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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 15 December 2005 at 10.00 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2005. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM195,000 (2004 : RM173,000). **Resolution 2**

3. To re-elect Directors:

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

   Y. Bhg. Dato' Haji Yahya bin Haji Talib **Resolution 3**
   Mr M Chareon Sae Tang @ Tan Whye Aun **Resolution 4**

4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965 as ordinary resolutions:

   "THAT Y. M. Raja Dato' Zainal Abidin bin Raja Haji Tachik who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting." **Resolution 5**

   "THAT Mr Folk Fong Shing @ Kok Fong Hing who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting." **Resolution 6**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

6. Special Business

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

6.1 Authority to Directors to issue shares

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   "THAT approval be given for the Company and its subsidiary companies to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 ("Recurrent Transactions") and with those related parties as detailed in paragraph 3.2 of the Circular to Shareholders of the Company dated 23 November 2005 subject to the following: **Resolution 9**

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

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

(a) the type of Recurrent Transactions made; and

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

AND THAT authority conferred by this ordinary resolution shall continue to be in force until:

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

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

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

whichever is the earlier,

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

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

By Order of the Board

CHAN POH LAN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
23 November 2005

Notes:

1. *Proxy*

   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*

   - *An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.*

   - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.*

   - *Form of Proxy sent through facsimile transmission shall not be accepted.*

2. *Resolution 2*

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

3. *Resolution 8*

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

4. *Resolution 9*

   This approval will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 23 November 2005, 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 23 November 2005 enclosed together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

  Y. Bhg. Dato Haji Yahya bin Haji Talib
  Mr M Chareon Sae Tang @ Tan Whye Aun

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

  Y. M. Raja Dato' Zainal Abidin bin Raja Haji Tachik
  Mr Folk Fong Shing @ Kok Fong Hing

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

II. Details of attendance of Directors at Board Meetings

There were five (5) Board Meetings held during the financial year ended 30 June 2005. Details of attendance of the Directors are set out in the Directors' Profile on pages 6 to 8 of this Annual Report.

III. Place, date and time of the Thirty-Second Annual General Meeting

The Thirty-Second Annual General Meeting of the Company will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 15 December 2005 at 10.00 am.

CORPORATE INFORMATION

Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. M. Raja Dato' Zainal Abidin bin Raja Haji Tachik Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Dato' Haji Yahya bin Haji Talib Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Mr M Chareon Sae Tang @ Tan Whye Aun Mr Folk Fong Shing @ Kok Fong Hing
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan Binti Abdullah
Company No.	:	12890-A
Registered Office	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : http://www.lion.com.my
Share Registrar	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	AmMerchant Bank Berhad Malayan Banking Berhad RHB Bank Berhad RHB Sakura Merchant Bankers Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")

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

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 62, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

Tan Sri William Cheng has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre, computer, retail, trading, pulp and paper, plantation, and property and community development.

Tan Sri William Cheng oversees the operation of the Company and is responsible for formulating and monitoring the overall corporate strategic plans and business development of the Company.

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

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

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

Tan Sri William Cheng has a direct shareholding of 452,019 ordinary shares of RM1.00 each and an indirect shareholding of 674,724,219 ordinary shares of RM1.00 each, and 42,160,189 warrants in the Company. His shareholding in the subsidiary companies of the Company is disclosed in page 28 of this Annual Report. He also has interest in a company ("said company") which is also in the steel business as a subsidiary of the Company that produces hot rolled steel coils of thinner gauge while the said company produces thick steel plates.

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

Tan Sri William Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

Y. M. Raja Dato' Zainal Abidin bin Raja Haji Tachik, a Malaysian, aged 88, was appointed to the Board on 26 October 1973. He is also the Chairman of the Company's Audit Committee.

Y. M. Raja Dato' Zainal had completed a public administration course at the Oxford University, United Kingdom and a management and law course at the Columbia University, New York, the United States of America. Y. M. Raja Dato' Zainal had served in the Malaysian civil service for over 30 years and was the Secretary General to the Ministry of Health, Malaysia prior to his retirement in 1972.

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

Y. M. Raja Dato' Zainal has a direct shareholding of 175,280 ordinary shares of RM1.00 each and an indirect shareholding of 142,940 ordinary shares of RM1.00 each in the Company.

Y. M. Raja Dato' Zainal attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 55, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

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

His other directorships in public companies are as follows:

- Managing Director of Lion Industries Corporation Berhad, a public listed company
- Director of Silverstone Corporation Berhad, a public listed company
- Director of Hy-Line Berhad, a public company

Datuk Cheng has a direct shareholding of 194,250 ordinary shares of RM1.00 each and an indirect shareholding of 430,448,879 ordinary shares of RM1.00 each in the Company. His shareholding in the subsidiary companies of the Company is disclosed in page 28 of this Annual Report. He also has interest in a company ("said company") which is also in the steel business as a subsidiary of the Company which produces hot rolled steel coils of thinner gauge while the said company produces thick steel plates.

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

Datuk Cheng attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

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

Dato' Haji Yahya obtained a Bachelor of Arts (Honours) degree in Economics from University of Malaya and completed the Advanced Management Programme from Harvard Business School, the United States of America. He was the Deputy Secretary General in the Ministry of Trade and Industry, the Deputy Director General in the Economic Planning Unit of the Prime Minister's Department and also the Secretary General of the Ministry of Welfare Services (now known as the Ministry of National Unity & Community Development).

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

Dato' Haji Yahya has an indirect shareholding of 80,060 ordinary shares of RM1.00 each in the Company.

Dato' Haji Yahya attended three (3) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, aged 63, was appointed to the Board on 10 January 2003 as an Independent Non-Executive Director of the Company. He is also a member of the Company's Audit Committee and Nomination Committee.

Datuk Emam Mohd Haniff obtained a Bachelor of Arts (Honours) degree from University Malaya. He had served the Government of Malaysia (Foreign Service) since 1966 up to his retirement in 1997 in various capacities both at home and in Malaysian diplomatic missions overseas. His last position was as the High Commissioner of Malaysia to Singapore.

Datuk Emam Mohd Haniff is also a Director of Edaran Digital Systems Berhad, LCL Corporation Berhad and Kamdar Group (M) Berhad, all of which are public listed companies.

Datuk Emam Mohd Haniff attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

Mr M Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 66, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Remuneration Committee and Executive Share Option Scheme Committee.

Mr Tang obtained his Bachelor of Law degree from King's College, University of London and is a Barrister-at-Law of the Inner Temple London. He has been in the legal practice since 1968; first as a legal assistant in Messrs Shearn & Delamore, and later a Partner at Messrs Chye, Chow Chung & Tang until 1976. Presently, he manages his own legal practice, Messrs C.S. Tang & Co.

Mr Tang is also a Director of Amsteel Corporation Berhad, a public listed company.

Mr Tang attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 73, was appointed to the Board on 6 June 2001 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Company's Remuneration Committee and Executive Share Option Scheme Committee and a member of the Audit Committee and Nomination Committee of the Company.

Mr Folk obtained a Masters Degree in Business Administration from University of East Asia, Macau. He is a member of the Malaysian Institute of Accountants and a member of the Association of Australian Certified Practising Accountants. He has a total of 38 years of working experience in accounting, auditing, business advisory, company secretarial and tax compliance/tax investigation work; first as a senior officer with the Department of Inland Revenue and later as Senior Partner of a public accounting firm. He is also the author of "A Practical Handbook on Company Secretarial Practice" and "Directors of Public Listed Company-Legal Obligations & Responsibilities" both published by Leeds Publications in 1996 and 2002 respectively.

Mr Folk attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2005.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("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 2005 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 Group'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 2005, five (5) board meetings were held and each Director has attended at least 50% of the total board meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors’ Profile section of this Annual Report.

Board Composition and 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 mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

Board Committees

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

The Board may form other committees delegated with specific authorities to act on its 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 Secretaries, who are responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

Appointments to the Board and Directors' Training

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 17 of this Annual Report.

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

The Directors will continue to attend relevant training programmes to further enhance their skills and knowledge as well as to keep abreast with new developments for the furtherance of their duties.

Re-election of Directors

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 the 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 17 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 the 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 2005 are categorised as follows:

	Fees RM	Salaries & Other Emoluments RM	Total RM
Executive Director	24,000	1,725,000	1,749,000
Non-Executive Directors	171,000	-	171,000
	195,000	1,725,000	1,920,000

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-Executive**
25,000 & below	-	2
25,001 - 50,000	-	4
1,700,001 - 1,750,000	1	-

3. SHAREHOLDERS

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, 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 16 of this Annual Report.

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position and prospect through the annual financial statements and quarterly announcements to the Company's shareholders. The Board is also responsible in 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.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2005, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and provisions of the Companies Act, 1965.

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 roles 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 a 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 reviewing the risk management scorecards and reporting the status to the Audit Committee.

Control and Monitoring Process

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

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability

- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority

- A detailed budgeting process which requires 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 of 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 its reports to the Audit Committee

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

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

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

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

TERMS OF REFERENCE (continued)

- **Duties**

The duties of the Audit Committee are:

(i) To consider the appointment, resignation and dismissal of external auditors and the audit fee.

(ii) To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.

(iii) To review and assess the annual and quarterly financial statements prior to the approval of the board of directors, focusing on:

- going concern assumption
- compliance with accounting standards and regulatory requirements
- changes in accounting policies and practices
- significant issues arising from audit

(iv) To discuss problems and reservations arising from the interim and final external audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary).

(v) To review the external auditors' management letter and management's response thereto.

(vi) To establish the following with the internal audit function:

- review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work
- review internal audit programme
- ensure co-ordination of external audit with internal audit
- consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function

(vii) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group.

(viii) To consider the appointment of independent advisers for corporate proposals involving related parties.

(ix) To assess the quality and effectiveness of the system of internal control and efficiency of operations, and to review the risk policy and implementation of the risk management framework.

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Except for Y. Bhg. Dato' Haji Yahya bin Haji Talib who was absent for two (2) Audit Committee Meetings, all other members attended all the seven (7) Audit Committee Meetings held in the financial year.

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

ACTIVITIES DURING THE FINANCIAL YEAR (continued)

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

  (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.

  (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.

  (e) Reviewed the Internal Control – Self-Assessment ratings submitted by the respective operations management.

- **External Audit**

  (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.

  (b) Reviewed with external auditors the results of the audit and the audit report in particular, accounting issues and significant audit adjustments arising from the external audit.

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

NOMINATION COMMITTEE

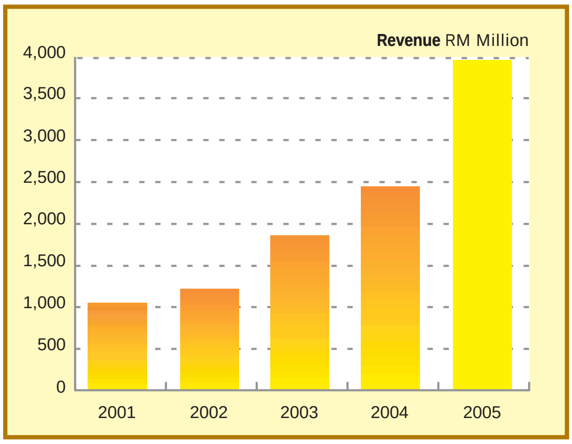
Chairman	:	Mr M Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain *(Independent Non-Executive Director)* Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder • To recommend to the Board, directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, based on the process and procedure laid out by the Board

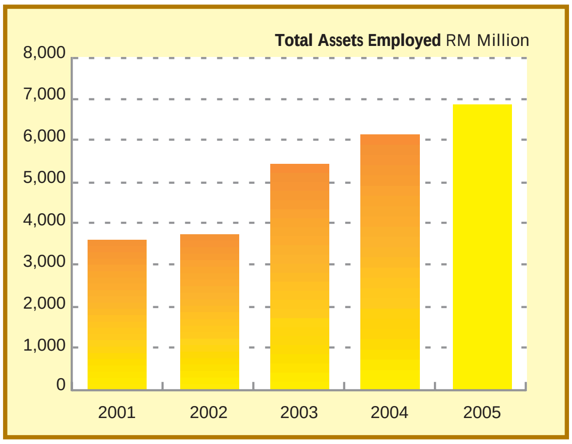
REMUNERATION COMMITTEE

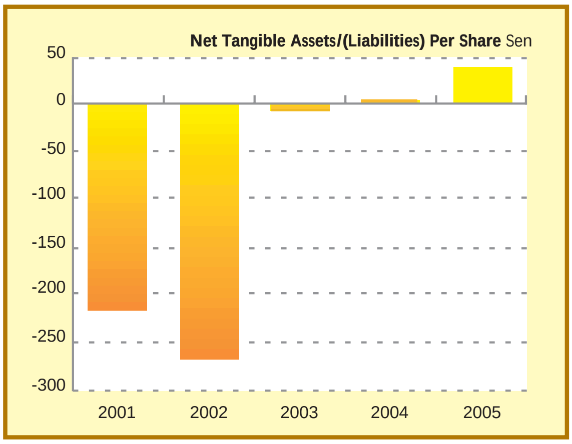
Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Cheng Yong Kim *(Non-Independent Non-Executive Director)* Mr M Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

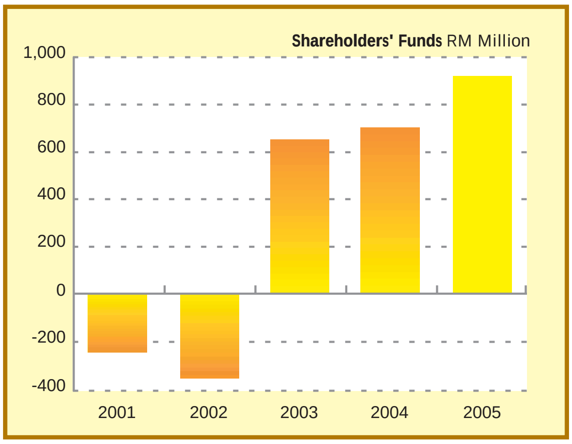
5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Revenue	1,041,064	1,209,103	1,837,840	2,445,442	**3,977,086**
Pofit/(loss) from operations	(96,706)	29,033	302,100	209,256	**387,787**
Profit/(loss) before taxation	(330,744)	(138,260)	111,951	100,427	**211,241**
Profit/(loss) after taxation	(329,248)	(138,353)	100,246	55,118	**264,960**
Dividends:					
Rate (%)	0.1	-	-	-	**-**
Amount (net of tax)	132	-	-	-	**-**
Total assets employed	3,605,290	3,701,824	5,417,327	6,135,433	**6,830,970**
Shareholders' funds	(242,748)	(353,843)	651,318	705,475	**919,463**
Net tangible assets/(liabilities)	(394,656)	(489,849)	(51,125)	42,542	**367,625**
	Sen	Sen	Sen	Sen	Sen
Net tangible assets/(liabilities) per share	(215.8)	(267.8)	(5.6)	4.6	**39.7**
Earnings/(loss) per share	(135.1)	(80.2)	14.2	4.7	**25.1**









THE GROUP'S BUSINESSES

- Aerial view of Megasteel Sdn Bhd, the country's only integrated flat steel mill producing hot rolled and cold rolled coils in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang besi keluli rata bersepadu di negara ini yang mengeluarkan gegelung besi panas dan sejuk di Banting, Selangor.*

- Megasteel's new Cold Rolling Mill with facilities including (top left, clockwise) a 5-Stand 4-High Tandem Mill, Temper Mill and Recoiling and Oiling Line, with the cold rolled coils ready for delivery.
- *Kilang Gelekan Sejuk Megasteel yang baru dilengkapi pelbagai kemudahan termasuk (atas kiri, arah jam) 5-Stand 4-High Tandem Mill, Temper Mill dan Recoiling and Oiling Line, dengan gegelung besi sejuk untuk dihantar kepada pelanggan.*

- The Dong Feng Pahlawan LM228 light truck assembled by Kinabalu Motor Assembly Sendirian Berhad.
- *Trak ringan Dong Feng Pahlawan LM228 yang dipasang oleh Kinabalu Motor Assembly Sendirian Berhad.*

- A range of steel furniture, compact mobile filing systems and mobile safes for office use from Lion Steelworks Sdn Bhd.
- *Rangkaian perabot besi, sistem failing bergerak kompak dan peti besi untuk kegunaan pejabat dari Lion Steelworks Sdn Bhd.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Corporation Berhad bagi tahun kewangan berakhir pada 30 Jun 2005.

