilities)	(637)	(419)
	<hr/>	<hr/>
Non-current portion	1,713	1,288
	<hr/> <hr/>	<hr/> <hr/>

The non-current portion of the lease and hire-purchase obligations are payable as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Financial years ending 30 June:		
2005	–	419
2006	637	419
2007	395	450
2008 and thereafter	681	–
	<hr/>	<hr/>
	1,713	1,288
	<hr/> <hr/>	<hr/> <hr/>

Lease and hire-purchase obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 3.5% to 10.0% (2003: 3.5% to 11.0%) per annum.

34. SHORT-TERM BORROWINGS

	The Group	
	2004	2003
	RM'000	RM'000
Short-term loans from financial institutions:		
Secured	8,845	30,560
Unsecured	1,836	32,188
Bank overdrafts:		
Secured	51,573	71,319
Unsecured	498	2,519
Bills payable	85,035	108,478
Portion of long-term loans due within one year (Note 36):		
Secured	–	196,209
Unsecured	500	7,766
	<hr/>	<hr/>
	148,287	449,039
	<hr/> <hr/>	<hr/> <hr/>

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13), investment properties (Note 14) and other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 5.4% to 8.5% (2003: 3.8% to 9.5%) per annum.

The currency exposure profile of short-term borrowings is as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Ringgit Malaysia	140,484	342,735
Renminbi	7,803	69,726
United States Dollar	–	36,578
	148,287	449,039

35. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
LICB Bonds issued to Scheme Creditors:				
At beginning of year	357,052	–	357,052	–
Issued during the year	–	328,397	–	328,397
Accreted interest	19,602	28,655	19,602	28,655
Redeemed during the year	(58,147)	–	(58,147)	–
At end of year	318,507	357,052	318,507	357,052
LICB Bonds issued to subsidiary/ associated companies:				
At beginning of year	–	–	81,525	–
Issued during the year	–	–	–	74,969
Effect on dilution of subsidiary companies	24,051	–	–	–
Accreted interest	456	–	4,715	6,556
Redeemed during the year	–	–	(2,695)	–
At end of year	24,507	–	83,545	81,525
USD Debts issued to Scheme Creditors:				
At beginning of year	174,676	–	–	–
Issued during the year	–	162,334	–	–
Accreted interest	8,812	12,342	–	–
Paid during the year	(3,878)	–	–	–
At end of year	179,610	174,676	–	–

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
USD Debts issued to subsidiary company, LLB Harta (L) Limited ("LICB Debts"):				
At beginning of year	-	-	173,785	-
Issued during the year	-	-	-	162,336
Accreted interest	-	-	9,230	12,969
Paid during the year	-	-	(2,378)	(1,520)
	-	-	180,637	173,785
At end of year	522,624	531,728	582,689	612,362
Portion payable within one year:				
LICB Bonds issued to:				
- Scheme Creditors	(88,307)	(152,981)	(88,307)	(152,981)
- subsidiary/associated companies	(4,233)	-	(14,432)	(20,248)
USD Debts issued to:				
- Scheme Creditors	(22,580)	(31,555)	-	-
- subsidiary company	-	-	(22,755)	(30,385)
	(115,120)	(184,536)	(125,494)	(203,614)
Non-current portion	407,504	347,192	457,195	408,748
Borrowing costs (net of annual amortisation of RM1.9 million for the Group and Company for 9 years) *	(13,129)	(15,005)	(13,129)	(15,005)
Net	394,375	332,187	444,066	393,743

The non-current portion of the LICB Bonds and USD Debts is repayable as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Financial years ending 30 June:				
2005	-	49,264	-	59,478
2006	97,653	16,969	110,430	19,593
2007	240,392	215,567	267,668	250,580
2008 and thereafter	69,459	65,392	79,097	79,097
	407,504	347,192	457,195	408,748

* *Borrowing costs represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.*

In 2003, pursuant to the implementation of the GWRS, the Group issued RM denominated bonds (“LICB Bonds”) and USD consolidated and rescheduled debts (“USD Debts”) to the Scheme Creditors as part of the settlement of debts.

The LICB Debts issued by the Company to LLB Harta (L) Limited (“Harta (L)”) serves as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

Both the LICB Bonds and USD Debts constitute direct, unsubordinated and secured obligations of the Group.

The principal terms and conditions of the LICB Bonds and USD Debts are as follows:

- (i) The LICB Bonds are only transferable to persons who are the first holders of the LICB Bonds issued by the Company whilst the USD Debts are freely transferable.
- (ii) The tranches of LICB Bonds and USD Debts are as follows:

	Class	Nominal Amount RM'000	Net Present Value RM'000	Tenure (years)	Cash Yield to Maturity (per annum)
<u>Issued by the Company:</u>					
LICB Bonds					
- to Scheme Creditors	A	89,620	78,728	2	6.00%
	B	325,390	249,669	9	5.75%
		415,010	328,397		
- to subsidiary companies	B	97,705	74,969	9	5.75%
		512,715	403,366		
USD Debts (“LICB Debts”)					
- to subsidiary company, Harta (L)	B	206,348	162,336	9	5.25%
<u>Issued by subsidiary company, Harta (L):</u>					
USD Debts					
- to Scheme Creditors	B	204,463	162,334	9	5.00%

The LICB Bonds and USD Debts are payable annually on 31 December of each calendar year and is subject to late payment charge of 1% per annum above the cash yield to maturity.

- (iii) The Security Trustee holds the following securities (“Securities”) for the benefit of the holders of the LICB Bonds and USD Debts issued by the Group:
- (a) The assets included in the proposed divestment programme for the Group. If there is an existing charge on any such assets, the Security Trustee will take a lower priority security interest.
 - (b) The Amsteel Corporation Berhad (former ultimate holding company) (“Amsteel”) Bonds and Amsteel shares attached to the Amsteel Bonds received by the Company (Note 20).
 - (c) The Redemption Account held by the Company. The Redemption Account will capture the “Dedicated Cash Flows”.

Dedicated Cash Flows means cash flows from the following sources:

- (i) net surplus proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently a charge, if applicable;
- (ii) net proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently no charge;
- (iii) proceeds from the redemption of the Amsteel Bonds;
- (iv) any Back-End Amount and Loyalty Payment received by the Company as a holder of the Amsteel Bonds;
- (v) net proceeds from the disposal of Amsteel shares received by the Company pursuant to the GWRS for the Group;
- (vi) net proceeds from the disposal of equity-kicker shares attached to the Amsteel Bonds;
- (vii) dividend payments from Sabah Forest Industries Sdn Bhd from year 2002 to 2011; and
- (viii) subject to the proportions allocated to holders of the LICB Bonds and the USD Debts, net proceeds from the disposal of any residual assets (other than assets in the proposed divestment programme for the Group) of the Group.

Monies captured in the Redemption Account can only be used towards redemption of the LICB Bonds and repayment of the USD Debts (including payment of taxes, fees and other costs relating to the GWRS) and cannot be utilised for any other purposes.

LICB Bonds and USD Debts rank *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (c) above.

In addition, the following are securities provided in respect of the USD Debts issued by Harta (L), a subsidiary company:

- (a) Assignment of all the rights attaching to the LICB Debts to Harta (L), including the rights to receive payments from the Company and rights to other entitlements;
- (b) A debenture over the LICB Debts of Harta (L);
- (c) A charge over the Redemption Account of Harta (L). The Redemption Account will capture the proceeds from the repayment of the LICB Debts; and
- (d) Corporate guarantee by the Company to the Facility Agent for the benefit of holders of the USD Debts.

LICB Bonds and USD Debts rank *pari passu* with all other unsecured and unsubordinated creditors of the Company in respect of the Company’s assets which are not part of the Securities and Dedicated Cash Flows.

