LION DIVERSIFIED HOLDINGS BERHAD

A Member of The Lion Group

(9428-T)

Laporan Tahunan 2007 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 30 November 2007 at 12.00 noon for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2007. **Resolution 1**

2. To approve the payment of a first and final dividend of 2.5 sen per ordinary share tax exempt. **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM197,000 (2006 : RM188,000). **Resolution 3**

4. 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' Ismail @ Mansor bin Said **Resolution 4**
   Mr Heah Sieu Lay **Resolution 5**

   In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Cheng Yong Kim who was appointed during the financial year retires and, being eligible, offers himself for re-election. **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 and paid-up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

Resolution 9

"THAT approval be given for the Company and its subsidiaries to enter into 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 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 14 November 2007 ("Related Parties") provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and 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 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 of the Company in general meeting;

whichever is the earlier,

AND THAT the Directors of the Company be authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

6.3 Proposed Renewal of Authority for Share Buy-Back

Resolution 10

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Company be authorised to buy-back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up capital of the Company at any point of time; and

(ii) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or the share premium of the Company

(hereinafter referred to as the "Proposed Share Buy-Back").

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall remain in force until:

(i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting after the date it is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting of the Company,

whichever occurs first,

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM0.50 each in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares and/or to distribute them as share dividends and/or subsequently cancel them;

AND FURTHER THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient and/or enter into any and all agreements, arrangements and guarantee with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 3 December 2007 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 5 December 2007 in respect of transfers; and

(c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 21 December 2007 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 5 December 2007.

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
7 November 2007

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 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 and paid-up 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.

3. *Resolution 9*

   This approval will allow the Company and its subsidiaries 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 14 November 2007, which are necessary for the Group's day-to-day operations undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and 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.

   The Circular to Shareholders setting out the details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions will be despatched on 14 November 2007.

4. *Resolution 10*

   This approval will empower the Directors of the Company to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

   The Circular to Shareholders setting out the details on the Proposed Renewal of Authority for Share Buy-Back will be despatched on 14 November 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election at the Thirty-Seventh Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2007 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Y. Bhg. Datuk Cheng Yong Kim *(Managing Director)* Y. Bhg. Dato' Ismail @ Mansor bin Said Y. Bhg. Dato Murad Mohamed Hashim Mr Heah Sieu Lay Mr Cheng Yong Kwang Mr George Leong Chee Fook
Secretaries	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
Company No.	:	9428-T
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	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
Principal Bankers	:	Alliance Bank Malaysia Berhad RHB Bank Berhad Malayan Banking Berhad Kuwait Finance House (Malaysia) Bhd
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONDIV
Bursa Securities Stock No.	:	2887
ISIN Code	:	MYL2887OO007
Reuters Code	:	LDIV.KL

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng
Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 64, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also the Chairman of the Executive Share Option Scheme Committee of the Company.

Tan Sri William Cheng has more than 35 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre, computer, retail, trading, plantation, and property and community development.

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 Forest Industries Berhad and Silverstone Corporation Berhad
- Chairman and Managing Director of Parkson Holdings Berhad, Lion Corporation Berhad and Silverstone Berhad
- Director of Amsteel Corporation Berhad

Save for Silverstone Corporation Berhad, Silverstone Berhad and Amsteel Corporation Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

Tan Sri William Cheng has a direct shareholding of 121,356,607 ordinary shares of RM0.50 each and an indirect shareholding of 321,313,788 ordinary shares of RM0.50 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 134 and 135 of this Annual Report. He also has interests in certain companies which conduct similar business with the Company in the property development sector.

Tan Sri William Cheng is the uncle of Y. Bhg. Datuk Cheng Yong Kim, the Managing Director and a major shareholder of the Company, and Mr Cheng Yong Kwang, a Director of the Company.

Tan Sri William Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

Datuk Cheng Yong Kim
Managing Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 57, was appointed the Managing Director of the Company on 26 January 2007.

Datuk Cheng obtained a Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971. He has more than 30 years of experience in the business operations of the Lion Group encompassing steel, motor, tyre, computer, retail, trading, plantation, and property and community development. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of Managing Director of Lion Industries Corporation Berhad. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

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

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

Datuk Cheng has a direct shareholding of 7,596,837 ordinary shares of RM0.50 each and an indirect shareholding of 279,644,035 ordinary shares of RM0.50 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 134 and 135 of this Annual Report. He also has interests in certain companies which conduct similar business with the Company in the property development sector.

Datuk Cheng is the nephew of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company, and his brother, Mr Cheng Yong Kwang, is also a Director of the Company.

Datuk Cheng attended the remaining four (4) Board Meetings of the Company held during the financial year ended 30 June 2007 subsequent to his appointment.

Dato' Ismail @ Mansor bin Said
Independent Non-Executive Director

Y. Bhg. Dato' Ismail @ Mansor bin Said, a Malaysian, aged 58, was appointed to the Board on 15 September 1995. Dato' Ismail is also the Chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Ismail received his Bachelor of Economics degree from the University of Malaya. Dato' Ismail was a member of Parliament (1978 to 1995), the Chairman of Public Accounts Committee (1985 to 1990), the Chairman of Majlis Amanah Rakyat (1987 to 1990) and the Parliamentary Secretary of the Ministry of Youth and Sports (1990 to 1995).

He is also a Director of Ahmad Zaki Resources Berhad, a public listed company.

Dato' Ismail attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

Dato Murad Mohamed Hashim
Independent Non-Executive Director

Y. Bhg. Dato Murad Mohamed Hashim, a Malaysian, aged 74, was appointed to the Board on 19 May 2000. He is also the Chairman of the Company's Remuneration Committee.

Dato Murad obtained his Bachelor of Arts degree in International Relations/Economics from the Boston University, Boston, United States of America. He was with ESSO Malaysia Berhad ("ESSO") from 1959 to 1984. In 1984, he was appointed Senior Vice President and a member of the Board of Petroliam Nasional Berhad ("Petronas"), Malaysia's national petroleum corporation, by the then Prime Minister of Malaysia and after completing his 5-year contract with Petronas, was subsequently re-appointed by the then Prime Minister in 1989 to establish and head the Malaysian Palm Oil Promotion Council ("MPOPC") to promote palm oil worldwide and to fight the anti-palm oil campaign initiated in the United States of America. In 1993, he retired as Chief Executive Officer of MPOPC. He is also a member of the Board of Trustees of World Wildlife Fund.

Dato Murad is also a Director of Parkson Holdings Berhad and Mycom Berhad, both public listed companies.

Dato Murad attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

Dato Murad who is above the age of 70 years will be retiring at the forthcoming Annual General Meeting and does not seek re-appointment as Director of the Company.

Heah Sieu Lay
Non-Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 54, was appointed to the Board on 5 June 2001. He is also a member of the Audit Committee of the Company.

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

Mr Heah was the Group Executive Director of the Lion Group responsible for corporate planning and finance from 1998 to November 2006. Prior to joining the Lion Group in 1998, he was the Managing Director of RHB Sakura Merchant Bankers Berhad ("RHB Sakura") (now known as RHB Investment Bank Berhad) and has vast experience in the field of corporate finance after having served RHB Sakura for 15 years.

He is also a Director of Lion Industries Corporation Berhad, a public listed company.

Mr Heah attended six (6) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

Cheng Yong Kwang
Non-Independent Non-Executive Director

Mr Cheng Yong Kwang, a Singaporean, aged 51, was appointed to the Board on 11 July 1994. He is also a member of the Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee of the Company.

Mr Cheng is a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom.

Mr Cheng started his career in 1981 with the Lion Group and has held various senior positions in the Lion Group. He has more than 25 years of experience in finance and treasury operations both in the manufacturing and property development sectors.

He is a Director of Lion Asiapac Limited, Singapore and a Commissioner of P T Lion Metal Works Tbk, Indonesia.

Mr Cheng has a direct shareholding of 2,272,173 ordinary shares of RM0.50 each in the Company.

He is the nephew of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company. In addition, he is the brother of Y. Bhg. Datuk Cheng Yong Kim, the Managing Director and a major shareholder of the Company. Mr Cheng has interests in certain companies which conduct similar business with the Company.

Mr Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

George Leong Chee Fook
Independent Non-Executive Director

Mr George Leong Chee Fook, a Malaysian, aged 61, was appointed to the Board on 5 June 2001. Mr George Leong is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

He received his Bachelor of Economics (Honours) degree from the University of Malaya. Mr George Leong was employed by the Malaysian Industrial Development Authority ("MIDA") after his graduation until December 2000 and was a Director of MIDA's offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA's headquarters.

Mr George Leong attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2007.

Save as disclosed, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (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 and maintaining 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 in ensuring that the highest standard of corporate governance is practised and maintained 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 2007 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 2007, eight (8) board meetings were held and each Director 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 effectively facilitates the discharge of the Board's stewardship.

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.

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

Board Committees

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

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

Supply of Information

The Board members, in their individual capacities, 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 under appropriate circumstances, at the Company's expense.

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skill, experience and competency to be appointed to the Board and Board Committees. The members and terms of reference of the Nomination Committee are presented on page 17 of this Annual Report.

Re-election of Directors

In accordance with the Articles of Association of the Company, 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.

Directors' Training

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme.

The Directors are also encouraged to attend various external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

During the financial year, an in-house seminar was held for the benefit of the Directors. Certain Directors have also attended other seminars and programmes other than that in relation to the in-house seminar.

In addition, the Company arranges site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

The Directors are also updated on a continuing basis by the Company Secretaries on new and/or revised requirements to the Listing Requirements of Bursa Securities as and when the same were advised by Bursa Securities ("Continuing Updates").

The Board views the attendance of the Directors at the aforementioned seminars and programmes, and the Continuing Updates as adequate to enhance their skills and knowledge to carry out their duties as Directors.

The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 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 applicable to Directors' remuneration recommended by the best practices of the Code are deemed appropriately served by the disclosures in the ensuing paragraphs.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2007 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Directors#	44	655	699
Non-executive Directors	219	269	488
	263	924	1,187

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	–	2
150,001 – 200,000	1	–
350,001 – 400,000	–	1
500,001 – 550,000	1	–

Including a Director who has resigned from an executive position and remained a non-executive Director, and an executive Director who was appointed during the financial year.

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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 institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request. In this regard, information is disseminated with 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 three (3) 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 to the Company's shareholders through the annual financial statements and quarterly announcements. The Board is also responsible for ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the 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 2007, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

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. Bhg. Dato' Ismail @ Mansor bin Said
  (Chairman, Independent Non-Executive Director)

  Mr George Leong Chee Fook
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Non-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 Diversified Holdings Berhad, Ms Lim Kwee Peng and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

(iii) To review and assess the annual and quarterly financial statements prior to the approval of the Board, 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 reviews/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, eight (8) Audit Committee Meetings were held. Except for Mr Heah Sieu Lay who was absent for two (2) meetings, all other members attended all the eight (8) 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.

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 Director being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

  Reviewed the 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.

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

NOMINATION COMMITTEE

Chairman : Mr George Leong Chee Fook
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

Mr Cheng Yong Kwang
(Non-Independent Non-Executive Director)

Terms of Reference :

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

REMUNERATION COMMITTEE

Chairman : Y. Bhg. Dato Murad Mohamed Hashim
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

Mr Cheng Yong Kwang
(Non-Independent Non-Executive Director)

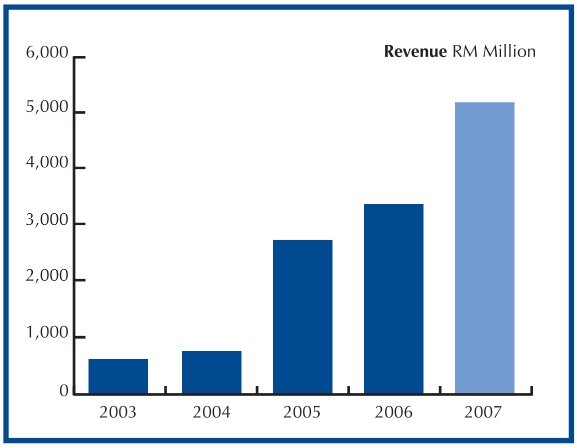
Terms of Reference :

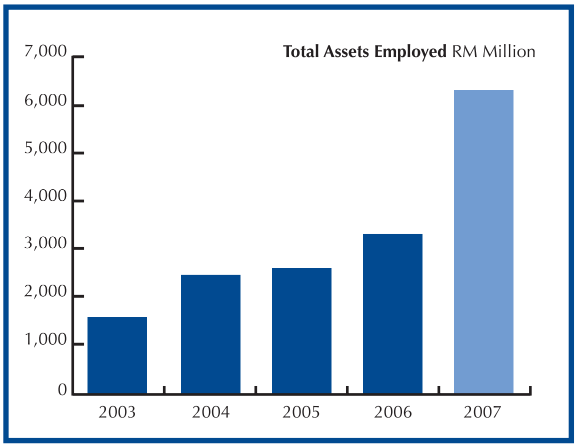
- To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

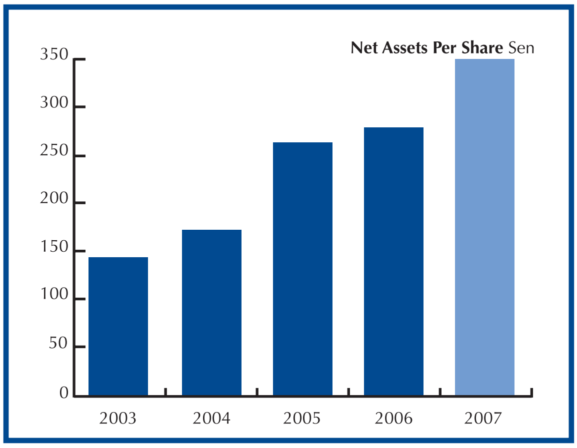
5 YEARS GROUP FINANCIAL HIGHLIGHTS

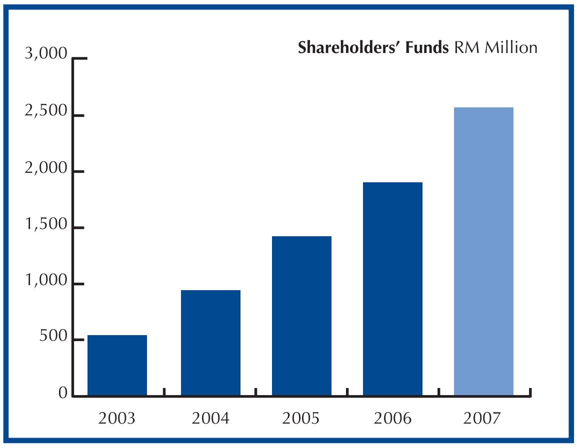
Financial years ended 30 June	**2003**	**2004**	**2005**	**2006**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	616,906	753,160	2,728,738	3,367,544	**5,171,682**
Profit before taxation	26,769	435,592	616,804	606,041	**856,987**
Profit after taxation	7,038	418,031	560,879	527,929	**738,040**
Dividends:					
Rate (%)	0.1	10.0	12.0	18.0	**5.0**
Amount (net of tax)	126	17,510	22,317	53,882	**18,431**
Total assets employed	1,572,807	2,462,233	2,595,113	3,308,642	**6,309,175**
Shareholders' funds	505,543	943,832	1,425,621	1,906,239	**2,577,250**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share attributable to ordinary equity holders of the parent	145	173	263	279	**350**
Earnings/(Loss) per share	(0.2)	114.9	115.5	78.3	**86.2**

Note : The Group's financial highlights have been adjusted to account for the new or revised Financial Reporting Standards ("FRSs") of which certain FRSs have been adopted retrospectively.









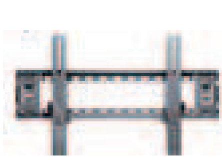
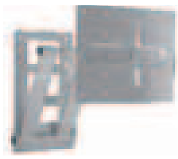
THE GROUP'S BUSINESSES



- Bandar Mahkota Cheras, an 850-acre township being developed by the Group in Cheras, offers residential and commercial properties for sale.
- *Bandar Mahkota Cheras, perbandaran seluas 850-ekar yang dimajukan oleh Kumpulan di Cheras, menawarkan hartanah kediaman dan komersil untuk dijual.*

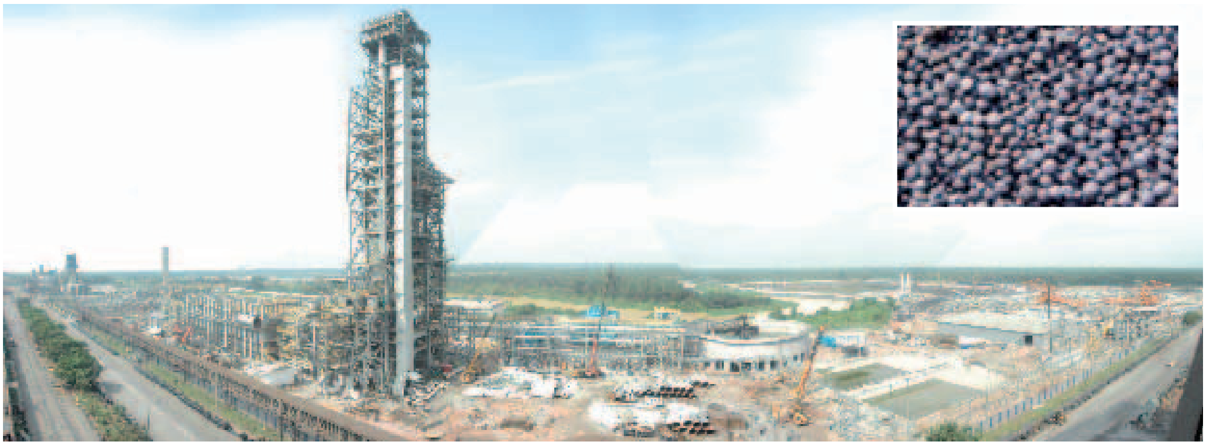

Likom, Melaka


Likom, Mexico

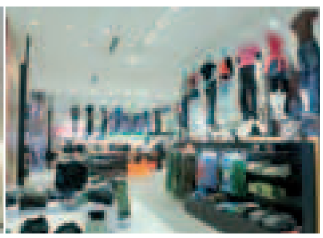





- The Group's computer operations under Likom have its manufacturing facilities in Melaka and Mexico.
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico.*



- The Group is constructing a new Direct Reduced Iron (DRI) plant in Banting, Selangor to produce DRI (inset), a substitute raw material for scrap in the steel making process.
- *Kumpulan sedang membina kilang Direct Reduced Iron (DRI) di Banting, Selangor untuk mengeluarkan DRI (gambar kecil), bahan mentah gantian badi besi lusuk untuk proses pembuatan besi keluli.*



- The Group has recently hived off its Parkson retail operations in Malaysia, China and Vietnam to Parkson Holdings Berhad (formerly known as Amalgamated Containers Berhad).
- *Kumpulan telah melepaskan operasi peruncitan Parkson di Malaysia, China dan Vietnam kepada Parkson Holdings Berhad (dahulunya dikenali sebagai Amalgamated Containers Berhad).*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad ("LDHB") bagi tahun kewangan yang berakhir 30 Jun 2007.

PRESTASI KEWANGAN

Kumpulan terus mencatat pertumbuhan yang menakjubkan untuk satu tahun lagi cetusan daripada usaha agresif untuk memperluaskan kehadirannya di pasaran runcit China yang luas. Perkembangan pesat operasi peruncitan Kumpulan ditingkatkan selepas kejayaan penyenaraian operasi perniagaan runcit China di Bursa Saham Hong Kong. Selain menerokai pasaran modal di sana, syarikat yang disenaraikan itu juga berjaya mengumpul pembiayaan besar daripada pasaran hutang untuk membiayai penggabungan dan pengambilan alih serta rancangan menaik taraf dan memberikan wajah baru kepada gedung perniagaannya.

Operasi peruncitan Kumpulan kini melibatkan 39 buah gedung yang beroperasi di 26 buah bandar utama di China, 3 di Vietnam dan 31 di Malaysia. Perolehan daripada segmen peruncitan menyumbang 92% kepada keseluruhan hasil perolehan Kumpulan.

Pada tahun dalam kajian, perolehan yang diraih meningkat dengan ketara kepada RM5.2 bilion berbanding RM3.4 bilion pada tahun lalu. Keuntungan operasi menokok lebih sekali ganda kepada RM511 juta berbanding RM254 juta setahun lalu. Kesemua segmen perniagaan utama mencatat pencapaian yang memuaskan dengan bahagian kerugian syarikat-syarikat sekutu menyusut kepada RM11 juta daripada RM107 juta sebelumnya. Selepas mengambil kira keuntungan luar biasa yang timbul daripada penempatan 10% saham yang disenaraikan di Hong Kong, Kumpulan mencatatkan keuntungan sebelum cukai berjumlah RM857 juta berbanding RM606 juta yang dicatatkan dalam tahun sebelumnya.

PERKEMBANGAN KORPORAT

Semasa dan berikutan akhir tahun kewangan, Kumpulan telah melaksanakan langkah-langkah korporat utama seperti berikut:

- Pada bulan September 2006, Syarikat telah membuat pengumuman berikut:

  (i) Cadangan pelupusan ekuiti kepentingan aset-aset peruncitan Parkson di China, Malaysia dan Vietnam kepada East Crest International Limited, anak syarikat milik penuh Amalgamated Containers Berhad ("ACB") (kini dikenali sebagai Parkson Holdings Berhad) untuk dipenuhi melalui terbitan 3,799.73 juta saham biasa baru bernilai RM1.00 sesaham dalam ACB pada harga terbitan RM1.00 sesaham dan stok pinjaman berjamin boleh ubah boleh tebus dengan kadar kupon 3.5% bertempoh matang 3 tahun berjumlah RM500 juta ("Cadangan Pelupusan").

  (ii) Cadangan pengambilan alih oleh Excel Step Investments Limited ("Excel Step"), anak syarikat milik penuh LDHB, berjumlah 42,318,772 saham biasa bernilai RM1.00 sesaham, mewakili 56.64% modal terbitan dan berbayar ACB, daripada Lion Corporation Berhad ("LCB"), dan Limpahjaya Sdn Bhd, anak syarikat milik penuh LCB untuk pertimbangan tunai sehingga RM35.12 juta ("Cadangan Pengambilan Alih"); dan

  (iii) Cadangan pengagihan modal sehingga keseluruhan kepentingan ekuiti yang dipegang oleh Excel Step dalam ACB kepada para pemegang saham LDHB sebaik Cadangan Pelupusan dan Cadangan Pengambilan Alih selesai ("Pengagihan Modal").