PRESTASI KEWANGAN

Dalam tahun kajian, prestasi Kumpulan adalah seperti yang dijangkakan. Kilang pengeluaran kelulinya, Megasteel Sdn Bhd ("Megasteel") telah beroperasi dalam persekitaran yang selesa dan menggalakkan berikutan kenaikan harga keluli antarabangsa dan permintaan tempatan yang tinggi untuk gegelung besi panas ("HRC").

Selari dengan strategi kita untuk mengambil peluang daripada peningkatan keupayaan pengeluaran HRC dan seterusnya memenuhi permintaan semasa tempatan untuk produk hiliran, kita telah memulakan operasi kilang gelekan sejuk berkapasiti 1.45 juta tan metrik. Kilang gegelung besi sejuk ("CRC") bercirikan proses moden mesin '5-stand 4-high tandem mill' untuk penggelekan ketebalan sehala bagi mengeluarkan rangkaian CRC pelbagai saiz. Proses pengeluaran CRC menggunakan HRC kita sebagai bahan utama untuk proses gelekan sejuk dan produk akhirnya dapat memenuhi keperluan pasaran yang luas termasuk industri automobil, barangan elektrik sehinggalah perabot keluli. Sehubungan itu, pelaburan modal yang strategik ini membolehkan kita meningkatkan rangkaian nilai dan meluaskan peluang pasaran HRC kita.

Baru-baru ini, kita telah mengumumkan hasrat untuk mengambilalih dua aset hiliran strategik baru yang akan meningkat dan mengukuhkan profil produk bahagian pembuatan keluli.

Perolehan Kumpulan telah meningkat tinggi hampir mencecah RM4.0 bilion berbanding RM2.4 bilion yang dicatatkan pada tahun lalu. Keuntungan operasi Kumpulan juga turut meningkat kepada RM388 juta berbanding RM209 juta pada tahun lepas.

PERKEMBANGAN KORPORAT

1) Menurut Skim Penstrukturan Semula Seluruh Kumpulan dan susulan daripada permohonan yang diajukan oleh Syarikat bagi melanjutkan tarikh akhir tawaran jualan terhad boleh lepas berjumlah sehingga 67.61 juta saham dalam Amsteel Corporation Berhad, Suruhanjaya Sekuriti ("SS") telah memberikan kelulusan terakhir untuk menyelesaikan cadangan tersebut sehingga 9 Januari 2006.

2) Pada dan susulan kepada tahun kewangan Syarikat telah mencadangkan pengambilalihan berikut:

   (a) tawaran pengambilalihan bersyarat untuk memiliki baki saham biasa dalam Amalgamated Containers Berhad ("ACB"), yang masih belum dimiliki oleh Syarikat dan anak syarikat milik penuhnya, Limpahjaya Sdn Bhd ("Tawaran Saham ACB") untuk dipenuhi melalui terbitan dan peruntukan saham biasa baru dalam Syarikat ("Saham LCB") atas dasar dua Saham LCB bagi setiap tiga Tawaran Saham ACB ("Cadangan Pengambilalihan ACB");

   (b) mengambilalih kira-kira 36.88% modal saham terbitan dan berbayar Lion Asiapac Limited ("LAP") bersama-sama waran boleh cerai LAP dari kumpulan Silverstone Corporation Berhad ("SCB") akan diselesaikan sepenuhnya melalui terbitan dan peruntukan Saham LCB baru ("Cadangan Pengambilalihan LAP");

   (c) mengambilalih keseluruhan modal saham terbitan dan berbayar Lion Plate Mills Sdn Bhd yang akan diselesaikan sepenuhnya melalui terbitan dan peruntukan Saham LCB baru ("Cadangan Pengambilalihan LPM").

   Saham LCB berharga RM1.31 sesaham akan diterbitkan sebagai balasan cadangan-cadangan di atas. Berikutan akhir tahun kewangan, pada 29 September 2005, SS telah meluluskan Cadangan Pengambilalihan ACB dan Cadangan Pengambilalihan LAP. SS telah memaklumkan kepada Syarikat bahawa ia tidak dapat mempertimbangkan Cadangan Pengambilalihan LAP memandangkan SS tidak meluluskan permohonan SCB untuk melupuskan saham LAP oleh anak syarikatnya AMB Venture Sdn Bhd.

   (d) membina kilang Direct Reduced Iron ("DRI") dengan anggaran pengeluaran berjumlah 1.54 juta tan metrik setahun menerusi perjanjian kemudahan yang dimeterai dengan Lion Diversified Holdings Berhad ("LDHB") untuk mengambilalih kilang DRI yang sedang dibina oleh LDHB; dan

   (e) terbitan Nota Dalam Matawang Dolar Amerika untuk disenaraikan di Singapore Exchange Securities Trading Limited dan Labuan International Exchange Inc.

KAJIAN OPERASI

Bahagian Keluli

Dalam tahun kajian, kilang keluli kita telah melaksanakan pelbagai usaha pemulihan operasi bagi meningkatkan hasil dan tahap kualiti. Kita telah menaikkan taraf dua relau elektrik dan tahap pengeluaran meningkat secara progresif sehingga mencecah 1.7 juta tan dalam tahun kewangan 2005. Sejak mula beroperasi, keluaran HRC kita telah menerima persijilan kualiti dan kelulusan pematuhan daripada pelbagai badan antarabangsa. Segala usaha dan tindakan untuk memenuhi keperluan dan jangkaan pelanggan kita adalah penting bagi mencapai objektif negara untuk menggantikan import HRC.

Besi lusuh merupakan elemen utama dalam kos pengeluaran. Dalam tahun kewangan ini, kita berdepan dengan kenaikan mendadak harga besi lusuh pasaran antarabangsa yang tidak pernah berlaku sebelum ini, tetapi menjelang suku akhir tahun, ianya mulai menurun. Kita akan terus berhati-hati ketika menghadapi keadaan turun naik harga mendadak ini di aliran global. Dalam kebanyakan situasi dalam tahun kewangan, kita berjaya mengekalkan margin kerana kenaikan harga HRC antarabangsa, selari dengan peningkatan harga besi lusuh. Di masa akan datang, kita bercadang untuk mengurangkan pergantungan terhadap besi lusuh dan menggantikannya dengan DRI yang mampu menjimatkan penggunaan tenaga elektrik. Projek ini dijangka akan beroperasi pada awal tahun 2007.

Pada 30 September 2004, kita telah melaksanakan opsyen untuk mengambilalih Secomex Manufacturing (M) Sdn Bhd bagi memastikan bekalan gas untuk pengeluaran kita terjamin. Kilang ini memiliki kapasiti 900 tan metrik sehari, di mana lebih kurang 80% digunakan untuk pengeluaran HRC kita manakala selebihnya dijual untuk menjana pendapatan tambahan kepada Kumpulan.

Kita terus mengukuhkan rangkaian pemasaran dan meningkatkan kecekapan. Untuk terus bersaing, kita perlu mewujudkan asas pelanggan yang kukuh. Sebagai pengeluar tunggal HRC di negara ini, dan untuk meningkatkan komitmen kita dalam menyumbang kepada pertumbuhan industri negara, kita bekerjasama rapat dengan para pelanggan terutama yang berkeupayaan eksport tinggi, dalam memahami dan memenuhi keperluan mereka supaya mereka dapat mengekalkan daya saingnya di peringkat global. Melalui kerjasama ini, kita percaya akan mampu mencapai pertumbuhan berterusan dengan mereka.

Bahagian Kenderaan

Bahagian kenderaan kita baru-baru ini telah melancarkan Tuah, trak perdagangan 3-tan terbaru yang dimajukan oleh salah satu pengeluar kenderaan perdagangan terkemuka di China, Anhui Jianghuai Automobile Co Ltd ("JAC"). Trak ini dipasang di kilang kita di Kota Kinabalu, Sabah menggunakan paten teknologi JAC dan akan diedarkan ke seluruh negara. Untuk meluaskan lagi rangkaian produk, KMA Marketing Sdn Bhd telah diberikan hak pengedaran tunggal oleh Isuzu Malaysia Sdn Bhd untuk memasarkan D-Max, model trak terbaru; dan Automotive Corporation (Malaysia) Sdn Bhd untuk memasarkan trak Hicom Perkasanya. Kedua-duanya disasarkan untuk pasaran di Malaysia Timur.

Kilang pemasangan kenderaan kita juga telah memeterai kontrak pemasangan trak berharga lebih rendah dengan syarikat sekutu, Lion Motor Sdn Bhd, untuk memasang trak Pahlawan yang disasarkan untuk rantau Asia Pasifik. Trak Pahlawan dilancarkan dalam bulan November 2004.

Bahagian Perkilangan – Perabot Keluli

Permintaan domestik bagi perabot keluli kekal tidak berganjak dalam persaingan sengit. Bahagian ini telah melaksanakan projek OEM dalam tahun kewangan dan melalui pakatan strategik dengan para pengeluar perabot utama telah berjaya menghasilkan produk-produk baru dan meningkatkan perolehannya. Dalam segmen eksportnya, Bahagian ini terus menjual ke pasaran serantau utama termasuk Eropah dan Timur Tengah. Perolehan yang diraih dalam tahun kewangan berjumlah RM33 juta.

Bahagian ini juga menumpu kepada pengurangan kos perkilangannya. Sepanjang tahun kewangan, harga CRC telah meningkat dan bagi mengurangkan kesan negatifnya ke atas margin, bahan alternatif yang murah telah digunakan pada bahagian-bahagian sekunder dalam barangan siap tanpa menjejaskan kualiti produk kita.

Untuk kekal berdaya saing, Bahagian ini telah meningkatkan produknya dengan ciri-ciri pelbagai guna yang mampu menarik segmen pasaran lebih luas. Rekabentuk-rekabentuk perabotnya berupaya melengkapkan rangkaian model meja dan sistem perabot sedia ada. Pada masa yang sama, barisan produk lama yang telah mencapai jangka hayatnya akan dilupuskan secara beransur-ansur.

PROSPEK

Penjana utama kemajuan masa depan Kumpulan terletak pada Bahagian Keluli. Kumpulan menyedari kemeruapan yang berlaku dalam perniagaan keluli dan merancang untuk berusaha lebih gigih dalam bidang-bidang kritikal seperti kualiti, produktiviti dan persaingan dari segi kos, di samping meluaskan rangkaian produk dan kepelbagaian pelanggan untuk menggalakkan permintaan yang dijangka akan mengalami kejatuhan.

Pelan pemulihan termasuk proses memantapkan prosedur untuk mengurangkan tempoh pemerosesan dan penggunaan aset yang efektif. Pada masa yang sama, usaha pemasaran kita akan disasarkan secara meluas dan melebarkan asas pelanggan untuk mengurangkan risiko tumpuan dalam mana-mana industri yang diterokai.

Kita yakin, menerusi semua inisiatif dan strategi, Kumpulan akan terus memberi tambah nilai kepada para pemegang saham di tahun-tahun akan datang.

PENGHARGAAN

Kumpulan telah menunjukkan prestasi yang memuaskan pada tahun ini dengan sokongan padu para pelanggan, pembiaya, rakan perniagaan, pihak berkuasa kerajaan dan pemegang saham yang dihargai. Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kami kepada para pekerja atas dedikasi dan iltizam mereka yang diberikan kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
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 Corporation Berhad for the financial year ended 30 June 2005.

FINANCIAL PERFORMANCE

For the year under review, the Group performed to expectations. Its steel manufacturing plant under Megasteel Sdn Bhd ("Megasteel") was able to operate under a more conducive and favourable operating environment in the light of rising international steel prices and higher local demand for hot rolled coils ("HRCs").

In line with our strategy to capitalise on our improved production capabilities of HRCs, and to further satisfy the current domestic demand for downstream finished products, we have installed a 1.45 million tonne capacity cold rolling mill. The cold rolled coil plant incorporates a 5-stand 4-high tandem mill which features a modern one-way thickness reduction rolling process capable of producing a wide range of cold rolled coils ("CRCs") of varying thickness. CRC production capitalises on our HRC as feedstock for the cold rolling process, and the finished product is used to serve a wider market range from automobile, electrical goods to steel furniture industries. As such, this strategic capital investment enables us to move up the value chain and extend the market opportunities for our HRCs.

We have also recently announced our intention to acquire two new strategic downstream assets, which will further enhance and strengthen the products profile of the steel manufacturing division.

Group revenue was substantially higher at almost RM4.0 billion as against RM2.4 billion achieved last year. Operating profit for the Group was correspondingly higher at RM388 million compared to RM209 million last year.

CORPORATE DEVELOPMENTS

1) Pursuant to the Group Wide Restructuring Scheme, and following an application made by the Company to extend the deadline for the renounceable restricted offer for sale of up to approximately 67.61 million shares held in Amsteel Corporation Berhad, the Securities Commission ("SC") has granted a final approval for the completion of the proposals to 9 January 2006.

2) During and subsequent to the financial year, the Group proposed the following:

   (a) conditional take-over offer to acquire the remaining ordinary shares in Amalgamated Containers Berhad ("ACB") not already owned by the Company and its wholly-owned subsidiary, Limpahjaya Sdn Bhd ("ACB Offer Shares"), to be satisfied by the issue and allotment of new ordinary shares in the Company ("LCB Shares") on the basis of two LCB Shares for every three existing ACB Offer Shares held ("Proposed ACB Acquisition);

   (b) acquisition of approximately 36.68% of the issued and paid-up share capital of Lion Asiapac Limited ("LAP") together with detachable warrants in LAP ("LAP Shares and Warrants") to be satisfied entirely by the issue and allotment of new LCB Shares ("Proposed LAP Acquisition");

   (c) acquisition of the entire issued and paid-up share capital of Lion Plate Mills Sdn Bhd to be satisfied entirely by the issue and allotment of new LCB Shares ("Proposed LPM Acquisition").

   The LCB shares to be issued as consideration for the aforementioned proposals will be issued at RM1.31 per LCB Share. Subsequent to the financial year end, the SC had on 29 September 2005, approved the Proposed ACB Acquisition and the Proposed LPM Acquisition. The SC had informed the Company that the SC was not able to consider the Proposed LAP Acquisition as it had not approved Silverstone Corporation Berhad's application for its subsidiary, AMB Venture Sdn Bhd to dispose of the LAP Shares.

   (d) setting up of a Direct Reduced Iron ("DRI") manufacturing plant with an estimated 1.54 million tonnes per annum by way of a facilitation agreement entered into with Lion Diversified Holdings Berhad ("LDHB") to take over a DRI plant which was being set up by LDHB; and

   (e) issuance of United States Dollar Notes to be listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange Inc.

REVIEW OF OPERATIONS

Steel Division

During the year, our steel mill has carried out various operational improvements to increase yield and quality. We upgraded our two electric arc furnaces, and production progressively reached 1.7 million tonnes of HRCs in financial year 2005. Since our commencement, the HRCs produced by our plant have received quality certification and compliance approvals of various international bodies. Our efforts and measures to satisfy our customers' expectations and requirements are crucial towards achieving our country's objective of replacing imports of HRCs.

Scrap formed the most significant element in the production cost. During the year, we faced unprecedented escalation of international scrap prices, but towards the final quarter, prices began to reverse downwards. We had, and would, continue to remain vigilant of these sharp fluctuations in global trends. In most instances during the year, we were able to maintain margins as the international prices of HRCs moved up in tandem with rising scrap costs. Moving forward, we intend to place less reliance on scrap and replace it with DRI, a hot charge scrap substitute that could generate substantial savings in terms of electrical power consumption. The project is expected to be operational by early 2007.

On 30 September 2004, we exercised our option to acquire Secomex Manufacturing (M) Sdn Bhd to further secure the supply of gases for our production needs. The capacity of the plant is 900 tonnes per day, of which approximately 80% is used for our HRC production. The excess is sold to generate extra revenue for the Group.

We are continuously strengthening our marketing network and skills. To be able to compete, we deem it necessary to establish a strong customer base. As the only HRC producer in the country, and to further enhance our commitment to contribute to the nation's industrialisation progress, we have and are working closely with our customers, particularly those with strong export base, to better understand and support their requirements, so that they in turn are able to be competitive globally. By working hand in hand, we believe that we can achieve tremendous growth together with our customers.

Motor Division

Our Motor Division recently launched its all-new 3-tonne commercial truck, Tuah, developed by one of China's leading commercial vehicle manufacturers, Anhui Jianghuai Automobile Co Ltd ("JAC"). The truck is assembled in our Kota Kinabalu plant using JAC's patented technology, and will be distributed throughout the country. To further widen and increase its products range, KMA Marketing Sdn Bhd ("KMA") has been granted sole distribution rights by Isuzu Malaysia Sdn Bhd to market D-Max, its new pick-up truck; and by Automotive Corporation (Malaysia) Sdn Bhd to market its Hicom Perkasa trucks, both of which are intended for the East Malaysian market.