On 23 December 2003, the Company announced that it had issued notice of meetings dated 22 December 2003 to the holders of LICB Bonds and USD Debts to seek, inter alia, the indulgence and approval of the said holders to vary the redemption date and the repayment date for the LICB Bonds and the USD Debts of 31 December 2003 and 31 December 2004 ("Proposed Variation"). The Proposed Variation involves the variation of the redemption date and the repayment date of 31 December 2003 and 31 December 2004 to the proposed redemption dates of 31 March 2004, 31 December 2004 and 31 December 2005 at the respective redemption/repayment amounts. On 12 January 2004 and 2 March 2004, the Company announced that the relevant approvals for the Proposed Variation have been obtained. The Company has also complied with the repayment and redemption on 31 March 2004.

In consideration of the holders of LICB Bonds and USD Debts agreeing to the Proposed Variations, the following additional securities were charged in favour of the Security Trustee:

- (i) 99% of the issued and paid-up capital comprising 665,181,000 ordinary shares of RM1.00 each in AMSB;
- (ii) approximately 16.64% of the issued and paid-up capital comprising 58,018,645 ordinary shares of RM0.50 each in LDHB;
- (iii) approximately 23.44% of the issued and paid-up capital comprising 47,627,236 ordinary shares of RM1.00 each in LFIB; and
- (iv) shares in subsidiary companies of the Company, other than AMSB, LDHB and LFIB, with an adjusted net tangible assets of RM5 million or more, if any, provided such shares are not encumbered.

The LICB Bonds and USD Debts of the Group totalling RM115 million are due for redemption/repayment within the next twelve (12) months. The cash flows for the said redemption/repayment will be sourced from proceeds on the disposal of assets/companies included in the proposed divestment programme and other assets received by the Group under the GWRS undertaken in 2003, which include the proceeds from the proposed disposal of investment property as mentioned in Note 49.

36. LONG-TERM BORROWINGS

	The Group	
	2004 RM'000	2003 RM'000
Outstanding loans:		
Secured:		
Principal	1,515,612	1,750,702
Portion due within one year (Note 34)	-	(196,209)
	1,515,612	1,554,493
Unsecured:		
Principal	3,237	40,909
Portion due within one year (Note 34)	(500)	(7,766)
	2,737	33,143
Non-current portion	1,518,349	1,587,636

The non-current portion is repayable as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Financial years ending 30 June:		
2005	–	85,073
2006	18,888	70,719
2007	137,797	143,299
2008	230,180	230,180
2009 and thereafter	1,131,484	1,058,365
	1,518,349	1,587,636

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 13), investment properties (Note 14) and fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 5.8% to 8.5% (2003: 3.1% to 10.0%) per annum.

The currency exposure profile of long-term borrowings is as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Ringgit Malaysia	795,684	651,563
United States Dollar	722,665	886,978
Renminbi	–	49,095
	1,518,349	1,587,636

37. DEFERRED LIABILITIES

	The Group	
	2004	2003
	RM'000	RM'000
Deferred payables	96,211	134,329
Security deposits	3,503	3,186
	99,714	137,515

Deferred payables pertaining to a subsidiary company, Amsteel Mills Sdn Bhd, represent the restructured liabilities pertaining to the acquisition of plant and equipment. The amounts are unsecured and interest-free.

The deferred payables are repayable as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Financial years ending 30 June:		
2005	–	38,118
2006	47,371	47,371
2007	48,840	48,840
	96,211	134,329

The deferred liabilities are denominated in Ringgit Malaysia.

38. SHARE CAPITAL

	The Group and The Company	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1.00 each		
Authorised:		
At beginning of year	750,000	1,000,000
Capital reconstruction	–	(250,000)
At end of year	750,000	750,000
Issued and fully paid:		
At beginning of year	679,235	593,380
Capital reconstruction	–	(148,345)
Issue of shares	–	234,200
At end of year	679,235	679,235

Pursuant to the implementation of the GWRS in 2003, the issued and paid-up share capital of the Company was increased from RM593,380,035 divided into 593,380,035 ordinary shares of RM1.00 each to RM679,235,465 divided into 679,235,465 ordinary shares of RM1.00 each by way of:

- (a) a capital reduction of RM0.25 in each existing issued and fully paid-up ordinary shares of RM1.00 each in the Company;
- (b) the issuance of 1 new ordinary share of RM0.75 at par for cash;
- (c) a capital consolidation on the basis of every 4 ordinary shares of RM0.75 each into 3 ordinary shares of RM1.00 each thereby consolidating 593,380,036 ordinary shares of RM0.75 each into 445,035,027 ordinary shares of RM1.00 each; and
- (d) the issuance of 234,200,438 new ordinary shares of RM1.00 each at par as part of the settlement of debts.

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

The Executive Share Option Scheme (“ESOS”) of the Company became effective on 15 May 2000 and the main features of the ESOS are as follows:

- (a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Companies Commission of Malaysia, with an option to renew for a further period of 5 years upon the recommendation of the option committee.
- (b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.
- (c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Industries Corporation Berhad (“LICB”) Group with at least 12 months of service.
- (d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.
- (e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LICB shares as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.
- (f) The option is non-assignable.
- (g) The shares to be allotted under the ESOS shall rank pari passu in all respects with the then existing shares of the Company.

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, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

Exercisable from	Subscription price per share RM	Balance as of 1.7.2003	Number of options			Balance as of 30.6.2004
			Granted	Exercised	Lapsed	
19.5.2000	1.00	2,534,000	–	–	(211,000)	2,323,000
24.9.2003	1.00	–	9,529,000	–	(4,606,000)	4,923,000
27.4.2004	1.00	–	18,613,000	–	(6,790,000)	11,823,000
		2,534,000	28,142,000	–	(11,607,000)	19,069,000

The exercise period for the options will lapse on 14 May 2005.

39. RESERVES

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-distributable reserves:				
Share premium	515,190	515,190	515,190	515,190
Revaluation reserve	–	59,551	–	–
Translation adjustment account	56,058	57,521	–	–
Negative goodwill	828,679	959,449	–	–
	1,399,927	1,591,711	515,190	515,190
Accumulated loss	(55,961)	(389,740)	(138,878)	(142,628)
	1,343,966	1,201,971	376,312	372,562

Share premium

Share premium arose from the issue of shares in the Company at a premium in prior years.

Revaluation reserve

Revaluation reserve is used to record the increase and decrease of non-current assets, as described in the accounting policies. This amount, which includes the cumulative net change, net of deferred tax effects, arose from the revaluation of investment property as disclosed in Note 14.

Translation adjustment account

Exchange differences arising from the translation of foreign subsidiary and associated companies, are taken to the translation adjustment account.

Negative goodwill

Negative goodwill represents the excess of the fair value of the identifiable net assets over the purchase consideration for an acquisition at the date of acquisition.

Accumulated loss

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax exempt income mentioned in Note 11, the Company has sufficient tax credits to frank the payment of dividends of approximately RM52.0 million (2003: RM44.6 million) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 28% on the gross amount of the additional dividend paid.

40. DIVIDEND

A first and final dividend of 0.5%, less tax, amounting to RM2.45 million proposed in respect of ordinary shares in previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

The Directors propose a first and final dividend of 1.0%, less tax, amounting to RM4.89 million in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the financial statements. Gross dividend per share during the financial year is 1.0 sen (2003: 0.5 sen).

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and bank balances (Note 30) (unrestricted)	62,643	116,770	340	110
Fixed deposits with (Note 30):				
Licensed banks (unrestricted)	168,869	221,895	7,320	400
Licensed financial institutions	1,400	4,526	–	–
Housing Development Accounts (Note 30)	16,284	15,029	11,140	8,682
Bank overdrafts (Note 34)	(52,071)	(73,838)	–	–
	197,125	284,382	18,800	9,192

42. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors or substantial shareholders of the Company or its subsidiary companies or persons connected to such Directors or substantial shareholders have interest, excluding those parties disclosed in Notes 18, 19 and 29.