  Cadangan Pelupusan dan Cadangan Pengambilan Alih telah dimuktamadkan pada bulan September 2007, manakala Pengagihan Modal berasaskan 13 saham biasa dalam Parkson Holdings Berhad untuk setiap 10 saham dipegang dalam Syarikat telah disempurnakan pada bulan Oktober 2007.

- Pada bulan November 2006, Kumpulan telah menyelesaikan pengambilan alih keseluruhan 100% ekuiti kepentingan dalam Kunming Yun Shun He Retail Development Co Ltd, pemilik dua buah gedung jenama Parkson yang dikendalikan oleh Kumpulan di Bandaraya Kunming di China, iaitu Kunming Managed Store dan Kunming Renmin Road Managed Store.

- Pada bulan Februari 2007, Syarikat telah membuat pengumuman berikut:

  (i) Cadangan langganan oleh Syarikat untuk 200,000,000 saham keutamaan boleh ubah, boleh kumpul, boleh tebus bernilai RM0.01 setiap satu bertempoh matang lima tahun yang akan diterbitkan oleh Megasteel Sdn Bhd ("Megasteel"), anak syarikat LCB secara tunai berjumlah RM200,000,000; dan

  (ii) Cadangan pengambilan alih oleh Syarikat untuk 60,000,000 saham biasa bernilai RM1.00 sesaham dalam Megasteel yang mewakili 10% modal terbitan dan berbayar sedia ada dalam Megasteel daripada Khazanah Nasional Berhad untuk pertimbangan tunai berjumlah RM138 juta.

- Pada bulan April 2007, Kumpulan telah menyelesaikan pengambilan alih 100% ekuiti kepentingan dalam Jiangxi Kaimei Retail Co Ltd, sebuah syarikat yang memiliki dan mengendalikan K&M Store di Bandaraya Nanchang di Wilayah Jiangxi, China.

- Pada bulan April 2007, Syarikat telah membuat pengumuman berikut:

  (i) Cadangan pengambilan alih 49% ekuiti kepentingan dalam Anshan Tianxing Parkson Shopping Centre Co Ltd pada pertimbangan harga berjumlah Rmb280 juta ("Cadangan Pengambilan Alih Anshan Parkson"); dan

(ii) Cadangan pengambilan alih Anshan Lung Shing Property Services Limited yang kemudiannya menjadi pemilik perundangan dan penerima tunggal hartanah yang terletak di No. 88 Er Dao Street, Daerah Tie Dong, Bandaraya Anshan, Wilayah Liaoning, China pada pertimbangan harga berjumlah Rmb450 juta.

Cadangan Pengambilan Alih Anshan Parkson telah selesai pada bulan Jun 2007.

- Pada bulan Mei 2007, Syarikat telah mengumumkan cadangan pengambilan alih 40% ekuiti kepentingan dalam Mianyang Fulin Parkson Plaza Co Ltd dengan pertimbangan harga berjumlah Rmb100 juta.

Maklumat lanjut mengenai pelbagai cadangan korporat lain terdapat di muka surat 37 hingga 39 dalam Laporan Tahunan ini.

KAJIAN OPERASI

Bahagian Peruncitan

Bahagian Peruncitan kita sekali lagi mencatatkan keputusan yang memberangsangkan berikutan pertumbuhan ekonomi serantau yang kukuh. Keuntungan operasi dalam tahun kewangan berjumlah RM478 juta berbanding RM201 juta yang diperoleh pada tahun lalu sementara perolehan pula meningkat 65% kepada RM4.8 bilion daripada RM2.9 bilion.

Peningkatan pendapatan boleh guna dan kepenggunaan di China serta liberalisasi pemilikan asing dan model perniagaan yang kukuh telah menobatkan Parkson China sebagai satu daripada pengendali rangkaian gedung serbaneka terbesar di seluruh negara itu. Sejak memulakan operasi dengan gedung pertama di Beijing pada tahun 1994, ia telah mengalami pertumbuhan pesat pada tahun-tahun berikutnya dan dijangka akan berkembang dengan kadar yang cepat.

Parkson Vietnam Co Ltd merupakan gedung serbaneka milik asing pertama yang mendapat lesen untuk bertapak dan beroperasi di bandar-bandar yang pesat berkembang di Vietnam. Dengan kelebihan sebagai perintis di negara itu dan berlatarkan model perniagaan sama yang telah diguna pakai dan diperhalusi sejak bertahun-tahun lamanya di China, Parkson Vietnam dijangka mencatat kejayaan yang serupa dalam beberapa tahun akan datang.

Di Malaysia, Parkson telah menjadi gedung serbaneka yang terkenal di seluruh negara sejak ia mula beroperasi pada tahun 1987. Walaupun pertumbuhan agak perlahan bagi pasaran peruncitan tempatan yang tepu, Parkson akan terus membuka gedung baru di lokasi-lokasi strategik dan memantapkan lagi model perniagaannya untuk kekal berada di hadapan para pesaingnya.

Parkson Malaysia

Parkson Malaysia terus menunjukkan pencapaian yang memuaskan dan menjana hasil berjumlah RM1.0 bilion dan keuntungan operasi berjumlah RM33 juta.

Dalam usaha kita untuk terus mengembangkan perniagaan, Parkson Malaysia telah membuka gedung ke 30 di Pulau Pinang pada bulan Jun 2007 dan gedung ke 31 di Pavilion, Kuala Lumpur pada bulan September 2007. Terletak di tengah-tengah kawasan membeli belah, hiburan dan pelancongan yang utama, outlet baru ini akan menawarkan pelbagai produk mewah terkini kepada pelanggan-pelanggan yang bercitarasa tinggi.

Parkson China

Ekonomi China terus menunjukkan pertumbuhan yang menakjubkan dalam tahun 2006 didorong oleh pertumbuhan kukuh eksport, pelaburan terus asing dan kepenggunaan dalam negara. Pertumbuhan ekonomi yang mantap telah menyebabkan munculnya warga kelas pertengahan yang memiliki pendapatan boleh guna yang tinggi.

Parkson China terus mencatat kemajuan dalam tahun kewangan berikutan pelbagai aktiviti promosi yang menarik untuk meningkatkan aliran kunjungan dan juga ulangan kedatangan pelanggan menerusi usaha mempelbagaikan campuran barangan dagangan dan jenama yang berterusan dengan menjangkakan perubahan dalam keperluan dan gaya hidup para pelanggan.

Selepas lebih 10 tahun melalui perkembangan yang pesat di China sejak mula beroperasi pada tahun 1994, Parkson China telah menjadi salah sebuah rangkaian gedung fesyen terkemuka di seluruh negara dengan memiliki/menguruskan 39 gedung, di 26 buah bandar. Selain berada di lokasi yang strategik di Beijing dan Shanghai, ia juga bertapak kukuh di bandar-bandar besar seperti Xian, Wuxi, Chongqing dan Anshan.

Parkson Vietnam

Pada tahun 2005, Kumpulan telah memasuki pasaran Vietnam dan membuka gedung utama Parkson yang pertama di Bandar Ho Chi Minh. Kejayaan gedung itu dan pengalaman yang diperolehi sejak bertahun-tahun lamanya telah menjadi asas bagi strategi pertumbuhan masa depan. Dua buah gedung baru terletak di Bandar Hai Phong & Ho Chi Minh telah dibuka dalam tahun kewangan.

Prestasi yang ditunjukkan oleh tiga buah gedung berkenaan amat menggalakkan. Langkah menerokai pasaran Vietnam merupakan peristiwa penting Kumpulan justeru membolehkannya bertapak di pasaran Indochina.

Bahagian Hartanah

Bandar Mahkota Cheras, terletak di Batu 9 Cheras, Kuala Lumpur merupakan sebuah perbandaran baru seluas 340 hektar pegangan bebas yang mantap dan giat berkembang. Apabila siap sepenuhnya, perbandaran ini akan menempatkan 11,000 buah kediaman dan komersil dengan bilangan penduduk yang dianggarkan seramai 56,000.

Arked komersil utama Mahkota Walk, yang terletak di tengah-tengah perbandaran merupakan pusat komersil terbesar di Cheras. Lokasinya yang strategik menghadap laluan utama perbandaran ini memastikan pendedahan maksimum kepada ribuan orang yang melalui kawasan itu setiap hari.

Twins, sebuah usaha sama 35% milik Kumpulan terletak di kawasan kediaman berprestij Damansara Heights, Kuala Lumpur. Pembangunan kondominium mewah yang eksklusif ini dijangka akan dilancarkan menjelang akhir tahun 2007 dan akan mengandungi dua blok menara ikonik yang mengandungi kira-kira 300 unit kediaman.

Bahagian Komputer

Bahagian Komputer kita beroperasi sebagai pengeluar perkhidmatan perkilangan elektronik bersepadu sepenuhnya bagi peralatan elektronik dan komputer. Ia juga telah mempelbagaikan produk kepada segmen bukan komputer peribadi ("PC") untuk mengurangkan pergantungan kepada pasaran PC. Operasi kilang terletak di Melaka dan Mexico selain pejabat wakil jualan di Amerika Syarikat untuk memberikan khidmat sokongan kepada para pelanggan.

Tahun kewangan dalam kajian menyaksikan kemerosotan permintaan produk-produk elektronik. Berikutan kejatuhan nilai dolar AS berbanding Ringgit, Bahagian ini mencatat hasil kewangan yang rendah. Dengan persekitaran operasi yang terus bersaing sengit, Bahagian ini akan meneruskan usaha pemasarannya bagi mengukuhkan kedudukan dan meningkatkan penguasaan pasaran sambil menerapkan pelbagai strategi dalam pengurusan barisan produk untuk memastikan keseluruhan margin dikekalkan.

Bahagian Keluli

Bagi tahun kewangan dalam kajian, perniagaan keluli Kumpulan dikendalikan oleh syarikat sekutu 23% kepentingan dimilikinya, LCB. Megasteel, anak syarikat 90% kepentingan milik LCB dan pengeluar tunggal besi gulungan panas (hot rolled coils atau HRC) di Malaysia, telah beroperasi dalam persekitaran yang menggalakkan berikutan peningkatan harga keluli antarabangsa dan permintaan domestik yang tinggi bagi HRC. Keadaan pasaran yang bertambah baik berserta usaha pemasaran yang agresif telah membolehkan operasi perniagaan keluli kita mencatat pemulihan. Bagaimanapun, ekoran rosot nilai berterusan yang dialami LCB menerusi pelaburannya dalam syarikat senaraian awam Amsteel Corporation Berhad, kerugian berjumlah RM11 juta dikongsi oleh Kumpulan.

Kilang 'Direct Reduced Iron' ("DRI") baru Kumpulan dijangka akan beroperasi sepenuhnya pada suku pertama tahun 2008. Kilang DRI baru ini menggunakan teknologi Midrex yang terbukti kebaikan prosesnya dan digunakan oleh lebih 60% kilang DRI/besi briket panas di dunia. Proses berkenaan melibatkan penggunaan gas asli untuk menukar bijih besi kepada DRI, sejenis bahan feros berkualiti tinggi yang digunakan dalam pembuatan besi dan keluli. Selain daripada jangkaan pulangan yang stabil menerusi operasinya, DRI, bahan pengganti besi lusuh juga membantu menjimatkan penggunaan tenaga elektrik di samping mengurangkan pergantungan besi lusuh antarabangsa oleh Megasteel, sebuah syarikat yang mana LDHB juga mempunyai kepentingan tidak langsung.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan terakhir sebanyak 2.5 sen sesaham (5%) dikecualikan cukai untuk diluluskan oleh para pemegang saham pada Mesyuarat Agung Tahunan akan datang. Dividen bersih boleh bayar akan berjumlah RM18.4 juta.

TANGGUNGJAWAB SOSIAL KORPORAT

Kita menyedari akan pentingnya tanggungjawab sosial korporat ("CSR") sebagai sebahagian dari pelengkap perniagaan dan telah menerapkan rangka kerja kebertanggungjawaban dan ketelusan CSR dalam rancangan perniagaan untuk meningkatkan keyakinan para pemegang kepentingan. Sehubungan dengan itu, CSR menjadi satu komponen penting dalam amalan perniagaan yang baik yang disasarkan untuk kebaikan bersama masyarakat dan juga alam sekitar.

Dalam melaksanakan aktiviti perniagaannya, Kumpulan sentiasa prihatin akan tanggungjawabnya sebagai warga korporat, untuk menyumbang kembali kepada masyarakat sambil meningkatkan hasil perolehan dan juga nilai para pemegang saham. Kumpulan memberikan tumpuan untuk membantu masyarakat dalam bidang pendidikan dan penjagaan kesihatan menerusi dua buah yayasan.

Yayasan Lion-ASM menyalurkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik; dan setiap tahun ia memberikan biasiswa dan pinjaman pendidikan kepada pelajar yang melanjutkan pelajaran di universiti-universiti tempatan. Dana Bantuan Perubatan Kumpulan Lion pula menawarkan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan.

PROSPEK

Berdasarkan usaha korporat yang dinyatakan sebelum ini, Kumpulan telah mengalihkan perniagaan peruncitannya kepada sebuah syarikat senaraian awam lain dimana pemegang saham Syarikat memilik saham syarikat senarai awam tersebut. Proses itu dijangka mewujudkan satu platform yang mengoptimumkan struktur modal Kumpulan dan memberikan nilai tinggi kepada pemegang-pemegang sahamnya.

Menuju ke hadapan, penggerak utama kepada pencapaian masa depan Kumpulan bergantung kepada Bahagian Keluli. Pelaksanaan yang dijangkakan dalam pelbagai projek penggantian paip kumbahan dan pemindahan air di bawah Rancangan Malaysia Ke-9 akan menjadi penggalak kepada Megasteel untuk mengotakan penggunaan DRI dan membolehkan Kumpulan menjana aliran pendapatan yang stabil dalam tahun-tahun mendatang.

LEMBAGA PENGARAH

Lembaga Pengarah ingin mengalu-alukan pelantikan Y. Bhg. Datuk Cheng Yong Kim sebagai Pengarah Urusan Syarikat.

Dalam Mesyuarat Agung Tahunan yang akan datang, Y. Bhg. Dato Murad Mohamed Hashim akan bersara dan beliau tidak akan memohon untuk dilantik semula sebagai Pengarah. Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan ikhlas di atas sumbangan beliau sepanjang tempoh pelantikannya sebagai Pengarah.

PENGHARGAAN

Saya ingin mengucapakan terima kasih kepada ahli-ahli Lembaga Pengarah, pasukan pengurusan dan para pekerja di atas sumbangan dan kesungguhan mereka kepada Kumpulan. Saya juga ingin merakamkan penghargaan Lembaga Pengarah kepada para pelanggan, pembiaya, sekutu perniagaan, Kerajaan dan pemegang saham yang dihargai atas sokongan dan keyakinan mereka yang berterusan kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad ("LDHB") for the financial year ended 30 June 2007.

FINANCIAL PERFORMANCE

The Group continued to record another year of remarkable growth spearheaded by the aggressive drive to expand its presence in the vast China retail market. The robust expansion of the Group's retail operations was stepped up after the successful listing of its China retail operations on The Stock Exchange of Hong Kong Limited. Besides tapping on the vibrant capital market there, the listed vehicle was also able to raise substantial funding from the debt market to fund its merger and acquisition activities as well as store upgrading and refurbishment plans.

The retail operations of the Group currently comprise 39 stores operating in 26 major cities in China, 3 stores in Vietnam and 31 stores operating locally in Malaysia. Revenue from its retail segment accounted for 92% of the Group's total revenue.

For the year under review, revenue was substantially higher at RM5.2 billion as against RM3.4 billion achieved last year. Operating profit was more than doubled at RM511 million as compared to RM254 million a year ago. All major business segments performed satisfactorily with share of associates' losses narrowing to RM11 million from RM107 million previously. After accounting for an exceptional gain arising from the placement of the 10% shares in the Hong Kong listed company, the Group recorded a profit before taxation of RM857 million as compared to RM606 million achieved last year.

CORPORATE DEVELOPMENTS

During and subsequent to the financial year-end, the Group had undertaken the following significant corporate exercises:

- In September 2006, the Company announced the following:

  (i) Proposed disposals of its equity interests of Parkson retail assets in China, Malaysia and Vietnam to East Crest International Limited, a wholly-owned subsidiary of Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad) to be satisfied by the issuance of 3,799.73 million new ordinary shares of RM1.00 each in ACB at the issue price of RM1.00 per share and RM500 million nominal value 3-year 3.5% coupon redeemable convertible secured loan stocks ("Proposed Disposals");

  (ii) Proposed acquisition by Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of LDHB, of up to 42,318,772 ordinary shares of RM1.00 each, representing 56.64% of the issued and paid-up share capital of ACB, from Lion Corporation Berhad ("LCB"), and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB for a cash consideration of up to RM35.12 million ("Proposed Acquisition"); and

  (iii) Proposed capital distribution of up to its entire equity interest in ACB held by Excel Step upon the completion of the Proposed Disposals and Proposed Acquisition, to the shareholders of LDHB ("Capital Distribution").

  The Proposed Disposals and the Proposed Acquisition were completed in September 2007 whilst the Capital Distribution on the basis of thirteen (13) ordinary shares in Parkson Holdings Berhad for every ten (10) shares in the Company was completed in October 2007.

- In November 2006, the Group completed the acquisition of 100% equity interest in Kunming Yun Shun He Retail Development Co Ltd, which owns two "Parkson" branded managed stores in Kunming City in China, namely the Kunming Managed Store and the Kunming Renmin Road Managed Store.

- In February 2007, the Company announced the following:

  (i) Proposed subscription by the Company of 200,000,000 5-year redeemable cumulative convertible preference shares of RM0.01 each to be issued by Megasteel Sdn Bhd ("Megasteel"), a subsidiary of LCB, for cash of RM200,000,000; and

  (ii) Proposed acquisition by the Company of 60,000,000 ordinary shares of RM1.00 each in Megasteel, representing 10% of the existing issued and paid-up share capital of Megasteel from Khazanah Nasional Berhad for a cash consideration of RM138 million.

- In April 2007, the Group completed the acquisition of 100% equity interest in Jiangxi Kaimei Retail Co Ltd, a company which owns and operates the K&M Store in Nanchang City in the Jiangxi Province of China.

- In April 2007, the Company announced the following:

  (i) Proposed acquisition of 49% equity interest in Anshan Tianxing Parkson Shopping Centre Co Ltd at a total consideration of Rmb280 million ("Proposed Acquisition of Anshan Parkson); and

(ii) Proposed acquisition of Anshan Lung Shing Property Services Limited which in turn will be the sole legal and beneficial owner of the property located at No. 88 Er Dao Street, Tie Dong District, Anshan City, Liaoning Province, China at a total consideration of Rmb450 million.

The Proposed Acquisition of Anshan Parkson was completed in June 2007.

- In May 2007, the Company announced the proposed acquisition of 40% equity interest in Mianyang Fulin Parkson Plaza Co Ltd at a total consideration of Rmb100 million.

Full details of the various other corporate proposals are contained in pages 37 to 39 of this Annual Report.

REVIEW OF OPERATIONS

Retail Division

Our Retail Division again achieved another set of impressive results on the back of the strong growth in the regional economies. Operating profit for the year was RM478 million as against RM201 million achieved last year whilst revenue jumped 65% to RM4.8 billion from RM2.9 billion.

Rising disposable income and consumption in China together with the liberalisation of foreign ownership and a strong business model had propelled Parkson China to be one of the largest department store chain operators nationwide. Since its commencement of operation with the first store in Beijing in 1994, it has grown rapidly over the years and its growth is expected to accelerate.

Parkson Vietnam Co Ltd was the first foreign-owned company to be granted a licence to set up and operate department stores in the fast growing cities of Vietnam. With the first mover advantage and using an identical business model adopted and refined over the years in China, Parkson Vietnam is expected to reap similar success in the next few years.

On the local front, Parkson is already the most established department store chain nationwide since it first started operation in 1987. Despite the slower growth in the saturated local retail market, Parkson will continue to set up new stores at strategic locations and improve on its business model in order to remain ahead of its competitors.

Parkson Malaysia

Parkson Malaysia continues to deliver satisfactory performance and generated a revenue of RM1.0 billion and operating profit of RM33 million.

In our endeavour to further grow our business, Parkson Malaysia has in June 2007, opened its 30th store in Penang and in September 2007, its 31st store at the Pavilion, Kuala Lumpur. Situated in the heart of Kuala Lumpur's main shopping, entertainment and tourist district, this newest outlet offers the latest high end products catering to the needs of discerning customers.

Parkson China

The Chinese economy continued its remarkable growth for the year 2006, led by the strong growth in exports, foreign direct investment and domestic consumption. The solid economic growth has led to the emergence of a strong middle class population with rising disposable income.

Parkson China made further progress during the year through attractive promotional activities to increase traffic flow and attract repeat customers through continuously varying its merchandise mix and brand mix in anticipation of changing needs and lifestyle of its customers.

After more than 10 years of rapid expansion in China since its inaugural foray in 1994, Parkson China has grown into one of the leading fashion department store chains nationwide, with 39 self-owned / managed stores covering 26 cities. Besides strategic store locations in Beijing and Shanghai, it also has a meaningful presence in secondary cities such as Xian, Wuxi, Chongqing and Anshan.

Parkson Vietnam

In 2005, the Group ventured into Vietnam and set up its first flagship store under the Parkson banner in Ho Chi Minh City. The success of the first store and the experiences that we have accumulated over the years have set the stage for our future growth strategies. Two new stores located in Hai Phong City and Ho Chi Minh City were opened during the year.

The performance of the 3 stores has been very encouraging. This venture into the Vietnamese market marked a new milestone for the Group as it enabled the Group to establish a footprint in the Indochina market.

Property Division

Bandar Mahkota Cheras, located off 9th mile Cheras, Kuala Lumpur, is spread over 340 hectares of freehold land with an established and thriving self-contained township. When fully completed, this township will house approximately 11,000 residential and commercial units with an estimated population of about 56,000.