Our motor assembly plant has also entered into assembling contracts with an affiliated company, Lion Motor Sdn Bhd, to assemble the lower range of Pahlawan trucks, intended for the Asia-Pacific region. The Pahlawan trucks were launched in November 2004.

Manufacturing Division – Steel Furniture

The domestic demand for steel furniture remains stagnant and highly competitive. The Division took on OEM projects during the year, and through strategic alliances with key furniture manufacturers, is able to develop new products and increase revenue. In its exports segment, the Division continues to sell to key regional markets, including Europe and the Middle East. Revenue achieved during the year was RM33 million.

The Division is also focused on lowering manufacturing costs. During the year, cold rolled steel prices have escalated, and to mitigate the negative impact on margins, alternative cheaper materials were used for secondary parts of the finished goods without compromising on our product quality.

To stay competitive, the Division plans to enhance its products with versatile features that would appeal to a wider market segment. These designs are intended to complement the existing range of modular desking and system furniture. Concurrently, the older product lines which have reached the tail-end of their life cycle would be progressively phased out.

PROSPECTS

The key driver to the Group's future performance lies in the Steel Division. In this regard, the Group recognises the volatility of the steel business, and intends to work harder on critical areas such as quality, productivity and cost competitiveness, and at the same time, expand product and customer mix to bolster the expected downturn in demand.

Improvement plans entail, amongst others, procedural enhancement to shorten processing time and effective utilisation of assets. Simultaneously, our marketing efforts would be aimed at expanding and widening our customer base to reduce concentration of risks in any one industry being served.

We are confident that with all these initiatives and strategies, the Group will continue to add value to our shareholders in the coming years.

ACKNOWLEDGEMENT

The Group has performed satisfactorily this year, thanks to the strong support of our valued customers, financiers, business associates, Government authorities, and our loyal shareholders. On behalf of the Board, I would like to record our appreciation to our employees at all levels for their dedication and commitment to the Group.

TAN SRI WILLIAM H.J.CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈截止2005年6月30日的会计年度，金狮机构有限公司的常年报告和经审核财务报告。

财务表现

在本会计年度内，本集团达到预期的表现。其在美佳钢铁私人有限公司（"美佳钢铁"）名下的钢铁制造厂在更有建设性和更有利的营业环境下经营，本集团在国际钢铁价格上涨以及本地市场对热轧钢需求量增加的营业环境下受惠。

为了迎合我们的策略，以及我们的热轧钢的生产能力的增加，并进一步满足国内市场目前对下游制成品的需求，我们已投置一家拥有145万吨产能的冷轧钢厂。该冷轧钢厂的特点是拥有一个"5-stand 4-high"纵列碾压器，具有现代化单向削减厚度轧钢的程序，能够生产一系列各种厚度的冷轧钢。冷轧钢的生产，是利用我们的热轧钢作为生产过程的原料，制成品将广泛的被市场使用，从汽车、电器产品到钢制家私工业。通过这些策略性投资，让我们能够提升价值链，及扩大我们在热轧钢市场的机会。

我们最近宣布有意收购两项新的策略性下游资产，使本集团能进一步提升和加强钢铁组的产品形象。

本集团的营业额大幅度增加至大约40亿令吉，上一年度则只有24亿令吉。本集团的营业利润也相应的增加至3亿8千800万令吉，而上一年度是2亿900万令吉。

企业发展

1) 依照整个金狮集团的重组计划，本公司已提出申请延长最后期限，把本公司所拥有的大约6千761万合钢实业有限公司的股票进行可放弃、有限制的出售献议。证券委员会批准把完成建议的最后期限延长至2006年1月9日。

2) 在本会计年度及会计年度后，本集团有以下建议：

   (a) 有条件的接管献议，以收购尚未由本公司以及本公司独资子公司Limpahjaya Sdn Bhd 拥有的合营货柜有限公司（"ACB"）的剩余普通股（"ACB献售股票"），收购方式是由本公司发行2新普通股以换取3股现有的ACB献售股票（"建议收购ACB"）；

   (b) 收购金狮亚太有限公司（"LAP"）的大约36.68%发行及缴足股票，以及LAP的可分拆凭单，收购方式是由本公司发行及分配其新股票（"建议收购LAP"）；

   (c) 收购Lion Plate Mills Sdn Bhd（"LPM"）的全部发行及缴足股票，收购方式是由本公司发行及分配其新股票（"建议收购LPM"）。

   本公司所发行，用以偿付上述建议的新股，发行价为1.31令吉。在本会计年度后，证券委员会于2005年9月29日批准了建议收购ACB和建议收购LPM的献议。证券委员会也通知本公司，说明银石盾机构有限公司脱售LAP的献议不获批准，因此本公司的献议收购也不被接纳。

   (d) 和金狮多元控股有限公司达成供应合约，该公司将转让一家估计有154万吨年产能的直接减热铁厂；及

   (e) 发行将在新加坡股票交易所及纳闽国际金融交易所上市的美元债券。

业务检讨

钢铁组

在本会计年度内，我们的钢铁厂采取多项改进业务措施，以提高产量和质量，并提升了两座电弧熔炉，使热轧钢产量在这个会计年度内逐渐增加至170万公吨。我们的热轧钢厂自投资以来，从各个国际机构取得品质证书和符合规格证书。为了实现国家的目标，取代入口的热轧钢，我们有必要作出努力和采取适当的措施以满足顾客的期望和需求。

在我们的生产成本中，废铁是最重要的元素。在本会计年度内，我们面对前所未有的局面，废铁的国际价格不断攀升，然而最后一个季度，价格开始回跌。我们将继续关注废铁价格在波动的国际市场的走势。在本会计年度的大部份时间内，我们都能确保维持良好利润率，主要受惠于随著上涨的废铁价格，而国际价格也随之水涨船高的热轧钢。展望未来，我们试

图减少对废铁的依赖，以直接减热铁取代。这是废铁的一种替代品，可大幅度节省耗电量。这项计划预料将在 2007 年年初运作。

在2004年9月30日，我们履行选购权，收购Secomex Manufacturing (M) Sdn Bhd，以进一步确保获得煤气供应，应付我们的生产需求。该工厂每天的产量是900公吨，目前大约80%的产量是供给我们生产热轧纲的元素。剩余的产量出售及为本集团带来额外营业额。

我们继续加强分销网与技术。为了加强竞争能力，我们必须建立强大的顾客基础。作为国内唯一的热轧钢生产者，以及为了进一步加强我们对协助国家工业化进步的承诺，我们将会继续与顾客保持密切合作，尤其是那些有强劲出口基础的顾客，以便更好的了解及支持他们的需求，使他们有能力在全球竞争。我们也相信，通过彼此携手合作，能够共同取得非凡的成长。

汽车组

我们的汽车组最近推展全新的3吨重Tuah品牌商用罗厘。这种罗厘是由中国著名的商业车辆制造厂之一的安徽江淮汽车股份有限公司(“安徽江淮”)所研发的。这种罗厘在我们位于亚庇的装配厂装配，并使用安徽江淮所拥有的专利权的技术，产品将在全国销售。为了进一步扩大产品系列，KMA Marketing Sdn Bhd分别获得Isuzu Malaysia Sdn Bhd以及Automotive Corporation (Malaysia) Sdn Bhd的独家经销权，以在东马经销前者的D-Max品牌新款轻型罗厘和后者的Hicom Perkasa罗厘。

我们的汽车装配厂也和一家关联公司Lion Motor Sdn Bhd 签订装配合同，以装配其“英雄”(Pahlawan)品牌新款罗厘，供应在亚太地区的销售，“英雄”品牌罗厘已在2004年11月推展。

制造组

钢铁家私组

国内对钢铁家私的需求仍然停滞不前，市场竞争强烈。本组在这个会计年度内接受代工计划，而通过和重要的家私厂商缔结策略联盟。此计划对开放新产品及提高营业额方面起著很大的帮助。在出口领域方面，本组继续把产品销售到关键性的区域市场，包括欧洲和中东。在这年度内，营业额共达至3千300万令吉。

本组也专注于降低制造成本。在本年度内，由于冷轧钢的价格上升，本集团为了减少受盈利率的不利影响，以及在不影响产品品质的情况下，本组在次要原料部份采用了较廉价的替代材料。

为了更具竞争性及涉及更广泛的市场，本组打算增加多功能产品的生产，这些产品可辅助现有的产品系列，包括组合式办公桌和系统家私。与此同时，已经到了产品周期末端的旧产品线将会逐渐被淘汰。

展望

本集团未来表现的推动力主要是在钢铁组。在这方面，本集团体验到钢铁业的变化无常，因此有意致力于在关键性领域著手，诸如品质、生产力和成本竞争性，与此同时，扩大产品种类和顾客群，以支撑预料将会下降的需求。

本集团通过改进计划要求加强程序，以缩短加工时间及善用资产。与此同时，我们的销售努力是旨在扩大顾客群，以减少把注意力集中在某一个行业所带来的风险。

我们深信，在采取这一切初步行动和策略之后，本集团在未来年头将致力于增加股东们的利益。

鸣谢

本集团在本年度的表现令人满意。本集团感谢我们尊贵的顾客、金融家、商业伙伴、政府机构、忠诚股东们强力的支持。我谨代表董事部，感谢雇员们对本集团的贡献。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2005

For The Financial Year Ended 30 June 2005

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 11 to the financial statements.

There have been no significant changes in the activities of the Company and of its subsidiary companies during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) after taxation	264,960	(74,416)
Minority interests	(33,195)	-
Net profit/(loss) for the financial year	231,765	(74,416)

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM919,040,622 to RM925,593,622 by the issuance of 6,553,000 new ordinary shares of RM1.00 each for cash pursuant to the Executive Share Option Scheme of the Company.

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2005.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri William H.J. Cheng
Raja Dato' Zainal Abidin bin Raja Haji Tachik
Datuk Cheng Yong Kim
Dato' Haji Yahya bin Haji Talib
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
M Chareon Sae Tang @ Tan Whye Aun
Folk Fong Shing @ Kok Fong Hing

DIRECTORS (continued)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Haji Yahya bin Haji Talib and Mr M Chareon Sae Tang @ Tan Whye Aun retire by rotation and being eligible, offer themselves for re-election.

Y. M. Raja Dato' Zainal Abidin bin Raja Haji Tachik and Mr Folk Fong Shing @ Kok Fong Hing, being over the age of seventy years, retire pursuant to Section 129(2) of the Companies Act, 1965 and offer themselves for re-appointment as Directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for fees for professional services paid to a firm of which Mr M Chareon Sae Tang @ Tan Whye Aun is the sole proprietor in his capacity as an advocate and solicitor and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 30 to the financial statements.

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As at 1.7.2004	**Additions**	**Disposals**	**As at 30.6.2005**
Direct interest in shares				
Tan Sri William H.J. Cheng	127,019	325,000	-	452,019
Datuk Cheng Yong Kim	194,250	-	-	194,250
Raja Dato' Zainal Abidin bin Raja Haji Tachik	175,280	-	-	175,280
Indirect interest in shares				
Tan Sri William H.J. Cheng	674,724,219	-	-	674,724,219
Datuk Cheng Yong Kim	429,619,379	829,500	-	430,448,879
Raja Dato' Zainal Abidin bin Raja Haji Tachik	142,940	-	-	142,940
Dato' Haji Yahya bin Haji Talib	144,060	-	-	144,060

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

a) Options granted pursuant to the Company's Executive Share Option Scheme which expired on 15 May 2005

		Number of options			
	1.7.2004	**As at Granted**	**Exercised**	**Lapsed**	**As at 30.6.2005**
Tan Sri William H.J. Cheng	448,000	-	325,000	123,000	-

DIRECTORS' INTERESTS (continued)

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

	Warrants			
	As at 1.7.2004	**Additions**	**Disposals**	**As at 30.6.2005**
Tan Sri William H.J. Cheng	42,160,189	-	-	42,160,189

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

	Nominal value per ordinary share	**Number of ordinary shares**			
		As at 1.7.2004	**Additions**	**Disposals**	**As at 30.6.2005**
Indirect interest in shares					
Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	42,644	-	-	42,644
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	19,275,030	-	-	19,275,030
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lyn (Pte) Ltd	SGD1.00	1,225,555	-	-	1,225,555
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001

	Number of Preference "D" Shares of RM0.01 each			
	As at 1.7.2004	**Additions**	**Disposals**	**As at 30.6.2005**
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	Number of Preference "F" Shares of RM0.01 each			
	As at 1.7.2004	**Additions**	**Disposals**	**As at 30.6.2005**
Megasteel Sdn Bhd	26,670,000	-	-	26,670,000

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

During the financial year, the Company's ESOS which came into effect on 16 May 2000 expired on 15 May 2005. The salient features, other terms of the ESOS and the movement of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are disclosed in Note 22 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors:

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

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

AUDITORS

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

Signed in accordance with a resolution of the Directors dated 21 October 2005.

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

DATUK CHENG YONG KIM
Director

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

		Group		Company	
		2005	2004	2005	2004
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	**3,977,086**	2,445,442	**108,243**	99,900
Other operating income		**13,631**	13,660	**6,175**	-
Changes in inventories of finished goods and work-in-progress		**85,606**	176,949	**-**	-
Purchase of finished goods		**(80,146)**	(126,484)	**-**	-
Raw materials and consumables used		**(2,736,557)**	(1,795,138)	**-**	-
Staff costs	5	**(61,520)**	(50,256)	**(959)**	(1,011)
Depreciation and amortisation expenses		**(277,227)**	(126,321)	**-**	-
Impairment losses		**(3,920)**	(2,997)	**(10,100)**	(132,119)
Other operating expenses		**(529,166)**	(325,599)	**(1,190)**	(865)
Profit/(loss) from operations	6	**387,787**	209,256	**102,169**	(34,095)
Finance costs	7	**(320,347)**	(269,007)	**(176,585)**	(166,705)
Share in results of associated companies		**143,801**	160,178	**-**	-
Profit/(loss) before taxation		**211,241**	100,427	**(74,416)**	(200,800)
Taxation :	8				
- Company and subsidiary companies		**82,505**	5,446	**-**	-
- associated companies		**(28,786)**	(50,755)	**-**	-
Profit/(loss) after taxation		**264,960**	55,118	**(74,416)**	(200,800)
Minority interests		**(33,195)**	(11,887)	**-**	-
Net profit/(loss) for the financial year		**231,765**	43,231	**(74,416)**	(200,800)
Earnings per share	9				
- Basic (sen)		**25.1**	4.7		
- Diluted (sen)		**25.1**	4.7		

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

BALANCE SHEETS

AS AT 30 JUNE 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Non-Current Assets					
Property, plant and equipment	10	**3,210,902**	3,156,920	**-**	-
Subsidiary companies	11	**-**	-	**2,132,558**	2,121,740
Associated companies	12	**967,212**	873,351	**584,955**	698,064
Investments	13	**14,540**	19,964	**14,061**	19,486
Intangible assets	14	**551,838**	662,933	**-**	-
Long term receivable	16	**234,751**	232,426	**-**	-
		4,979,243	4,945,594	**2,731,574**	2,839,290
Current Assets					
Inventories	15	**1,426,272**	846,180	**-**	-
Trade and other receivables	16	**235,481**	325,128	**702**	16
Amount due from subsidiary companies	17	**-**	-	**1,722,774**	1,636,550
Tax recoverable		**2,333**	1,582	**1,077**	734
Deposits with financial institutions	18	**165,622**	7,776	**1,507**	5,450
Cash and bank balances		**22,019**	9,173	**453**	157
		1,851,727	1,189,839	**1,726,513**	1,642,907
Current Liabilities					
Trade and other payables	19	**1,804,371**	1,223,741	**28,339**	29,131
Amount due to subsidiary companies	17	-	-	**24,788**	142,236
Bank overdrafts	20	**7,830**	9,232	**-**	-
Short term borrowings	21	**933,941**	1,035,204	-	-
Bonds and debts	24	**54,412**	26,383	**54,412**	26,383
Tax liabilities		**89**	90	**-**	-
		2,800,643	2,294,650	**107,539**	197,750
Net Current (Liabilities)/Assets		**(948,916)**	(1,104,811)	**1,618,974**	1,445,157
		4,030,327	3,840,783	**4,350,548**	4,284,447
Financed By:					
Share capital	22	**925,594**	919,041	**925,594**	919,041
Reserves	23	**(6,131)**	(213,566)	**(495,559)**	(421,143)
Shareholders' funds		**919,463**	705,475	**430,035**	497,898
Minority interests		**161,429**	129,200	**-**	-
Bonds and debts	24	**2,042,508**	1,927,137	**1,807,757**	1,694,711
Long term borrowings	25	**869,846**	906,064	**-**	-
Amount due to a subsidiary company	17	**-**	-	**2,112,756**	2,091,838
Deferred tax liabilities	26	**35,587**	116,932	**-**	-
Deferred liabilities	27	**1,494**	55,975	**-**	-
		4,030,327	3,840,783	**4,350,548**	4,284,447
Net tangible assets per share (sen)		**39.7**	4.6		