Significant transactions undertaken with related parties are as follows:

(a) Sales and purchase of goods and services and interest

Name of Company	Nature	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Megasteel Sdn Bhd	Sales of goods	564,500	166,412	–	–
	Purchase of goods, raw materials and electricity	456,894	101,623	–	–
	Interest income	5,538	3,814	–	–
Angkasa Hong Leong Pte Ltd	Sales of goods	79,783	41,753	–	–
Hubei Jinlongquan (Group) Co Ltd group	Purchase of raw materials and consumables	15,091	15,800	–	–
Bright Steel Sdn Bhd	Sales of goods	14,452	6,552	–	–
Lion Holdings Pte Ltd	Purchase of raw materials	9,593	20,350	–	–

Name of Company	Nature	The Group		The Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Likom Computer System Sdn Bhd	Rental income	7,108	7,307	7,108	7,307
	Interest income	2,434	1,871	2,434	1,871
Silverstone Berhad	Trade sales	2,235	991	–	–
Affin Insurance Brokers Sdn Bhd	Insurance premium	–	3,469	–	–

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

The outstanding balances arising from the above transactions are as follows:

	The Group		The Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Receivables:				
Included in trade receivables	238,901	128,874	–	–
Included in other receivables	71,065	56,188	48,203	39,776
Payables:				
Included in trade payables	84	140	–	139
Included in other payables	14,836	93,681	1,190	863

(b) Share options granted and remuneration payable to Directors

The number of options over ordinary shares of RM1.00 each of the Company granted to executive Directors of the Group are as follows:

	Unexercised options as of 30 June 2004
Datuk Cheng Yong Kim	457,000
Dato' Kamaruddin @ Abas bin Nordin*	231,000

* *Executive Director of a subsidiary company.*

The share options were given to the Directors on the same terms and conditions as those offered to other eligible executives of the Company (Note 38).

The details of the remuneration of the Directors of the Company are disclosed in Note 7.

43. SEGMENTAL INFORMATION

(a) Business Segments:

The Group's activities are classified into six (6) major business segments:

- Steel – manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products;
- Property and construction – property development and management and construction works;
- Timber extraction and pulp and paper – integrated wood-based activities and pulp and paper mill operations;
- Building materials – trading and distribution of building materials and other steel products;
- Beverage – manufacture and sale of beer and non-alcoholic drinks; and
- Others – investment holding, treasury business, manufacture and trading of lubricants, spark plugs, plastic components, industrial chemical products and automotive components and education services, none of which are of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and rental income from other business segments. These transactions are conducted on arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, expenditure carried forward and plantation development expenditure.



**The Group
2004**

	Steel RM'000	Property and construction RM'000	Timber extraction and pulp and paper RM'000	Beverage RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External revenue	2,368,232	84,717	398,441	378,443	303,246	104,789	-	3,637,868
Inter-segment revenue	58,487	3,120	-	-	11,394	-	(73,001)	-
Total revenue	<u>2,426,719</u>	<u>87,837</u>	<u>398,441</u>	<u>378,443</u>	<u>314,640</u>	<u>104,789</u>	<u>(73,001)</u>	<u>3,637,868</u>
Results								
Segment results	<u>301,921</u>	<u>31,622</u>	<u>59,247</u>	<u>24,904</u>	<u>2,448</u>	<u>(46,394)</u>	<u>-</u>	<u>373,748</u>
Unallocated costs								(3,496)
Profit from operations								370,252
Finance costs								(153,906)
Share in results of associated companies	-	-	-	5,985	-	2,798	-	8,783
Income from other investments								34,042
Gain on disposal of subsidiary companies	-	-	-	314,606	-	-	-	314,606
Profit before tax								573,777
Income tax expense								(98,389)
Profit after tax								475,388
Minority interests								(139,164)
Net profit for the year								<u>336,224</u>
Assets								
Segment assets	2,824,063	688,920	1,425,042	-	102,614	219,210	-	5,259,849
Investment in associated companies	-	-	-	-	-	354,177	-	354,177
Unallocated corporate assets								38,791
Consolidated total assets								<u>5,652,817</u>
Liabilities								
Segment liabilities	2,356,906	393,415	40,550	-	28,074	260,124	-	3,079,069
Unallocated liabilities								144,309
Consolidated total liabilities								<u>3,223,378</u>
Other Information								
Capital additions	59,181	612	30,478	27,274	162	6,815	-	124,522
Depreciation and amortisation	73,480	3,199	31,604	35,464	138	11,392	-	155,277
Other non-cash expenses	6,572	154	3,448	308	1,256	36,653	-	48,391

**The Group
2003**

	Steel RM'000	Property and construction RM'000	Timber extraction and pulp and paper RM'000	Beverage RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External revenue	1,541,154	86,838	99,195	203,205	31,235	52,922	–	2,014,549
Inter-segment revenue	8,300	3,146	–	–	–	–	(11,446)	–
Total revenue	1,549,454	89,984	99,195	203,205	31,235	52,922	(11,446)	2,014,549
Results								
Segment results	119,016	22,171	1,663	13,138	83	(42,426)	–	113,645
Unallocated costs								(3,243)
Profit from operations								110,402
Finance costs								(131,439)
Share in results of associated companies	–	–	–	1,215	–	(10,648)	–	(9,433)
Income from other investments								29,553
Impact of GWRS								120,363
Profit before tax								119,446
Income tax expense								(47,121)
Profit after tax								72,325
Minority interests								(877)
Net profit for the year								71,448
Assets								
Segment assets	2,283,478	1,190,468	1,620,469	1,091,056	47,220	218,066	–	6,450,757
Investment in associated companies	–	–	–	50,288	–	53,969	–	104,257
Unallocated corporate assets								43,843
Consolidated total assets								6,598,857
Liabilities								
Segment liabilities	2,155,717	629,081	35,744	502,737	15,868	393,393	–	3,732,540
Unallocated liabilities								148,643
Consolidated total liabilities								3,881,183
Other Information								
Capital additions	35,991	365	6,250	20,372	51	10,759	–	73,788
Depreciation and amortisation	56,772	3,704	10,002	22,379	55	10,306	–	103,218
Other non-cash expenses	25	1,529	229	1,240	–	27,275	–	30,298

(b) Geographical Segments:

The Group operates in three (3) main geographical areas:

- Malaysia – manufacture and distribution of steel products, property development and management, construction works, timber extraction and pulp and paper and building materials and consumables;
- People’s Republic of China – manufacture and sale of beer and non-alcoholic drinks, plastic components, industrial chemical products and automotive parts; and
- Others – investment holding.

	Revenue		Total Assets		Capital Additions	
	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000	2004 RM’000	2003 RM’000
Malaysia	2,417,721	1,371,059	5,513,025	5,359,818	93,640	43,092
People’s Republic of China	418,391	237,052	113,786	1,194,167	30,882	30,696
Others	801,756	406,438	26,006	44,872	–	–
	3,637,868	2,014,549	5,652,817	6,598,857	124,522	73,788

In determining the geographical segments of the Group, revenue are based on the country in which the customer is located. Total assets and capital additions are determined based on where the assets are located.

44. CONTINGENT LIABILITIES (UNSECURED)

- (a) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by a subsidiary company are as follows:

	The Company	
	2004	2003
	RM'000	RM'000
Subsidiary company	3,237	3,230

- (b) Contingent liabilities of subsidiary company, Sabah Forest Industries Sdn Bhd ("SFI"), are as follows:

	The Group	
	2004	2003
	RM'000	RM'000
Legal claims in respect of the termination of contracts for the extraction and sale of timber	313,300	313,300

Indemnity contracts have been signed between LFIB, the immediate holding company of SFI and Avenel, the former immediate holding company of LFIB, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000 (2003: RM313,300,000) and any other claims brought by third parties against SFI wherein the cause of action arises prior to the completion of the corporate exercise.