The main commercial arcade, Mahkota Walk, located in the heart of the township, is the largest regional commercial hub in that part of Cheras. Its strategic location which fronts the township's main access, ensures maximum exposure with thousands of commuters passing through the area daily.

Twins, a 35% joint venture of the Group, is located in the prestigious residential enclave of Damansara Heights, Kuala Lumpur. This exclusive high-end condominium development is expected to be launched by end 2007 and will comprise 2 iconic tower blocks with about 300 residential units.

Computer Division

Our Computer Division operates as a fully integrated electronic manufacturing services manufacturer of electronics and computer peripherals. It has also diversified its product range into non-PC segments in order to reduce its dependence on the PC market. Its production facilities are located in Melaka in Malaysia and Mexico, with a sales representative office in USA to provide customer support services.

The year under review had seen a contraction in demand for electronics products. Coupled with the weakening of the US Dollar against the Ringgit, lower results were registered. In view of the increasingly competitive operating environment, the Division will continue its marketing efforts to strengthen its position and achieve wider market coverage while adopting various strategies on product line management to ensure overall margins are sustained.

Steel Division

For the financial year under review, the Group's steel business is operated through its 23% associate LCB. Megasteel, a 90% owned subsidiary of LCB and the only hot rolled coils ("HRCs") producer in Malaysia, was able to operate under a more conducive and favourable operating environment in the light of rising international steel prices and higher domestic demand for HRCs. The improved market condition coupled with aggressive marketing efforts have enabled our steel business to turn around its operation. However, due to further impairment made by LCB on its investment in Amsteel Corporation Berhad, a RM11 million loss was shared by the Group.

The Group's new direct reduced iron ("DRI") plant is expected to be fully operational by the first quarter of 2008. The new DRI plant uses the Midrex technology which is a proven process used by more than 60% of the DRI and hot briquetted iron plants in the world. The process involves the usage of natural gas to convert iron ore pellet into DRI, a high quality ferrous charge material used in iron and steelmaking. Apart from the expected stable return to be derived from the operation, DRI, a hot charge substitute for scrap, would generate savings through lower consumption of electrical power and replace the usage of the more expensive imported scrap for Megasteel, a company in which LDHB also has an indirect interest.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 2.5 sen per share (5%), tax-exempt, for the approval of shareholders at the forthcoming Annual General Meeting ("AGM"). Net dividend payable will amount to RM18.4 million.

CORPORATE SOCIAL RESPONSIBILITY

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and incorporating a CSR framework into our business plan to enhance stakeholder confidence, accountability and transparency. In this regard, CSR is becoming an important component of good business practice aimed at improving society and the environment.

In carrying out its business activities, the Group is mindful of its responsibility as a corporate citizen, in giving back to society while contributing to the bottom-line and shareholders' value. The Group is focused on improving the community through education and medical care through two Foundations.

The Lion-ASM Foundation disburses funds for various needs such as education, charity and scientific research; and every year, gives out scholarships and education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment.

PROSPECTS

Pursuant to the corporate exercises mentioned earlier, the Group had completed the spin-off of its retail business to another listed company wherein the shareholders of the Company also became shareholders of the other listed company. The process is expected to create a platform that will optimise the Group's capital structure and bring higher value to its shareholders.

Moving forward, the key driver to the Group's future performance lies with the Steel Division. The anticipated rollout of the various sewerage pipe replacement and water transfer projects under the Ninth Malaysia Plan will provide the impetus for Megasteel to fulfil its DRI offtake and enable the Group to generate a steady stream of income in the coming years.

BOARD OF DIRECTORS

The Board would like to extend its warm welcome to Y. Bhg. Datuk Cheng Yong Kim on his appointment as the Managing Director of the Company.

At the forthcoming AGM, Y. Bhg. Dato Murad Mohamed Hashim will retire and will not seek re-appointment as Director. On behalf of the Board, I would like to offer my sincere appreciation for his invaluable contributions during his tenure of service as Director of the Company.

ACKNOWLEDGEMENT

I would like to express my gratitude to the members of the Board, the management team and employees for their contribution and devotion to the Group. I also wish to extend the Board's appreciation to our valued customers, bankers, business associates, the Government and shareholders for their continued support and confidence in the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司截至2007年6月30日为止的会计年度之常年报告及经审核财务报告。

财务表现

由于采取积极行动，迅速扩大在中国庞大的零售业市场，本集团持续获得可观的增长，写下卓越表现的另一年。我们成功将中国零售业务在香港股票交易所上市，加强了零售业迅速的成长。除了利用香港充满生机的资本市场之外，我们的上市公司也能够在债务市场筹措可观的资金充作合并与收购用途，也可以用以推动提升及翻新计划。

目前本集团的零售业务拥有39家百货公司分布于中国26个主要的城市，另外有3家百货公司设在越南以及31家百货公司在马来西亚国内经营。零售业的收入占本集团总收入的92%。

在本会计年度，营业额大幅度增加，从上一个年度的34亿令吉增加到本会计年度的52亿令吉。营业利润增加一倍以上，从上一个年度的2亿5千400万令吉增至5亿1千100万令吉；。所有主要业务部门的表现都令人满意，联号公司的亏损则从上个年度的1亿700万令吉减少至本年度的1千100万令吉。在加入配售在香港上市股票的其中10%所取得的特别盈利之后，本集团共取得8亿5千700万令吉税前利润；上一个年度的税前利润则只有6亿600万令吉。

企业发展

在本会计年度及本会计年度后，本集团采取下述重大的企业措施：

- 在2006年9月，本公司宣布下述事项：

  (i) 建议把它在中国、马来西亚及越南所拥有的百盛股权脱售给合营货柜有限公司（“合营货柜”）（“现称百盛控股有限公司”）的独资子公司East Crest International Limited，支付方式是由合营货柜发行37亿9千973万股，每股1.00令吉的普通股，发行价是每股1.00令吉，另附加面值5亿令吉，为期3年、年利率3.5%的可赎回、可转让、有抵押的债券（“建议出售”）；

  (ii) 建议由金狮多元控股的独资子公司，Excel Step Investments Limited以现金3千512万令吉向金狮机构有限公司（“金狮机构”）以及其独资子公司Limpahjaya Sdn Bhd收购他们在合营货柜的42,318,772股，每股1.00令吉的普通股。相等于56.64%的发行资本和缴足资本（“建议收购”）；以及

  (iii) 在完成建议出售和建议收购之后，建议把它在合营货柜的最高全部股权通过资本回退方式分配给金狮多元控股的股东（“资本回退”）。

  建议出售及建议收购已经在2007年9月完成，而资本回退以10股金狮多元控股股票对13股百盛控股股票比例已经在2007年10月完成。

- 在2006年11月，本集团完成收购昆明云顺和商业发展有限公司的100%股权。该公司在中国昆明市拥有2间“百盛”品牌的管理百货公司，分别是Kunming Managed Store和Kunming Renmin Road Managed Store。

- 在2007年2月，本公司宣布下述事项：

  (i) 建议由本公司以2亿令吉现金向金狮机构的子公司美佳钢铁私人有限公司（“美佳钢铁”）认购2亿股、为期5年，每股0.01令吉的可赎回、可转让累积优先股；以及

  (ii) 建议由本公司以现金1亿3千800万令吉，向国库控股公司收购美佳钢铁6千万股、每股1.00令吉的普通股，相等于美佳钢铁现有的发行和缴足资本的10%。

- 在2007年4月，本集团完成收购江西凯美百货有限公司的100%股权。该公司在中国江西省南昌市拥有及经营K&M Store。

- 在2007年4月，公司宣布下述事项：

  (i) 建议以人民币2亿8千万元收购鞍山天兴百盛购物中心的49%股权，（“建议收购鞍山股权”）；以及

  (ii) 建议以人民币4亿5千万元收购Anshan Lung Shing Property Services Limited，该公司是坐落于中国辽宁省鞍山市铁东区二道街88号产业的唯一合法和受惠业主。

  建议收购鞍山股权已经在2007年6月完成。

- 在2007年5月，本公司宣布建议以人民币1亿元收购绵阳富临百盛广场有限公司的40%股权。

与本公司的各种其他建议有关详情，列在本常年报告第37页至39页。

业务检讨

零售业组

在本区域经济强劲成长的影响背景之下，我们的零售业组的业绩再次取得卓越的表现。本会计年度的营业利润也从去年的2亿100万令吉增加到4亿7千800万令吉。营业收入上扬65%从29亿令吉增加到48亿令吉。

中国人民可支配收入和消费增加， 以及中国放宽外国拥有权和中国百盛具强而有力的营业模式，使到中国百盛成为全中国规模最大的百货公司连锁店经营者之一。自百盛于1994年在北京开设第一家百货公司以来，它成长迅速，预料其增长率将会加速。

越南百盛有限公司是获得在越南经营执照的第一家外国百货公司，并在越南各个迅速发展的城市营业。越南百盛是开路先锋，加上使用多年来在中国使用的相同营业模式，预料它在未来数年内，将取得和中国百盛同样的成就。

在马来西亚国内，自百盛在1987年开设第一家百货公司以来，目前已经是全国家喻户晓的百货公司。尽管由于国内的零售业市场达到饱和而使到百盛的成长缓慢，它将继续在策略性地点开设百货公司，以及改进营业模式，以便继续领先竞争者。

马来西亚百盛

马来西亚百盛继续取得令人满意的表现。在本会计年度，它取得10亿令吉的营业收入及3千300万令吉的营业利润。

马来西亚百盛致力进一步拓展业务，在2007年6月，它在槟城开设第30家百货公司。并在2007年9月，在吉隆坡的Pavilion开设第31家百货公司，Pavilion坐落在吉隆坡最主要的购物、娱乐和旅游区，这间最新的分店提供高档产品给眼光敏锐的顾客。

中国百盛

在2006年，中国经济继续取得可观成长，这种成长是由出口、外来直接投资和国内消费都大幅度增长带动。稳固的经济成长，使中国涌现人数众多的中产阶级；他们的可支配收入将不断增加。

在这一年内，中国百盛取得进一步成长，它通过主办具有吸引力的促销活动来增加人流，因为预测到顾客的需求和生活方式不断的改变，我们将继续的转换商品和品牌混合来吸引长期顾客。

中国百盛于1994年在中国开设第一间百货公司，十多年来，它发展为全中国领先的时尚百货公司连锁店，在26个城市拥有39间本身拥有/管理的百货公司。除了在北京和上海的策略性地点拥有百货公司之外，它也在其他二线城市如西安、无锡、重庆和鞍山等开设百货公司。

越南百盛

2005年，本集团进军越南，以Parkson的名称，在胡志明市开设第一家旗舰百货公司。第一家百货公司的成功，以及这几年来我们所累积的经验，奠定我们未来成长策略的基础。在本会计年度，两家新百货公司分别设立在海防市和胡志明市。

这3家百货公司的表现令人鼓舞。向越南市场进军标志着本集团一个新的、主要里程，因为它使到本集团能够在印度支那市场取得立足点。

产业组

皇冠城坐落在面积340公顷而且拥有永久地契的土地上，位于吉隆坡蕉赖9英里，是一个已经建立且兴旺繁荣的市镇。一旦建竣，这个市镇将拥有大约11千单位的住宅和商业单位，估计将有56千人口。

Mahkota Walk是该镇最大的区域商业活动中心，坐落在该市镇的心脏地区。它位于策略性地点，在该市镇的主要入口处，确保最大的曝光率，每天有成千上万人进出该地区。

Twins是本集团拥有35%股权的联营计划。它坐落在吉隆坡Damansara Heights享有盛名的住宅区。这个独特的高级公寓发展计划预料将在2007年年底推展，它将拥有两座塔楼，约有300个住宅单位。

电脑组

我们的电脑组以全面综合性电子制造服务方式经营，是电子产品和电脑周边产品的制造商。它也将产品多元化，进入非个人电脑领域，以减少对个人电脑市场的依赖。其营业设施设在马来西亚的马六甲以及墨西哥，在美国设有销售代表办事处，为北美的客户提供支援及服务。

在本会计年度，电子产品的需求收缩。加上美元对令吉的兑换率疲弱，使到本组的业绩退步。由于营业环境竞争越来越激烈，本组将继续其销售努力，以加强其地位和取得更大的市场覆盖面，同时对产品管理采用各种策略，以便能够保持总盈利率。

钢铁组

在本会计年度内，本集团的钢铁业业务是通过其拥有23%股权的联号金狮机构经营。美佳钢铁是金狮机构拥有90%股权的子公司，也是马来西亚唯一的热轧钢生产商。国际钢铁价格上升以及国内对热轧钢的需求增加，这使美佳钢铁能够在更加有利的营业环境下经营。在市场条件改善下，和采取进取性的销售努力，使到我们钢铁组的营业好转。不过，由于金狮机构在合钢实业有限公司的投资作了资产减值，金狮多元控股分担1千100万令吉的亏损。

本集团新建的还原铁厂预料将在2008年的第一季度全面投入运作。这家新的还原铁厂，使用米德力（Midrex）工艺；这种工艺是经过证明的生产程序，为全世界超过60%的还原铁与热铁砖厂采用。这个程序包括使用天然气把铁苗变成还原铁，而还原铁是高品质的含铁原料，在制铁和制钢中使用。除了从运作可取得稳定的回酬之外，热还原铁作为废铁的替代品，将节省耗电量，以及代替美佳钢铁依赖较昂贵的进口原料。金狮多元控股也在美佳钢铁间接拥有股权。

股息

董事部欣然建议派发一次过终期股息每股2.5仙免税，此项建议必须获得将召开的常年股东大会批准。应付净股息将是1千840万令吉。

企业社会责任

我们认同企业社会责任的重要性并把它视为公司治理框架中不可或缺的一部分，以加强利益相关者的信心、责任感和透明度。在这方面，企业社会责任是良好营商手法不可或缺的一部分，目的是要改善社会服务和环境发展。

本公司在展开商业活动时，深切了解作为企业公民的责任，在对股东在企业的价值作出贡献的同时，也要回馈社会。因此本集团通过两项基金，以教育和医疗服务来回馈社会。

Lion-ASM基金拨款作各种用途，诸如教育、慈善及科学研究；每年提供奖学金和贷学金给在本地大学深造的在籍大学生。金狮集团医药援助基金则为迫切需要医疗的马来西亚人提供财务援助。

展望

通过上述的企业献义，本集团把其零售企业延伸到另一家上市公司，本公司的股东也是该上市公司的股东。这项过程预料将创造另一个平台，使本集团的资本结构受到最优使用，及为股东们带来更高价值。

展望未来，本集团未来表现的主要推动力将来自钢铁组。随着在第九大马计划下预期展开的各项替换污水输送管和迁移供水管，将推动美佳钢铁履行购买还原铁。这样一来，在未来几年将为本集团带来连续稳定的收入。

董事部

董事部热烈欢迎拿督钟荣锦被委任为本公司的执行董事。

在行将召开的常年股东大会上，董事Y. Bhg. Dato Murad Mohamed Hashim将荣休，不寻求重新被委任。我谨代表董事部，真诚感谢他在担任董事期间的贡献.

鸣谢

我在此感谢本集团的董事部成员，公司管理层以及雇员们对本集团的贡献及努力。我也要代表董事部，感谢尊贵的客户、银行界、商业伙伴、政府和股东们继续支持本集团及对本集团有信心。

主席
丹斯里钟廷森

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	738,040	675,301
Attributable to:		
Equity holders of the Company	604,618	675,301
Minority interests	133,422	-
	738,040	675,301

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the partial disposal of subsidiaries resulting in a gain of RM499 million to the Group.

DIVIDENDS

The amount of dividends paid by the Company since 30 June 2006 were as follows:

	RM'Million
In respect of the financial year ended 30 June 2006 as reported in the Directors' Report of that year, a final dividend of 10% (5.0 sen per share), tax exempt was paid on 19 December 2006	34.6

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2007, of 5% (2.5 sen per share), tax exempt amounting to a dividend payable of RM18.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2008.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri William H.J. Cheng
Datuk Cheng Yong Kim (appointed on 26.1.2007)
Dato' Ismail @ Mansor bin Said
Dato Murad Mohamed Hashim
Heah Sieu Lay
Cheng Yong Kwang
George Leong Chee Fook

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Ismail @ Mansor bin Said and Mr Heah Sieu Lay retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

Y. Bhg. Dato Murad Mohamed Hashim, being over the age of 70 years, retires at the forthcoming Annual General Meeting and will not seek re-appointment as Director.

DIRECTORS' BENEFITS

Neither at the end of the financial year nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 41 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2006	**Acquired**	**Disposed**	**30.6.2007**
Direct Interest				
Tan Sri William H.J. Cheng	85,996,142	41,860,465	(6,500,000)	121,356,607
Cheng Yong Kwang	1,530,499	741,674	–	2,272,173
Heah Sieu Lay	500,000	–	–	500,000
Indirect Interest				
Tan Sri William H.J. Cheng	329,094,788	17,400,000	(25,400,000)	321,094,788

DIRECTORS' INTERESTS (Continued)

	Number of Ordinary Shares of RM0.50 Each			
	26.1.2007	**Acquired**	**Disposed**	**30.6.2007**
Direct Interest				
Datuk Cheng Yong Kim	7,596,837	–	–	7,596,837
Indirect Interest				
Datuk Cheng Yong Kim	279,644,035	–	–	279,644,035

In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of the 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS") with a right to convert into new shares at a conversion price of RM0.86 per ordinary share of RM0.50 each.

	Number of RM1.00 Nominal Value RCULS			
	1.7.2006	**Acquired**	**Converted/ Disposed**	**30.6.2007**
Direct Interest				
Tan Sri William H.J. Cheng	–	36,000,000	(36,000,000)	–
Cheng Yong Kwang	637,840	–	(637,840)	–
Indirect Interest				
Tan Sri William H.J. Cheng	36,000,000	–	(36,000,000)	–

The interests of Directors in office at the end of the financial year in shares in its related corporations during and at the end of the financial year were as follows:

Indirect Interest
Tan Sri William H.J. Cheng

	Nominal Value Per Ordinary Share		Number of Shares		
		1.7.2006	**Acquired**	**Disposed**	**30.6.2007**
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	–	–	8,000,000
Hamba Research & Development Co Ltd	NT$10.00	980,000	–	–	980,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Likom CMS Sdn Bhd	RM1.00	10,000	–	–	10,000
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
Parkson Retail Group Limited	HK$0.10	361,560,000	–	(55,200,000)	306,360,000

* Shares in companies incorporated in Singapore do not have a par value

	Nominal Value Per Preference Share		Number of Shares		
		1.7.2006	**Acquired**	**Disposed**	**30.6.2007**
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	–	–	400,000

DIRECTORS' INTERESTS (Continued)

Investments in the People's Republic of China	Currency	1.7.2006	Acquired	Disposed	30.6.2007
Tan Sri William H.J. Cheng					
Chongqing Wanyou Parkson Plaza Co Ltd	Rmb	21,000,000	–	–	21,000,000
Dalian Tianhe Parkson Shopping Centre Co Ltd	Rmb	60,000,000	–	–	60,000,000
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	6,000,000	–	–	6,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	18,000,000	12,000,000	–	30,000,000
Nanning Brilliant Parkson Commercial Co Ltd	Rmb	10,200,000	3,800,000	–	14,000,000
Qingdao No. 1 Parkson Co Ltd	Rmb	124,501,580	–	–	124,501,580
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xi'an Chang'an Parkson Store Co Ltd	Rmb	5,100,000	–	–	5,100,000
Xi'an Lucky King Parkson Plaza Co Ltd	Rmb	29,580,000	–	–	29,580,000
Xi'an Shidai Parkson Store Co Ltd	Rmb	7,650,000	–	–	7,650,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Yangzhou Parkson Plaza Co Ltd	Rmb	35,553,700	–	–	35,553,700

Indirect Interest
Datuk Cheng Yong Kim

	Nominal Value Per Ordinary Share	26.1.2007	Number of Shares Acquired	Number of Shares Disposed	30.6.2007
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	–	–	8,000,000
Hamba Research & Development Co Ltd	NT$10.00	980,000	–	–	980,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Likom CMS Sdn Bhd	RM1.00	9,998	–	–	9,998
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	–	–	1,000,000
Parkson Retail Group Limited	HK$0.10	306,360,000	–	–	306,360,000

* Shares in companies incorporated in Singapore do not have a par value

	Nominal Value Per Preference Share	26.1.2007	Number of Shares Acquired	Number of Shares Disposed	30.6.2007
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	–	–	400,000

DIRECTORS' INTERESTS (Continued)

Investments in the People's Republic of China	Currency	26.1.2007	Acquired	Disposed	30.6.2007
Datuk Cheng Yong Kim					
Chongqing Wanyou Parkson Plaza Co Ltd	Rmb	21,000,000	–	–	21,000,000
Dalian Tianhe Parkson Shopping Centre Co Ltd	Rmb	60,000,000	–	–	60,000,000
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	6,000,000	–	–	6,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	18,000,000	12,000,000	–	30,000,000
Nanning Brilliant Parkson Commercial Co Ltd	Rmb	14,000,000	–	–	14,000,000
Qingdao No. 1 Parkson Co Ltd	Rmb	124,501,580	–	–	124,501,580
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xi'an Chang'an Parkson Store Co Ltd	Rmb	5,100,000	–	–	5,100,000
Xi'an Lucky King Parkson Plaza Co Ltd	Rmb	29,580,000	–	–	29,580,000
Xi'an Shidai Parkson Store Co Ltd	Rmb	7,650,000	–	–	7,650,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Yangzhou Parkson Plaza Co Ltd	Rmb	35,553,700	–	–	35,553,700

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during and at the end of the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM339,788,393.50 to RM368,611,613.50 by way of:

(i) the conversion of RM300 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") into 348 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share; and

(ii) the conversion of RM49,575,640 nominal value of RCULS into 57,646,092 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company established for the benefit of eligible executive directors and executive employees of the Group was implemented on 1 September 2005 and the salient features and other terms of the ESOS are as follows:

(a) Executive directors and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

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

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS subject to the following being complied with:

  (i) not more than 50% of the shares available under the scheme shall be allocated, in aggregate, to executive directors and senior management; and

  (ii) not more than 10% of the shares available under the scheme shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), holds 20% or more of the issued and paid-up capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the 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 Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

No options were granted pursuant to the ESOS during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (Continued)

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the Directors:

(i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

(a) On 23 January 2006, Shanghai Lion Parkson Investment Consultant Co Ltd ("Shanghai Lion"), a wholly-owned subsidiary of Parkson Retail Group Limited ("Parkson Retail"), which in turn is a subsidiary of the Company, and the China Arts & Crafts, China Arts & Crafts Culture and Arts & Crafts Exhibition (collectively "China Arts & Crafts Companies") entered into a legally binding Preliminary Framework Agreement under which the China Arts & Crafts Companies agreed to dispose of their 44% equity interest in Parkson Retail Development Co Ltd to Shanghai Lion ("Acquisition of Beijing Parkson"). The Acquisition of Beijing Parkson was completed in July 2006.