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

		Non-distributable			
	Share Capital RM'000	Share Premium RM'000	Negative goodwill and other reserves RM'000	Accumulated losses RM'000	Total RM'000
Group					
Balance at 1 July 2003	919,041	75,032	327,267	(670,022)	651,318
Exchange differences	-	-	(386)	-	(386)
Equity accounting for share of net assets of an associated company	-	-	11,344	-	11,344
Net gains not recognised in consolidated income statement	-	-	10,958	-	10,958
Amortisation of negative goodwill	-	-	(32)	-	(32)
Net profit for the financial year	-	-	-	43,231	43,231
Balance at 30 June 2004	**919,041**	**75,032**	**338,193**	**(626,791)**	**705,475**
Exchange differences	**-**	**-**	**(293)**	**-**	**(293)**
Equity accounting for share of net assets of an associated company	**-**	**-**	**(137)**	**-**	**(137)**
Net losses not recognised in consolidated income statement	**-**	**-**	**(430)**	**-**	**(430)**
Amortisation of negative goodwill	**-**	**-**	**(32)**	**-**	**(32)**
Shares issued pursuant to the Executive Share Option Scheme	**6,553**	**-**	**-**	**-**	**6,553**
Impairment losses	**-**	**-**	**(4,836)**	**-**	**(4,836)**
Effect of dilution on equity interest in an associated company	**-**	**-**	**-**	**(19,032)**	**(19,032)**
Net profit for the financial year	**-**	**-**	**-**	**231,765**	**231,765**
Balance at 30 June 2005	**925,594**	**75,032**	**332,895**	**(414,058)**	**919,463**

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

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Share capital RM'000	Non-distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
Company				
Balance at 1 July 2003	919,041	75,032	(295,375)	698,698
Net loss for the financial year	-	-	(200,800)	(200,800)
Balance at 30 June 2004	**919,041**	**75,032**	**(496,175)**	**497,898**
Shares issued pursuant to the Executive Share Option Scheme	**6,553**	**-**	**-**	**6,553**
Net loss for the financial year	**-**	**-**	**(74,416)**	**(74,416)**
Balance at 30 June 2005	**925,594**	**75,032**	**(570,591)**	**430,035**

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		**211,241**	100,427	**(74,416)**	(200,800)
Adjustments for non-cash items, interests and dividend	32(a)	**534,384**	232,370	**72,268**	198,924
Operating profit/(loss) before working capital changes		**745,625**	332,797	**(2,148)**	(1,876)
(Increase)/decrease in trade and other receivables		**(9,431)**	60,871	**(654)**	947
Increase/(decrease) in trade and other payables		**444,534**	498,298	**(914)**	98
Increase in inventories		**(579,814)**	(503,019)	**-**	-
Cash generated from/(used in) operations		**600,914**	388,947	**(3,716)**	(831)
Tax refunded		**204**	342	**349**	-
Interest received		**781**	3,030	**106**	61
Interest paid		**(89,789)**	(112,308)	**(140)**	-
Net cash inflow/(outflow) from operating activities		**512,110**	280,011	**(3,401)**	(770)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	32(b)	**(193,329)**	(268,666)	**-**	-
Purchase of quoted investment		**-**	(21)	**-**	-
Proceeds from disposal of property, plant and equipment		**115**	255	**-**	-
Proceeds from disposal of investment in an associated company		**-**	2,851	**-**	-
Dividend received		**2,576**	1,097	**1,778**	1,419
Capital distribution from a quoted investment		**-**	5,313	**-**	5,313
(Advance to)/repayment from subsidiary companies		**-**	-	**(1,500)**	2,538
Proceeds from disposal of quoted investment		**7,709**	-	**7,709**	-
Purchase of investment in an associated company		**(113)**	-	**-**	-
Net cash inflow from acquisition of a subsidiary company	32(c)	**524**	-	**-**	-
Net cash (outflow)/inflow from investing activities		**(182,518)**	(259,171)	**7,987**	9,270
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**6,553**	-	**6,553**	-
Redemption/repayment of Bonds and Debts		**(13,891)**	-	**(13,891)**	-
Repayment of term loans		**(247,423)**	(46,607)	**-**	-
Drawdown of term loan		**35,100**	60,200	**-**	-
Repayment of hire purchase liabilities		**(636)**	(181)	**-**	-
Drawdown/(repayment) of short term borrowings		**62,799**	(40,147)	**-**	-
Repayment to subsidiary companies		**-**	-	**(895)**	(4,165)
Net cash outflow from financing activities		**(157,498)**	(26,735)	**(8,233)**	(4,165)
Net increase/(decrease) in cash and cash equivalents		**172,094**	(5,895)	**(3,647)**	4,335
Cash and cash equivalents at beginning of the financial year		**7,717**	13,612	**5,607**	1,272
Cash and cash equivalents at end of the financial year	32(d)	**179,811**	7,717	**1,960**	5,607

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 11. There have been no significant changes in the nature of the principal activities during the financial year except for the acquisition of a subsidiary as disclosed in Note 11.

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The total number of employees of the Group and of the Company as of 30 June 2005 were 2,204 (2004: 2,089) and 1 (2004: 2) respectively.

The financial statements have been approved by the Board of Directors for issuance on 21 October 2005.

2. BASIS OF PREPARATION

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

The financial statements comply with the applicable approved accounting standards and the provisions of the Companies Act, 1965.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. The difference between the acquisition cost and the Group's share of the fair values of the identifiable net assets of the subsidiary company acquired at the acquisition date is reflected as goodwill or negative goodwill.

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those of the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Intangible assets and negative goodwill

Goodwill and negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition. Negative goodwill represents the excess of the fair value of the identifiable net assets acquired at the date of acquisition over the cost of acquisition. Goodwill and negative goodwill are amortised over a period of twenty-five years. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 3 (q).

Deferred expenditure

Pre-commercial production expenses are expenses incurred prior to commencement of commercial production. Pre-commercial production expenses are amortised on a straight- line basis over a period of ten years upon commencement of commercial production and are stated net of amortisation. These expenses will be written off if future economic benefits relating to these expenses cannot be determined with reasonable certainty.

(c) Associated companies

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

Equity accounting involves recognising the Group's share of the post acquisition results of associated companies in the consolidated income statement. In the consolidated balance sheet, the Group's interest in associated companies is carried at cost, which includes unamortised goodwill on acquisition less unamortised negative goodwill on acquisition, where applicable, plus the Group's share of post acquisition change in the net assets of the associated companies. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (q).

Freehold land was revalued in 1998 by the Directors based on independent valuation reports carried out by firms of professional surveyors and valuers on an open market basis. In accordance with the transitional provisions issued by MASB on adoption of MASB Standard No.15 Property, Plant and Equipment, the valuation has not been updated and is stated at its existing carrying amount less accumulated depreciation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the lease. Depreciation of the other property, plant and equipment is provided on the straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life.

During the financial year, the Group reviewed the estimated useful lives of its plant and machinery, and accordingly, revised the depreciation rate from a range of 2% to 10% to a range of 6% to 10%. The revision of these accounting estimates has increased the depreciation charge in this financial year by RM138 million.

The principal annual depreciation rates used are:

	2005	2004
Leasehold land	Over 50 - 99 years	Over 50 - 99 years
Buildings	2 - 5%	2 - 5%
Plant and machinery	6 - 10%	2 - 10%
Furniture and equipment	5 - 20%	5 - 20%
Motor vehicles	20%	20%

(e) Inventories

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

(f) Construction contracts

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition

Revenue represent the invoiced value of goods sold and services rendered net of returns and allowances.

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

(h) Income tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

(i) Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currencies (continued)

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

	2005 RM	2004 RM
Foreign currency		
1 US Dollar	3.80	3.80
1 Euro	4.57	4.57
1 Singapore Dollar	2.24	2.21
1 Japanese Yen	0.03	0.03

(j) Investments

Investments in subsidiary and associated companies in the Company's financial statements are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (q).

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

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

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

(k) Borrowings

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

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

Bonds and debts are stated at net present value plus accreted interest and net of amortised issuance expenses. The accretion of interest on the bonds or debts is recognised as interest expenses on the basis of their underlying cash yield to maturity.

(l) Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Receivables

Trade and other receivables are carried at anticipated realisable value. Specific allowances are made for receivables, which have been identified as bad or doubtful. In addition, general allowances are made to cover possible losses, which are not specifically identified.

(n) Payables

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

(o) Finance leases/hire purchase

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

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

(p) Operating leases

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

(q) Impairment of assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

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

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

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

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

(s) Employee benefits

Short term benefits

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

Defined contribution plans

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

Equity compensation benefits

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

4. REVENUE

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**3,975,117**	2,445,212	**-**	-
Assembly fees	**1,668**	-	**-**	-
Registration and other professional fees	**301**	230	**-**	-
Dividend income	**-**	-	**2,470**	1,419
Interest income	**-**	-	**105,773**	98,481
	3,977,086	2,445,442	**108,243**	99,900

5. STAFF COSTS

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, wages and bonuses	**42,727**	33,143	**742**	814
Defined contribution plans	**5,512**	5,048	**104**	114
Other staff related expenses	**13,281**	12,065	**113**	83
	61,520	50,256	**959**	1,011

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

6. PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Property, plant and equipment:				
- depreciation	**237,749**	86,843	**-**	-
- impairment losses	**3,920**	2,997	**-**	-
- written off	**24,255**	315	**-**	-
Deferred expenditure:				
- amortisation	**14,810**	14,810	**-**	-
- written off	**71,585**	-	**-**	-
Amortisation of goodwill	**24,700**	24,700	**-**	-
Directors' remuneration*	**1,920**	1,898	**1,099**	1,036
Auditors' remuneration:				
- current year	**325**	131	**18**	17
- over accrued in prior year	**(3)**	-	**-**	-
Rental of land and buildings	**472**	373	**-**	-
Allowance for doubtful receivables	**300**	2,190	**-**	-
Lease rental	**-**	199	**-**	-
Bad receivables written off	**-**	63	**-**	-

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
After charging: (continued)				
Allowance for obsolete inventories	**116**	376	**-**	-
Impairment losses in:				
- subsidiary companies	**-**	-	**10,100**	-
- an associated company	**-**	-	**-**	132,119
Realised loss on foreign exchange	**12,627**	-	**-**	-
Professional fees paid to a firm in which a Director, M Chareon Sae Tang @ Tan Whye Aun, has interest	**33**	55	**-**	-
And crediting:				
Gross dividend income from quoted investment in Malaysia:				
- associated companies	**-**	-	**1,806**	1,412
- others	**665**	8	**664**	7
Rental income	**101**	157	**-**	-
Interest income from:				
- subsidiary companies	**-**	-	**84,730**	77,671
- Megasteel Sub-Bonds (A)	**-**	-	**20,918**	20,711
- others	**7,754**	8,149	**125**	99
Allowance for doubtful receivables written back	**35**	9	**-**	-
Gain on disposal of property, plant and equipment	**69**	154	**-**	-
Bad receivables recovered	**10**	147	**-**	-
Amortisation of negative goodwill	**32**	32	**-**	-
Gain on disposal of :				
- quoted investment	**2,284**	-	**2,284**	-
- investment in an associated company	**-**	3,337	**3,890**	-
Reversal of impairment losses in an associated company	**-**	1,046	**-**	-
Unrealised gain/(loss) on foreign exchange	**8,758**	(3,982)	**-**	-

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Executive Directors:				
- Salary and other emoluments	**1,440**	1,440	**720**	720
- Fee	**24**	20	**24**	20
- Defined contribution plans	**202**	202	**101**	101
- Benefit-in-kind	**83**	83	**83**	42
	1,749	1,745	**928**	883
Non-executive Directors:				
- Fees	**171**	153	**171**	153
	1,920	1,898	**1,099**	1,036

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

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Range of remuneration per annum				
Executive Director				
- RM850,001 - RM900,000	**-**	-	**-**	1
- RM900,001 - RM950,000	**-**	-	**1**	-
- RM1,700,001 - RM1,750,000	**1**	1	**-**	-
Non-executive Directors				
- RM25,000 and below	**2**	2	**2**	2
- RM25,001 - RM50,000	**4**	4	**4**	4

7. FINANCE COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expenses on:				
- advances from subsidiary companies	**-**	-	**21,362**	21,850
- bank overdrafts	**597**	808	**-**	-
- bonds and debts	**141,705**	131,090	**141,705**	131,090
- term loans	**101,348**	80,036	**-**	-
- Megasteel Sub-Bond (B)	**2,325**	2,301	**-**	-
- others	**77,431**	60,481	**13,518**	13,765
	323,406	274,716	**176,585**	166,705
Interest expenses capitalised under property, plant and equipment	**(3,059)**	(5,709)	**-**	-
	320,347	269,007	**176,585**	166,705

Finance costs capitalised in the property, plant and equipment during the financial year have been calculated by applying a capitalisation rate of 7.7% (2004: 5.9%) per annum.

8. TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax:				
- current year	**22**	7	**-**	-
- prior years	**(353)**	(531)	**-**	-
Deferred tax relating to origination and reversal of temporary differences (Note 26)	**(81,345)**	(4,493)	**-**	-
Recovery of tax deducted at source on dividend income from subsidiary and associated companies	**(829)**	(429)	**-**	-
	(82,505)	(5,446)	**-**	-
Associated companies	**28,786**	50,755	**-**	-
	(53,719)	45,309	**-**	-

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

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Income tax using Malaysia statutory income tax rate	**28**	28	**(28)**	(28)
Income not subject to tax	**(61)**	(113)	**(1)**	-
Expenses not deductible for tax purposes	**66**	113	**29**	18
Losses not available for offset	**-**	20	**-**	10
Deferred tax assets relating to prior years timing differences	**(57)**	-	**-**	-
Double taxation relief and others	**(1)**	(3)	**-**	-
Average effective tax rate	**(25)**	45	**-**	-

The Company has estimated tax exempt account amounting to RM17.4 million (2004: RM17.4 million) available for the distribution of tax exempt dividend. The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2004: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

9. EARNINGS PER SHARE

Basic

Earnings per share ("EPS") is calculated by dividing the Group's net profit for the financial year of RM231.8 million (2004: RM43.2 million) by the weighted average number of ordinary shares in issue of 922.0 million shares (2004: 919.0 million shares).

Diluted

The diluted EPS of 2005 remains the same as the basic EPS as the exercise period for the Company's ESOS had expired on 15 May 2005 and the unexercised warrants have no dilutive effect as the exercise price is above the average market value of the Company's shares.

The diluted EPS of 2004 remains the same as the basic EPS as the unissued ordinary shares granted to employees pursuant to the Company's ESOS had no dilutive effect since the exercise price is above the average market value of the Company's shares.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/valuation						
At 1 July 2004	589,913	2,603,991	17,218	4,571	316,417	3,532,110
Additions	39,830	47,643	3,362	1,066	130,293	222,194
Disposals	-	-	(30)	(304)	-	(334)
Written off	(39)	(33,650)	(107)	-	-	(33,796)
Reclassification	-	52,481	-	-	(52,481)	-
Acquisition of a subsidiary company	1,431	162,105	178	259	-	163,973
At 30 June 2005	631,135	2,832,570	20,621	5,592	394,229	3,884,147
Representing items at:						
Cost	331,135	297,690	20,621	5,592	394,229	1,049,267
Valuation	300,000	2,534,880	-	-	-	2,834,880
	631,135	2,832,570	20,621	5,592	394,229	3,884,147
Accumulated depreciation						
At 1 July 2004	51,936	301,040	9,057	3,178	-	365,211
Charge for the financial year	14,957	220,148	1,988	656	-	237,749
Disposals	-	-	(30)	(258)	-	(288)
Written off	(39)	(9,425)	(77)	-	-	(9,541)
Acquisition of a subsidiary company	286	35,438	78	259	-	36,061
At 30 June 2005	67,140	547,201	11,016	3,835	-	629,192
Representing items at:						
Cost	67,140	266,593	11,016	3,835	-	348,584
Valuation	-	280,608	-	-	-	280,608
	67,140	547,201	11,016	3,835	-	629,192
Accumulated impairment losses						
At 1 July 2004	-	1,525	-	-	8,454	9,979
Charge for the financial year	9,673	-	-	-	51	9,724
Acquisition of a subsidiary company	-	24,350	-	-	-	24,350
At 30 June 2005	9,673	25,875	-	-	8,505	44,053
Representing items at:						
Cost	9,673	-	-	-	8,505	18,178
Valuation	-	25,875	-	-	-	25,875
	9,673	25,875	-	-	8,505	44,053

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
Net book value						
At 30 June 2005						
- at cost	**254,322**	**31,097**	**9,605**	**1,757**	**385,724**	**682,505**
- at valuation	**300,000**	**2,228,397**	**-**	**-**	**-**	**2,528,397**
	554,322	**2,259,494**	**9,605**	**1,757**	**385,724**	**3,210,902**
At 30 June 2004						
- at cost	237,977	12,069	8,161	1,393	307,963	567,563
- at valuation	300,000	2,289,357	-	-	-	2,589,357
	537,977	2,301,426	8,161	1,393	307,963	3,156,920
Depreciation charge for the financial year ended 30 June 2004	7,321	77,295	1,608	621	-	86,845

In 2003, the Group adjusted the plant and machinery of a subsidiary company, Megasteel Sdn Bhd, to its fair value upon the acquisition of an additional 40% equity interest in that company. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM138.6 million (net of deferred tax liabilities) has been credited to revaluation reserve account. It is not the policy of the Group to revalue such assets regularly.