45. CAPITAL COMMITMENTS

As of the end of the financial year, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
Acquisition of land	100,366	100,366	-	-
Acquisition of plant and machinery	21,149	10,778	-	-
	121,515	111,144	-	-
Approved but not contracted for:				
Acquisition of plant and machinery	18,809	18,653	-	-
Plantation development expenditure	16,944	17,164	-	-
	35,753	35,817	-	-
	157,268	146,961	-	-

46. FINANCIAL INSTRUMENTS

Financial Instruments

The principal financial assets of the Group are deposits and bank balances, trade and other receivables.

The significant financial liabilities include trade and other payables, bank borrowings, LICB Bonds and USD Debts.

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Bank borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

The accounting policies applicable to the major financial instruments are as disclosed in Note 4.

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

(i) Foreign currency risk

The Group has exposure to foreign currency risk as a result of its trade sales and purchases, borrowings and USD Debts. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Renminbi.

The imposition of currency controls via pegging of Ringgit Malaysia to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation.

The currency exposure of Renminbi is limited as Renminbi is the functional currency of the subsidiary companies incorporated in the People's Republic of China.

(ii) Interest rate risk

The Group's significant interest-bearing financial assets and financial liabilities are mainly its deposits placements and also its obligations comprising borrowings, LICB Bonds and USD Debts.

The deposits placements as of balance sheet date, which are interest-bearing, are short-term and therefore its exposure to the effects of future changes in prevailing level of interest rates is limited.

The borrowings, LICB Bonds and USD Debts of the Group as of 30 June 2004 are fixed and floating rate financial liabilities as disclosed in Notes 34 to 36.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of 30 June 2004, is the carrying amount of these receivables as disclosed in the balance sheet.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The fair values of short-term financial assets and financial liabilities reported in the balance sheet approximate their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The fair values of long-term financial assets and financial liabilities are determined based on market conditions or by discounting the relevant cash flows using the current interest rates for similar instruments at balance sheet date. There is no material difference between the fair values and carrying values of these assets and liabilities as of the balance sheet date except for the quoted shares, which quoted market prices are used to determine the fair value:

	The Group		The Company	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
2004				
Long-term investments:				
- quoted shares	<u>125,648</u>	<u>30,485</u>	<u>19,095</u>	<u>8,050</u>
2003				
Long-term investments:				
- quoted shares	<u>132,926</u>	<u>36,160</u>	<u>22,367</u>	<u>8,868</u>

No disclosure is made for other investments (unquoted investments) as it is not practicable to determine the fair values of these investments because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

47. SUBSIDIARY COMPANIES

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Property Division			
* Amble Legacy Sdn Bhd	100	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	94	94	Dormant
* Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China)	95	95	Property development
Berkat Timor Sdn Bhd	100	100	Property development
Citibaru Sendirian Berhad	100	100	Property development
* Crest Wonder Sdn Bhd	100	100	Investment holding
JOPP Builders Sdn Bhd	100	100	Contractor for construction and civil engineering works
LLB Bina Sdn Bhd	100	100	Property development
LLB Damai Holdings Sdn Bhd	100	100	Investment holding
LLB Indah Permai Sdn Bhd	100	100	Property development
Lion Courts Sdn Bhd	100	100	Investment and property holding
Lion Klang Parade Bhd	100	100	Property holding and development
Malim Courts Property Development Sdn Bhd	100	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	100	100	Property development
* Matrix Control Sdn Bhd	100	100	Investment holding
Mcken Sdn Bhd	100	100	Property development
PM Holdings Sdn Bhd	100	100	Investment holding and property development
Projek Jaya Sdn Bhd	100	100	Investment holding
Seri Lalang Development Sdn Bhd	100	100	Provision of management consultancy services
Sharikat Pengangkutan East West Sdn Bhd	100	100	Provision of management consultancy services

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Property Division			
Soga Sdn Bhd	94	94	Property development
Sucorp Enterprise Sdn Bhd	100	100	Investment holding
Sumber Realty Sdn Bhd	100	100	Property development and investment holding
Syarikat Pekan Baru Kemajuan Berhad	100	100	Property development
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	95	95	Property development
* Trial Jubilant Sdn Bhd	100	100	Investment holding
Steel Division			
* Amsteel Mills Sdn Bhd	99	99	Manufacture and marketing of steel bars, wire rods and hot briquetted iron
* Amsteel Mills Marketing Sdn Bhd	99	99	Marketing and sales of steel related products
* Amsteel Mills Realty Sdn Bhd	99	99	Investment holding
Antara Steel Mills Sdn Bhd	99	99	Manufacture of steel and related products
* LLB Steel Industries Sdn Bhd	100	100	Investment holding
* Steelcorp Sdn Bhd	99	99	Investment holding
Others			
* Amarod Corporation Sdn Bhd (in liquidation - voluntary)	100	100	Manufacture of pre-stressed concrete wire and strand (yet to commence operations as of 30 June 2004)
* Hebei Weiyuan Heilen Bio-Chemical Co Ltd (incorporated in the People's Republic of China)	33	33	Manufacture of industrial chemicals and related products
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	76	76	Investment holding

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Others			
* Huangshi Heilen Pharmaceutical Co Ltd (incorporated in the People's Republic of China) (in liquidation)	36	36	Manufacture and packaging of pharmaceutical products (ceased operations)
Kisan Agency Sdn Bhd	100	100	Property development
LLB Enterprise Sdn Bhd	69	69	Dormant
LLB Harta (M) Sdn Bhd	100	100	Managing of debts novated from LICB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by LICB and certain of its subsidiary companies
LLB Harta (L) Limited	100	100	Treasury business
LLB Nominees Sdn Bhd	100	100	Investment holding
LLB Strategic Holdings Berhad	90	90	Investment holding
LLB Suria Sdn Bhd	100	100	Investment holding
* LLB Venture Sdn Bhd	100	100	Dormant
* Lion Biotech Pte Ltd (incorporated in Singapore)	61	61	Investment holding
* Lion Motor Venture Sdn Bhd	100	100	Investment holding
Marvenel Sdn Bhd	70	70	Investment holding
Sepang Education Centre Sdn Bhd	90	90	Commercial college for higher education
Worldwide Unilink Education and Consultancy Sdn Bhd	100	100	Provider of educational services and competence based training
* Shanghai Lion Plastic Industrial Co Ltd (incorporated in the People's Republic of China)	68	68	Manufacture and marketing of plastic components and related products
* Slag Aggregate Sdn Bhd	100	100	Dormant
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China)	56	56	Manufacture of meters for motor vehicles and after sales services
Lion Forest Industries Berhad	83	83	Investment holding
** Lion Diversified Holdings Berhad (Note 48)	–	59	Investment holding

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Subsidiary Companies of Lion Forest Industries Berhad			
Timber Extraction and Pulp and Paper Division			
Sabah Forest Industries Sdn Bhd	81	81	Integrated wood-based activities and pulp and paper mill operations
Sabah Pulp and Paper Mill Sdn Bhd	81	81	Dormant
SFI Paper Pte Ltd (incorporated in Singapore)	81	81	Dormant
Others			
Lion Rubber Industries Sdn Bhd (formerly known as Fabulous Contour Sdn Bhd)	83	83	Dormant
Ototek Sdn Bhd	58	58	Trading and distribution of lubricants, spark plugs and automotive components
Posim Agricultural Products Sdn Bhd	83	83	Dormant
Posim Marketing Sdn Bhd	83	83	Ceased operations in the trading, servicing, hiring and distribution of industrial machines and equipment during the year and commenced operations in the trading of building materials and consumer products
Posim Petroleum Marketing Sdn Bhd	83	83	Trading and distribution of petroleum products
Posim Petroleum Products Sdn Bhd	83	83	Manufacturing of petroleum products
SC Nominees Sdn Bhd	83	83	Investment holding (inactive during the year)
Stoller Chemical Company (M) Sdn Bhd (in liquidation - voluntary)	83	83	Dormant