(b) On 29 August 2006, PRG Corporation Limited, a wholly-owned subsidiary of the Company, had entered into a placing agreement for the placement of 55,200,000 ordinary shares of HK$0.10 each representing 10% of the equity interest in Parkson Retail via a placement to investors by way of a book-building exercise ("Disposal of Parkson Retail Shares"). The total gross proceeds raised by the Group from the disposal amounted to approximately HK$1,336 million (equivalent to approximately RM641 million). The Disposal of Parkson Retail Shares was completed on 1 September 2006 and was ratified by the shareholders of the Company on 31 October 2006.

(c) On 28 September 2006, the Company announced the following:

(A) The Company and its wholly-owned subsidiary, Excel Step Investments Limited ("Excel Step") had on 27 September 2006 entered into a conditional Master Sale Agreement with Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) ("ACB" or "Parkson Holdings") and East Crest International Limited ("East Crest"), a wholly-owned subsidiary of Parkson Holdings, to dispose of the following to East Crest:

(i) 100% of the equity interest in PRG Corporation Limited which owns 55.5% equity interest in Parkson Retail for a consideration of RM4,025.94 million;

(ii) 100% of the equity interest in Parkson Corporation Sdn Bhd for a consideration of RM180.21 million;

(iii) 100% each of the equity interest in Parkson Venture Pte Ltd and Serbadagang Holdings Sdn Bhd for a total consideration of RM93.58 million; and

(iv) 100% of the equity interest in Sea Coral Limited for a consideration of RM1.00,

to be satisfied by the issuance of 3,799.73 million new ordinary shares of RM1.00 each in Parkson Holdings at an issue price of RM1.00 per share and RM500 million nominal value 3-year 3.5% coupon redeemable convertible secured loan stocks, to be issued at 100% of the nominal value of RM1.00 each

(hereinafter collectively referred to as the "Proposed Disposals").

SIGNIFICANT EVENTS (Continued)

(c) (Continued)

(B) The Company and Excel Step had on 27 September 2006 entered into a conditional ACB Share Sale Agreement with Lion Corporation Berhad ("LCB") and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB, to acquire up to 42,318,772 ordinary shares of RM1.00 each in Parkson Holdings, representing 56.64% of the issued and paid-up share capital of Parkson Holdings for a cash consideration of up to RM35.12 million ("Proposed Acquisition").

(C) The Company proposed a capital distribution of up to its entire equity interest in Parkson Holdings held by Excel Step ("Entire Parkson Shares") to the shareholders of the Company upon completion of the Proposed Disposals and the Proposed Acquisition ("Proposed Capital Distribution").

On 27 December 2006, the Company announced that the Company proposed to increase the authorised share capital of the Company from RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each to RM4,500,000,000 divided into 9,000,000,000 ordinary shares of RM0.50 each to facilitate the Proposed Capital Distribution ("Proposed Increase in Authorised Share Capital").

(The Proposed Disposals, the Proposed Acquisition, the Proposed Capital Distribution and the Proposed Increase in Authorised Share Capital shall hereinafter collectively be referred to as the "Proposals").

The shareholders of the Company had on 17 August 2007 approved the Proposals and the authorised share capital of the Company was increased on 17 August 2007.

The Proposed Acquisition was completed on 14 September 2007 and the Proposed Disposals were completed on 19 September 2007.

The Kuala Lumpur High Court had on 24 September 2007 confirmed and sanctioned the Company's petition for an Order for a capital reduction in accordance with Section 64 of the Companies Act, 1965 to cancel the ordinary shares of the Company to be issued pursuant to a proposed bonus issue of up to 7,652,755,824 new ordinary shares of RM0.50 each in the Company ("Capital Reduction") which is undertaken to facilitate the Proposed Capital Distribution. The sealed Order of the petition for the Capital Reduction was obtained on 25 September 2007.

The basis of the capital distribution of up to the Entire Parkson Shares to the shareholders of the Company ("Capital Distribution") is 13 ordinary shares of RM1.00 each of Parkson Holdings for every 10 ordinary shares of RM0.50 each held in the Company.

The Company had on 25 September 2007 fixed the entitlement date for the Capital Distribution on 11 October 2007.

(d) On 14 November 2006, Parkson Retail, a 55% subsidiary of the Company issued Senior Guaranteed Notes ("SGN") in an aggregate principal amount of US$200 million. The SGN were admitted to the Official List of the Singapore Exchange Securities Trading Limited on 16 November 2006. The SGN are due on 14 November 2011 and bear interest at a rate of 7.875% per annum. The proceeds were used to subscribe for the Credit Linked Notes issued by JPMorgan Chase Bank, N.A., London Branch, which have a tenure from 14 November 2006 to 13 November 2011.

(e) On 15 November 2006, Global Heights Investment Limited ("Global Heights"), a wholly-owned subsidiary of Parkson Retail, entered into a sale and purchase agreement with a third party individual to acquire the entire issued share capital of Asia Victory International Limited ("Asia Victory"), for a consideration of approximately Rmb316 million (equivalent to approximately RM143 million). Asia Victory is the sole legal and beneficial owner of the entire issued share capital in Shunhe International Investment Limited, which in turn is the sole legal and beneficial owner of the equity interest in Kunming Yun Shun He Retail Development Co Ltd ("Kunming Yun Shun He"). Kunming Yun Shun He owns two "Parkson" branded managed stores in Kunming City of the People's Republic of China ("PRC"), namely Kunming Managed Store and the Kunming Renmin Road Managed Store. The acquisition was completed in November 2006.

SIGNIFICANT EVENTS (Continued)

(f) On 26 February 2007, the Company entered into the following:

(i) a conditional subscription agreement with Megasteel Sdn Bhd ("Megasteel") for the subscription of 200,000,000 5-year Redeemable Cumulative Convertible Preference Shares of RM0.01 each to be issued by Megasteel for cash of RM200,000,000; and

(ii) a conditional Share Sale Agreement with Khazanah Nasional Berhad ("Khazanah") for the acquisition of 60,000,000 ordinary shares of RM1.00 each in Megasteel representing 10% of the existing issued and paid-up share capital of Megasteel from Khazanah for a cash consideration of RM138,000,000 ("SSA").

The above proposals have not been completed. However, pursuant to the SSA, a total of RM34.5 million was paid to Khazanah and is classified as other receivable in the Financial Statements of the Company.

(g) On 21 March 2007, Grand Parkson Retail Group Limited ("Grand Parkson"), a wholly-owned subsidiary of Parkson Retail, entered into a sale and purchase agreement, to acquire the entire equity interest in Golden Village Group Limited ("Golden Village") from Millionlink Pacific Limited for a consideration of Rmb510 million (equivalent to approximately RM231 million). Golden Village is the sole legal and beneficial owner of the entire equity interest in Jiangxi Kaimei Retail Co Ltd which owns and operates the department store located in Nanchang City in the Jiangxi Province of the PRC. The acquisition was completed in April 2007.

(h) On 20 April 2007, Grand Parkson entered into a sale and purchase agreement with a third party individual to acquire the following:

(i) the entire equity interest of Creation International Investment & Development Limited which is the sole legal and beneficial owner of Creation (Hong Kong) Investment & Development Limited, the sole legal and beneficial owner of the 49% equity interest in Anshan Tianxing Parkson Shopping Centre Co Ltd ("Anshan Parkson") for a consideration of Rmb280 million (equivalent to approximately RM127 million) ("Acquisition of Creation"). The Acquisition of Creation was completed in June 2007; and

(ii) the entire equity interest of Lung Shing International Investment & Development Company Limited which will be the sole legal and beneficial owner of Anshan Lung Shing Property Services Limited which in turn will be the sole legal and beneficial owner of the 100% interest in relation to the land use right and property use right in respect of the property located at No. 88 Er Dao Street, Tie Dong District, Anshan City, Liaoning Province, the PRC for a total consideration of Rmb450 million (equivalent to approximately RM204 million). As at 30 June 2007, the acquisition has not been completed.

(i) On 21 May 2007, Shanghai Hongqiao Parkson Development Co Ltd, a wholly-owned subsidiary of Parkson Retail, entered into a sale and purchase agreement to acquire from Sichuan Fulin Industrial Group Co Ltd, the remaining 40% equity interest in Mianyang Fulin Parkson Plaza Co Ltd ("Mianyang Parkson") which is the owner and operator of the "Parkson" department store located at Anchang Road, Mianyang City, Sichuan Province of the PRC, for a total consideration of approximately Rmb100 million (equivalent to approximately RM45 million). As at 30 June 2007, the acquisition has not been completed.

(j) On 30 May 2007, Parkson Retail issued Senior Notes ("Notes") in an aggregate principal amount of US$125 million. The Notes were admitted to the Official List of the Singapore Exchange Securities Trading Limited. The Notes are due on 30 May 2012 and bear interest at a rate of 7.125% per annum.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 October 2007

Tan Sri William H.J. Cheng
Chairman

Datuk Cheng Yong Kim
Managing Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **DATUK CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 42 to 130 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 October 2007

TAN SRI WILLIAM H.J. CHENG
Chairman

DATUK CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **DATUK CHENG YONG KIM**, being the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 130 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **DATUK CHENG YONG KIM** at Kuala Lumpur in the Federal Territory on 2 October 2007

DATUK CHENG YONG KIM

Before me,

W259
AHMAD B. LAYA
Commissioner For Oaths
Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

We have audited the financial statements set out on pages 42 to 130. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 to any other person for the content of this report.

We conducted our audit in accordance with applicable 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 30 June 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

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

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Tan Soo Yan
No.1307/03/08 (J/PH)
Partner

Kuala Lumpur, Malaysia
2 October 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (restated)	2007 RM'000	2006 RM'000
Revenue	3	**5,171,682**	3,367,544	**709,469**	116,653
Other income	4	**365,300**	135,275	**12,863**	11,347
Changes in inventories		**16,877**	8,836	**–**	–
Raw materials and consumables used		**(214,335)**	(234,439)	**–**	–
Purchase of trading merchandise		**(3,773,276)**	(2,250,190)	**–**	–
Property development expenditure		**(60,040)**	(98,474)	**–**	–
Employee benefits expense	5	**(223,649)**	(159,554)	**(1,363)**	(1,916)
Depreciation and amortisation		**(79,553)**	(70,624)	**(138)**	(138)
Promotional and advertising expenses		**(179,707)**	(132,881)	**–**	–
Rental expenses		**(289,440)**	(194,541)	**–**	–
Other expenses		**(223,301)**	(117,081)	**(42,417)**	(19,622)
Profit from operations	6	**510,558**	253,871	**678,414**	106,324
Finance costs	7	**(100,644)**	(20,701)	**(1,921)**	(14,737)
Impairment loss of intangible assets		**(2,547)**	–	**–**	–
Impairment loss and compensation due to cessation of operation of a subsidiary	15	**(46,406)**	–	**–**	–
Gain on disposal of subsidiaries	15	**499,261**	436,211	**–**	250
Share of results of associates		**(10,987)**	(106,679)	**–**	–
Share of results of jointly controlled entities		**7,752**	43,339	**–**	–
Profit before taxation		**856,987**	606,041	**676,493**	91,837
Income tax expense	8	**(118,947)**	(78,112)	**(1,192)**	(898)
Profit for the year		**738,040**	527,929	**675,301**	90,939
Attributable to:					
Equity holders of the Company		**604,618**	470,875	**675,301**	90,939
Minority interests		**133,422**	57,054	**–**	–
		738,040	527,929	**675,301**	90,939
Earnings per share (sen):					
Basic	9(a)	**86.2**	78.3		
Diluted	9(b)	**82.2**	64.5		
Gross dividends per ordinary share in respect of the year (sen)	10	**2.5**	9.0	**2.5**	9.0

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

BALANCE SHEETS

AS AT 30 JUNE 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (restated)	Company 2007 RM'000	Company 2006 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,117,028**	676,691	**368,235**	238,663
Investment properties	12	**112,899**	11,292	**–**	–
Prepaid land lease payments	13	**218,895**	36,209	**–**	–
Land held for property development	14	**106,721**	110,364	**–**	–
Investments in subsidiaries	15	**–**	–	**685,007**	685,007
Investments in associates	16	**154,677**	167,620	**–**	–
Investments in jointly controlled entities	17	**41,059**	93,187	**–**	–
Other investments	18	**768,694**	56,482	**78,075**	46,620
Other assets	19	**99,858**	4,596	**–**	–
Intangible assets	20	**938,855**	379,265	**–**	–
Deferred tax assets	21	**34,831**	33,434	**–**	–
		3,593,517	1,569,140	**1,131,317**	970,290
Current assets					
Property development costs	14	**28,008**	44,084	**–**	–
Inventories	22	**274,843**	258,632	**–**	–
Other investments	18	**18,657**	17,833	**18,136**	17,219
Trade receivables	23	**246,959**	89,612	**–**	–
Other receivables	24	**358,206**	303,962	**798,164**	620,997
Tax recoverable		**12,163**	9,334	**5,087**	4,969
Deposits, cash and bank balances	25	**1,774,573**	1,016,045	**195,707**	136,451
		2,713,409	1,739,502	**1,017,094**	779,636
Non-current asset classified as held for sale	26	**2,249**	–	**–**	–
		2,715,658	1,739,502	**1,017,094**	779,636
TOTAL ASSETS		**6,309,175**	3,308,642	**2,148,411**	1,749,926

BALANCE SHEETS

AS AT 30 JUNE 2007 (Continued)

	Note	Group 2007 RM'000	Group 2006 RM'000 (restated)	Company 2007 RM'000	Company 2006 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	35	**368,612**	339,788	**368,612**	339,788
Share premium		**330,967**	305,114	**330,967**	305,114
Other reserves	36	**74,117**	19,573	**–**	10,163
Retained profits	38	**1,803,554**	1,241,764	**695,779**	55,104
		2,577,250	1,906,239	**1,395,358**	710,169
Minority interests		**558,140**	363,034	**–**	–
Total equity		**3,135,390**	2,269,273	**1,395,358**	710,169
Non-current liabilities					
Borrowings	27	**665,162**	58,798	**165**	42,614
Long term payables	31	**42,211**	41,230	**–**	–
Notes	32	**1,098,589**	–	**–**	–
Deferred tax liabilities	21	**93,526**	26,609	**–**	–
Non-current liabilities		**1,899,488**	126,637	**165**	42,614
Current liabilities					
Trade payables	33	**636,445**	422,707	**–**	–
Other payables	34	**493,679**	336,944	**752,771**	996,034
Borrowings	27	**108,231**	128,990	**117**	1,109
Tax payable		**35,942**	24,091	**–**	–
		1,274,297	912,732	**752,888**	997,143
Total liabilities		**3,173,785**	1,039,369	**753,053**	1,039,757
TOTAL EQUITY AND LIABILITIES		**6,309,175**	3,308,642	**2,148,411**	1,749,926
Net assets per share attributable to ordinary equity holders of the parent (RM)		**3.50**	2.79		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

		← Attributable to Equity Holders of the Company →						
		← Non-Distributable →						
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 36)	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2005		247,717	236,970	125,020	815,914	1,425,621	59,952	1,485,573
Translation difference:								
On net equity of								
foreign subsidiaries		–	–	1,131	–	1,131	–	1,131
Conversion of ICULS		63,627	43,584	(100,000)	–	7,211	–	7,211
Conversion of RCULS		28,444	24,560	(10,030)	–	42,974	–	42,974
Appropriation of profit								
to capital reserves		–	–	3,452	(3,452)	–	–	–
Net profit for the year,								
representing total								
recognised income and								
expense for the year		–	–	–	470,875	470,875	57,054	527,929
Acquisition		–	–	–	–	–	9,212	9,212
Dilution of retail operation		–	–	–	–	–	276,500	276,500
Dividends/Dividends to minority								
interests	10	–	–	–	(41,573)	(41,573)	(39,684)	(81,257)
At 30 June 2006		**339,788**	**305,114**	**19,573**	**1,241,764**	**1,906,239**	**363,034**	**2,269,273**
Translation difference:								
On net equity of								
foreign subsidiaries		**–**	**–**	**(9,719)**	**–**	**(9,719)**	**–**	**(9,719)**
Conversion of ICULS		*	*	*	–	–	–	–
Conversion of RCULS		**28,824**	**25,853**	**(10,163)**	**–**	**44,514**	**–**	**44,514**
Appropriation of profit								
to capital reserves		**–**	**–**	**8,202**	**(8,202)**	**–**	**–**	**–**
Post acquisition reserve of								
jointly controlled entity		**–**	**–**	**56,544**	**–**	**56,544**	**45,152**	**101,696**
Effect of change in deferred								
tax rate		**–**	**–**	**6,829**	**–**	**6,829**	**5,491**	**12,320**
Net profit for the year,								
representing total								
recognised income and								
expense for the year		**–**	**–**	**–**	**604,618**	**604,618**	**133,422**	**738,040**
Equity-settled share								
option arrangements		**–**	**–**	**3,191**	**–**	**3,191**	**2,565**	**5,756**
Employee share								
options exercised		**–**	**–**	**(340)**	**–**	**(340)**	**(273)**	**(613)**
Dilution of retail operation		**–**	**–**	**–**	**–**	**–**	**77,781**	**77,781**
Dividends/Dividends to minority								
interests	10	**–**	**–**	**–**	**(34,626)**	**(34,626)**	**(69,032)**	**(103,658)**
At 30 June 2007		**368,612**	**330,967**	**74,117**	**1,803,554**	**2,577,250**	**558,140**	**3,135,390**

* Negligible. Represent conversion of RM300 nominal value of ICULS into 348 new ordinary shares of RM0.50 each.

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Share Capital RM'000	←Non-Distributable→ Share Premium RM'000	Other Reserves RM'000 (Note 36)	Retained Profits RM'000	Total RM'000
At 1 July 2005		247,717	236,970	120,193	5,738	610,618
Conversion of ICULS		63,627	43,584	(100,000)	–	7,211
Conversion of RCULS		28,444	24,560	(10,030)	–	42,974
Net profit for the year, representing total recognised income and expense for the year		–	–	–	90,939	90,939
Dividends	10	–	–	–	(41,573)	(41,573)
At 30 June 2006		**339,788**	**305,114**	**10,163**	**55,104**	**710,169**
Conversion of ICULS		*	*	*	–	–
Conversion of RCULS		**28,824**	**25,853**	**(10,163)**	–	**44,514**
Net profit for the year, representing total recognised income and expense for the year		–	–	–	**675,301**	**675,301**
Dividends	10	–	–	–	**(34,626)**	**(34,626)**
At 30 June 2007		**368,612**	**330,967**	–	**695,779**	**1,395,358**

* Negligible. Represent conversion of RM300 nominal value of ICULS into 348 new ordinary shares of RM0.50 each.

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000 (restated)	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**856,987**	606,041	**676,493**	91,837
Adjustments for:				
Depreciation and amortisation	**79,553**	70,624	**138**	138
Employee share-based payment	**5,756**	–	**–**	–
Property, plant and equipment written off	**3,906**	1,778	**–**	–
Gain on disposal of subsidiaries	**(499,261)**	(436,211)	**–**	(250)
Gain on disposal of property, plant and equipment	**(116)**	(638)	**–**	–
Gain on disposal of other investments	**(5)**	(3)	**–**	–
Impairment loss of intangible assets	**2,547**	–	**–**	–
Impairment loss and compensation due to cessation of operation of a subsidiary	**46,406**	–	**–**	–
Impairment loss in value of investments	**10,334**	–	**365**	–
Provision for/(Reversal of) doubtful debts	**3,913**	(1,282)	**38,568**	16,573
Bad debts recovered - net	**(68)**	(913)	**(8)**	(1,121)
(Reversal)/Write down of inventories	**(1,055)**	1,298	**–**	–
Unrealised exchange loss/(gain)	**3,166**	(1,176)	**(966)**	–
Interest expense	**100,644**	20,701	**1,921**	14,737
Interest income	**(99,711)**	(30,139)	**(11,681)**	(9,896)
Dividend income	**(119)**	(237)	**(709,469)**	(116,653)
Share of results of associates	**10,987**	106,679	**–**	–
Share of results of jointly controlled entities	**(7,752)**	(43,339)	**–**	–
Operating profit/(loss) before working capital changes	**516,112**	293,183	**(4,639)**	(4,635)
Changes in working capital:				
Inventories	**19,134**	10,631	**–**	–
Receivables	**(250,825)**	55,678	**(34,214)**	3,032
Payables	**(36,416)**	(45,617)	**(25,451)**	24,477
Property development costs	**14,719**	18,987	**–**	–
Cash generated from/(used in) operations	**262,724**	332,862	**(64,304)**	22,874
Interest received	**97,163**	28,491	**10,441**	5,345
Interest paid	**(99,454)**	(12,779)	**(716)**	(2,613)
Taxes paid	**(127,130)**	(88,223)	**(980)**	–
Net cash generated from/(used in) operating activities	**133,303**	260,351	**(55,559)**	25,606

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000 (restated)	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/listing of subsidiaries	**624,923**	865,185	**–**	250
Proceeds from disposal of property, plant and equipment	**570**	5,132	**–**	–
Proceeds from disposal of other investments	**1,977**	6,789	**1,977**	5,552
Purchase of property, plant and equipment	**(357,474)**	(336,698)	**(129,710)**	(237,965)
Advances (to)/from subsidiaries	**–**	–	**(397,995)**	370,046
Acquisition of subsidiaries (net cash acquired) (Note i)	**(479,445)**	(195,759)	**–**	–
Acquisition of jointly controlled entities	**(11,947)**	–	**–**	–
Purchase of other investments	**(724,198)**	–	**(33,472)**	–
Deferred payment of acquisition of subsidiaries	**–**	(138,534)	**–**	(138,534)
Dividend received	**119**	–	**708,774**	114,348
Net cash (used in)/generated from investing activities	**(945,475)**	206,115	**149,574**	113,697
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	**(34,626)**	(41,573)	**(34,626)**	(41,573)
Repayment of bank borrowings	**(138,220)**	(58,048)	**–**	–
Proceeds from bank borrowings and notes	**1,762,966**	6,255	**–**	–
Repayment of hire purchase	**(1,136)**	(1,671)	**(133)**	(133)
Net cash generated from/(used in) financing activities	**1,588,984**	(95,037)	**(34,759)**	(41,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**776,812**	371,429	**59,256**	97,597
Effects of changes in exchange rates	**(18,284)**	402	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,016,045**	644,214	**136,451**	38,854
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	**1,774,573**	1,016,045	**195,707**	136,451

Note (i)

	Group	
	2007	2006
	RM'000	RM'000
Purchase consideration paid in cash	**(645,121)**	(284,648)
Cash and cash equivalent of subsidiaries acquired	**165,676**	88,889
Net cash outflow of the Group	**(479,445)**	(195,759)

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

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 ("Bursa Securities"). 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 October 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements have also been prepared on a historical basis except that the assets and liabilities attributable to Parkson Retail Development Co Ltd, a previously 56% owned jointly controlled entity of the Group, were recognised at their fair value at the date of control upon the Group's acquisition of the remaining 44% equity interests on 1 July 2006. The financial statements are presented in Ringgit Malaysia (RM). All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(a) Subsidiaries and Basis of Consolidation (Continued)

(ii) Basis of Consolidation (Continued)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(c) Jointly Controlled Entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Intangible Assets (Other than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

(e) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(e) Property, Plant and Equipment, and Depreciation (Continued)

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at cost less any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Construction in progress is not depreciated as it is not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 8%
Plant and machinery	2% - 15%
Motor vehicles	13% - 20%
Office equipment, furniture and fittings	10% - 20%
Renovation	4% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(f) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(g) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(h) Impairment of Assets

The carrying amounts of assets, other than property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(h) Impairment of Assets (Continued)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Inventories

Industrial land and properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(j) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other Non-Current Investments

Investments which carry fixed or determinable payments and fixed maturities and which the Group has intention and ability to hold to maturity are carried at cost. After initial measurement, these fixed term investments are measured at amortised cost less impairment losses.