Land and buildings of the Group are as follows:

	Freehold land and land improvement RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Total RM'000
Group					
Cost/Valuation					
At 1 July 2004	**320,978**	**11,412**	**7,362**	**250,161**	**589,913**
Additions	**-**	**-**	**-**	**39,830**	**39,830**
Written off	**-**	**-**	**-**	**(39)**	**(39)**
Acquisition of a subsidiary company	**-**	**-**	**-**	**1,431**	**1,431**
At 30 June 2005	**320,978**	**11,412**	**7,362**	**291,383**	**631,135**
Representing items at:					
Cost	**20,978**	**11,412**	**7,362**	**291,383**	**331,135**
Valuation	**300,000**	**-**	**-**	**-**	**300,000**
	320,978	**11,412**	**7,362**	**291,383**	**631,135**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and land improvement RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Total RM'000
GROUP					
Accumulated depreciation					
At 1 July 2004	-	1,626	3,165	47,145	51,936
Charge for the financial year	-	680	174	14,103	14,957
Written off	-	-	-	(39)	(39)
Acquisition of a subsidiary company	-	-	-	286	286
At 30 June 2005	-	2,306	3,339	61,495	67,140
Representing items at:					
Cost	-	2,306	3,339	61,495	67,140
Valuation	-	-	-	-	-
	-	2,306	3,339	61,495	67,140
Accumulated impairment losses					
At 1 July 2004	-	-	-	-	-
Charge for the financial year	9,673	-	-	-	9,673
At 30 June 2005	9,673	-	-	-	9,673
Net Book Value					
At 30 June 2005					
- cost	11,305	9,106	4,023	229,888	254,322
- valuation	300,000	-	-	-	300,000
	311,305	9,106	4,023	229,888	554,322
At 30 June 2004					
- cost	20,978	9,786	4,197	203,016	237,977
- valuation	300,000	-	-	-	300,000
	320,978	9,786	4,197	203,016	537,977
Depreciation charge for the financial year ended 30 June 2004	-	705	147	6,469	7,321

The freehold land has been charged to financial institutions for credit facilities granted to a subsidiary company. The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2004: RM35.0 million) and RM1.74 billion (2004: RM1.90 billion) respectively as at the financial year end.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Other than the freehold land, property, plant and equipment with the carrying value of RM2.33 billion (2004: RM2.59 billion) have also been charged to financial institutions as securities for credit facilities.

The net book value of motor vehicles acquired under hire purchase amounted to RM1.15 million (2004: RM0.61 million) as at the financial year end.

The finance cost capitalised under capital-work-in-progress of the Group during the financial year amounted to RM3.1 million (2004: RM5.7 million), as disclosed in Note 7.

Certain land title and strata titles for leasehold land and buildings of a subsidiary company with net book value of RM9.3 million (2004: RM9.5 million) have not been issued by the relevant authorities.

11. SUBSIDIARY COMPANIES

	Company 2005 RM'000	Company 2004 RM'000
Unquoted shares at cost	**41,758**	41,758
Accumulated impairment losses	**(21,956)**	(11,856)
	19,802	29,902
Megasteel Sub-Bond (A)	**2,112,756**	2,091,838
	2,132,558	2,121,740

Certain investment in subsidiary companies of the Company with carrying value totalling RM19.8 million (2004: RM29.9 million) have been charged as security for the LCB Bonds and the LCB Debts issued by the Company.

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity 2005 %	Holding in Equity 2004 %	Principal Activities
Bersatu Investments Company Limited *	Hong Kong	**71**	71	# Ceased operations
Glit Investments Company Limited *	Hong Kong	**100**	100	# Dormant
Kinabalu Car Distributors Sdn Bhd *	Malaysia	**100**	100	# Dormant
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	**50.01**	50.01	Assembly and sale of private and commercial vehicles
KMA Marketing Sdn Bhd *	Malaysia	**100**	100	# Trading and distribution of private and commercial vehicles, vehicles parts and provision of related services

11. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Holding in Equity 2005 %	2004 %		Principal Activities
LCB Harta (M) Sdn Bhd	Malaysia	**100**	100		Managing of debts novated from LCB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiary companies
LCB Venture Pte Ltd *	Singapore	**100**	-		Investment holding
Limpahjaya Sdn Bhd	Malaysia	**100**	100		Investment holding
Lion Com Sdn Bhd	Malaysia	**100**	100	#	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100**	100		Construction and civil engineering work
Lion Excellent Sdn Bhd	Malaysia	**100**	100		Ceased operations
Lion-Fichet (HK) Limited *	Hong Kong	**100**	100	#	Ceased operations
Lion Fichet Sdn Bhd	Malaysia	**100**	100	#	Ceased operations
Lion General Trading & Marketing (S) Pte Ltd *	Singapore	**100**	100		General merchant
Lion Rubber Works Sdn Bhd	Malaysia	**100**	100		Ceased operations
Lion Steelworks Sdn Bhd	Malaysia	**100**	100		Manufacture and distribution of office equipment, security equipment and steel related products
Lion Trading & Marketing Sdn Bhd	Malaysia	**100**	100		Trading and marketing of security equipment, office equipment and steel related products
Logic Concepts (M) Sdn Bhd	Malaysia	**71**	71	#	Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	**91**	91	#	Ceased operations
Logic Furniture (S) Pte Ltd *	Singapore	**100**	100	#	Ceased operations
Lyn (Pte) Ltd *	Singapore	**79**	79	#	Investment holding
Megasteel Sdn Bhd *	Malaysia	**90**	90	#	Manufacturing of hot rolled coils, cold rolled coils, bands, plates and sheets

11. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Holding in Equity 2005 %	2004 %	Principal Activities
PMB Building System Sdn Bhd	Malaysia	**100**	100	# Investment holding
PMB Jaya Sdn Bhd	Malaysia	**100**	100	# Ceased operations
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100**	-	# Manufacturing and marketing of industrial gases
Secretarial Communications Sdn Bhd	Malaysia	**100**	100	# Share registration and secretarial services
Umevest Sdn Bhd	Malaysia	**100**	100	# Investment holding

Note: * Financial statements of subsidiary companies as at 30 June 2005 not audited by Ong Boon Bah & Co.
Holding in equity by subsidiary companies.

During the financial year, the Group has completed the following:

(i) LCB Venture Pte Ltd, a wholly-owned subsidiary company, was incorporated on 9 November 2004 in Singapore with 2 ordinary shares issued at par of S$1 each.

(ii) the acquisition of the entire issued and paid-up capital of Secomex Manufacturing (M) Sdn Bhd on 30 September 2004 for a total consideration of RM1.00.

The acquisition of Secomex Manufacturing (M) Sdn Bhd had the following effects on the Group's financial results for the year ended 30 June 2005:

	Group 2005 RM'000
Revenue	**3,383**
Loss before taxation	**(3,678)**
Net loss	**(3,310)**

This acquisition had the following effects on the financial position of the Group as at 30 June 2005:

	Group 2005 RM'000
Assets and liabilities:	
Property, plant and equipment	**102,355**
Inventories	**378**
Trade and other receivables	**8,568**
Cash and bank balances	**959**
Trade and other payables	**(115,938)**
Minority interest	**368**
Net liabilities acquired	**(3,310)**

12. ASSOCIATED COMPANIES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Quoted shares in Malaysia				
- at cost	**1,164,138**	1,164,138	**926,045**	1,039,154
- accumulated impairment losses	**(26,873)**	(26,873)	**(342,630)**	(342,630)
	1,137,265	1,137,265	**583,415**	696,524
Unquoted shares at cost	**1,653**	1,540	**1,540**	1,540
	1,138,918	1,138,805	**584,955**	698,064
Share of post-acquisition results and reserves	**(171,706)**	(265,454)	**-**	-
	967,212	873,351	**584,955**	698,064
Market value of quoted shares	**435,568**	358,128	**295,791**	345,786
Represented by:				
Share of net assets other than goodwill	**968,970**	882,301		
Share of goodwill in associated companies	**144,692**	154,206		
	1,113,662	1,036,507		
Unamortised goodwill on acquisition	**266,623**	279,542		
Unamortised negative goodwill on acquisition	**(413,073)**	(442,698)		
	967,212	873,351		

Certain investment in associated companies of the Group with carrying value totalling RM616.8 million (2004: RM538.4 million) have been charged to financial institutions for credit facilities granted to the Group and as security for the LCB Bonds and the LCB Debts issued by the Company.

The associated companies are:

Name of Company	Country of Incorporation	Holding in Equity 2005 %	Holding in Equity 2004 %	Accounting Year End	Principal Activities
Amsteel Corporation Berhad	Malaysia	**38.2** # **1.9**	38.2 # 1.9	30 June	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.9** # **15.9**	41.6 # 1.3	30 June	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30.0**	30.0	30 June	Investment holding
Lion Insurance Company Limited	Malaysia	# **37.0**	-	30 June	Captive insurance business

\# Held by subsidiary companies.

During the financial year, Lion Industries Corporation Berhad issued 17.82 million ordinary shares at RM1.00 each upon the exercise of shares granted pursuant to its ESOS. The new ordinary shares represented 2.62% of the enlarged share capital, and as a result, the Group's equity interest in Lion Industries Corporation Berhad has been diluted accordingly.

13. INVESTMENTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Unquoted shares				
- at cost	**183**	183	**-**	-
- allowance for diminution in value	**(123)**	(123)	**-**	-
	60	60	**-**	-
Quoted shares in Malaysia				
- at cost	**19,463**	24,887	**16,439**	21,864
- allowance for diminution in value	**(5,008)**	(5,008)	**(2,378)**	(2,378)
	14,455	19,879	**14,061**	19,486
Other investment at cost	**25**	25	**-**	-
Total	**14,540**	19,964	**14,061**	19,486
Market value of quoted shares	**18,367**	15,378	**17,757**	14,975

Certain of the Company's investments with carrying values totalling RM0.9 million (2004: RM0.9 million) have been charged to financial institutions for credit facilities granted to the Company and as security for the LCB Bonds and the LCB Debts issued by the Company.

14. INTANGIBLE ASSETS

	Group 2005 RM'000	Group 2004 RM'000
Goodwill		
At 1 July and 30 June	**617,713**	617,713
Cumulative amortisation at 1 July	**(41,175)**	(16,475)
Amortisation for the year	**(24,700)**	(24,700)
Cumulative amortisation at 30 June	**(65,875)**	(41,175)
Net	**551,838**	576,538
Deferred expenditure		
Pre-commercial production expenses	**148,104**	148,104
Cumulative amortisation at 1 July	**(61,709)**	(46,899)
Amortisation for the year	**(14,810)**	(14,810)
	(76,519)	(61,709)
	71,585	86,395
Written off during the year	**(71,585)**	-
Net	**-**	86,395
Total	**551,838**	662,933

15. INVENTORIES

	Group 2005 RM'000	Group 2004 RM'000
At cost:		
Raw materials	**854,286**	432,220
Work-in-progress	**1,242**	1,693
Finished goods	**403,639**	317,033
General and consumables stores	**157,473**	85,361
Goods-in-transit	**78**	-
	1,416,718	836,307
At net realisable value:		
Raw materials	**5,342**	5,112
Finished goods	**4,212**	4,761
Total	**1,426,272**	846,180

Certain raw materials and finished goods of the Group have been secured against financing facilities are as follows:

	Group 2005 RM'000	Group 2004 RM'000
Raw materials:		
- with a related party	**37,045**	68,375
- with external parties	**696,418**	216,407
	733,463	284,782
Finished goods:		
- with a related party	**94,820**	11,438
- with external parties	-	19,994
	94,820	31,432

Included in raw materials under financing facilities is an amount of RM115.00 million (2004: RM104.36 million) which relates to raw materials in transit.

The financing facilities with a related party have been entered into in the normal course of business and has been established on terms that are no more favourable to the related party than those arranged with independent third parties. The corresponding liabilities of these inventories are disclosed in Note 19.

16. TRADE AND OTHER RECEIVABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Current				
Trade receivables	**200,664**	97,757	**-**	-
Allowance for doubtful receivables	**(14,433)**	(14,168)	**-**	-
	186,231	83,589	**-**	-
Retention monies	**320**	559	**-**	-
Allowance for doubtful receivables	**-**	(106)	**-**	-
	320	453	**-**	-
Other receivables, deposits and prepayments	**51,935**	243,670	**702**	16
Allowance for doubtful receivables	**(3,005)**	(2,937)	**-**	-
	48,930	240,733	**702**	16
Gross amount due from contract customers	**-**	353	**-**	-
Total current portion	**235,481**	325,128	**702**	16
Non current				
Long term receivable	**234,751**	232,426	**-**	-

Included in other receivables, deposits and prepayments of the Company and of the Group is an amount receivable from a related party totalling RM0.3 million (2004: RM0.2 million) which has been charged to financial institutions for credit facilities granted to the Group and as security for the LCB Bonds and the LCB Debts issued by the Company.

The long term receivable is an amount due from Khazanah Nasional Berhad ("Khazanah") which arose from the issue of the Megasteel Sub-Bond (B) to Khazanah (refer to Note 24). The amount is unsecured and bears interest rate of 1.0% per annum. The amount is repayable over 10 years commencing from the day after the date of the full redemption of the Megasteel Sub-Bond (B) issued to Khazanah.

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

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

16. TRADE AND OTHER RECEIVABLES (continued)

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

	Group 2005 RM'000	Group 2004 RM'000
Contract cost to date	**7,325**	7,325
Attributable profits	**308**	209
	7,633	7,534
Progress billings	**(7,633)**	(7,181)
Gross amount due from contract customers	**-**	353

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

	Group 2005 RM'000	Group 2004 RM'000
Depreciation	**-**	2

17. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

(a) Current

	Company 2005 RM'000	Company 2004 RM'000
Amount due from subsidiary companies	**1,732,518**	1,646,294
Allowance for doubtful receivables	**(9,744)**	(9,744)
	1,722,774	1,636,550
Amount due to subsidiary companies	**(24,788)**	(142,236)

The amounts due from/(to) subsidiary companies which arose mainly from inter-company advances and payments made on behalf are unsecured and have no fixed repayment terms. The amounts due from subsidiary companies bear a weighted average effective interest rate of 7.7% (2004: 7.7%) per annum and the amounts due to subsidiary companies bear a weighted average effective interest rate of 1.0% (2004: 1.0%) per annum.

(b) Non current

	Company 2005 RM'000	Company 2004 RM'000
Amount due to a subsidiary company	**(2,112,756)**	(2,091,838)

The amount due to a subsidiary company arose mainly from the Company's investment in Megasteel Sub-Bond (A), an instrument which confers the Company a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel Sdn Bhd, under the GWRS. The amount is unsecured and bears an effective interest rate of 1.0% per annum.

18. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average effective interest rate as at the balance sheet date of 2.6% (2004: 2.7%) and 2.6% (2004: 2.8%) per annum respectively and have an average maturity of 6 days (2004: 29 days) and 15 days (2004: 30 days) respectively.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Trade payables	**1,525,893**	849,208	**-**	-
Other payables and accruals	**188,596**	290,352	**28,339**	29,131
Hire purchase liabilities (Note 27)	**912**	167	**-**	-
Project payables (Note 27)	**88,970**	84,014	**-**	-
	1,804,371	1,223,741	**28,339**	29,131

Included in trade payables is an amount of RM753.2 million (2004:RM296.2 million) which relates to trade financing arrangements with parties where the titles of the inventories pertaining to these arrangements are legally passed to these parties, and of which the Group has an obligation to purchase. The obligation to purchase ranges from 90 days to 120 days, with interest rates from 3% to 6% per annum. The inventories under such arrangements are disclosed in Note 15. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days.

20. BANK OVERDRAFTS

	Group	
	2005 RM'000	**2004 RM'000**
Secured	**7,830**	9,232

Bank overdrafts pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment as disclosed in Note 10, and other assets of the subsidiary companies.

The weighted average effective interest rate for bank overdrafts at the balance sheet date is 7.6% (2004: 7.8%) per annum.

21. SHORT TERM BORROWINGS

	Group 2005 RM'000	Group 2004 RM'000
Term loans:		
Portion repayable within one year (Note 25)	**761,149**	903,325
Secured:		
Bills payable	**98,206**	63,799
Revolving credits	**35,500**	41,839
Short term loans	**36,118**	24,077
	169,824	129,715
Unsecured:		
Bills payable	**2,968**	2,164
Total	**933,941**	1,035,204

Bills payable and revolving credits pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment as disclosed in Note 10, and other assets of the subsidiary companies.

The weighted average effective interest rates at the balance sheet date for the respective credit facilities are as follows:

	Group 2005 %	Group 2004 %
Bills payable	**4.5**	4.9
Revolving credits	**6.4**	7.1
Short term loans	**6.5**	4.4

22. SHARE CAPITAL

Ordinary shares of RM1.00 each	Group and Company 2005 RM'000	Group and Company 2004 RM'000
(a) Authorised:		
At 1 July and 30 June	**2,000,000**	2,000,000
(b) Issued and fully paid:		
At 1 July	**919,041**	919,041
Shares issued pursuant to Executive Share Option Scheme	**6,553**	-
At 30 June	**925,594**	919,041

22. SHARE CAPITAL (continued)

During the financial year, the Company increased its issued and paid-up share capital from RM919,040,622 to RM925,593,622 by the issuance of 6,553,000 new ordinary shares of RM1.00 each for cash pursuant to the Executive Share Option Scheme of the Company.

As at 30 June 2005, there were 91,380,750 unexercised warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held at the subscription price of RM2.60 per ordinary share. The warrants which were constituted by a Deed Poll dated 18 December 1997 ("Deed Poll"), were offered on a renounceable basis of three (3) warrants for every four (4) existing shares held.

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

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

The Executive Share Option Scheme ("ESOS") for the eligible executives and Executive Directors of the Group was approved by the shareholders of the Company on 22 March 2000. The ESOS became effective on 16 May 2000 and expired on 15 May 2005.

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

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

(b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

(c) No options shall be granted for less than 1,000 ordinary shares nor more than the maximum allowable allotment and shall be in multiples of 1,000 ordinary shares.

(d) The options price of each ordinary share under the ESOS shall be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.

(e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the ESOS Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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

22. SHARE CAPITAL (continued)

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

			Number of options			
Granted on	Subscription price per share RM	Balance as at 1.7.2004 '000	Granted '000	Exercised '000	Lapsed '000	Balance as at 30.6.2005 '000
22.5.2000	2.69	977	-	-	977	-
6.8.2003	1.00	2,992	-	2,442	550	-
27.4.2004	1.00	4,636	-	4,111	525	-
		8,605	-	6,553	2,052	-

23. RESERVES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-distributable :				
Share premium	**75,032**	75,032	**75,032**	75,032
Negative goodwill	**543**	575	**-**	-
Revaluation reserves	**242,531**	247,367	**-**	-
Capital reserves	**87,990**	88,127	**-**	-
Translation reserves	**1,831**	2,124	-	-
	407,927	413,225	**75,032**	75,032
Accumulated losses	**(414,058)**	(626,791)	**(570,591)**	(496,175)
	(6,131)	(213,566)	**(495,559)**	(421,143)

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

Capital reserves comprise mainly share of post acquisition reserves of an associated company and profits recorded by a subsidiary company which was incorporated to manage the Ringgit Malaysia debts under the Group Wide Restructuring Scheme ("GWRS").

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

24. BONDS AND DEBTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Current				
Secured:				
- LCB Bonds	**54,356**	26,339	**54,356**	26,339
- LCB Debts	**56**	44	**56**	44
	54,412	26,383	**54,412**	26,383
Non current				
Secured:				
- LCB Bonds	**1,796,365**	1,683,932	**1,796,365**	1,683,932
- LCB Debts	**11,392**	10,779	**11,392**	10,779
Unsecured bond:				
- Megasteel Sub-Bond (B)	**234,751**	232,426	**-**	-
	2,042,508	1,927,137	**1,807,757**	1,694,711
Total				
Secured:				
- LCB Bonds	**1,850,721**	1,710,271	**1,850,721**	1,710,271
- LCB Debts	**11,448**	10,823	**11,448**	10,823
Unsecured bond:				
- Megasteel Sub-Bond (B)	**234,751**	232,426	**-**	-
	2,096,920	1,953,520	**1,862,169**	1,721,094

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

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Within 1 year	**54,412**	26,383	**54,412**	26,383
From 1 to 5 years	**1,191,781**	668,628	**1,089,370**	629,693
After 5 years	**850,727**	1,258,509	**718,387**	1,065,018
	2,096,920	1,953,520	**1,862,169**	1,721,094

Pursuant to the implementation of the GWRS in 2003, the Company has on 14 March 2003 issued the following zero coupon redeemable secured bonds ("LCB Bonds") and debts ("LCB Debts"):

(i) RM45.445 million (present value as at the date of issue) Class A LCB Bonds, having a maturity date of 31 December 2004 as part of the settlement of debts;

(ii) RM474.836 million (present value as at the date of issue) Class B (a) LCB Bonds, having a maturity date of 31 December 2009 as part of the settlement of debts;

(iii) RM1,071.826 million (present value as at the date of issue) Class B (b) LCB Bonds, having a maturity date of 31 December 2011 as part of the consideration for the acquisition of an additional 40% equity interest in Megasteel Sdn Bhd ("Megasteel") and of 224.54 million shares in Lion Industries Corporation Berhad; and

24. BONDS AND DEBTS (continued)

(iv) USD2.628 million (present value as at the date of issue) LCB Debts, having a maturity date of 31 December 2009 as part of the settlement of debts.

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

The Company has obtained the bondholders and lenders approval on 16 December 2004 to defer the redemption/repayment of the following LCB Bonds and LCB Debts:

	Due on 31 December 2004 defer to 31 March 2005 Nominal amount	**Due on 31 December 2004 defer to 31 December 2005 Nominal amount**
Class A LCB Bonds (RM'000)	8,049	9,419
Class B (a) LCB Bonds (RM'000)	860	1,007
Class B (b) LCB Bonds (RM'000)	1,942	2,272
LCB Debts (USD'000)	5	6

On 1 April 2005, the Company had fully redeemed/repaid the LCB Bonds and LCB Debts due on 31 March 2005.

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

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

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

Securities for the LCB Bonds and the LCB Debts

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

(i) The assets included in the Proposed Divestment Programme ("PDP") for the LCB Group. If there is an existing security on any such assets as at 14 March 2003 ("Existing Charge"), the Security Trustee will take a lower priority security interest.

(ii) The CPB Inter-Co Repayment (amounts owing by Lion Diversified Holdings Berhad to LCB) receivable by the Company.

(iii) The Redemption Account held by the Company. The Redemption Account will capture the "Dedicated Cash Flows" held by the Company.

24. BONDS AND DEBTS (continued)

Dedicated Cash Flows mean cash flows from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a Charge, if applicable;

- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no Charge;

- proceeds from the redemption of the CPB Inter-Co Repayment received by the Company including any loyalty payment received following the full repayment of the CPB Inter-Co Repayment;

- subject to the proportions allocated to holders of the LCB Bonds and the LCB Debts, net proceeds from the disposal of any assets of the Group (other than assets in the PDP for the Group);

- Megasteel's dividends for years 2006 and 2007 and redemption of the Megasteel Sub-Bond (A) from year 2008 to year 2011; and

- Cash injection to be undertaken in year 2011.

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

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

(i) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness with respect to the Company, its subsidiary companies, scheme companies and security party except such permitted indebtedness.

Permitted indebtedness shall mean, at any time, any indebtedness for borrowed money incurred or assumed by the Company, any of its subsidiary companies incorporated as at the date of the Trust Deed, any scheme company and any security party in respect of which the aggregate principal amount committed or provided by the lenders together with the aggregate amount of all indebtedness of the Company, any of its subsidiary companies, any scheme company and any security party at the time of its incurrence does not exceed the following limits:

(a) where the total redemption amounts of the LCB Bonds redeemed, or cancelled pursuant to an early redemption or purchase, and the total repayment amounts repaid and, in the case of an early repayment or purchase; the total repayment amounts in respect of the Class B LCB Debts repaid or purchased up to the relevant time when the indebtedness is incurred or proposed to be incurred (which amount shall exclude amounts paid in respect of the Class B (b) LCB Bonds) and the up-front cash payment made on 31 January 2003 ("Repaid Amounts") is less than 50% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and all Class B LCB Debts, at the issue date of the LCB Bonds, the limit shall be 20% of that Repaid Amounts;

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

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

24. BONDS AND DEBTS (continued)

(ii) Disposal of assets in PDP

Dispose of assets/shares in the PDP if:

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

(iii) Disposal of residual assets

Dispose of assets not in the PDP if:

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

(iv) Capital expenditure

Incur and/or cause its subsidiary companies (other than the Excluded Companies) to incur any capital expenditure:

(a) for any new investment which is not within the core business of the Company or such subsidiary company as at the date of the Trust Deed; and
(b) exceeding 25% of the consolidated NTA of the Company in the event the consolidated NTA of the Company is positive or exceeding the sum of RM5 million in the event the consolidated NTA of the Company is negative.

The main financial covenants that need to be met prior to the redemption of the Megasteel Sub-Bonds by Megasteel are as follows:

(a) The ratio of the debts to tangible net worth of Megasteel shall be less than or equal to one point five (1.5) times.

(b) The debt service cover ratio of Megasteel shall be equal to or more than one point four (1.4) times.

(c) The ratio of current assets to current liabilities of Megasteel shall equal to or more than one point zero (1.0) times.

(d) The finished goods inventories turnover period of Megasteel shall be less than or equal to thirty (30) days.

(e) The trade receivables collection period of Megasteel shall be less than or equal to twenty five (25) days.

25. LONG TERM BORROWINGS

	Group 2005 RM'000	Group 2004 RM'000
Term Loans		
Secured	**1,630,995**	1,809,389
Portion repayable within one year and included under current liabilities (Note 21)	**(761,149)**	(903,325)
	869,846	906,064

The term loans are repayable over the following periods:

	Group 2005 RM'000	Group 2004 RM'000
Within 1 year (Note 21)	**761,149**	903,325
From 1 to 5 years	**869,846**	906,064
	1,630,995	1,809,389

The term loans of a subsidiary company are secured by way of a first fixed charge over their freehold land and fixed and floating charges over other assets of the subsidiary company concerned.

The weighted average effective interest rate at balance sheet date for term loans is 6.0% (2004: 4.1%) per annum.

26. DEFERRED TAXATION

	Group 2005 RM'000	Group 2004 RM'000
At 1 July	**(116,932)**	(121,425)
Net recognised in income statement (Note 8)	**81,345**	4,493
At 30 June	**(35,587)**	(116,932)

Presented after appropriate offsetting as follows:

	Group 2005 RM'000	Group 2004 RM'000
Deferred tax assets	**187,000**	-
Deferred tax liabilities	**(222,587)**	(116,932)
	(35,587)	(116,932)

26. DEFERRED TAXATION (continued)

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

Deferred tax assets of the Group

	Unabsorbed capital allowances RM'000
At 1 July 2004	**-**
Recognised in income statement	**187,000**
At 30 June 2005	**187,000**

Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Revaluation reserve RM'000	Total RM'000
At 1 July 2003	353	121,072	121,425
Recognised in income statement	-	(4,493)	(4,493)
At 30 June 2004	**353**	**116,579**	**116,932**
Recognised in income statement	**115,988**	**(10,333)**	**105,655**
At 30 June 2005	**116,341**	**106,246**	**222,587**

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

	Group	
	2005 RM'000	2004 RM'000
Unutilised pioneer tax losses	**-**	128,750
Unutilised tax losses	**116,282**	44,485
Unabsorbed capital allowances	**22,241**	7,196
	138,523	180,431

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

A subsidiary company has been granted pioneer status under the Promotion of Investments Act, 1986. The Pioneer incentive is given for a period of 5 years from 1 February 2000 to 31 January 2005 with an option to extend for another 5 years thereafter. The subsidiary company has submitted an application to the Ministry of International Trade & Industry to extend the pioneer status to 31 January 2010. The application is currently under the consideration of the authority. Accordingly, deferred tax assets were recognised after the expiry of the pioneer status for the initial 5 years, on 31 January 2005.

27. DEFERRED LIABILITIES

	Group 2005 RM'000	Group 2004 RM'000
HIRE PURCHASE LIABILITIES		
Payable within 1 year	**1,035**	203
Payable between 1 and 5 years	**1,691**	405
	2,726	608
Finance charges	**(320)**	(102)
	2,406	506
Analysed as:		
Payable within 1 year (Note 19)	**912**	167
Payable between 1 and 5 years	**1,494**	339
	2,406	506
PROJECT PAYABLES - UNSECURED		
Payable due within 1 year (Note 19)	**88,970**	84,014
Payable later than 1 year	**-**	55,636
	88,970	139,650
TOTAL DEFERRED LIABILITIES		
Payable within 1 year	**89,882**	84,181
Payable later than 1 year	**1,494**	55,975
	91,376	140,156

The hire purchase liabilities carry interest rates at the balance sheet date at rates ranging from 2.8% to 5.0% (2004: 3.3% to 5.0%) per annum.

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

28. COMMITMENTS

(a) Capital commitments

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

	Group 2005 RM'000	Group 2004 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**59,459**	90,483
- approved but not contracted for	**3,368**	8,195
	62,827	98,678

28. COMMITMENTS (continued)

(b) Operating lease commitments

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

	Group 2005 RM'000	Group 2004 RM'000
The future minimum lease payments under non-cancellable operating lease are as follows:		
Within 1 year	**186**	186
From 1 to 5 years	**714**	900
	900	1,086

29. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Guarantees in respect of loans and credit facilities granted to subsidiary companies				
- unsecured	**-**	-	**46,767**	40,859
Litigation claim *	**342**	342	**-**	-
	342	342	**46,767**	40,859

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

30. RELATED PARTY TRANSACTIONS

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

Name of Company	Type of transaction	Group 2005 RM'000	Group 2004 RM'000
i) With Amsteel Corporation Berhad Group ("Amsteel"):			
Lion Tooling Sdn Bhd	Trade purchases	**4,211**	3,765
Singa Logistics Sdn Bhd	Logistic services	**14,182**	7,871
Secom (M) Sdn Bhd	Trade purchases	**335**	155
ii) With Lion Industries Corporation Berhad Group ("LICB"):			
Amsteel Mills Sdn Bhd	Trade sales	**787,095**	328,075
	Trade purchases	**1,149,822**	529,225
Antara Steel Mills Sdn Bhd	Trade sales	**30,020**	16,752
Amsteel Mills Marketing Sdn Bhd	Management services	**1,268**	1,353

Amsteel and LICB are associated companies of the Company.