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Subsidiary Companies of Lion Diversified Holdings Berhad			
Property Division			
* Lion Mahkota Parade Sdn Bhd	–	59	Property management and operation of food court
* Lion Subang Parade Sdn Bhd	–	59	Property management
* Megavest Sdn Bhd	–	59	Property and housing development
* Urban Resources Sdn Bhd	–	59	Property development
Beverage Division			
* Beijing CPB Foodstuff Co Ltd (in liquidation) (incorporated in the People's Republic of China)	–	25	Ceased operations
* Hubei Jinlongquan Brewery Co Ltd (incorporated in the People's Republic of China)	–	35	Beer brewing
* Hubei Lion Brewery Co Ltd (incorporated in the People's Republic of China)	–	35	Beer brewing
* Hunan DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	–	32	Beer brewing
* Jiangsu DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	–	32	Beer brewing
* Jinhua Lion Brewery Co Ltd (incorporated in the People's Republic of China)	–	32	Production and marketing of beer and non-alcoholic drinks
* Jinlongquan Brewery (Xiaogan) Co Ltd (incorporated in the People's Republic of China)	–	20	Manufacture and sale of beer and non-alcoholic drinks
* Lion Brewing Group Co Ltd (incorporated in the People's Republic of China)	–	32	Beer brewing

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
Subsidiary Companies of Lion Diversified Holdings Berhad			
Beverage Division			
* Pingyang Lion Beer Co Ltd (incorporated in the People's Republic of China)	–	32	Beer brewing
* Shandong DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	–	35	Beer brewing
* Shanghai DEbier Management Consulting Co Ltd (incorporated in the People's Republic of China)	–	59	Management consulting services
* Wenzhou Double Deer Beer Marketing Co Ltd (incorporated in the People's Republic of China)	–	32	Sale and marketing of beer and other beverages
* Wenzhou Lion Brewery R & D Co Ltd (incorporated in the People's Republic of China)	–	32	Provision of technical assistance and undertaking research and development works
* Zhejiang YanDangShan Lion Brewery Co Ltd (incorporated in the People's Republic of China)	–	32	Beer brewing
* Zhu Zhou DEbier Brewery Co Ltd (incorporated in the People's Republic of China)	–	40	Beer brewing and mineral water bottling
Others			
* Bingkisan Jaya Sdn Bhd	–	59	Dormant
* Consitrade (M) Sdn Bhd	–	59	Investment holding
* CPB Enterprise Sdn Bhd	–	59	Ceased operations
* CPB Far East Limited (incorporated in Hong Kong)	–	59	Dormant
* CPB Investment AG (incorporated in Switzerland)	–	59	Investment holding
* CP Properties Sdn Bhd	–	59	Dormant
* DEbier Sdn Bhd	–	59	Investment holding

Name of Company	Effective Percentage Ownership		Principal Activities
	2004 %	2003 %	
* Force Ten Sdn Bhd	–	59	Dormant
* Gemmo Pte Ltd (incorporated in Singapore)	–	59	Investment holding
* Gesto Pte Ltd (incorporated in Singapore)	–	59	Dormant
* Graimpi Sdn Bhd	–	59	Investment holding
* Grand Tours & Travel Service Sdn Bhd	–	59	Dormant
* Hypervest Sdn Bhd	–	59	Dormant
* Indobaru Sdn Bhd	–	59	Dormant
* Jatitrade Sdn Bhd	–	59	Dormant
* LDH Investment Pte Ltd (incorporated in Singapore)	–	35	Investment holding
* LDH Management Sdn Bhd	–	59	Investment holding and operation of food court
* LDH Manufacturing Sdn Bhd	–	59	Ceased operations
* LDH Trading Sdn Bhd	–	59	Ceased operations
* LDH (S) Pte Ltd (incorporated in Singapore)	–	59	Investment holding
* Le Chocolatier Boutique (M) Sdn Bhd	–	59	Dormant
* Pavlova Investment Pte Ltd (incorporated in Singapore)	–	59	Investment holding
* Pattervest Sdn Bhd	–	59	Dormant
* United Brands Trading Sdn Bhd	–	59	Dormant

* *The financial statements of these companies were examined by auditors other than the auditors of the Company.*

** *Ceased to be a subsidiary company and became an associated company during the financial year.*

48. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2004 %	2003 %	
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	49	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2004)
Changchun Fawer - Lion Auto Electromechanical Co Ltd	31 December	People's Republic of China	50	50	Manufacture of carburettors
CH-Lion Reinforcing Steel Sdn Bhd	31 December	Malaysia	20	20	Cutting and bending steel bars for sale
Kamiya Corporation Sdn Bhd	30 June	Malaysia	19	19	Property development (yet to commence operations as of 30 June 2004)
Lion Asia Investment Pte Ltd	30 June	Singapore	20	20	Investment holding
Parkson Venture Pte Ltd	30 June	Singapore	–	26	Investment holding
Sereka Jaya Sdn Bhd	31 December	Malaysia	35	35	Property development (yet to commence operations as of 30 June 2004)
Teck Chiang Investment Pte Ltd	30 June	Singapore	50	50	Property development and investment holding (yet to commence operations as of 30 June 2004)
Lion Diversified Holdings Berhad (Note 47)	30 June	Malaysia	45	–	Investment holding
# Tianjin Huali Motor Co Ltd	31 December	People's Republic of China	25	25	Manufacture of commercial vehicles
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	50	50	Mixed commercial property development cum cash and carry retail business

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2004 %	2003 %	
# Hubei Zenith Heilen Pharmaceutical Co Ltd	31 December	People's Republic of China	15	15	Manufacture and sale of pharmaceutical products
Associated Company of Lion Forest Industries Berhad					
Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	17	17	Assembly of Isuzu range of motor vehicles
Associated Company of Lion Diversified Holdings Berhad ##					
Ningbo Lion Brewery Co Ltd	31 December	People's Republic of China	–	26	Beer brewing

Except for Sereka Jaya Sdn Bhd, the financial statements of all the associated companies were examined by auditors other than the auditors of the Company.

The Group has not accounted for the investment in these associated companies under the equity method of accounting as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in their management. Accordingly, the investment costs or group costs have been included under long-term investments (Note 20).

Ceased to be a subsidiary company and became an associated company during the financial year.

49. SUBSEQUENT EVENT

On 23 August 2004, the Company announced that its wholly-owned subsidiary company, Lion Klang Parade Bhd, has accepted a letter of offer dated 11 August 2004 from TMW Lion GmbH, a wholly-owned subsidiary company of TMW Asia Property Fund I GmbH and Co KG, a German closed-end property fund for institutional investors, for the proposed disposal of its investment property comprising a shopping complex known as Klang Parade for a cash consideration of RM107.651 million. A formal sale and purchase agreement in respect of the proposed disposal will be executed after a due diligence review has been conducted to the satisfaction of the purchaser.

The said proposed disposal, which is subject to the relevant approvals being obtained, is expected to result in a Group loss of RM17 million. This amount has been provided in the financial statements as allowance for foreseeable loss on disposal of investment property as disclosed in Note 6.

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2004 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
15 September 2004

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **DATUK CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATUK CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **DATUK CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 15th day of September, 2004.

Before me,

W-217
P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Letter of Offer dated 11 December 2003 made by the Company and Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Company with the agreement of Sabah Forest Industries Sdn Bhd ("SFI"), a 97.78% owned subsidiary of LFIB and Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company (superseding the letter of offer dated 9 June 2003 made between SFI and AMSB), collectively companies wherein a Director and certain major shareholders of the Company have an interest and Financing Agreement dated 23 June 2004 made between the Company, SFI, LFIB and AMSB whereby LFIB lends up to RM100 million at an interest rate of 12% per annum (the sum of which is advanced from SFI) to the Company which in turn advances to AMSB ("Facility") to facilitate the financing required by AMSB for the completion of a steel meltshop facility located in Banting, Selangor Darul Ehsan to be fully repaid by 30 June 2009.