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities and invesment with fixed maturities and payment terms are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(iii) Marketable Securities

Marketable securities are carried at the lower of cost and market value. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iv) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) Trade Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(j) Financial Instruments (Continued)

(vi) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(vii) Irredeemable and Redeemable Convertible Unsecured Loan Stocks

The convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

(viii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(j) Financial Instruments (Continued)

(ix) Derivative Financial Instruments and Hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

As gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(j) Financial Instruments (Continued)

(ix) Derivative Financial Instruments and Hedging (Continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(f)); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(k) Leases (Continued)

(ii) Finance Leases – The Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e).

(iii) Operating Leases – The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(l) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability 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 recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(m) Provisions for Liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(n) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(iii) Equity Compensation Benefits

The Employee Share Option Scheme ("ESOS") of a subsidiary, an equity-settled, share-based compensation plan, allows the subsidiary's employees to acquire ordinary shares in the subsidiary. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which a gain/loss on dilution to the Group is recognised to the income statement or until the option expires, upon which it will be transferred directly to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(o) Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. Grants that compensate for the costs of assets are recognised as income on a systematic basis over the useful lifes of the assets.

(p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of Goods and Revenue from Department Stores Operations

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Sale of Industrial Land and Completed Properties

Revenue from sale of industrial land and completed properties is recognised upon the signing of the sale and purchase agreements.

(iii) Interest Income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Rental Income and Sales Commission

Rental and sales commission are recognised on the accrual basis.

(v) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(vi) Development Properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

(q) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(q) Foreign Currencies (Continued)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 July 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 July 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of Significant Accounting Policies (Continued)

(q) Foreign Currencies (Continued)

(iii) Foreign Operations (Continued)

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

		2007 RM	2006 RM
United States Dollar	("US$")	**3.45**	3.67
Singapore Dollar	("SGD")	**2.25**	2.31
Chinese Renminbi	("Rmb")	**0.45**	0.46
Hong Kong Dollar	("HK$")	**0.44**	0.47

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 July 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has early adopted FRS 117 - Leases during the financial year beginning 1 July 2006. Except for the changes in accounting policies and their effects as discussed below, the adoption of the above new and revised standards and the early adoption of FRS 117 do not result in significant changes to the accounting policies and do not have a significant financial impact on the Group.

(a) FRS 2: Share-based Payment

The Group has applied FRS 2, and has recognised the total fair value of share options granted to employees as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period. Prior to adoption of FRS 2, no compensation expense would be recognised in income statement for share option granted. The effects on the consolidated balance sheet and income statement are set out in Note 2.3(g)(i) and Note 2.3(g)(ii) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Continued)

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Goodwill

Prior to 1 July 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 July 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 July 2006 amounting to RM12.607 million against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 July 2006 of RM377.943 million ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 30 June 2007 and consolidated income statement for the year ended 30 June 2007 are set out in Note 2.3(g)(i) and Note 2.3(g)(ii) respectively. This change has no impact on the Company's financial statements.

(ii) Accounting for Acquisitions

Prior to 1 July 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

(iii) Other Intangible Assets

Prior to 1 July 2006, all intangible assets were considerd to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Accordingly, software cost was reclassified to intangible assets from Property, Plant and Equipment retrospectively and as disclosed in Note 2.3(g)(i). Software are considered to have finite useful lives and therefore, continue to be stated at cost less accumulated amortisation and impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Continued)

(c) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Prior to 1 July 2006, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets (or disposal groups) held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) and are stated at the lower of carrying amount and fair value less costs to sell.

Prior to 1 July 2006, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the Board of Directors have approved and announced a formal disposal plan. FRS 5 requires a component of an entity to be classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under the previous accounting policy due to the stricter criteria in FRS 5.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. As required by FRS 5, the Group has reclassified certain property, plant and equipment to non-current asset held for sale. This change has no impact on the Group's income statement for the year ended 30 June 2007.

(d) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net-after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are represented as an allocation of the total net profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosures, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current financial year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

(e) FRS 117: Leases

(i) Leasehold Land Held for Own Use

Prior to 1 July 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Continued)

(e) FRS 117: Leases (Continued)

(i) Leasehold Land Held for Own Use (Continued)

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(h), certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2007 are set out in Note 2.3(g)(i). There were no effects on the consolidated income statement for the year ended 30 June 2007 and the Group's financial statements.

(ii) Initial Direct Costs

Prior to 1 July 2006, the Group, as a lessor in operating lease arrangements, had recognised initial direct costs incurred in negotiating and arranging leases as an expense in the profit or loss in the period in which they were incurred. The revised FRS 117 requires such costs to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. According to the revised FRS 117, this change in accounting policy should be applied retrospectively. In general, the Group does not incur significant initial direct costs on negotiating and arranging leases and as a result, this change in accounting policy did not materially affect the financial statements of the Group and the Company.

(f) FRS 140: Investment Property

Prior to 1 July 2006, investment properties were classified as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. The adoption of FRS 140 has resulted in a change in the accounting policy relating to the classification of investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses.

The reclassification of investment properties have been accounted for retrospectively and certain comparatives have been restated. There were no effects on the consolidated income statement and the Company's income statement for the year ended 30 June 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Continued)

(g) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on Balance Sheets as at 30 June 2007

	Increase/(Decrease)							
Description of Change	FRS 2 Note 2.3(a) RM'000	FRS 3 Note 2.3(b)(i) RM'000	FRS 3 Note 2.3(b)(iii) RM'000	FRS 5 Note 2.3(c) RM'000	FRS 101 Note 2.3(d) RM'000	FRS 117 Note 2.3(e)(i) RM'000	FRS 140 Note 2.3(f) RM'000	Total RM'000
Group								
Property, plant and equipment	–	–	(938)	(2,249)	–	(218,895)	(112,899)	(334,981)
Investment properties	–	–	–	–	–	–	112,899	112,899
Prepaid land lease payments	–	–	–	–	–	218,895	–	218,895
Intangible assets	–	32,017	938	–	–	–	–	32,955
Non-current asset classified as held for sale	–	–	–	2,249	–	–	–	2,249
Retained profits	(2,851)	22,989	–	–	–	–	–	20,138
Share option reserve	2,851	–	–	–	–	–	–	2,851
Minority interest	–	9,028	–	–	–	–	–	9,028
Total equity	–	–	–	–	558,140	–	–	558,140

(ii) Effects on Income Statement for the Year Ended 30 June 2007

	Increase/(Decrease)			
Description of Change	FRS 2 Note 2.3(a) RM'000	FRS 3 Note 2.3(b)(i) RM'000	FRS 101 Note 2.3(d) RM'000	Total RM'000
Group				
Other expenses	5,756	(32,017)	–	(26,261)
Operating profit	(5,756)	32,017	–	26,261
Gain on disposal of subsidiary	340	–	–	340
Minority interest	(2,292)	9,028	–	6,736
Share of results of associates	–	–	(5,968)	(5,968)
Share of results of jointly controlled entities	–	–	(3,886)	(3,886)
Income tax expense	–	–	9,854	9,854

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Continued)

(h) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

(i) Balance Sheet

Description of Change	Previously Stated RM'000	Increase/(Decrease) FRS 3 Note 2.3(b)(iii) RM'000	FRS 101 Note 2.3(d) RM'000	FRS 117 Note 2.3(e)(i) RM'000	FRS 140 Note 2.3(f) RM'000	Restated RM'000
At 30 June 2006						
Group						
Property, plant and equipment	725,514	(1,322)	–	(36,209)	(11,292)	676,691
Investment properties	–	–	–	–	11,292	11,292
Prepaid land lease payments	–	–	–	36,209	–	36,209
Intangible assets	377,943	1,322	–	–	–	379,265
Total equity	1,906,239	–	363,034	–	–	2,269,273

(ii) Income Statement

Description of Change	Previously Stated RM'000	Increase/(Decrease) FRS 101 Note 2.3(d) RM'000	Restated RM'000
For the year ended 30 June 2006			
Group			
Share of results of associates	(127,888)	21,209	(106,679)
Share of results of jointly controlled entities	62,217	(18,878)	43,339
Profit before taxation	603,710	2,331	606,041
Income tax expense	(75,781)	(2,331)	(78,112)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 FRSs and Interpretation Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

		Effective for financial periods beginning on or after
(i)	FRS 124 - Related Party Disclosures	**1 October 2006**
(ii)	FRS 139 - Financial Instruments: Recognition and Measurement	**Deferred**
(iii)	FRS 6 - Exploration for an Evaluation of Mineral Resources	**1 January 2007**
(iv)	Amendment to FRS 119_{2004} - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	**1 January 2007**
(v)	Amendments to FRS 121 - The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	**1 July 2007**
(vi)	IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	**1 July 2007**
(vii)	IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	**1 July 2007**
(viii)	IC Interpretation 5: Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	**1 July 2007**
(ix)	IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	**1 July 2007**
(x)	IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	**1 July 2007**
(xi)	IC Interpretation 8: Scope of FRS 2	**1 July 2007**
(xii)	FRS 107 - Cash Flow Statements	**1 July 2007**
(xiii)	FRS 111 - Construction Contracts	**1 July 2007**
(xiv)	FRS 112 - Income Taxes	**1 July 2007**
(xv)	FRS 118 - Revenue	**1 July 2007**
(xvi)	FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance	**1 July 2007**
(xvii)	FRS 134 - Interim Financial Reporting	**1 July 2007**
(xviii)	FRS 137 - Provision, Contingent Liabilities and Contingent Assets	**1 July 2007**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 FRSs and Interpretation Issued but Not Yet Effective (Continued)

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 124 and FRS 139.

FRS 6 is not relevant to the Group's and the Company's operations and the adoption of the above amendments and Interpretations will have no material impact on the financial statements of the Group and of the Company.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Operating Lease Commitments – The Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Property Development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% difference in the estimated total property development cost would not materially effect the Group's revenue and profit from operations.

Details of property development cost are disclosed in Note 14.

(ii) Income Tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 8.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant Accounting Estimates and Judgements (Continued)

(b) Key Sources of Estimation Uncertainty (Continued)

(iii) Coupon Liabilities

Coupon liabilities are recognised at present value of expenditures expected to be required to settle the obligation based on the bonus points granted to customers in accordance with the announced bonus points scheme and the Group's past experience on the level of redemption of coupons. Details of provision for coupon liabilities are disclosed in Note 34(i).

(iv) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 30 June 2007 were RM937,917,000 (2006: RM377,943,000). Further details are disclosed in Note 20(b).

(v) Ownership of Properties

The land or strata titles to certain land and buildings of the Group have not been issued by the relevant authorities as disclosed in the respective notes to the financial statement. The Group has determined that it retains all the significant risks and rewards of ownership of these properties, and as such, they have been recognised as the Group's assets.

3. REVENUE

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Department stores operations	**4,778,357**	2,892,878	**–**	–
Sale of goods	**298,559**	332,897	**–**	–
Property development	**86,230**	121,082	**–**	–
Sale of industrial land and completed properties	**5,434**	20,450	**–**	–
Sales commission	**2,983**	–	**–**	–
Gross dividend from other investments	**119**	237	**119**	237
Gross dividend from subsidiaries	**–**	–	**709,350**	116,416
	5,171,682	3,367,544	**709,469**	116,653

3. REVENUE (Continued)

Included in the department stores operations revenue are gross revenue from concessionaire sales. The commission on concessionaire sales are analysed as follows:

	Group	
	2007 RM'000	**2006 RM'000**
Gross revenue from concessionaire sales	**3,918,708**	2,090,028
Commission on concessionaire sales	**827,039**	445,521

4. OTHER INCOME

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Interest income from:				
Amounts owing from subsidiaries	**–**	–	**–**	2,903
Unquoted investment in bonds	**1,242**	1,648	**1,242**	1,648
Credit linked note	**44,878**	–	**–**	–
Short term deposits and others	**53,591**	28,491	**10,439**	5,345
	99,711	30,139	**11,681**	9,896
Rental income	**85,827**	33,098	**–**	–
Promotion income	**43,420**	13,674	**–**	–
Credit card handling fees	**40,339**	6,377	**–**	–
PRC tax compensations	**13,363**	1,482	**–**	–
Other income	**82,640**	50,505	**1,182**	1,451
	365,300	135,275	**12,863**	11,347

Included in other income of the Group are goods handling fees, administration fees, consultancy income and government grants granted to certain retail subsidiaries of the Group. Various government grants have been granted by the local authorities in the People's Republic of China ("PRC") to reward the subsidiaries for their contributions to the local economy and there were no unfulfilled conditions or contingencies attached to these government grants.

The PRC tax compensations were granted to certain retail subsidiaries of the Group for its reinvestment of dividend income from certain PRC group companies to establish new foreign investment enterprise in the PRC. There were no unfulfilled conditions or contingencies attaching to these tax compensations.

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Wages, salaries and bonuses	**167,139**	125,407	**1,105**	1,627
Pension costs - defined contribution plans	**14,492**	13,470	**151**	225
Employee share-based payment	**5,756**	–	**–**	–
Other staff related expenses	**36,262**	20,677	**107**	64
	223,649	159,554	**1,363**	1,916

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration as further disclosed in Note 6(a).

6. PROFIT FROM OPERATIONS

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration:				
- Company	**21**	15	**21**	15
- Subsidiaries	**1,296**	1,265	**726**	709
Directors' remuneration (Note a)	**1,187**	1,528	**852**	1,188
Depreciation and amortisation:				
- Property, plant and equipment	**70,035**	56,222	**138**	138
- Investment properties	**2,612**	227	**–**	–
- Prepaid land lease payments	**6,522**	2,035	**–**	–
- Intangible assets	**384**	12,140	**–**	–
Property, plant and equipment written off	**3,906**	1,778	**–**	–
Bad debts written off	**7**	222	**–**	–
Provision for/(Reversal of) doubtful debts:				
- Subsidiaries	**–**	–	**38,223**	16,573
- Others	**3,913**	(1,282)	**345**	–
Impairment loss in value of quoted investment	**365**	–	**365**	–
Impairment loss in value of unquoted investment	**9,969**	–	**–**	–
Bad debts recovered	**(75)**	(1,135)	**(8)**	(1,121)
(Reversal)/Write down of inventories	**(1,055)**	1,298	**–**	–
Exchange loss/(gain):				
- Realised	**3,827**	(1,234)	**(205)**	(330)
- Unrealised	**3,166**	(1,176)	**(966)**	–
Gain on disposal of property, plant and equipment	**(116)**	(638)	**–**	–
Gain on disposal of other investments	**(5)**	(3)	**–**	–

(a) Directors' remuneration

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Directors of the Company				
Executive * :				
Fees	**44**	35	**44**	35
Salary and other emoluments	**586**	894	**586**	894
Pension costs - defined contribution plans	**69**	106	**69**	106
	699	1,035	**699**	1,035
Non-executive:				
Fees	**219**	224	**153**	153
Salary and other emoluments	**240**	240	**–**	–
Pension costs - defined contribution plans	**29**	29	**–**	–
	488	493	**153**	153
Total	**1,187**	1,528	**852**	1,188

6. PROFIT FROM OPERATIONS (Continued)

The number of Directors of the Company whose remuneration during the year fell within the following ranges are analysed below:

	Number of Directors 2007	Number of Directors 2006
Executive Directors * :		
RM150,001 - RM200,000	**1**	–
RM500,001 - RM550,000	**1**	–
RM1,000,001 - RM1,050,000	**–**	1
Non-executive Directors:		
RM50,000 and below	**4**	4
RM350,001 - RM400,000	**1**	1

* Including a Director who has resigned from an executive position and remained a non-executive Director, and an executive Director who was appointed during the financial year.

7. FINANCE COSTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense on:				
Amounts owing to subsidiaries	**–**	–	**–**	4,186
Borrowings and notes	**98,577**	9,955	**–**	–
Amounts owing to related parties	**32**	76	**16**	15
ICULS	**–**	540	**–**	540
RCULS	**1,889**	5,495	**1,889**	5,495
Deferred payments	**–**	4,485	**–**	4,485
Hire purchase	**146**	150	**16**	16
	100,644	20,701	**1,921**	14,737

8. INCOME TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income tax:				
Malaysian tax	**15,398**	20,387	**2,459**	833
Foreign tax	**108,606**	55,041	**–**	–
	124,004	75,428	**2,459**	833
(Over)/Under provision in prior years:				
Malaysian income tax	**(1,325)**	759	**(1,267)**	65
	122,679	76,187	**1,192**	898
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	**1,052**	1,925	**–**	–
Relating to changes in tax rate	**(4,784)**	–	**–**	–
	(3,732)	1,925	**–**	–
	118,947	78,112	**1,192**	898

8. INCOME TAX EXPENSE (Continued)

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC ("New CIT Law"), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to the domestic companies from 1 January 2008 will be:

(i) decreased from 33% to 25%; or
(ii) progressively increased from 15% to 25% within five years.

This unification in enterprise income tax rate will directly reduce or increase the Group's effective tax rate prospectively from 2008. According to FRS 112, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. At the date of approval of the Consolidated Financial Statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

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

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Profit before taxation	**856,987**	606,041	**676,493**	91,837
Tax calculated at a tax rate of 27% (2006: 28%)	**231,386**	169,691	**182,653**	25,714
The effects of:				
Different tax rates in other countries	**827**	547	**–**	–
Tax assessed at a lower tax rate of 20%	**26**	–	**–**	–
Expenses not deductible for tax purposes	**36,910**	32,303	**11,346**	5,971
Income not subject to tax	**(145,011)**	(126,963)	**(191,540)**	(30,852)
Effects of change in tax rate on deferred tax	**(4,784)**	–	**–**	–
Utilisation of previously unrecognised tax losses	**(777)**	(347)	**–**	–
(Over)/Under provision of tax expense in prior years	**(1,325)**	759	**(1,267)**	65
Deferred tax assets not recognised in current/prior year	**1,695**	2,122	**–**	–
Tax expense for the year	**118,947**	78,112	**1,192**	898

Tax savings during the financial year arising from:

	Group	
	2007 RM'000	**2006 RM'000**
Utilisation of previously unrecognised tax losses	**777**	347

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year (attributable to equity holders of the Company) by the weighted average number of ordinary shares in issue during the financial year.

	Group 2007	Group 2006
Net profit for the year (RM'000)	**604,618**	470,875
Weighted average number of ordinary shares in issue ('000)	**701,316**	601,318
Basic earnings per share (sen)	**86.2**	78.3

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Irredeemable Convertible Unsecured Loan Stocks ("ICULS") and Redeemable Convertible Unsecured Loan Stocks ("RCULS").