30. RELATED PARTY TRANSACTIONS (continued)

Name of Company	Type of transaction	Group 2005 RM'000	Group 2004 RM'000
iii) With other related parties			
Bright Steel Sdn Bhd	Trade sales	**234,983**	147,594
	Trade purchases	**63,756**	67,395
Bright Steel Service Centre Sdn Bhd	Trade sales	**29,404**	5,966
	Trade purchases	**1,419**	317
Lion Holdings Pte Ltd	Trade purchases	**506,407**	99,856
Lion Plate Mills Sdn Bhd	Trade sales	**45,402**	34,123
	Trade purchases	**6,238**	6,279
Lion Motor Sdn Bhd	Trade sales	**3,324**	-
	Trade purchases	**13,773**	4,532
Silverstone Berhad	Trade purchases	**83**	136
S.I.T Corporate Learning Centre Sdn Bhd	Training services	**134**	151
Silverstone Marketing Sdn Bhd	Rental income	**138**	138
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**2,200**	1,292
Likom Plastic Industries Sdn Bhd	Trade purchases	**325**	-
Lion Forest Industries Berhad	Trade sales	**(1,345)**	143,773
PT Lion Metal Works Tbk	Trade sales	**4,651**	1,790

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

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

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

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

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

b) ESOS granted to Directors

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

	Number of options: Granted during the financial year 2005	Granted during the financial year 2004	Unexercised options at financial year end 2005	Unexercised options at financial year end 2004
Tan Sri William H.J. Cheng	-	325,000	-	448,000

31. SEGMENTAL ANALYSIS

(a) Primary reporting format - business segments:

The Group is organised into three major business segments:

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

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

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

2005	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	3,877,990	33,201	65,163	732	-	3,977,086
Inter-segment	1,238	396	-	-	(1,634)	-
Total revenue	3,879,228	33,597	65,163	732	(1,634)	3,977,086
Results						
Segment results	403,302	(1,402)	(2,456)	(20,076)	-	379,368
Interest income						7,754
Investment income						665
Profit from operations						387,787
Finance costs						(320,347)
Share in results of associated companies	156,638	-	-	(12,837)	-	143,801
Profit before taxation						211,241
Taxation						53,719
Profit after taxation						264,960
Minority interests						(33,195)
Net profit for the financial year						231,765
Segment assets	5,290,968	30,615	57,383	468,004	-	5,846,970
Associated companies	548,078	-	-	419,134	-	967,212
Unallocated corporate assets						16,788
Consolidated total assets						6,830,970
Segment liabilities	1,674,196	6,180	12,714	110,369	-	1,803,459
Unallocated corporate liabilities						3,946,619
Consolidated total liabilities						5,750,078

31. SEGMENTAL ANALYSIS (continued)

(a) Primary reporting format - business segments: (continued)

2005	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Other information						
Capital expenditure	**219,999**	**277**	**1,918**	**-**	**-**	**222,194**
Depreciation and amortisation	**249,528**	**971**	**2,032**	**24,696**	**-**	**277,227**
Impairment losses	**3,869**	**-**	**51**	**-**	**-**	**3,920**
Non-cash expenses other than depreciation, amortisation and impairment losses	**95,767**	**300**	**188**	**(34)**	**-**	**96,221**

2004	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	2,348,934	29,239	67,061	208	-	2,445,442
Inter-segment	676	339	-	-	(1,015)	-
Total revenue	2,349,610	29,578	67,061	208	(1,015)	2,445,442
Results						
Segment results	220,132	(3,763)	(3,393)	(11,855)	(22)	201,099
Interest income						8,149
Investment income						8
Profit from operations						209,256
Finance costs						(269,007)
Share in results of associated companies	153,321	-	-	6,857	-	160,178
Profit before taxation						100,427
Taxation						(45,309)
Profit after taxation						55,118
Minority interests						(11,887)
Net profit for the financial year						43,231

31. SEGMENTAL ANALYSIS (continued)

(a) Primary reporting format - business segments: (continued)

2004	Steel RM'000	Manufac-turing RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Segment assets	4,549,200	24,255	49,447	617,719	-	5,240,621
Associated companies	445,285	-	-	428,066	-	873,351
Unallocated corporate assets						21,461
Consolidated total assets						6,135,433
Segment liabilities	1,217,667	5,750	8,120	47,673	-	1,279,210
Unallocated corporate liabilities						4,021,548
Consolidated total liabilities						5,300,758
Other information						
Capital expenditure	307,267	179	493	-	-	307,939
Depreciation and amortisation	98,393	1,047	2,181	24,700	-	126,321
Impairment losses	-	-	2,811	186	-	2,997
Reversal of impairment losses	-	-	-	(1,046)	-	(1,046)
Non-cash expenses other than depreciation, amortisation and impairment losses	-	426	566	1,943	-	2,935

(b) Secondary reporting format – geographical segments:

The Group principally operates its business segments in Malaysia. Other geographical segments are mainly based on the location of customers as follows:

2005	Malaysia RM'000	China RM'000	Others RM'000	Total RM'000
Segment revenue	**2,541,259**	**227,470**	**1,208,357**	**3,977,086**
Segment assets	**5,846,970**	**-**	**-**	**5,846,970**
Capital expenditure	**222,194**	**-**	**-**	**222,194**
2004				
Segment revenue	2,046,872	261,953	136,617	2,445,442
Segment assets	5,240,621	-	-	5,240,621
Capital expenditure	307,939	-	-	307,939

32. CASH FLOW STATEMENTS

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

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Share in results of associated companies	**(143,801)**	(160,178)	**-**	-
Property, plant and equipment				
- depreciation	**237,749**	86,843	**-**	-
- impairment losses	**3,920**	2,997	**-**	-
- written off	**24,255**	315	**-**	-
Interest expenses	**320,347**	269,007	**176,585**	166,705
Gain on disposal of:				
- quoted investment	**(2,284)**	-	**(2,284)**	-
- investment in an associated company	**-**	(3,337)	**(3,890)**	-
Gain on disposal of property, plant and equipment	**(69)**	(154)	**-**	-
Deferred expenditure:				
- amortisation	**14,810**	14,810	**-**	-
- written off	**71,585**	-	**-**	-
Amortisation of:				
- goodwill	**24,700**	24,700	**-**	-
- negative goodwill	**(32)**	(32)	**-**	-
Interest income	**(7,754)**	(8,149)	**(105,773)**	(98,481)
Allowance for doubtful receivables:				
- others	**300**	2,190	**-**	-
- written back	**(35)**	(9)	**-**	-
Dividend income	**(665)**	(8)	**(2,470)**	(1,419)
Bad receivables written off	**-**	63	**-**	-
Allowance for obsolete inventories	**116**	376	**-**	-
Impairment/(Reversal of impairment) losses in:				
- subsidiary companies	**-**	-	**10,100**	-
- an associated company	**-**	(1,046)	**-**	132,119
Unrealised (gain)/loss on foreign exchange	**(8,758)**	3,982	**-**	-
	534,384	232,370	**72,268**	198,924

(b) Purchase of property, plant and equipment

	Group	
	2005 RM'000	**2004 RM'000**
Aggregate cost of purchase	**222,194**	307,939
Purchase by means of:		
- hire purchase	**(2,536)**	(210)
- deferred payment	**(26,329)**	(39,063)
	193,329	268,666

32. CASH FLOW STATEMENTS (continued)

(c) Acquisition of a subsidiary company:

	Group As at 30.9.2004 RM'000
Property, plant and equipment	**103,562**
Inventories	**396**
Trade and other receivables	**5,559**
Cash and bank balances	**524**
Trade and other payables	**(110,041)**
Fair value of net assets acquired	**-**
Total purchase consideration *	**-**
	-
Cash and cash equivalents of subsidiary company acquired	**524**
Cash inflow on acquisition	**524**

* Purchase consideration is RM1.00

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances	**22,019**	9,173	**453**	157
Deposits with the financial institutions	**165,622**	7,776	**1,507**	5,450
Bank overdrafts	**(7,830)**	(9,232)	**-**	-
	179,811	7,717	**1,960**	5,607

33. COMPARATIVES

The presentation and classification of items in the comparative amounts as at 30 June 2004 have been reclassified to conform with current year's presentation. These amounts have been adjusted to reflect the recognition of raw materials and finished goods committed with third parties, and of which a subsidiary has the obligation to purchase.

	As Restated RM'000	Adjustments RM'000	As Previously Stated RM'000
Group			
Inventories	846,180	316,214	529,966
Trade and other receivables	325,128	(19,995)	345,123
Trade and other payables	(1,223,741)	(296,219)	(927,522)

34. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

The Group's exposure to currency risks are mainly in US Dollar to which the Ringgit Malaysia is pegged during the financial year. Subsequent to the financial year end, the Ringgit Malaysia peg has been changed to a managed float linked to a basket of foreign currencies, and the exchange rate for US Dollar is not expected to deviate significantly from the previous year. The Company attempts to limit its exposure in foreign currency by entering into forward contracts wherever possible.

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

Group	US Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
At 30 June 2005					
Functional currency					
Trade and other receivables					
Ringgit Malaysia	**11,898**	**-**	**-**	**-**	**11,898**
Trade and other payables					
Ringgit Malaysia	**444,497**	**120,363**	**8,370**	**1,590**	**574,820**
Bonds and debts					
Ringgit Malaysia	**11,448**	**-**	**-**	**-**	**11,448**
Borrowings					
Ringgit Malaysia	**935,443**	**-**	**-**	**-**	**935,443**
At 30 June 2004					
Trade and other receivables					
Ringgit Malaysia	25,042	-	-	-	25,042
Trade and other payables					
Ringgit Malaysia	161,247	119,179	6,640	33	287,099
Bonds and debts					
Ringgit Malaysia	10,823	-	-	-	10,823
Borrowings					
Ringgit Malaysia	955,107	24,077	-	-	979,184

34. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

The information on maturities dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

Credit risk

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

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

Market risk

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

Liquidity and cash flow risks

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

Fair values

The carrying amounts of financial assets and liabilities of the Group and Company as at balance sheet date approximated their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2005				
Financial assets				
Quoted investments	**14,455**	**18,367**	**14,061**	**17,757**
Unquoted investments	**85**	**(iii)**	**-**	**-**
2004				
Financial assets				
Quoted investments	19,879	15,378	19,486	14,975
Unquoted investments	85	(iii)	-	-

34. FINANCIAL INSTRUMENTS (continued)

The fair value of the long term receivables is not computed as it arose from the issue of Megasteel Sub-Bond (B) for which the consideration is deferred and the timing and mode of settlement is uncertain.

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

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

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

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

(ii) Quoted investments

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

The Directors are of the opinion that the excess carrying amount of the quoted investments over their fair value at the balance sheet date is temporary in nature as the net assets of an investee company of the Group's main investment and the net assets of other quoted investments as at end of the year are not significantly different from their carrying amounts.

(iii) Unquoted investments

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

(iv) Borrowings

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

(v) Derivative financial instruments

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

35. SIGNIFICANT EVENTS

During the financial year, the Company proposed the followings:

(a) Proposed conditional take-over offer to acquire the remaining 71,522,971 ordinary shares of RM1.00 each in Amalgamated Containers Berhad ("ACB") representing approximately 95.73% of ACB's issued and paid-up share capital not already owned by the Company and its wholly-owned subsidiary, Limpahjaya Sdn Bhd ("ACB Offer Shares") to be satisfied by the issue and allotment of up to 47,681,981 new ordinary shares of RM1.00 each in the Company ("LCB Shares") on the basis of two LCB Shares for every three existing ACB Offer Shares held at an issue price of RM1.31 per LCB Share ("Proposed ACB Acquisition");

(b) Proposed acquisition of approximately 36.68% of the issued and paid-up share capital of Lion Asiapac Limited ("LAP") comprising 148,750,644 ordinary shares of SGD0.10 each ("LAP Shares") together with 148,750,644 detachable warrants in LAP for a purchase consideration of SGD32,725,143 (equivalent to RM75,595,078) to be satisfied entirely by the issue and allotment of 57,706,166 new LCB Shares at an issue price of RM1.31 per LCB Share ("Proposed LAP Acquisition"); and

(c) Proposed acquisition of the entire issued and paid-up share capital of Lion Plate Mills Sdn Bhd ("LPM") comprising 10,000 ordinary shares of RM1.00 each for a purchase consideration of RM70,000,000 to be satisfied entirely by the issue and allotment of 53,435,115 new LCB Shares at an issue price of RM1.31 per LCB Share ("Proposed LPM Acquisition").

The Securities Commission had on 29 September 2005, approved the Proposed ACB Acquisition and the Proposed LPM Acquisition. The Securities Commission had informed the Company that it was not able to consider the Proposed LAP Acquisition as it had not approved Silverstone Corporation Berhad's application for its subsidiary, AMB Venture Sdn Bhd, to dispose of the LAP Shares.

36. SUBSEQUENT EVENT

The Company had on 1 September 2005 implemented an Executive Share Option Scheme ("ESOS") of up to 15% of the issued and paid-up share capital of the Company at any one time for the executive Directors and the executive employees of the Company and its subsidiary companies which are not dormant, who meet the criteria of eligibility for participation as set out in the By-laws of the ESOS.

STATEMENT BY DIRECTORS

We, TAN SRI WILLIAM H.J. CHENG and DATUK CHENG YONG KIM, being two of the Directors of LION CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 31 to 79 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2005 and of the results, and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 21 October 2005.

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

DATUK CHENG YONG KIM
Director

Kuala Lumpur

STATUTORY DECLARATION

I, TAN SRI WILLIAM H.J. CHENG, the Director primarily responsible for the financial management of LION CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 31 to 79 are, in my opinion and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 21 October 2005.

TAN SRI WILLIAM H.J. CHENG

Before me

W-217
P. SETHURAMAN
Commissioner for Oaths
Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF LION CORPORATION BERHAD

We have audited the financial statements set out on pages 31 to 79. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

(i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(ii) the state of affairs of the Group and of the Company as at 30 June 2005 and of the results, and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

The names of subsidiary companies of which we have not acted as auditors are indicated in Note 11 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

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

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/06(J)
Partner of the Firm

Kuala Lumpur
21 October 2005

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2005

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book Value RM'000	Date of Acquisition/ Valuation
Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor - HS (D) 24275 PT. No. 3499 Mukim Bukit Raja Daerah Klang Selangor	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse 22	3,594	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5½, Jalan Tuaran Inanam, Kota Kinabalu - CL015379790 Mile 5, Tuaran Road Daerah Kota Kinabalu Sabah	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 30	3,672	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5½, Jalan Tuaran Inanam, Kota Kinabalu - CL015379772 Mile 5, Tuaran Road Daerah Kota Kinabalu Sabah	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 30	1,688	1979
TB 162 Jalan Habib Hussein Tawau - TL0107504816 Daerah Tawau Sabah	Leasehold 17.9.2056	477.8 sq metres	Industrial land and building	Office cum Showroom 37	495	17.04.1995
Block G, Lot No 2 Sri Kemajuan Industrial Estate Inanam, Kota Kinabalu - CL015449680 Inanam Daerah Kota Kinabalu Sabah	Leasehold 31.12.2043	278.6 sq metres	Industrial land and building	Office 20	262	22.05.1985
Block B, Lot No 1 6½ Miles, Jalan Tuaran Inanam, Kota Kinabalu - CL015449233 Inanam Daerah Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 20	259	10.08.1985

LIST OF GROUP PROPERTIES (Continued)

AS AT 30 JUNE 2005

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book Value RM'000	Date of Acquisition/ Valuation
Unit No-2-1-14B & 15 Level 1, Ground Floor Wawasan Plaza Kota Kinabalu Sabah	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 7	2,936	02.02.1999
Lot 2319, 2321 & 2323A Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	2,023,428.2 sq metres (500 acres)	Industrial land and building	Factory & office 6	531,673	18.10.1995
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri Sarawak	Leasehold 06.06.2059	621 sq metres	Shophouse	Office Block cum Showroom 9	2,082	28.06.1999
Lot 1245, Block 5, Kuala Baram Land District Miri, Sarawak	Leasehold 14.08.2056	3481 sq metres	Land	Vacant	521	22.06.1999
Lot 93 & 94 Teck Guan Ind. Shoplot Jalan Segama Lahad Datu Sabah	Leasehold 08.05.2933	390.2 sq metres	Shoplots	Office Block cum Showroom 6	748	15.12.1999
Lot 13, Kota Kinabalu Industrial Park Jalan Sepanggar Mengatal Kota Kinabalu Sabah	Leasehold 2096	87,513 sq metres	Commercial land	Vacant	6,392	06.07.2001

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 21 October 2005

Authorised Share Capital	:	RM2,000,000,000
Issued and Paid-up Capital	:	RM925,593,622
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 21 October 2005

Ordinary Shares

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	113	1.51	4,265	0.01
100 to 1,000	1,569	20.95	1,129,053	0.12
1,001 to 10,000	4,009	53.54	17,204,444	1.86
10,001 to 100,000	1,398	18.67	46,523,586	5.02
100,001 to less than 5% of issued shares	395	5.28	394,644,269	42.64
5% and above of issued shares	4	0.05	466,088,005	50.35
	7,488	100.00	925,593,622	100.00