The first interest payment shall be made 12 months from the date of first drawdown and thereafter it shall be payable semi-annually in arrears. The principal shall be repaid by annual instalments. The Facility is secured by the creation of the following:

- (a) Third party second charge over the non-vacant plot of land held under HS(D) 13425, PT 17216, Mukim Tanjung Dua Belas, District of Kuala Langat, Selangor Darul Ehsan ("Property") (including the building and meltshop but excluding the rolling mill) which ranks in priority to the first charge created in favour of the existing lenders of AMSB; and
 - (b) Third party second debenture comprising a fixed charge over the non-vacant plot of the Property (excluding the rolling mill) which ranks in priority to the first debenture charge created in favour of the existing lenders of AMSB.
2. Conditional Deferment Agreement dated 12 March 2004 between the Company and Likom Computer System Sdn Bhd ("LCS"), a company wherein a major shareholder of the Company has an interest, for the deferment of the redemption date of the remaining 41,613,000 cumulative redeemable preference shares of RM0.01 each in LCS held by the Company from 28 December 2003 to 28 June 2005.

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company has registered with the Securities and Exchange Commission of the United States of America a Level 1 Sponsored American Depositary Receipt (“ADR”) Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company’s trading symbol on the US OTC Market is LICUY and its CUSIP number is 53620V100.

The depositary bank for the ADR Programme is The Bank of New York and the sole custodian of the Company’s shares for the ADR Programme is Malayan Banking Berhad (“MBB”), Kuala Lumpur.

As at 30 September 2004, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2004

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	Lot 7736, HS(D) 159945 Johor Bahru, Johor	Freehold	152 sq metres	3-storey shophouse	32	0.1	June 1991
2.	PT 19268-69 Mukim of Bukit Raja Klang, Selangor	Freehold	1.1 hectares	Commercial land where development is in progress	–	1.9	27 September 1993
3.	PT 19263 Mukim of Bukit Raja Klang, Selangor	Freehold	0.5 hectare	Commercial land where development is in progress	–	4.9	27 September 1993
4.	Melaka Technology Park PT 3852, HS(D) 34924 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	37.6 hectares	Factory buildings	12	99.1	September 1994
5.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.2 hectare	Commercial land where development is in progress	–	0.1	30 October 1992
6.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land for future development	–	7.4	June 1991
7.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	3.4 hectares	Land where development is in progress	–	13.6	June 1991
8.	Lot 1553, Section 2 Bandar Tanjung Tokong Pulau Pinang	Freehold	0.3 hectare	Land & buildings	5	2.7	June 1991
9.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land where development is in progress	–	4.4	June 1991
10.	Lot 11233 HS(D) 60874 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land for future development	–	0.1	June 1991
11.	Lot 7623 Kepong Utara Mukim of Batu Kuala Lumpur	Leasehold 30.3.2086	4.9 hectares	Land where development is in progress	–	14.8	30 June 1990
12.	Mukim 17 North East District Batu Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land for future development	–	32.1	June 1991
13.	PT 19261 Mukim of Bukit Raja Klang, Selangor	Freehold	4.2 hectares	Office and shopping complex	10	109.3	March 2004

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
14. Lot 408, 937 & 2090 Mukim of Plentong Johor Bahru	Freehold	2.8 hectares	Agriculture land for future development	–	0.2	June 1991
15. PT 798 & 885 Mukim of Jerai District of Jempol Negeri Sembilan	Freehold	0.1 hectare	Land & buildings	2	0.2	6 September 1994
16. PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	27	39.5	22 October 1994
17. PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land & buildings	27	0.3	22 October 1994
18. PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor	Leasehold 29.3.2087	10.4 hectares	Industrial land	–	8.9	22 October 1994
19. PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	9	9.7	22 October 1994
20. Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	4	277.2	1996
21. Beijing Lu, Fengxi Town Qingpu County Shanghai, China	Leasehold 30.6.2043	7.1 hectares	Office & factory buildings	10	3.2	1 July 1993
22. 27 Nanheng Street Fuxingzhuang Hedong District Tianjin, China	Leasehold 19.12.2045	33,411 sq metres	Industrial land, office & factory	7-18	9.1	December 1995
23. 186, Yellow River Road Zhejiazhuang New and Hi-Tech Industrial Development Zone Hebei, China	Leasehold 1.6.2026	20,100 sq metres	Industrial land & buildings	7-8	4.7	June 1996
24. Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	6.3) 4.4) 6.5) hectares	Industrial land & buildings	13 9 26	12.7) 13.7) 15.6)	September 2002
25. PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land & buildings	9	8.9	September 2002
26. Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	27,720 sq feet	Residential	18	0.9	September 2002

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
27.	11 & 15, Jalan Dahlia 3 Bukit Dahlia 81700 Pasir Gudang, Johor	Leasehold 2.2.2092	30,967 sq feet	Bungalow	12	0.4	September 2002
28.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	11,832 sq feet	Residential	12	0.3	September 2002
29.	Blok 2-4, 17 & 18 Taman Cendana 81700, Pasir Gudang, Johor	Leasehold 28.4.2093	210,972 sq feet	Residential	7-9	9.4	September 2002
30.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	33,162 sq feet	Residential	10	1.5	September 2002
31.	PT 4004/HS(D) KK123/85 Taman Sri Guchil Kuala Krai, Kelantan	Freehold	148.65 sq metres	Double storey shophouse	4	0.1	September 2002
32.	3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land & buildings	15	1.0	March 2003
33.	Lot 72, Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land & buildings	10	9.6	March 2003
34.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land & buildings	19	0.1	March 2003
35.	Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor	Freehold	2,716 sq feet	Buildings	6	0.4	March 2003
36.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land & buildings	6	0.2	March 2003
37.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land & building	5	0.7	March 2003
38.	Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	–	1.6	March 2003
39.	Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land & buildings	16-19	51.7	March 2003

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
40. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	–	1.5	March 2003
41. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	–	20.1	March 2003
42. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	–	0.1	March 2003
43. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land & buildings	16–19))))	412.5	March 2003
44. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land & buildings	16–19))))		
45. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land & buildings	16–19))))		
46. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land & buildings	16-19		
47. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	–		
48. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	–	14.7	March 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2004

Authorised Share Capital	:	RM750,000,000
Issued and Paid-up Capital	:	RM679,235,465
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2004

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	2,443	7.88	127,857	0.02
100 to 1,000	11,101	35.79	6,579,461	0.97
1,001 to 10,000	14,829	47.81	51,359,165	7.56
10,001 to 100,000	2,298	7.41	62,427,063	9.19
100,001 to less than 5% of issued shares	343	1.10	200,834,208	29.57
5% and above of issued shares	3	0.01	357,907,711	52.69
	<u>31,017</u>	<u>100.00</u>	<u>679,235,465</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 30 September 2004

Registered Shareholders	No. of Shares	% of Shares
1. Lion Corporation Berhad	180,576,909	26.59
2. Megasteel Sdn Bhd	102,000,000	15.02
3. Lembaga Tabung Angkatan Tentera	75,330,802	11.09
4. Pembinaan Mitrajaya Sdn Bhd	9,393,055	1.38
5. Lion Construction & Engineering Sdn Bhd	7,387,530	1.09
6. Mayang Jati (M) Sdn Bhd	6,723,472	0.99
7. Menta Construction Sdn Bhd	5,292,556	0.78
8. Malaysian Trustees Berhad - LLB Scheme	5,273,441	0.78
9. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pui Cheng Wui	4,715,700	0.69
10. Yap Teck Fui	4,500,000	0.66
11. PLB-KH Bina Sdn Bhd	3,300,556	0.49
12. Cartaban Nominees (Asing) Sdn Bhd State Street London Fund U8S8 for AIG South East Asia Fund PLC	3,261,000	0.48