	Group 2007 RM'000	Group 2006 RM'000
Net profit for the year	**604,618**	470,875
After-tax effect of interest on ICULS and RCULS	**1,379**	4,345
Adjusted net profit for the year	**605,997**	475,220

	Group 2007 '000	Group 2006 '000
Weighted average number of ordinary shares in issue	**701,316**	601,318
Effect of dilution:		
ICULS and RCULS	**35,907**	135,905
Adjusted weighted average number of ordinary shares in issue and issuable	**737,223**	737,223

	Group 2007 Sen	Group 2006 Sen
Diluted earnings per share	**82.2**	64.5

10. DIVIDENDS

	Dividends in Respect of Year			Dividends Recognised in Year	
	2007 RM'000	2006 RM'000	2005 RM'000	2007 RM'000	2006 RM'000
Recognised during the year:					
First and final dividend for 2005, less 28% taxation (6.0 sen per ordinary share)	**–**	–	22,317	**–**	22,317
Interim dividend for 2006, less 28% taxation (4.0 sen per ordinary share)	**–**	19,256	–	**–**	19,256
Final dividend for 2006, tax exempt (5.0 sen per ordinary share)	**–**	34,626	–	**34,626**	–
Proposed for approval at Annual General Meeting (not recognised as at 30 June):					
First and final dividend for 2007, tax exempt (2.5 sen per ordinary share)	**18,431**	–	–	**–**	–
	18,431	53,882	22,317	**34,626**	41,573

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2007, of 5% (2.5 sen per share), tax exempt amounting to a dividend payable of RM18.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2008.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
At 30 June 2007							
Cost							
At 1 July 2006	**359,403**	**128,902**	**9,413**	**204,796**	**35,055**	**282,228**	**1,019,797**
Additions	**–**	**6,960**	**1,386**	**17,554**	**12,589**	**319,249**	**357,738**
Disposals	**–**	**(715)**	**(218)**	**(7,321)**	**(8)**	**–**	**(8,262)**
Write off	**–**	**(1,968)**	**(383)**	**(35,879)**	**(7,678)**	**–**	**(45,908)**
Acquisition of subsidiaries	**50,617**	**284**	**1,562**	**77,442**	**91,494**	**3,899**	**225,298**
Asset revaluation (Note a)	**8,382**	**–**	**–**	**–**	**–**	**–**	**8,382**
Transfer to inventory	**(4,028)**	**–**	**–**	**–**	**–**	**–**	**(4,028)**
Reclassified as held for sale (Note 26)	**(3,110)**	**–**	**–**	**–**	**–**	**–**	**(3,110)**
Reclassification	**(58,266)**	**(43,371)**	**–**	**6,175**	**115,508**	**(20,046)**	**–**
Exchange differences	**(5,318)**	**(3,219)**	**(64)**	**(858)**	**(619)**	**(68)**	**(10,146)**
At 30 June 2007	**347,680**	**86,873**	**11,696**	**261,909**	**246,341**	**585,262**	**1,539,761**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
At 30 June 2007							
Accumulated Depreciation							
At 1 July 2006	**120,770**	**77,106**	**4,395**	**121,116**	**19,719**	**–**	**343,106**
Charge for the year	**10,316**	**7,347**	**1,837**	**28,428**	**22,107**	**–**	**70,035**
Disposals	**–**	**(378)**	**(168)**	**(7,262)**	**–**	**–**	**(7,808)**
Write off	**(31)**	**(1,807)**	**(307)**	**(33,549)**	**(6,308)**	**–**	**(42,002)**
Acquisition of subsidiaries	**–**	**–**	**439**	**36,791**	**27,292**	**–**	**64,522**
Reclassified as held for sale (Note 26)	**(861)**	**–**	**–**	**–**	**–**	**–**	**(861)**
Reclassification	**(27,805)**	**(24,405)**	**–**	**(178)**	**52,388**	**–**	**–**
Exchange differences	**(1,807)**	**(1,793)**	**(48)**	**(388)**	**(223)**	**–**	**(4,259)**
At 30 June 2007	**100,582**	**56,070**	**6,148**	**144,958**	**114,975**	**–**	**422,733**
Net Book Value							
At 30 June 2007	**247,098**	**30,803**	**5,548**	**116,951**	**131,366**	**585,262**	**1,117,028**
At 30 June 2006							
Cost							
At 1 July 2005	354,537	107,874	8,498	188,182	37,358	11,150	707,599
Additions	91	17,862	888	35,261	3,572	280,482	338,156
Disposals	(126)	(4,534)	(719)	(8,168)	–	(141)	(13,688)
Write off	–	(3,520)	–	(18,984)	(155)	(191)	(22,850)
Acquisition of subsidiaries	–	15,022	862	13,947	2,750	73	32,654
Disposal of a subsidiary	–	(5,717)	(111)	(11,946)	(8,437)	–	(26,211)
Reclassification	61	2,830	(8)	6,262	–	(9,145)	–
Exchange differences	4,840	(915)	3	242	(33)	–	4,137
At 30 June 2006	359,403	128,902	9,413	204,796	35,055	282,228	1,019,797
Accumulated Depreciation							
At 1 July 2005	106,178	64,518	3,331	122,211	21,499	–	317,737
Charge for the year	12,889	14,803	1,341	24,211	2,978	–	56,222
Disposals	–	(3,410)	(492)	(5,292)	–	–	(9,194)
Write off	–	(3,230)	–	(17,687)	(155)	–	(21,072)
Acquisition of subsidiaries	–	9,411	313	6,293	1,373	–	17,390
Disposal of a subsidiary	–	(4,486)	(107)	(8,796)	(6,043)	–	(19,432)
Exchange differences	1,703	(500)	9	176	67	–	1,455
At 30 June 2006	120,770	77,106	4,395	121,116	19,719	–	343,106
Net Book Value							
At 30 June 2006	238,633	51,796	5,018	83,680	15,336	282,228	676,691

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Construction In Progress RM'000	Total RM'000
At 30 June 2007				
Cost				
At 1 July 2006	**917**	**4**	**237,962**	**238,883**
Additions	**–**	**–**	**129,710**	**129,710**
At 30 June 2007	**917**	**4**	**367,672**	**368,593**
Accumulated Depreciation				
At 1 July 2006	**220**	**–**	**–**	**220**
Charge for the year	**138**	**–**	**–**	**138**
At 30 June 2007	**358**	**–**	**–**	**358**
Net Book Value				
At 30 June 2007	**559**	**4**	**367,672**	**368,235**
At 30 June 2006				
Cost				
At 1 July 2005	917	1	–	918
Additions	–	3	237,962	237,965
At 30 June 2006	917	4	237,962	238,883
Accumulated Depreciation				
At 1 July 2005	82	–	–	82
Charge for the year	138	–	–	138
At 30 June 2006	220	–	–	220
Net Book Value				
At 30 June 2006	697	4	237,962	238,663

(a) The asset revaluation amount represented the fair value adjustment relating to the Group's acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd (Note 15(a)(i)).

(b) The strata title to a building of a subsidiary with an aggregate net book value of RM2.25 million (2006: RM2.31 million) has not been registered in the name of the subsidiary of the Group. The building has been reclassified to non-current asset held for sale during the year in accordance wtih FRS 5.

(c) As at 30 June 2007, the buildings of the Group with a net book value of RM39.06 million (2006: RM68.21 million) was pledged for bank borrowings.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) As at 30 June 2007, the property, plant and equipment of a subsidiary of RM3.4 million (2006: RM3.7 million) was pledged for bank borrowings.

(e) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM357,738,000 (2006: RM338,156,000) and RM129,710,000 (2006: RM237,965,000) respectively of which RM264,000 (2006: RM1,458,000) and RM Nil (2006: RM Nil) respectively were acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under hire purchase and finance lease arrangements as at the balance sheet date are as follows:

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Motor vehicles	**1,273**	1,353	**477**	641
Office equipment, furniture and fittings	**3,529**	3,796	**–**	–
	4,802	5,149	**477**	641

12. INVESTMENT PROPERTIES

		Group RM'000
At 30 June 2007		
Cost		
At 1 July 2006		**15,957**
Business combination		**53,480**
Asset revaluation	(Note i)	**50,825**
Exchange differences		**(122)**
At 30 June 2007		**120,140**
Accumulated Depreciation		
At 1 July 2006		**4,665**
Charge for the year		**2,612**
Exchange differences		**(36)**
At 30 June 2007		**7,241**
Net Book Value		
At 30 June 2007		**112,899**
At 30 June 2006		
Cost		
At 1 July 2005/30 June 2006		15,957
Accumulated Depreciation		
At 1 July 2005		4,438
Charge for the year		227
At 30 June 2006		4,665
Net Book Value		
At 30 June 2006		11,292

12. INVESTMENT PROPERTIES (Continued)

		Group 2007 RM'000	Group 2006 RM'000
Fair value of investment properties at 30 June			
Buildings	(Note ii)	**107,117**	–
Office premises	(Note iii)	**30,461**	30,461
		137,578	30,461

(i) This represented the fair value adjustment relating to the Group's acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd (Note 15(a)(i)).

(ii) The fair value of the buildings were determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers, on a direct comparison approach and where appropriate on an income capitalisation approach. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

(iii) Fair value for office premises were arrived at by reference to market evidence of transaction prices for similar properties.

As at balance sheet date, strata titles to certain office premises with carrying value of RM4.7 million (2006: RM4.8 million) have yet to be obtained.

As at balance sheet date, the net book value of the buildings pledged for bank borrowings was RM6.3 million (2006: RM6.4 million).

13. PREPAID LAND LEASE PAYMENTS

		Group 2007 RM'000	Group 2006 RM'000
At 1 July		**36,209**	38,244
Business combination		**96,015**	–
Asset revaluation	(Note i)	**93,311**	–
Charge for the year		**(6,522)**	(2,035)
Exchange difference		**(118)**	–
At 30 June		**218,895**	36,209

(i) This represented the fair value adjustment relating to the Group's acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd (Note 15(a)(i)).

The prepaid land lease payments represented land use rights paid to the PRC government authorities and are amortised on the straight-line basis over their respective lease periods. The leasehold land is held under medium term lease and is situated in the PRC.

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	Group 2007 RM'000	Group 2006 RM'000
Freehold land, at cost		
At 1 July	**110,364**	60,362
Transfer to property development cost	**(6,189)**	–
Additions	**2,546**	50,002
At 30 June	**106,721**	110,364

(b) Property Development Costs

	Group 2007 RM'000	Group 2006 RM'000
Property development costs at 1 July:		
Freehold land	**28,622**	112,265
Development costs	**65,456**	111,693
	94,078	223,958
Costs incurred during the year:		
Freehold land	**–**	–
Development costs	**43,091**	51,492
	43,091	51,492
Reversal of completed projects	**(16,200)**	(171,712)
Costs recognised in income statement:		
At 1 July	**(49,994)**	(123,232)
Recognised during the year	**(60,040)**	(98,474)
Reversal of completed projects	**16,200**	171,712
At 30 June	**(93,834)**	(49,994)
Transferred from land held for property development	**6,189**	–
Transferred to inventories	**(5,316)**	(9,660)
Property development costs at 30 June	**28,008**	44,084

15. INVESTMENTS IN SUBSIDIARIES

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost	**704,529**	704,529
Less: Accumulated impairment losses	**(19,522)**	(19,522)
	685,007	685,007

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Property holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Le Chocolatier Boutique (M) Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Property development and management	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**99.99**	99.99
Likom CMS Sdn Bhd *	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**99.98**	99.98
Likom Caseworks Sdn Bhd *	Malaysia	Manufacturing of computer casings	**100**	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Glomart Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Management Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Venture Pte Ltd *	Singapore	Investment holding	**100**	100
Serbadagang Holdings Sdn Bhd *	Malaysia	Investment holding	**100**	100
Parkson Corporation Sdn Bhd *	Malaysia	Operations of department stores	**100**	100
Qingdao No.1 Parkson Co Ltd *	People's Republic of China	Property development and operations of department stores	*1 **52.6**	*1 52.6
CP Properties Sdn Bhd	Malaysia	Investment holding	**100**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	2006 %
LDH Investment Pte Ltd *	Singapore	Investment holding	*2 **60**	*2 60
Hamba Research & Development Co Ltd *	Taiwan	Research and development of computer and electronic manufacturing equipment	**98**	98
Lion DRI Sdn Bhd	Malaysia	Manufacturing of direct reduced iron products	**100**	100
Sea Coral Limited *	Hong Kong SAR	Investment holding	**100**	100
Well Morning Limited *	Hong Kong SAR	Dormant	**100**	100
PRG Corporation Limited *	British Virgin Islands	Investment holding	**100**	100
Excel Step Investments Limited *	British Virgin Islands	Investment holding	**100**	–
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	–
<u>Subsidiaries of LDH Manufacturing Sdn Bhd</u>				
CPB Enterprise Sdn Bhd	Malaysia	Ceased operations	**100**	100
CPB Investment AG *	Switzerland	Investment holding	**100**	100
<u>Subsidiary of CPB Enterprise Sdn Bhd</u>				
United Brands Trading Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
<u>Subsidiaries of Graimpi Sdn Bhd</u>				
Pavlova Investment Pte Ltd *	Singapore	Dormant	**100**	100
Gemmo Pte Ltd *	Singapore	Investment holding	**100**	100
<u>Subsidiary of Gemmo Pte Ltd</u>				
Gesto Pte Ltd *	Singapore	Dormant	**100**	100
<u>Subsidiaries of Lion Subang Parade Sdn Bhd</u>				
Bingkisan Jaya Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
Subsidiaries of Lion Subang Parade Sdn Bhd (Continued)				
Hypervest Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
Jatitrade Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
Pattervest Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
Indobaru Sdn Bhd * (In liquidation - voluntary)	Malaysia	Dormant	**100**	100
LDH Management Sdn Bhd	Malaysia	Investment holding and property development	**100**	100
Subsidiaries of LDH Management Sdn Bhd				
Viroy Management Services Sdn Bhd	Malaysia	Investment holding	**100**	100
Shanghai DEbier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	**100**	100
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	**100**	–
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Wholesaling of computer products	**100**	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Assembling of electronic components used in computers	**100**	100
Subsidiaries of Exonbury Limited				
Shanghai Nine Sea Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores, food and beverage and entertainment business	**100**	100
Wuxi Sanyang Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	**60**	60

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
Subsidiaries of Exonbury Limited (Continued)				
Shanghai Lion Parkson Investment Consultant Co Ltd *	People's Republic of China	Provision of investment and consultancy services	**100**	100
Hong Kong Fen Chai Investment Limited *	Hong Kong SAR	Investment holding	**100**	100
Xi'an Lucky King Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	**51** *3 **40**	51 *3 40
Parkson Investment Holdings Co Ltd *	People's Republic of China	Investment holding	**70** *4 **30**	70 *4 30
Subsidiaries of Parkson Investment Pte Ltd				
Rosenblum Investments Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	*5 **56** *6 **44**	*5 56
Subsidiary of Parkson Management Pte Ltd				
Sichuan Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
Subsidiaries of Parkson Supplies Pte Ltd				
Chongqing Wanyou Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	**70**	70
Mianyang Fulin Parkson Plaza Co Ltd *	People's Republic of China	Operations of department stores	**60**	60
Sichuan Shishang Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
Subsidiary of Serbadagang Holdings Sdn Bhd				
Dalian Tianhe Parkson Shopping Centre Co Ltd # *	People's Republic of China	Operations of department stores	**60**	60

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
<u>Subsidiary of Shanghai Lion Parkson Investment Consultant Co Ltd</u>				
Beijing Century Parkson E-business Co Ltd *	People's Republic of China	Research and development of computer software	**99** *7 **1**	99 *7 1
<u>Subsidiaries of Parkson Corporation Sdn Bhd</u>				
Parkson Vietnam Co Ltd +	Vietnam	Operations of department stores	**100**	100
Park Avenue Fashion Sdn Bhd	Malaysia	Retailing business	**100**	100
Parkson Haiphong Co Ltd +	Vietnam	Operations of department stores	**100**	–
<u>Subsidiary of CP Properties Sdn Bhd</u>				
Aktif Lifestyle Stores Sdn Bhd	Malaysia	Operations of department stores	**100**	100
<u>Subsidiaries of Aktif Lifestyle Stores Sdn Bhd</u>				
Aktif-Sunway Sdn Bhd	Malaysia	Ceased operations	**80**	80
Octon Electronics Sdn Bhd	Malaysia	Ceased operations	**100**	100
Sunbeam Bakeries Sdn Bhd	Malaysia	Ceased operations	**100**	100
<u>Subsidiaries of Step Summit Limited</u>				
Guizhou Shenqi Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**60**	60
Shanghai Hongqiao Parkson Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
Hefei Parkson Xiaoyao Plaza Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
<u>Subsidiary of Hefei Parkson Xiaoyao Plaza Co Ltd</u>				
Anshan Tianxing Parkson Shopping Centre Co Ltd *	People's Republic of China	Operations of department stores	**51** *8 **49**	51

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	2006 %
<u>Subsidiaries of Sea Coral Limited</u>				
Dalian Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
Nanning Brilliant Parkson Commercial Co Ltd *	People's Republic of China	Operations of department stores	**70**	51
Tianjin Parkson Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	100
Changchun Parkson Retail Development Co Ltd * £	People's Republic of China	Operations of department stores	**100**	100
<u>Subsidiary of PRG Corporation Limited</u>				
Parkson Retail Group Limited + @	Cayman Islands	Investment holding	**55.4**	65.5
<u>Subsidiary of Parkson Retail Group Limited</u>				
Grand Parkson Retail Group Limited *	British Virgin Islands	Investment holding	**100**	100
<u>Subsidiaries of Grand Parkson Retail Group Limited</u>				
Exonbury Limited *	Hong Kong SAR	Investment holding	**100**	100
Parkson Supplies Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Investment Pte Ltd *	Singapore	Investment holding	**100**	100
Step Summit Limited *	Hong Kong SAR	Investment holding	**100**	100
Global Heights Investment Limited *	British Virgin Islands	Investment holding	**100**	100
Golden Village Group Limited *	British Virgin Islands	Investment holding	**100**	–
Creation International Investment & Development Limited *	British Virgin Islands	Investment holding	**100**	–

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
Subsidiary of Global Heights Investment Limited				
Asia Victory International Limited *	British Virgin Islands	Investment holding	**100**	–
Subsidiary of Asia Victory International Limited				
Shunhe International Investment Limited *	Hong Kong SAR	Investment holding	**100**	–
Subsidiary of Shunhe International Investment Limited				
Kunming Yun Shun He Retail Development Co Ltd *	People's Republic of China	Operations of department stores	**100**	–
Subsidiary of Golden Village Group Limited				
Jiangxi Kaimei Retail Co Ltd *	People's Republic of China	Operations of department stores	**100**	–
Subsidiary of Creation International Investment & Development Limited				
Creation (Hong Kong) Investment & Development Limited *	Hong Kong SAR	Investment holding	**100**	–

All the companies are audited by Ernst & Young Malaysia except for those marked + which are audited by a member firm of Ernst & Young International, and those marked * which are audited by other firms.

*1 50% held by Parkson Venture Pte Ltd and 2.6% held by Serbadagang Holdings Sdn Bhd

*2 30% held by the Company and 30% held by CPB Investment AG

*3 Holding in equity by Hong Kong Fen Chai Investment Limited

*4 Holding in equity by Parkson Investment Pte Ltd

*5 42% held by Parkson Investment Pte Ltd and 14% held by Rosenblum Investments Pte Ltd

*6 Holding in equity by Parkson Investment Holdings Co Ltd

*7 Holding in equity by Shanghai Nine Sea Parkson Plaza Co Ltd

15. INVESTMENTS IN SUBSIDIARIES (Continued)

*8 Holding in equity by Creation (Hong Kong) Investment & Development Limited

@ Listed on The Stock Exchange of Hong Kong Limited

In financial year 2005, the Group ceased to have management control over Dalian Tianhe Parkson Shopping Centre Co Ltd. Accordingly, the investment had been accounted as Other Investments (Note 18)

£ During the financial year, the management has decided to cease the operation of Changchun Parkson Retail Development Co Ltd ("Changchun Parkson")

The cessation of operation of Changchun Parkson had the following effects on the Group's financial results for the financial year 2007:

	2007 RM'000
Impairment of goodwill (Note 20)	**(37,534)**
Impairment of non-current and current assets, include compensation to creditors	**(8,872)**
	(46,406)

(a) Acquisition of Subsidiaries

(i) Acquisition of an additional 44% equity interest in Parkson Retail Development Co Ltd ("Beijing Parkson")

On 26 May 2006, the Group entered into sale and purchase agreements with the respective PRC joint venture partners of Beijing Parkson to acquire the remaining 44% interest in Beijing Parkson ("Acquisition Transaction") for a total cash consideration of Rmb525,078,000 (equivalent to approximately RM240,237,000). Beijing Parkson was 56% owned by the Group and was accounted for as a jointly-controlled entity until the date of control was obtained by the Group on 1 July 2006. Beijing Parkson became a wholly-owned subsidiary of the Group thereafter.

The Acquisition Transaction gave rise to a business combination and FRS 3 applies when control is obtained over a former joint venture. Therefore, at the date control was obtained, the Group:

(1) recognised goodwill, being the difference between the cost of the transaction and the fair value of Beijing Parkson's identifiable net assets at the date control is obtained, for the newly acquired 44% interest;

(2) recognised the identifiable assets and liabilities of Beijing Parkson at 100% of their fair values; and

(3) deemed any adjustment to those fair values relating to the previously held interests as a revaluation.

Pursuant to item (3) above, a revaluation surplus of RM152,518,000 comprising the property, plant and equipment, investment properties and lease prepayments of RM8,382,000, RM50,825,000 and RM93,311,000, respectively and deferred tax liabilities of RM50,822,000.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

(i) Acquisition of an additional 44% equity interest in Parkson Retail Development Co Ltd ("Beijing Parkson") (Continued)

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	152,028	137,059
Investment properties	104,305	13,546
Prepaid land lease payments	189,326	22,701
Other assets	47,446	47,446
Deferred tax assets	9,696	9,696
Inventories	15,084	15,084
Trade receivables	348	348
Other receivables	27,516	27,516
Cash and cash equivalents	133,532	133,532
	679,281	406,928
Borrowings	(103,644)	(103,644)
Trade payables	(106,863)	(106,863)
Tax payable	(13,982)	(13,982)
Other payables	(117,223)	(117,226)
Long term payables	(7,416)	(7,416)
Deferred tax liabilities	(90,754)	–
	(439,882)	(349,131)
Fair value of net assets	239,399	57,797
Post reserve account under jointly controlled entity previously	(30,253)	
Asset revaluation reserve	(101,696)	
Fair value of net assets acquired	107,450	
Goodwill arising on the acquisition	132,787	
Consideration	240,237	

The cash outflow on the acquisition is as follows:

Net cash acquired	133,532
Cash paid	(240,237)*
Net cash outflow	(106,705)

* RM96.53 million was paid as deposit in financial year 2006.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

(ii) Acquisition of the 100% equity interest in Asia Victory International Limited ("Asia Victory")

On 15 November 2006, the Group entered into a sale and purchase agreement with a third party individual to acquire the entire issued share capital of Asia Victory for a consideration of Rmb315,608,000 (equivalent to approximately RM143,129,000). Asia Victory's subsidiary, Kunming Yun Shun He Retail Development Co Ltd, is principally engaged in the operations of two department stores in Kunming City, the PRC. This acquisition was accounted for under the purchase method and the excess of the consideration over the fair value of the net assets acquired by the Group of RM142,955,000 was recognised as goodwill.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	**6,337**	**6,337**
Inventories	**5,198**	**5,198**
Other receivables	**26,766**	**26,766**
Cash and cash equivalents	**2,728**	**2,728**
	41,029	**41,029**
Other payables	**(40,855)**	**(40,855)**
Fair value of net assets	**174**	**174**
Goodwill arising on the acquisition	**142,955**	
Consideration	**143,129**	

The cash outflow on the acquisition is as follows:

Net cash acquired	**2,728**
Cash paid	**(143,129)**
Net cash outflow	**(140,401)**

(iii) Acquisition of the 100% equity interest in Golden Village Group Limited ("Golden Village")

On 21 March 2007, the Group has entered into a sale and purchase agreement to acquire the entire equity interest in Golden Village from Millionlink Pacific Limited ("Vendor") for a consideration of Rmb510,000,000 (equivalent to approximately RM231,285,000). Golden Village is the sole legal and beneficial owner of the equity interest in Jiangxi Kaimei Retail Co Ltd which owns and operates the department store in Nanchang City ("Nanchang Store") in the Jiangxi Province of the PRC.