Thirty Largest Registered Shareholders as at 21 October 2005

Registered Shareholders	No. of Shares	% of Shares
1. LDH (S) Pte Ltd	226,716,252	24.49
2. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (HORI00)	128,462,999	13.88
3. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Horizon Towers Sdn Bhd (01-00800-000)	57,818,754	6.25
4. UOBM Nominess (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (PCI)	53,090,000	5.74
5. Horizon Towers Sdn Bhd	38,839,972	4.20
6. Mayban Nominess (Tempatan) Sdn Bhd Newcom International Limited for Horizon Towers Sdn Bhd (230519)	15,418,335	1.67
7. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (PCI)	12,588,477	1.36
8. UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Peringkat Prestasi (M) Sdn Bhd D(T137-6110539213)	11,671,100	1.26
9. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Horizon Towers Sdn Bhd	11,300,000	1.22
10. Southern Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd	9,286,966	1.00
11. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41408430028B)	9,257,871	1.00
12. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41435660121C)	8,917,773	0.96

Thirty Largest Registered Shareholders as at 21 October 2005 (continued)

Registered Shareholders	No. of Shares	% of Shares
13. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd	7,407,654	0.80
14. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	7,093,500	0.77
15. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (HLF/RMD/LD)	6,840,000	0.74
16. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41403980012D)	6,447,455	0.70
17. Amanvest (M) Sdn Bhd	6,288,452	0.68
18. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd	6,221,487	0.67
19. HSBC Nominees (Asing) Sdn Bhd BBH (Lux) SCA for Fidelity Funds South East Asia	5,232,000	0.57
20. AMSEC Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.56
21. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (51408415273B)	5,157,996	0.56
22. RHB Merchant Nominees (Tempatan) Sdn Bhd RHB Sakura Merchant Bankers Berhad (CB)	5,050,000	0.55
23. Tirta Enterprise Sdn Bhd	4,947,582	0.53
24. HDM Nominees (Tempatan) Sdn Bhd P & O Capital Sdn Bhd for Exuniq Sdn Bhd	4,701,137	0.51
25. HSBC Nominees (Asing) Sdn Bhd Fidelity Investment Funds (Sth East Asia)	4,136,800	0.45
26. Amsteel Equity Capital Sdn Bhd	4,110,540	0.44
27. HSBC Nominees (Asing) Sdn Bhd HSBC BK plc for Spinnaker Global Opportunity Fund Limited	3,109,941	0.34
28. HSBC Nominees (Asing) Sdn Bhd Fidelity Southeast Asia Fund	3,000,000	0.32
29. Tan Lee Hwa	2,970,000	0.32
30. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Silverstone Corporation Berhad	2,827,592	0.31

Substantial Shareholders as at 21 October 2005

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares	No. of Warrants[1]
1. Tan Sri William H.J. Cheng	452,019	0.05	674,724,219	72.90	42,160,189
2. Datuk Cheng Yong Kim	194,250	0.02	430,448,879	46.51	-
3. Lion Realty Pte Ltd	-	-	428,988,959	46.35	-
4. Lion Development (Penang) Sdn Bhd	2,541,093	0.27	369,896,680	39.96	-
5. Horizon Towers Sdn Bhd	367,722,825	39.73	-	-	-
6. LDH (S) Pte Ltd	226,716,252	24.49	-	-	-
7. Lion Industries Corporation Berhad	1,727,361	0.19	228,138,397	24.65	-
8. Lion Diversified Holdings Berhad	431,977	0.05	226,716,252	24.49	-
9. Amsteel Mills Sdn Bhd	985,968	0.11	227,148,229	24.54	-
10. Steelcorp Sdn Bhd	-	-	228,134,197	24.65	-
11. LLB Steel Industries Sdn Bhd	-	-	228,134,197	24.65	-

Notes:

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

Directors' interest in shares in the Company and its related companies as at 21 October 2005

The Directors' interest in shares in the Company and its related companies as at 21 October 2005 are the same as that of 30 June 2005 set out in the Directors' Report for the financial year ended 30 June 2005.

Distribution of Warrant Holdings at 21 October 2005

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	1	0.08	50	0.01
100 to 1,000	268	20.35	263,650	0.29
1,001 to 10,000	739	56.11	3,342,900	3.65
10,001 to 100,000	252	19.13	8,335,700	9.12
100,001 to less than 5% of warrants issued	54	4.10	21,166,136	23.16
5% and above of warrants issued	3	0.23	58,272,314	63.77
	1,317	**100.00**	**91,380,750**	**100.00**

Thirty Largest Registered Warrant Holders as at 21 October 2005

Registered Warrant Holders	No. of Warrants	% of Warrants
1. Umatrac Enterprises Sdn Bhd	24,773,287	27.11
2. Amsteel Equity Capital Sdn Bhd	17,194,000	18.82
3. Exuniq Sdn Bhd	16,305,027	17.84
4. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	4,007,900	4.39
5. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	1,667,000	1.82
6. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
7. Choong Moh Guan	980,900	1.07
8. Pacific & Orient Insurance Co Berhad	865,000	0.95
9. Ursula A/P C J French	800,000	0.88
10. Silverstone Corporation Berhad	710,250	0.78
11. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming	624,000	0.68
12. Rahmah binti Abdul Rahim	609,333	0.67
13. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Lim Hock Jin (PCS)	490,000	0.54
14. Percy N Muttiah	400,000	0.44
15. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yam Fee	385,000	0.42
16. Fresh Direct Supply Sdn Bhd	383,900	0.42
17. Goh Seng Hoon	374,000	0.41
18. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40

Thirty Largest Registered Warrant Holders as at 21 October 2005 (Continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
19. Teh Bee Gaik	367,700	0.40
20. Jeyaratnam A/L Ponnudurai	300,000	0.33
21. Md Ali Bin Md Dewal	300,000	0.33
22. Ong Hung Hock	300,000	0.33
23. Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Angelina Corrina Fernandez (ANG1226M)	290,000	0.32
24. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tung Lai (M12)	283,900	0.31
25. ECM Libra Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheong Chen Yue	280,000	0.31
26. Picamas Nominees (Tempatan) Sdn Bhd PICA (M) Corporation Berhad	280,000	0.31
27. ECM Libra Securities Nominees (Asing) Sdn Bhd ECM Libra Securities Limited for Djelas Company SA	250,000	0.27
28. Hai Leng Enterprise Sdn Bhd	250,000	0.27
29. Choong Holdings Sdn Berhad	230,000	0.25
30. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Ah Lek (M03)	217,100	0.24

OTHER INFORMATION

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

i) Conditional Sale and Purchase of Shares Agreement dated 25 November 2004 among (i) Sims Holdings Sdn Bhd, a company wherein a Director has an interest; (ii) Lion Realty Pte Ltd, a major shareholder of the Company and a company wherein a Director has an interest; and (iii) Datuk Cheng Yong Kim, a Director of the Company (collectively the "Vendors") of the first part, Lion General Trading & Marketing (S) Pte Ltd ("Lion General"), a wholly-owned subsidiary of the Company, of the second part and the Company of the third and last part for the acquisition by Lion General of an aggregate of 10,000 ordinary shares of RM1.00 each in Lion Plate Mills Sdn Bhd ("LPM") from the Vendors for a purchase consideration of RM70,000,000.00 to be satisfied entirely by the issuance and allotment of 53,435,115 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.31 each to the Vendors in proportion to their respective shareholding in LPM.

ii) Conditional Sale and Purchase of Shares Agreement dated 25 November 2004 among AMB Venture Sdn Bhd ("AMBV"), a company wherein certain Directors and major shareholders of the Company have an interest, of the first part, LCB Venture Pte Ltd ("LCBV"), a wholly-owned subsidiary of the Company of the second part and the Company of the third and last part, for LCBV to acquire 148,750,644 ordinary shares of SGD0.10 each together with 148,750,644 warrants in Lion Asiapac Limited from AMBV for a purchase consideration of SGD32,725,142.00 (equivalent to RM75,595,078.00) to be satisfied by the issuance and allotment of 57,706,166 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.31 each.

iii) Conditional Facilitation Agreement dated 24 October 2005 between Megasteel Sdn Bhd ("Megasteel"), a subsidiary of the Company, and Lion Diversified Holdings Berhad ("LDHB"), a major shareholder of the Company and a company wherein certain Directors and major shareholders of the Company have an interest, pursuant to which LDHB agreed to cancel the existing supply agreement, the licensing agreement and other agreements in respect of the direct reduced iron project and procure the execution of similar new agreements by Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary of LDHB, in consideration whereof Megasteel shall compensate LDHB by paying LDHB the sum of USD14 million (equivalent to approximately RM52.78 million) on the completion of the facilitation. Lion DRI will subsequently become a subsidiary of the Company pursuant to a Subscription Agreement dated 24 October 2005 entered into between the Company and Lion DRI.

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2005, a total of 6,553,000 options were exercised by the eligible employees who are executive Directors and executive employees of the Group at an exercise price of RM1.00 per share pursuant to the Executive Share Option Scheme of the Company which expired on 15 May 2005.

(III) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM14,612.

(IV) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions concluded during the financial year ended 30 June 2005 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils, steel bars, billets, scrap iron, gases and other related products such as steel bands, steel sheets and steel furniture.	Lion Industries Corporation Berhad Group ("LICB Group") (1)	816,920
	Amalgamated Containers Berhad Group ("ACB Group") (1)	264,387
	Lion Forest Industries Berhad Group ("LFIB Group") (1)	(851)
	Silverstone Corporation Berhad Group ("SCB Group") (1)	67
	Amsteel Corporation Berhad Group ("Amsteel Group") (1)	23
	Sims Holdings Sdn Bhd Group (1)	45,402
	Lion Holdings Pte Ltd Group (2)	4,651
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	218
		1,130,817
(ii) The purchase of hot briquetted iron, gases, scrap iron, lubricant, and other steel related products.	LICB Group (1)	1,149,822
	ACB Group (1)	65,249
	Lion Holdings Pte Ltd Group (2)	506,407
	Sims Holdings Sdn Bhd Group (1)	6,238
		1,727,716
(iii) The purchase of machinery, spare parts, lubricants, tools and dies, insurance and other related products and services such as component parts, repair and maintenance.	Amsteel Group (1)	4,211
	LFIB Group (1)	2,205
		6,416
(iv) The obtaining of marketing, distribution and transportation services.	Amsteel Group (1)	14,182

(IV) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions concluded during the financial year ended 30 June 2005 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Motor vehicles related transactions		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicle.	SCB Group (1) LICB Group (1) LFIB Group (1)	3,383 214 217 3,814
(ii) The purchase of motor vehicles and component parts of motor vehicles.	SCB Group (1)	13,856
(iii) Rental of office premises.	SCB Group (1)	138
(c) Others		
(i) The provision of management and support and obtaining of training and educational and other related services such as healthcare and secretarial services.	Amsteel Group (1) SCB Group (1) ACB Group (1) LFIB Group (1) LDHB Group (1) LICB Group (1)	29 167 16 24 31 1,307 1,574
(ii) The purchase of office equipment, furniture, computers, other industrial and consumer products and services, and rental of motor vehicles.	Amsteel Group (1) Amble Bond Sdn Bhd Group (1) Ributasi Holdings Sdn Bhd Group (1)	335 48 325 708
(iii) Consultancy fees	Mr Wang Chung-Yu	228

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

(V) 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 the previous years' 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 operation and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Corporation Berhad ("LCB") Management Structure

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

1.3 KOC Organisation Structure

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

(V) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)

2. Financial Management

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

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

(b) Status of the Proposed Divestment Programme ("PDP")

(i) Status of assets to be divested

Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	(a) Proceeds received/to be received (Jan - Dec 2005) Jan - June 2005	(b) Projected for July - Dec 2005	(a) + (b) Projected Jan - Dec 2005
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003					
Shares in listed and unlisted companies	33.3	-	-	33.3	33.3
By December 2004					
Shares in unlisted company	38.6	-	-	38.6	38.6
	71.9	-	-	71.9	71.9

(ii) Transactions completed during the financial year

There were no transactions completed during the financial year.

(iii) Plans to overcome any projected shortfall

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

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

No.	Issues	Joint Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 21 October 2005
1.	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 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 for the transfer of the land had been issued and registered in the name of the JV Co. This issue was resolved as at 11 March 2005.
2.	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.	Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%)*	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Hezheng Company Limited by Shares ("SHC"), to obtain the POR certificate for the building located at No. 31, Zong Fu Lu, Jinjiang District, Chengdu City, Sichuan Province, PRC, leased by the PRC Party to the JV Co.	In addition to SHC's letter dated 20 Februay 2004 confirming that the JV Co. may use the POR pending the said transfer, SHC's holding company, Zong Fu industrial (Group) Co Ltd ("ZFI") had confirmed that SHC had purchased the building from ZFI and that SHC has the right to exercise all rights as the owner of the building including leasing and operation of the building. This issue was resolved as at 14 February 2005.

* *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.*

(c) (ii) Status of Issues Affecting the JV Cos of Lion Industries Corporation Berhad ("LICB") in the PRC

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 21 October 2005
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 RM228.91million). The Management of LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co from MOC in Beijing through the provincial MOC for the excess of USD30.24 million (equivalent to approximately RM114.91million).	The business of THM is encouraged under the Foreign Investment Catalogue of the PRC and needs only the approval of Tianjin MOC. The issue was resolved as at 14 February 2005.
2.	POR to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company ("HZJ"), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, YangWan Lu, Jingmen City, Hubei Province, PRC to the JV Co.	Despite the Management of LICB Group's endeavour, this issue could not be resolved as at 11 March 2005.
3.	The lease of the land by the PRC Party to the JV Co has not been registered with the relevant authorities in the PRC.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with HZJ to register the lease over the land located at No. 132, YangWan Lu, Jingmen City, Hubei Province, PRC with the relevant authorities.	Despite the Management of LICB Group's endeavour, this issue could not be resolved as at 11 March 2005.

Note : Lion Corporation Berhad ("LCB") acquired the LICB shares from Amsteel, to which the abovecaptioned issues relate, pursuant to the Group Wide Restructuring Scheme involving LCB, LICB, Silverstone Corporation Berhad and Amsteel which was implemented on 14 March 2003 ("GWRS"). LCB announced on 14 March 2005 that it did not suffer any loss as a result of the non-resolution of the issues stated in items 2 and 3 above on the expiry of 24 months from the date of implementation of GWRS for the resolution of issues affecting the JV Cos of LICB in the PRC.

(c) (iii) Status of Issues Affecting the JV Cos of Silverstone Corporation Berhad ("SCB") in the PRC

No.	Issues	JV Co	Steps taken or to be taken to resolve the Issues	Status as at 21 October 2005
1.	LUR and POR to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co, in accordance with the terms of the joint venture agreement.	Hunan Changfa Automobile Engine Co Ltd (SCB Group's equity holding : 50%)	The Management of SCB Group had liaised with the PRC Parties to transfer the LUR and/or POR for the following land and/or building to the JV Co: PRC Party: Changsha Auto Engine General Factory Building: No. 39, Shao Shan Lu, Dong Qu, Changsha, Hunan Province, PRC Land: Xian Jia Hu, He Xi, Changsha, Hunan Province, PRC	Despite the Management of SCB Group's endeavour, this issue could not be resolved as at 11 March 2005.
2.	The amount of JV Co's capital had exceeded the authorised limit of the provincial MOC amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOC in Beijing, PRC.	Dong Feng Lion Tyre Co Ltd ("Dong Feng") (SCB Group's equity holding : 45%)	Dong Feng's existing total investment is USD63.20 million (equivalent to approximately RM240.16 million). The Management of SCB Group had liaised with Dong Feng to seek the approval of the MOC in Beijing through the provincial MOC for the excess of USD33.20 million (equivalent to approximately RM126.16 million).	By an agreement dated 2 February 2005, the SCB Group proposes to dispose of its 55% interest in Dong Feng to the PRC Party, Dong Feng Tyre Group Co Ltd (formerly known as Dong Feng Tyre Factory). The proposed disposal was completed on 2 March 2005 whereupon Dong Feng ceased to be a subsidiary of SCB and SCB is no longer affected by this issue.

Note : LCB and its subsidiary and Amsteel and certain of its subsidiaries were issued with SCB shares, to which the abovecaptioned issues relate, pursuant to the GWRS involving LCB, LICB, SCB and Amsteel which was implemented on 14 March 2003. LCB and Amsteel announced on 14 March 2005 that they did not suffer any loss as a result of the non-resolution of the above issues on the expiry of 24 months from the date of implementation of GWRS for the resolution of issues affecting the JV Cos of SCB in the PRC.

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

FORM OF PROXY

I/We ....

I.C. No./Company No. ....

of ....

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

....

I.C. No. ....

of ....

or failing whom ....

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 15 December 2005 at 10.00 am and at any adjournment thereof.

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

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

As witness my/our hand this .... day of 2005

Signed: ....

No. of shares: .... In the presence of: ....

Representation at Meeting:

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