Registered Shareholders	No. of shares	% of shares
13. Mayang Jati (M) Sdn Bhd	3,100,000	0.46
14. Ryoden (Malaysia) Sdn Bhd	3,063,994	0.45
15. Mayban Nominees (Asing) Sdn Bhd G K Goh Stockbrokers Pte Ltd (IA 69693-985180)	3,000,000	0.44
16. Mayban Nominees (Asing) Sdn Bhd G K Goh Stockbrokers Pte Ltd for Alpha Secs Pte Ltd (N14011990173)	3,000,000	0.44
17. United Overseas Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Kong Hiok (MKL)	2,431,400	0.36
18. Cartaban Nominees (Asing) Sdn Bhd Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreichische Volksbanken AG	2,250,000	0.33
19. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (BK 6/191-1)	2,227,844	0.33
20. Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,212,500	0.33
21. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,210,000	0.33
22. Southern Steel Berhad	2,108,152	0.31
23. Bond Electrical (Kuala Lumpur) Sdn Bhd	2,005,157	0.30
24. Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for LLB Suria Sdn Bhd (JPMC Labuan)	1,906,502	0.28
25. Ng Teng Song	1,885,900	0.28
26. Syarikat Hawk Soon Hin Sdn Bhd	1,814,000	0.27
27. Citicorp Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	1,742,581	0.26
28. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,731,900	0.25
29. HSBC Nominees (Tempatan) Sdn Bhd HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,712,875	0.25
30. Lim Bee Guat	1,700,000	0.25

Substantial Shareholders as at 30 September 2004

Substantial Shareholders	Direct Interest		Indirect Interest		
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Options ⁽¹⁾
1. Tan Sri Cheng Heng Jem	–	–	300,218,625	44.20	–
2. Datuk Cheng Yong Kim	1,143,689	0.17	299,998,443	44.17	457,000
3. Lion Realty Pte Ltd	–	–	299,918,055	44.16	–
4. Lembaga Tabung Angkatan Tentera	75,330,803	11.09	340,500	0.05	–
5. Lion Development (Penang) Sdn Bhd	225,257	0.03	295,387,878	43.49	–
6. Horizon Towers Sdn Bhd	122,290	0.02	292,245,635	43.03	–
7. Lion Corporation Berhad	180,576,909	26.59	111,668,726	16.44	–
8. LDH (S) Pte Ltd	–	–	292,245,635	43.03	–
9. Lion Diversified Holdings Berhad	–	–	292,245,635	43.03	–
10. Megasteel Sdn Bhd	102,000,000	15.02	–	–	–
11. Limpahjaya Sdn Bhd	–	–	102,000,000	15.02	–

Note:

⁽¹⁾ Options granted pursuant to the Company's Executive Share Option Scheme at an option price of RM1.00 per share.

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

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

	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Datuk Cheng Yong Kim				
Related Company				
Lion Forest Industries Berhad	–	–	171,816,692	84.50

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM37,000 (2003: RM60,330).

(II) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2004 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (i) The sale of steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group") ⁽¹⁾	563,581
	Lion Teck Chiang Limited Group ⁽¹⁾	79,783
	Lion Forest Industries Berhad Group ("LFIB Group") ⁽¹⁾	58,487
	Amsteel Corporation Berhad Group ("Amsteel Group") ⁽¹⁾	39,501
	Amalgamated Containers Berhad Group ("ACB Group") ⁽¹⁾	14,138
		755,490
(ii) The purchase of scrap iron, gases and other related products and services	LCB Group ⁽¹⁾	311,974
	LFIB Group ⁽¹⁾	11,506
	Lion Holdings Pte Ltd Group ⁽¹⁾	9,593
	ACB Group ⁽¹⁾	1,132
	Ributasi Holdings Sdn Bhd Group ("Ributasi Group") ⁽³⁾	358
	Amsteel Group ⁽¹⁾	462
Sim Holdings Sdn Bhd Group ⁽¹⁾	846	
	335,871	
(iii) The purchase of machinery, spare parts, tools and dies and other related products and services	Amsteel Group ⁽¹⁾	2,943
(iv) The provision of storage, leasing and rental of properties, management and support and other related services	ACB Group ⁽¹⁾	362
	LFIB Group ⁽¹⁾	660
	1,022	
(v) The obtaining of storage, leasing and rental of properties, management and support and other related services	Amsteel Group ⁽¹⁾	529
(vi) The obtaining of marketing, distribution and transportation services	Amsteel Group ⁽¹⁾	2,815
	Peringkat Prestasi (M) Sdn Bhd Group ⁽²⁾	1,148
		3,963

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Property-based (i) The provision of storage, leasing, rental of properties and related services	Ributasi Group ⁽³⁾	7,108
	Amsteel Group ⁽¹⁾	3,985
	Silverstone Corporation Berhad Group ("SCB Group") ⁽¹⁾	118
		11,211
(ii) The awarding of contracts, nomination of sub-contractors and consultants for property projects	Amsteel Group ⁽¹⁾	404
	LCB Group ⁽¹⁾	93
	Lion Development (Penang) Sdn Bhd Group ("LDP Group") ⁽¹⁾	121
		618
(iii) The obtaining of building maintenance, project management, security, sales and marketing and other related services	Lion Diversified Holdings Berhad Group ⁽¹⁾	282
(c) Others (i) The provision of management and support, training and other related services	LDP Group ⁽¹⁾	983
	SCB Group ⁽¹⁾	12
		995
(ii) The obtaining of security services and security communication equipment	Amsteel Group ⁽¹⁾	715
(iii) The purchase of motor vehicles, component parts and other related products and services	LFIB Group ⁽¹⁾	1,304
(iv) The purchase of office equipment, furniture and other industrial products	LCB Group ⁽¹⁾	46

Notes:

"Group" includes subsidiary and associated companies.

- (1) Company in which a Director and certain major shareholders of the Company have an interest.
- (2) Major shareholder of the Company as defined in the Listing Requirements of Bursa Malaysia Securities Berhad.
- (3) Company in which a Director and a major shareholder of the Company have an interest.

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

The status of the various conditions imposed by the SC in its approval of the Group Wide Restructuring Scheme (“GWRS”) are as follows:

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

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

1. ORGANISATION STRUCTURE

As proposed by PwC, the Lion Group organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, Public Listed Company (“PLC”) Management level and also the structure at the various key operating companies (“KOCs”) level.

1.1 Group Management Structure

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

1.2 Lion Industries Corporation Berhad (“LICB”) Management Structure

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

1.3 KOC Organisation Structure

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

2. FINANCIAL MANAGEMENT

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

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

(b) Status of Proposed Divestment Programme (“PDP”)
(i) Status of the assets to be divested

Assets to be Divested	PDP (Per GWRS)	Completed Up to December 2003	Subsequent to December 2003			
			Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 04)		
				Actual Jan-June 2004	Projected July -Dec 2004	Projected Jan -Dec 2004
	RM'million	RM'million	RM'million	RM'million (a)	RM'million (b)	RM'million (a) + (b)
By December 2002						
Unlisted shares in pharmaceutical company	2.0	2.0	–	–	–	–
Unlisted shares in automotive company	29.4	29.4	–	–	–	–
Listed shares in financial services company	2.5	2.5	–	–	–	–
	33.9					
By December 2003						
Office block	12.6	11.0	–	–	–	–
Shares in unlisted companies, industrial land, shoplots in Parade and shopping centre	161.7	–	7.4	7.4	* 154.3	161.7
	174.3					
By Decemebr 2004						
Shares in unlisted companies and shoplots in Parade and shopping centre	45.4	–	–	–	* 45.4	45.4
By December 2005						
Shares in unlisted company, factories and apartment	9.7	–	–	–	–	–
By December 2006						
Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre	278.0	–	–	–	–	–
Total	541.3	44.9	7.4	7.4	199.7	207.1

* The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LICB Bonds and USD Debts.