The acquisition was accounted for under the purchase method and the excess of the consideration over the fair value of the net assets acquired by the Group of RM230,790,000 was recognised as goodwill.

In addition, pursuant to the sale and purchase agreement, the Group granted an entrusted loan of Rmb120,000,000 (equivalent to approximately RM54,420,000) to a related company of the Vendor through a bank in the PRC. The sole purpose of the entrusted loan is to provide finance to the borrower to release the relevant mortgage in respect of the department store buildings of the Nanchang Store. Details of the entrusted loan are disclosed in Note 19.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

(iii) Acquisition of the 100% equity interest in Golden Village Group Limited ("Golden Village") (Continued)

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	10,793	10,793
Inventories	5,164	5,164
Other receivables	12,396	12,396
Cash and cash equivalents	29,416	29,416
	57,769	57,769
Trade payables	(31,103)	(31,103)
Tax payable	(2,321)	(2,321)
Other payables	(23,850)	(23,850)
	(57,274)	(57,274)
Fair value of net assets	495	495
Goodwill arising on the acquisition	230,790	
Consideration	231,285	
The cash outflow on the acquisition is as follows:		
Net cash acquired	29,416	
Cash paid	(231,285)	
Net cash outflow	(201,869)	

The above acquired subsidiaries have contributed the following results to the Group:

	From date of acquisitions RM'000
Revenue	1,314,439
Net profit for the year	61,354

If the acquisitions had occurred on 1 July 2006, the revenue and net profit for the year would have been RM1,645 million and RM82 million respectively.

In addition to the above acquisitions, the Group has acquired Excel Step Investments Limited, Fusion Energy Sdn Bhd and Atlantic Dimension Sdn Bhd for a total consideration of RM9.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

During the previous financial year, the Group completed the following acquisitions:

(i) the acquisition of the 100% equity interest in Step Summit Limited incorporated in Hong Kong SAR, for a total cash consideration of US$65.40 million (equivalent to approximately RM245.59 million). Step Summit Limited has the following subsidiaries:

- 60% equity interest in Guizhou Shenqi Parkson Retail Development Co Ltd;
- 100% equity interest in Shanghai Hongqiao Parkson Development Co Ltd; and
- 100% equity interest in Hefei Parkson Xiaoyao Plaza Co Ltd.

(ii) the acquisition of the 100% equity interest in Hong Kong Fen Chai Investment Limited for a total consideration of Rmb65 million (equivalent to approximately RM29.90 million).

(iii) the acquisitions of the 100% equity interest in Tianjin Parkson Retail Development Co Ltd and Changchun Parkson Retail Development Co Ltd for a consideration of Rmb10 million (equivalent to approximately RM4.6 million) each.

The above acquisitions had the following effects on the Group's financial results for the previous financial year:

	2006 RM'000
Revenue	541,229
Net profit for the year	27,514

The acquisitions had the following effects on the financial position of the Group as at the end of the previous financial year:

	30 June 2006 RM'000
Property, plant and equipment	12,367
Deferred tax assets	6,251
Purchased goodwill	9,822
Inventories	9,870
Trade and other receivables	58,625
Deposits, cash and bank balances	107,793
Trade and other payables	(166,959)
Short term borrowings	(22,773)
Tax payable	(3,688)
Deferred tax liabilities	(56)
Minority interests	(18,771)
Group's share of net liabilities	(7,519)

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Acquisition of Subsidiaries (Continued)

The fair values of the assets acquired and liabilities assumed from the acquisitions are as follows:

	2006 RM'000
Property, plant and equipment	15,264
Deferred tax assets	5,149
Purchased goodwill	10,446
Inventories	10,969
Trade and other receivables	45,638
Deposits, cash and bank balances	88,889
Trade and other payables	(174,022)
Short term borrowings	(23,420)
Tax payable	(5,000)
Minority interests	(9,212)
Group's share of net liabilities	(35,299)
Goodwill on acquisitions	319,947
Cost of acquisitions	284,648
Purchase consideration paid in cash	284,648
Cash and cash equivalents of subsidiaries acquired	(88,889)
Net cash outflow of the Group	195,759

(b) Disposal of Subsidiaries

	Group	
	2007 RM'000	**2006 RM'000**
Gain on disposal/dilution of retail operations (Note i)	**499,261**	421,128
Gain on disposal of hypermarket operations (Note ii)	**–**	15,083
	499,261	436,211

(i) On 29 August 2006, the Group entered into a placing agreement with the placing agents for the placement of 44,160,000 shares, with an option to sell an additional up to 11,040,000 shares of Parkson Retail Group Limited ("Parkson Retail") to independent third parties at the price of HK$24.20 ("Placing").

Upon completion of the Placing on 1 September 2006, the Group disposed of an aggregate of 55,200,000 shares which represented 10% of the equity interest of Parkson Retail or 15.3% of the total investment of the Group in Parkson Retail.

During the previous financial year, in connection with the listing exercise of Parkson Retail on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"), the Group undertook a corporate reorganisation. The reorganisation has resulted in the Company transferring its entire equity interest in Exonbury Limited, Parkson Investment Pte Ltd and Parkson Supplies Pte Ltd to a subsidiary.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Disposal of Subsidiaries (Continued)

(i) (Continued)

On 30 November 2005, Parkson Retail was listed on the Main Board of the HKEx. The listing involved, amongst others, the offering of a combination of new shares for subscription and the existing shares for sale in Parkson Retail by way of public offer to the public in Hong Kong and placement to professionals, institutions and/or other investors in Hong Kong and overseas.

Upon the listing of Parkson Retail on the HKEx, the Group's equity interest in Parkson Retail was reduced to 65.5% and this had resulted in a gain of RM421 million.

(ii) During the previous financial year, the Company disposed of its entire equity interest in Xtra Supercenter Sdn Bhd, a wholly-owned subsidiary of the Company for a total cash consideration of RM1.00 as well as the assumption by the purchaser of net liabilities amounting up to RM15 million.

The disposal had the following effects on the Group's financial results and position for the financial year:

	Group 2006 RM'000
Revenue	7,651
Net loss for the year	(5,183)
Property, plant and equipment	6,779
Inventories	3,353
Trade and other receivables	2,270
Deposits, cash and bank balances	1,469
Trade and other payables	(28,867)
Net liabilities disposed	(14,996)
Negative goodwill on consolidation	(87)
	(15,083)
Total disposal proceeds settled by cash	*
Gain on disposal of subsidiary	15,083
Cash consideration, representing cash inflow of the Company	*
Cash and cash equivalents of subsidiary disposed of	(1,469)
Net cash outflow of the Group	(1,469)

* Represents RM1.00

(iii) During the previous financial year, the Company disposed of its entire issued and paid-up share capital of Park Avenue Fashion Sdn Bhd, a wholly-owned subsidiary of the Company, to another subsidiary for a total consideration of RM250,002.

16. INVESTMENTS IN ASSOCIATES

	Group 2007 RM'000	Group 2006 RM'000
Quoted shares in Malaysia, at cost	**224,730**	226,766
Unquoted shares, at cost	**6,198**	6,118
	230,928	232,884
Share of post acquisition reserves	**(76,251)**	(65,264)
	154,677	167,620
Market value of quoted shares	**193,076**	139,696

Name of Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2007 %	Proportion of Ownership Interest 2006 %	Proportion of Voting Power 2007 %	Proportion of Voting Power 2006 %
Lion Corporation Berhad #	Malaysia	Investment holding	**22.6**	22.6	**22.6**	22.6
Inner Mongolia Leadar Parkson Plaza Co Ltd	People's Republic of China	Ceased operations	**25**	25	**25**	25
Shanghai Nine Sea Lion Properties Management Co Ltd	People's Republic of China	Property management	**35**	35	**35**	35

\# Listed on the Main Board of Bursa Securities

All the associates are not audited by Ernst & Young, Malaysia.

The summarised financial information of the associates are as follows:

	2007 RM'000	2006 RM'000
Assets and liabilities		
Current assets	**1,855,390**	1,831,412
Non-current assets	**4,994,060**	5,141,872
Total assets	**6,849,450**	6,973,284
Current liabilities	**(3,954,534)**	(4,059,198)
Non-current liabilities	**(2,059,166)**	(2,151,720)
Total liabilities	**(6,013,700)**	(6,210,918)
Results		
Revenue	**4,619,893**	2,507,212
Loss for the year	**(213,407)**	(402,736)

The goodwill included within the Group's carrying amount of investments in associates amounted to RM181.7 million.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group 2007 RM'000	Group 2006 RM'000
Unquoted ordinary shares, at cost	**22,288**	72,166
Unquoted preference shares, at cost	**11,947**	–
Share of post-acquisition reserves	**6,824**	21,021
	41,059	93,187

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entities are as follows:

	2007 RM'000	2006 RM'000
Assets and liabilities		
Current assets	**66,991**	145,453
Non-current assets	**45,212**	164,057
Total assets	**112,203**	309,510
Current liabilities	**(59,809)**	(170,144)
Non-current liabilities	**(11,335)**	(46,179)
Total liabilities	**(71,144)**	(216,323)
Results		
Revenue	**213,736**	664,031
Expenses, including finance costs and income tax	**(205,984)**	(620,692)

Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entitites	Country of Incorporation	Principal Activities	Equity Interest 2007 %	Equity Interest 2006 %
Parkson Retail Development Co Ltd * #	People's Republic of China	Operations of department stores	@	56
Yangzhou Parkson Plaza Co Ltd * #	People's Republic of China	Operations of department stores	**55**	55
Xinjiang Youhao Parkson Development Co Ltd * #	People's Republic of China	Operations of department stores	**51**	51
Xi'an Shidai Parkson Store Co Ltd * #	People's Republic of China	Operations of department stores	**51**	51
Xi'an Chang'an Parkson Store Co Ltd * #	People's Republic of China	Operations of department stores	**51**	51

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Name of Jointly Controlled Entitites	Country of Incorporation	Principal Activities	Equity Interest 2007 %	2006 %
Panareno Sdn Bhd	Malaysia	Property development and property investment	**35**	35
Kairong Developments (S) Pte Ltd	Singapore	Investment holding	**40**	–
North Plaza Sdn Bhd	Malaysia	Property development	**50**	–

* Although the Group has ownership indirectly through subsidiaries of more than half of the voting power of the subject entities, the joint venture agreements established joint control over the subject entities. The joint venture agreements ensure that no single venturer is in a position to control the activity unilaterally.

@ Became a wholly-owned subsidiary of the Group during the financial year

The entities form part of the Parkson Retail Group Limited group, which is audited by a member firm of Ernst & Young International

All the jointly controlled entities are not audited by Ernst & Young, Malaysia.

18. OTHER INVESTMENTS

		Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Long Term Investments					
Unquoted					
Credit linked notes, at amortised cost	(a)	**690,726**	–	**–**	–
Bonds	(b)	**13,739**	15,756	**13,739**	15,756
Shares:					
In Malaysia		**325**	325	**–**	–
Outside Malaysia		**–**	9,969	**–**	–
	(c)	**325**	10,294	**–**	–
Quoted					
Shares, at cost:					
In Malaysia		**46,846**	30,432	**47,278**	30,864
Outside Malaysia		**17,058**	–	**17,058**	–
		63,904	30,432	**64,336**	30,864
		768,694	56,482	**78,075**	46,620
Short Term Investments					
Unquoted					
Bonds	(b)	**17,904**	16,622	**17,904**	16,622
Quoted					
Shares:					
In Malaysia		**232**	597	**232**	597
Outside Malaysia		**521**	614	**–**	–
	(d)	**753**	1,211	**232**	597
		18,657	17,833	**18,136**	17,219

18. OTHER INVESTMENTS (Continued)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total Investments				
Unquoted				
Credit linked notes, at amortised cost	**690,726**	–	**–**	–
Bonds	**31,643**	32,378	**31,643**	32,378
Shares:				
In Malaysia	**325**	325	**–**	–
Outside Malaysia	**–**	9,969	**–**	–
	325	10,294	**–**	–
Quoted				
Shares:				
In Malaysia	**47,078**	31,029	**47,510**	31,461
Outside Malaysia	**17,579**	614	**17,058**	–
	64,657	31,643	**64,568**	31,461
	787,351	74,315	**96,211**	63,839
Market value of quoted shares:				
In Malaysia	**65,503**	23,824	**65,870**	24,090
Outside Malaysia	**23,277**	614	**22,763**	–

Certain of the Company's investments with carrying value amounting to RM26.7 million (2006 : RM Nil) have been pledged as security for banking facilities extended to a subsidiary of the Company.

(a) Credit linked notes

The credit linked notes ("CLN") were issued by JPMorgan Chase Bank, N.A., London Branch, and have a tenure from 14 November 2006 to 13 November 2011. The CLN bear interest at a rate of 9.8% per annum. Interest is paid semi-annually on 13 May and 13 November of each year, commencing on 13 May 2007. The payment of interest and repayment of principal of the CLN are subject to the Group's payment of interest and repayment of principal of a series of bank loans as disclosed in Note 27(iv).

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(b) Unquoted bonds				
Unquoted bonds, at cost	**36,451**	36,451	**36,451**	36,451
Accrued interests	**9,772**	8,530	**9,772**	8,530
	46,223	44,981	**46,223**	44,981
Less: Redeemed	**(14,580)**	(12,603)	**(14,580)**	(12,603)
	31,643	32,378	**31,643**	32,378
Less: Bonds redeemable within one year	**(17,904)**	(16,622)	**(17,904)**	(16,622)
	13,739	15,756	**13,739**	15,756

The unquoted bonds, issued by the former holding companies of the Company, bear a yield to maturity which ranges from 4.75% to 5.75% (2006: 4.75% to 5.75%) per annum.

18. OTHER INVESTMENTS (Continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(c) Unquoted shares				
Unquoted shares, at cost:				
In Malaysia	**325**	325	**–**	–
Outside Malaysia	**23,096**	23,096	**–**	–
	23,421	23,421	**–**	–
Less: Accumulated impairment losses	**(23,096)**	(13,127)	**–**	–
	325	10,294	**–**	–

As disclosed in the previous financial year, the Group ceased to have management control over Dalian Tianhe Parkson Shopping Centre Co Ltd. Accordingly, the investment was accounted as Other Investments.

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(d) Quoted shares - short term				
Quoted shares, at cost:				
In Malaysia	**2,549**	2,549	**2,549**	2,549
Outside Malaysia	**521**	614	**–**	–
	3,070	3,163	**2,549**	2,549
Less: Accumulated impairment losses	**(2,317)**	(1,952)	**(2,317)**	(1,952)
	753	1,211	**232**	597

19. OTHER ASSETS

		Group	
		2007 RM'000	2006 RM'000
Guarantee deposits	(Note i)	**4,535**	4,596
Deferred rental expenses	(Note ii)	**40,903**	–
Entrusted loan	(Note iii)	**54,420**	–
		99,858	4,596

(i) These represented deposits paid to a third party property developer to secure certain retail space to be leased to the Group for setting up new department stores on or after 2010. The guarantee deposits are interest free and could be converted into rental deposits upon the completion of the property development projects.

(ii) These represented the long term portion of rental expenses paid to China Arts & Crafts (Group) Company, a former joint venture partner, in respect of the lease of certain properties in Beijing for a period of nine years from August 2005.

(iii) The entrusted loan is secured by a cash deposit of an equivalent amount in an escrow bank account, bears interest at 6.5% per annum and is repayable on or before 27 December 2009.

20. INTANGIBLE ASSETS

	Software* RM'000	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
Group				
Cost				
At 1 July 2005	1,962	166,176	24,759	192,897
Acquisition of subsidiaries/operations	–	319,947	10,446	330,393
Realisation upon disposal/dilution of retail operations	–	(130,778)	–	(130,778)
At 30 June 2006 and 1 July 2006	**1,962**	**355,345**	**35,205**	**392,512**
Effects of adopting FRS 3 (Note 2.3 (b)(i))	**–**	**(10,201)**	**(2,406)**	**(12,607)**
Acquisition of subsidiaries	**–**	**506,532**	**–**	**506,532**
Acquisition of minority interest (#)	**–**	**127,748**	**–**	**127,748**
Realisation upon disposal/dilution of retail operations	**–**	**(34,165)**	**–**	**(34,165)**
Exchange differences	**–**	**–**	**(63)**	**(63)**
At 30 June 2007	**1,962**	**945,259**	**32,736**	**979,957**
Accumulated amortisation and impairment				
At 1 July 2005	(256)	(7,283)	(960)	(8,499)
Amortisation (Note 6)	(384)	(10,310)	(1,446)	(12,140)
Disposal/Dilution of retail operations	–	7,392	–	7,392
At 30 June 2006 and 1 July 2006	**(640)**	**(10,201)**	**(2,406)**	**(13,247)**
Effects of adopting FRS 3 (Note 2.3 (b)(i))	**–**	**10,201**	**2,406**	**12,607**
Amortisation (Note 6)	**(384)**	**–**	**–**	**(384)**
Impairment loss recognised in income statement	**–**	**–**	**(2,547)**	**(2,547)**
Impairment loss recognised due to cessation of operation of a subsidiary (Note 15)	**–**	**(37,534)**	**–**	**(37,534)**
Exchange differences	**–**	**–**	**3**	**3**
At 30 June 2007	**(1,024)**	**(37,534)**	**(2,544)**	**(41,102)**
Net carrying amount				
At 30 June 2007	**938**	**907,725**	**30,192**	**938,855**
At 30 June 2006	1,322	345,144	32,799	379,265

* Computer software is amortised on the straight-line basis over 5 years

(#) This represented the goodwill arising from the acquisition of a minority interest in Anshan Tianxing Parkson Shopping Centre Co Ltd ("Anshan Parkson").

On 20 April 2007, the Group entered into a sale and purchase agreement with a third party individual ("Vendor") to acquire (i) the 49% equity interest in Anshan Parkson at a consideration of Rmb280 million (equivalent to approximately RM127 million); and (ii) certain properties which were occupied by Anshan Parkson ("Anshan Properties") for its department store business at a consideration of Rmb450 million (equivalent to approximately RM204 million). The execution of item (ii) above has yet to be completed as at 30 June 2007. Refer to Note 39(c) for details of the commitment. The execution of the equity transfer transaction is not dependent on the execution of the Anshan Properties acquisition transaction.

20. INTANGIBLE ASSETS (Continued)

(a) Impairment loss recognised

The management of the Company has carried out impairment test review for goodwill based on the recoverable amount of each cash-generating unit ("CGU"). The recoverable amount has been determined based on a value-in-use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the executive directors which cover a period of five years. The pre-tax discount applied to the cash flow projections is 7%.

The impairment test review has led to the recognition of impairment loss for goodwill of Dalian Parkson Retail Development Co Ltd amounting to RM2.5 million.

During the financial year, the management decided to cease the operation of Changchun Parkson Retail Development Co Ltd ("Changchun Parkson"). In addition to the impairment loss on goodwill, certain assets of the subsidiary were also impaired following the review. The effect of the cessation of the operations of Changchun Parkson is set out in Note 15.

(b) Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to country of operation and business segment as follows:

	Malaysia RM'000	People's Republic of China RM'000	Total RM'000
At 30 June 2007			
Retailing	**32,499**	**871,942**	**904,441**
Computer	**33,476**	**–**	**33,476**
	65,975	**871,942**	**937,917**
At 30 June 2006			
Retailing	32,499	311,968	344,467
Computer	33,476	–	33,476
	65,975	311,968	377,943

Key assumptions used in value-in-use calculations

The following describes the key assumptions of the cash flow projections:

Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the relevant industry.

Gross margins : gross margins are based on the average gross margin achieved in the past two years.

Operating expenses : the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.

Discount rates : discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable borrowing rates for each unit.

20. INTANGIBLE ASSETS (Continued)

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the unit to materially exceed its recoverable amount.

21. DEFERRED TAX

	Group	
	2007 RM'000	**2006 RM'000**
At 1 July	**6,825**	3,601
Acquisition of subsidiaries	**(30,236)**	5,149
Recognised in income statement	**(1,052)**	(1,925)
Recognised in equity	**(50,822)**	–
Change of tax rate	**17,104**	–
Exchange difference	**(514)**	–
At 30 June	**(58,695)**	6,825

Presented after appropriate offsetting as follows:

	2007 RM'000	**2006 RM'000**
Deferred tax assets	**34,831**	33,434
Deferred tax liabilities	**(93,526)**	(26,609)
	(58,695)	6,825

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

	Provisions RM'000	Depreciation RM'000	Total RM'000
At 1 July 2006	**31,643**	**1,791**	**33,434**
Recognised in income statement	**(2,376)**	**(70)**	**(2,446)**
Change in tax rate	**(4,292)**	**(748)**	**(5,040)**
Acquisition of subsidiaries	**8,289**	**1,407**	**9,696**
Exchange difference	**(770)**	**(43)**	**(813)**
At 30 June 2007	**32,494**	**2,337**	**34,831**
At 1 July 2005	23,664	1,881	25,545
Recognised in income statement	2,830	(90)	2,740
Acquisition of subsidiaries	5,149	–	5,149
At 30 June 2006	31,643	1,791	33,434

21. DEFERRED TAX (Continued)

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM'000	Asset Revaluation RM'000	Total RM'000
At 1 July 2006	**(26,609)**	**–**	**(26,609)**
Recognised in income statement	**1,394**	**–**	**1,394**
Recognised in equity	**–**	**(50,822)**	**(50,822)**
Change in tax rate	**9,824**	**12,320**	**22,144**
Acquisition of subsidiaries	**(39,932)**	**–**	**(39,932)**
Exchange difference	**299**	**–**	**299**
At 30 June 2007	**(55,024)**	**(38,502)**	**(93,526)**
At 1 July 2005	(21,944)	–	(21,944)
Recognised in income statement	(4,665)	–	(4,665)
At 30 June 2006	(26,609)	–	(26,609)

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

	Group 2007 RM'000	2006 RM'000
Unabsorbed capital allowances	**24,000**	25,000
Unused tax losses	**143,000**	170,000

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) & (5B) of Income Tax Act, 1967.