(ii) Transactions completed during the financial period (January-June 2004)

The transactions completed during the financial period are as follows:

- a) The redemption of the unlisted preference shares in a manufacturing company:
 - The gross and net redemption proceeds are RM3.0 million; and
 - All the proceeds have been received in the current financial period.
- b) The disposal of factories:
 - The gross and net divestment proceeds are RM4.8 million and RM4.4 million respectively; and
 - All the proceeds have been received in the current financial period.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received were/will be used to redeem/repay the LICB Bonds and USD Debts.

(c) Issues Affecting the Joint-Venture Companies of the Lion Group in the People's Republic of China ("PRC")

(i) Affecting Lion Industries Corporation Berhad ("LICB")

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
1.	The amount of JV Co's capital had exceeded the authorised limit of the provincial Ministry of Commerce (formerly MOFTEC) ("MOC") amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOC in Beijing, PRC.	Tianjin Huali Motor Co Ltd ("THM") (LICB Group's equity holding : 25%)	THM's existing total investment is USD60.24 million (equivalent to approximately RM228.91 million). The Management of the LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co from MOC in Beijing through the provincial MOC for the excess of USD30.24 million (equivalent to approximately RM114.91 million).	The provincial MOC had requested the JV Co to rely on the letter of approval dated 11 September 1995 from the provincial MOC, in that the capital of the JV Co had been properly approved. It is the duty of the provincial MOC to apply for endorsement from the MOC in Beijing. The LICB Group expects to obtain the endorsement by 28 February 2005. The Management of the LICB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.
2.	Property Ownership Right for building ("POR") to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of the LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company ("HZJ"), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC to the JV Co.	The Management of the LICB Group is in the process of procuring HZJ to transfer the ownership of the POR to the JV Co by 28 February 2005. The Management of the LICB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.
3.	The lease of the land by the PRC Party to the JV Co has not been registered with the relevant authorities in the PRC.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of the LICB Group had liaised with HZJ to register the lease over the land located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC with the relevant authorities.	The Management of the LICB Group is in the process of procuring HZJ to obtain the approval for the lease by 28 February 2005. The Management of the LICB Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time.

(ii) **Affecting Amsteel Corporation Berhad (“Amsteel”) (prior to the disposal of the joint-venture companies to Lion Diversified Holdings Berhad on 1 June 2004)**

No.	Issues	Joint-Venture Company (“JV Co”)	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
1.	Retail enterprises to restructure the shareholding ratio between the joint-venture parties and/or the term of operation and/or business scope as required by the State Council in the PRC.	<p>Dalian Tianhe Parkson Shopping Centre Co Ltd (Amsteel Group's equity holding : 60%) *</p> <p>Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%) *</p> <p>Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%) *</p> <p>Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%) *</p>	<p>Submitted the application to maintain or restructure the shareholding ratio and/or the term of operation and/or business scope for approval as required on the following dates:</p> <p>26 December 2001</p> <p>7 December 2001</p> <p>3 December 2001</p> <p>20 February 2002</p>	<p>The business licence to complete the restructuring was obtained on 29 August 2003. Issue resolved.</p> <p>Approval from the relevant authorities had been obtained in mid-May 2004. Issue resolved.</p> <p>Approval from the relevant authorities had been obtained in mid-May 2004. Issue resolved.</p> <p>Approval from the relevant authorities for the restructuring and the amendments to the Joint-Venture Agreement and Articles of Association of this JV Co had been obtained on 14 February 2004 and in mid-May 2004 respectively. Issue resolved.</p>
2.	Land Use Right(s) for land(s) (“LUR”) to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%) *	The Management of the Amsteel Group had liaised with the PRC Party, Li Feng (Xian) Real Estate Development Co Ltd (“LFXR”), to transfer the LUR of the land located at No. 119, Dong Da Jie, Bei Lin District, Xian, Shanxi Province, PRC to the JV Co.	The LUR certificate has been issued and the Management of the Amsteel Group is liaising very closely with LFXR to register the LUR certificate in the name of the JV Co. The JV Co expects to procure the registration by 28 February 2005. The Management of the Amsteel Group will closely monitor the development and shall endeavour to resolve this issue within the aforesaid time.
3.	Shortfall in capital to be contributed by the Amsteel Group.	Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%) *	The Management of the Amsteel Group is required to inject such amount to make up for the shortfall of Rmb2.19 million (equivalent to approximately RM1.00 million) (“Shortfall”).	The capital verification from the certified auditor for the injection of the Shortfall had been obtained on 21 April 2004. Issue resolved.

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2004
4.	The PRC party has not obtained the LUR or Property Ownership Right(s) for building(s) ("POR") certificate in its favour for property leased by the PRC Party to the JV Co or the lease of the LUR or POR to the JV Co has not been registered with the relevant authorities in the PRC.	<p>Mianyang Fulin Parkson Plaza Co Ltd (Amsteel Group's equity holding : 60%) *</p> <p>Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%) *</p> <p>Chongqing Wangyu Parkson Plaza Co Ltd (Amsteel Group's equity holding : 70%) *</p>	<p>The Management of the Amsteel Group had liaised with the PRC Party, Sichuan Mianyang Fulin Real Estate Development Co Ltd ("SMF"), to register the lease of the building located at No. 17, An Chang Lu, Mianyang City, Sichuan Province, PRC.</p> <p>The Management of the Amsteel Group had liaised with the PRC Party, Sichuan Hezheng Company Limited by Shares ("SHC"), to obtain the POR certificate for the building located at No. 31, Zong Fu Lu, Jinjiang District, Chengdu City, Sichuan Province, PRC, leased by the PRC Party to the JV Co.</p> <p>The Management of the Amsteel Group had liaised with the PRC Party, Chongqing Wangyu Economic Industry Development Corporation ("CWE"), to obtain the POR certificate in its favour for the building located at No. 77, Da Ping Changjiang Er Lu, Yuzhong District, Chongqing, PRC and leased by the PRC Party to the JV Co.</p>	<p>The lease had been registered on 20 July 2004. Issue resolved.</p> <p>SHC will endeavour to transfer the POR certificate in its favour by 28 February 2005. The Management of the Amsteel Group will closely monitor the development and will endeavour to resolve this issue within the aforesaid time. In the meantime, SHC had issued a letter dated 20 February 2004 to confirm that the JV Co is entitled to use the building pending the said transfer.</p> <p>The parent company of CWE and owner of the building had authorised CWE to lease the building to the JV Co. Issue resolved.</p>
5.	The PRC Party borrowed Rmb17,803,000 from the JV Co and as security, the PRC Party pledged its 40% equity interest in the JV Co to the Amsteel Group. The pledge has not been registered with the relevant authorities.	Dalian Tianhe Parkson Shopping Centre Co Ltd (Amsteel Group's equity holding : 60%) *	The Management of the Amsteel Group had liaised with the management of JV Co to take steps to register the pledge of the equity interest by the PRC Party, Dalian Tianhe Plaza Company Limited ("DTP").	The outstanding loan had been repaid on 27 July 2004. The registration of the pledge is no longer an issue.

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



FORM OF PROXY

I/We

I.C. No./Company No.

of

being a member/members of LION INDUSTRIES 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 Seventy-Fourth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 22 November 2004 at 4.00 pm and at any adjournment thereof.

Table with 3 columns: RESOLUTIONS, FOR, AGAINST. Rows 1-10 listing resolutions such as 'To receive and adopt the Directors' Report and Audited Financial Statements'.

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

As witness my/our hand this day of 2004

No. of shares

Signed :

In the presence of :

Representation at Meeting:

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