22. INVENTORIES

	Group 2007 RM'000	2006 RM'000
Cost		
Merchandise inventories	**183,655**	160,663
Industrial land	**3,245**	3,846
Properties held for sale	**39,951**	45,746
Raw materials	**3**	119
Work-in-progress	**122**	484
Finished goods	**23,767**	6,584
Consumable stores	**5,128**	5,411
	255,871	222,853
Net realisable value		
Finished goods	**–**	13,531
Work-in-progress	**765**	1,359
Raw materials	**18,207**	20,889
	274,843	258,632

22. INVENTORIES (Continued)

The cost of inventories carried at net realisable value at end of the financial year are as follows:

	Group	
	2007	**2006**
	RM'000	**RM'000**
Finished goods	**–**	14,116
Work-in-progress	**831**	1,441
Raw materials	**19,766**	23,019

During the financial year, RM1.1 million previously written down but now no longer required was reversed to the income statement in the current year.

The title to the industrial land has yet to be transferred to a subsidiary as at 30 June 2007.

As disclosed in Note 27(i), inventories of a subsidiary of RM121.2 million (2006: RM129.4 million) were pledged for bank borrowings.

23. TRADE RECEIVABLES

	Group	
	2007	**2006**
	RM'000	**RM'000**
Trade receivables:		
- Third parties	**60,125**	85,160
- Related party	**187,767**	–
Accrued billings in respect of property development costs	**2,620**	7,421
	250,512	92,581
Less: Provision for doubtful debts	**(3,553)**	(2,969)
	246,959	89,612

The Group's normal trade credit term ranges from 2 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Other than the amount owing by a related party, the Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

24. OTHER RECEIVABLES

		Group		Company	
		2007	**2006**	**2007**	**2006**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts owing by subsidiaries	(a)	**–**	–	**763,620**	620,002
Sundry receivables	(b)	**116,478**	122,934	**–**	26
Deposits	(c)	**91,436**	55,328	**34,503**	604
Investment deposit	(d)	**4,532**	96,530	**–**	–
Prepayment		**49,823**	13,135	**18**	13
Amounts owing by related parties	(e)	**390**	696	**23**	352
Designated loans	(f)	**6,653**	7,767	**–**	–
Entrusted loan to Anshan Tianxing International Properties Development Co Ltd ("Anshan Tianxing")	(g)	**57,096**	–	**–**	–
Amount owing by jointly controlled entities	(h)	**31,798**	7,572	**–**	–
		358,206	303,962	**798,164**	620,997

(a) Amounts owing by subsidiaries

	Company	
	2007	**2006**
	RM'000	**RM'000**
Amounts outstanding	**897,467**	715,625
Less: Provision for doubtful debts	**(133,847)**	(95,623)
	763,620	620,002

The amounts owing by subsidiaries are unsecured, interest free (2006: 1.0% per annum) and have no fixed terms of repayment.

(b) Sundry receivables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts outstanding	**117,821**	123,099	**–**	26
Less: Provision for doubtful debts	**(1,343)**	(165)	**–**	–
	116,478	122,934	**–**	26

(c) Included in the deposits of the Group and of the Company is an amount of RM34.5 million (2006: RM Nil) paid to Khazanah Nasional Berhad in relation to the proposed acquisition of 10% equity interest of Megasteel Sdn Bhd.

(d) The RM96.53 million investment deposit in 2006 was paid to China Arts & Crafts Companies for the proposed acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd, a jointly controlled entity of the Group. The acquisition of the said company has been completed during the year.

As at 30 June 2007, the Group paid an investment deposit amounting to RM4.532 million to Sichuan Fulin Industrial Group Co Ltd for the proposed acquisition of the remaining 40% equity interest in Mianyang Fulin Parkson Plaza Co Ltd, a subsidiary of the Group, details of which are set out in Note 39(c). Management anticipated that the acquisition transaction will be completed in the next financial year.

24. OTHER RECEIVABLES (Continued)

(e) Amounts owing by related parties

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Amounts outstanding	**735**	696	**368**	352
Less: Provision for doubtful debts	**(345)**	–	**(345)**	–
	390	696	**23**	352

Related parties refer to companies in which certain Directors and certain substantial shareholders of the Company are directors and/or substantial shareholders.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and amounts of RM344,000 (2006: RM344,000) bear interest at the rate of 8.0% (2006: 8.0%) per annum.

(f) These designated loans bear interest at rates from 6.1% to 7.3% (2006: 5.8% to 6.9%) per annum and have a term of one year. The Group has the right to offset the outstanding designated loan against future rental payments to the borrowers.

(g) As part of the arrangements to acquire the remaining 49% equity interest in Anshan Tianxing Parkson Shopping Centre Co Ltd in April 2007, the Group agreed to grant an entrusted loan of Rmb125.9 million (equivalent to approximately RM57.1 million) to Anshan Tianxing for the purpose of the repayment of the overdue entrusted loans of approximately Rmb72 million (equivalent to approximately RM32.6 million) to the Group and the repayment of the bank loans of approximately Rmb60 million (equivalent to approximately RM27.2 million) in order to discharge the mortgage over the 5th and 6th floors of the Anshan Properties. The entrusted loan was interest free and subsequently settled in July 2007.

(h) The amounts owing by jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

As disclosed in Note 27(i), other receivables of a subsidiary of RM40.2 million (2006: RM31.1 million) were pledged for bank borrowings.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Deposits, cash and bank balances:				
Cash on hand and at banks	**678,516**	441,141	**25,426**	5,814
Deposits with:				
Licensed banks	**1,026,647**	546,431	**170,281**	130,637
Licensed finance companies	**69,410**	28,473	**–**	–
Cash and cash equivalents	**1,774,573**	1,016,045	**195,707**	136,451

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China which amounted to RM1,076.3 million (2006: RM329.2 million) at balance sheet date are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

25. CASH AND CASH EQUIVALENTS (Continued)

Deposits, cash and bank balances amounting to RM87.5 million (2006: RM147.4 million) are pledged with financial institutions for banking facilities extended to the Group.

An Escrow Account of RM79,380 (2006: RM5,000) was maintained by a subsidiary that is pledged to the Murabahah Islamic Instrument as detailed in Note 27(ii).

The following deposits and bank balances, which arose from a property development project, are registered under the vendor's name:

	Group	
	2007 RM'000	2006 RM'000
Deposits with licensed banks	**46,652**	26,960
Bank balances	**25,004**	16,997
	71,656	43,957

Included in bank balances of a subsidiary is an amount of RM24.35 million (2006: RM13.81 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use for other operations.

The average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Licensed banks	**3.5**	3.2	**3.2**	2.7
Licensed finance companies	**3.0**	2.8	**–**	–

Deposits of the Group and of the Company have an average maturity of 60 days (2006: 60 days). Bank balances are deposits held at call with licensed banks.

26. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2007 RM'000	2006 RM'000
Building - as reclassified from property, plant and equipment (Note 11)	**2,249**	–

In July 2007, a subsidiary of the Company entered into a sale and purchase agreement to dispose of its building for a cash consideration of RM6,030,900. The transaction has not been completed.

27. BORROWINGS

		Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Short Term Borrowings					
Secured:					
Hire purchase payables (Note 28)		**1,306**	1,397	**117**	117
Short term loans	(i)	**54,768**	96,636	**–**	–
Letter of credit-i Facility	(ii)	**31,725**	–	**–**	–
		87,799	98,033	**117**	117
Unsecured:					
Bankers' acceptances		**6,184**	11,467	**–**	–
Revolving credit	(iii)	**14,248**	10,929	**–**	–
RCULS (Note 30)		**–**	992	**–**	992
Short term loans		**–**	7,569	**–**	–
		20,432	30,957	**–**	992
		108,231	128,990	**117**	1,109
Long Term Borrowings					
Secured:					
Hire purchase payables (Note 28)		**785**	1,566	**165**	282
		785	1,566	**165**	282
Unsecured:					
PRC bank loans	(iv)	**664,377**	–	**–**	–
RCULS (Note 30)		**–**	42,332	**–**	42,332
Term loans		**–**	14,900	**–**	–
		664,377	57,232	**–**	42,332
		665,162	58,798	**165**	42,614
Total Borrowings					
Hire purchase payables (Note 28)		**2,091**	2,963	**282**	399
Other borrowings		**771,302**	184,825	**–**	43,324
		773,393	187,788	**282**	43,723
Maturity of other borrowings (excluding hire purchase payables):					
Within one year		**106,925**	127,593	**–**	992
More than one year and less than two years		**–**	2,000	**–**	–
More than two years and less than five years		**664,377**	55,232	**–**	42,332
		771,302	184,825	**–**	43,324

27. BORROWINGS (Continued)

The ranges of effective interest rates at the balance sheet date for other borrowings were as follows:

		Group		Company	
		2007	**2006**	**2007**	**2006**
		%	%	%	%
ICULS (Note 29)		**–**	7.0	**–**	7.0
RCULS (Note 30)		**–**	7.0	**–**	7.0
Short term loans		**4.6 to 8.3**	4.5 to 8.2	**–**	–
Letter of credit-i Facility	(ii)	**6.4 to 6.7**	–	**–**	–
Bankers' acceptances		**4.0 to 6.0**	4.0 to 5.7	**–**	–
Revolving credit	(iii)	**8.5**	8.5	**–**	–
PRC bank loans	(iv)	**10.3**	–	**–**	–
Term loans		**–**	5.7 to 6.0	**–**	–

(i) The short term borrowings of RM44.51 million (2006: RM34.26 million) are secured against certain buildings of the Group.

Short term borrowings of a subsidiary of RM10.25 million (2006: RM10.23 million) are secured by:

(a) a fixed and floating charge over all present and future assets of the subsidiary, except for an unquoted investment of the subsidiary;

(b) a deed of assignment over insurance policies taken up by the subsidiary on or relating to its assets and payments received thereunder; and

(c) a deed of assignment over insurance policies taken up by related parties, Benecorp Sdn Bhd and WGD Retail Consultancy Sdn Bhd, on or relating to their assets and payment received thereunder.

(ii) In May 2006, a subsidiary of the Company entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").

The Letter of Credit-i Facility bear Murabahah profit margin of 6.45% to 6.65% per annum and has a tenor of 180 days.

The Letter of Credit-i Facility is secured by the following:

(a) All issued and paid-up shares of the subsidiary;

(b) 20.8 million quoted shares owned by the Company;

(c) Corporate gurantee by the Company; and

(d) Assignment over a designated escrow account identified to the Kuwait Finance House with a power of attorney in relation thereto.

(iii) A subsidiary of the Company entered into revolving credit agreements with a financial institution. The agreement provides a credit line of RM20.71 million subject to an 8.50% interest rate per annum on outstanding balance, with a maturity date on 8 February 2008.

The Company guarantees the credit agreement of the subsidiary.

27. BORROWINGS (Continued)

(iv) The PRC bank loans from JPMorgan Chase Bank, N.A., Shanghai Branch, have a maturity date on 13 November 2011 and an interest rate equals to the five-year bank loan rate as pronounced by the People's Bank of China plus a spread of 2.35% per annum.

To hedge the Group's interest rate exposure attributable to the PRC bank loans, on 15 November 2006, the Group and JPMorgan Chase Bank, N.A. entered into a series of interest rate swap contracts. These contracts are cash flow hedges of the expected future interest payments in respect of the above-mentioned PRC bank loans. The net impact of these interest rate swap contracts is to convert the interest expenses from variable to a fixed rate of 10.3%. On each settlement date, the bank loan interest and interest rate swap contracts will be settled simultaneously and on a net basis.

28. HIRE PURCHASE PAYABLES

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Minimum lease payments:				
Not later than one year	**1,423**	1,570	**132**	132
Later than one year and not later than five years	**858**	1,699	**188**	320
	2,281	3,269	**320**	452
Less: Future finance charges	**(190)**	(306)	**(38)**	(53)
Present value of finance lease liabilities	**2,091**	2,963	**282**	399
Present value of finance lease liabilities:				
Not later than one year	**1,306**	1,397	**117**	117
Later than one year and not later than five years	**785**	1,566	**165**	282
	2,091	2,963	**282**	399
Analysed as:				
Due within one year (Note 27)	**1,306**	1,397	**117**	117
Due after one year (Note 27)	**785**	1,566	**165**	282
	2,091	2,963	**282**	399

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 3.1% to 7.7% (2006: 3.3% to 7.7%) per annum.

29. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the acquisition of new operations in 2004, the Company issued RM140 million nominal value 5-year 2% coupon irredeemable convertible unsecured loan stocks ("ICULS") as part of the settlement. The terms of the ICULS are as follows:

(a) Conversion Rights and Rate

The ICULS are convertible into new ordinary shares of RM0.50 each in the Company during the conversion period at the conversion price of RM0.86 for every new ordinary share in the Company.

29. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Continued)

(b) Conversion Period

The ICULS are for a period of 5 years maturing on 1 June 2009.

(c) Coupon Rate

The ICULS bear a coupon interest rate of 2% per annum payable annually in arrears on the anniversary of the issue date during the tenure of the ICULS.

(d) Redeemability

Not redeemable for cash. Unless previously converted, all outstanding ICULS will be mandatorily converted into new ordinary shares of RM0.50 each at the conversion price of RM0.86 for every new ordinary share in the Company on 1 June 2009.

(e) Ranking

The new ordinary shares to be issued pursuant to the conversion of the ICULS shall rank *pari passu* in all respects with the existing ordinary shares of the Company.

The ICULS are listed on the Main Board of Bursa Securities. Subsequent to the full conversion of the ICULS into ordinary shares of RM0.50 each in the Company, Bursa Securities had on 18 September 2006, removed the ICULS from the Official List of Bursa Securities.

The value of the ICULS has been split into the liability component and the equity component, representing the fair value of the conversion option. The ICULS were accounted for in the balance sheets as follows:

	Group/Company	
	2007 RM'000	**2006 RM'000**
Nominal value:		
At 1 July	*	109,438
Redeemed during the year	*	(109,438)
At 30 June	–	*
Less: Unamortised portion	–	–
Net amount	–	–
Amount due within one year	–	–
Amount due after one year	–	–

* Represents RM300 with a fair value of RM1,000.

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7% per annum.

30. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the acquisition of new operations in 2004, the Company issued RM100 million nominal value 5-year 2% coupon redeemable convertible unsecured loan stocks ("RCULS") as part of the settlement. The terms of the RCULS are as follows:

(a) Conversion Rights and Rate

The RCULS are convertible into new ordinary shares of RM0.50 each in the Company during the conversion period at the conversion price of RM0.86 for every new ordinary share in the Company.

(b) Conversion Period

The RCULS are for a period of 5 years maturing on 1 June 2009.

(c) Coupon Rate

The RCULS bear a coupon interest rate of 2% per annum payable annually in arrears on the anniversary of the issue date during the tenure of the RCULS.

(d) Redeemability

The Company will have an option to redeem any of the RCULS on a pro-rata basis by giving two (2) weeks written notice to the holders at any time. If for whatever reason the holder does not convert the RCULS or the Company does not exercise the redemption, all of the outstanding RCULS will be redeemed for cash at RM1.00 per RCULS on 1 June 2009.

(e) Ranking

The new ordinary shares to be issued pursuant to the conversion of the RCULS shall rank *pari passu* in all respects with the existing ordinary shares of the Company.

The RCULS were fully converted into ordinary shares of RM0.50 each in the Company during the financial year.

The value of the RCULS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCULS are accounted for in the balance sheets as follows:

	Group/Company	
	2007	**2006**
	RM'000	**RM'000**
Nominal value:		
At 1 July	**49,576**	98,500
Redeemed during the year	**(49,576)**	(48,924)
Nominal value	**–**	49,576
Less: Unamortised portion	**–**	(6,252)
Net amount	**–**	43,324
Amount due within one year (Note 27)	**–**	(992)
Amount due after one year (Note 27)	**–**	42,332

Interest expense on the RCULS is calculated on the effective yield basis by applying the interest rate of 7% per annum.

31. LONG TERM PAYABLES

The long term payables represented the long term portion of accrued rental expenses.

32. NOTES

		Group 2007 RM'000	Group 2006 RM'000
Senior guaranteed notes ("SGN1"), listed	(Note i)	**677,215**	–
Senior guaranteed notes ("SGN2"), listed	(Note ii)	**421,374**	–
		1,098,589	–

(i) On 14 November 2006, Parkson Retail, a subsidiary of the Company, issued the SGN1 in an aggregate principal amount of US$200 million. The SGN1 were admitted to the Official List of the Singapore Exchange Securities Trading Limited. The SGN1 are due on 14 November 2011 and bear interest at a rate of 7.875% per annum. Interest is payable semi-annually in arrears on 14 May and 14 November of each year, commencing on 14 May 2007.

The obligations of Parkson Retail under the SGN1 are secured by (i) first priority pledges and share charges of all the ownership interests of Parkson Retail, direct and indirect, in certain subsidiaries of Parkson Retail; and (ii) a charge over the CLN as disclosed in Note 18(a).

(ii) On 30 May 2007, Parkson Retail issued the SGN2 in an aggregate principal amount of US$125 million. The SGN2 were admitted to the Official List of the Singapore Exchange Securities Trading Limited. The SGN2 are due on 30 May 2012 and bear interest at a rate of 7.125% per annum. Interest is payable semi-annually in arrears on 30 May and 30 November of each year, commencing on 30 November 2007. Parkson Retail has the option to redeem the SGN2 as follows:

(1) redeemable up to 35% of the SGN2 from the proceeds of certain equity offerings at any time and from time to time prior to the third year from the date of issue;

(2) redeemable up to 100% of the SGN2 at any time and from time to time after the third year from the date of issue at redemption prices set forth in the indentures governing the notes; and

(3) subject to certain conditions, redeemable in whole, but not in part, at a redemption price equal to 100% of the principal amount of the SGN2, plus the applicable premium.

The obligations of Parkson Retail under the SGN2 are guaranteed by certain of Parkson Retail's subsidiaries.

The Group has entered into cross currency interest rate swap agreements in order to provide the Group with a Rmb equivalent fixed rate debt of 3.45% per annum.

	Group 2007 RM'000	Group 2006 RM'000
Maturity of notes:		
More than two years and less than five years	**1,098,589**	–

33. TRADE PAYABLES

	Group 2007 RM'000	Group 2006 RM'000
Trade payables	**636,445**	422,707

The normal trade credit terms granted to the Group ranges from 30 to 60 days.

34. OTHER PAYABLES

		Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Sundry payables		**230,326**	130,742	**–**	–
Deposit		**100,676**	36,175	**–**	–
Accruals		**119,346**	143,686	**1,306**	26,756
Amounts owing to subsidiaries		**–**	–	**750,949**	968,998
Amounts owing to related parties		**1,214**	1,140	**516**	280
Provision for coupon liabilities	(Note i)	**42,117**	25,201	**–**	–
		493,679	336,944	**752,771**	996,034

(i) A reconciliation of the provision for coupon liabilities is as follow:

	Group 2007 RM'000	Group 2006 RM'000
At 1 July	**25,201**	22,739
Business combinations	**7,473**	1,571
Arising during the year	**41,387**	9,284
Utilised	**(21,383)**	(5,418)
Unused amounts reversed	**(10,226)**	(2,975)
Exchange differences	**(335)**	–
At 30 June	**42,117**	25,201

A provision for coupon liabilities is recognised for the expected amount of redemptions of coupons granted during the last two years, based on past experience of the level of redemptions. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years from the balance sheet date. Assumptions used to calculate the provision for coupon liabilities were based on the amount of bonus points outstanding and the current information available about the level of redemptions based on the two-year redemption period.

The amounts owing to subsidiaries are unsecured, interest free (2006: 1.0% per annum) and have no fixed terms of repayment.

The amounts owing to related parties are unsecured, have no fixed terms of repayment and RM550,000 (2006: RM320,000) bear interest at the rate of 8.0% (2006: 8.0%) per annum.

35. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2007	**2006**	**2007**	**2006**
	'000	**'000**	**RM'000**	**RM'000**
Authorised:				
At 1 July/30 June	**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid:				
At 1 July	**679,577**	495,435	**339,788**	247,717
Movements during the year pursuant to:				
Conversion of ICULS	*	127,253	*	63,627
Conversion of RCULS	**57,646**	56,889	**28,824**	28,444
At 30 June	**737,223**	679,577	**368,612**	339,788

* Negligible. Represent conversion of RM300 nominal value of ICULS into 348 new ordinary shares of RM0.50 each.

(a) Issue of Ordinary Shares

During the financial year, the Company increased its issued and paid-up share capital from RM339,788,393.50 to RM368,611,613.50 by way of:

(i) the conversion of RM300 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") into 348 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share; and

(ii) the conversion of RM49,575,640 nominal value of RCULS into 57,646,092 new ordinary shares of RM0.50 each at a conversion price of RM0.86 per share.

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

(b) Executive Share Option Scheme

The Executive Share Option Scheme of the Company established for the benefit of eligible executive directors and executive employees of the Group was implemented on 1 September 2005. The salient features and other terms of the Executive Share Option Scheme are as disclosed in the Directors' Report. No options were granted pursuant to the Executive Share Option Scheme during the financial year.

36. OTHER RESERVES

Group	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000 (a)	Asset Revaluation Reserve RM'000 (b)	Capital Reserves RM'000 (c)	Equity Components RM'000	Total RM'000
At 1 July 2005	(1,597)	–	–	6,424	120,193	125,020
Translation difference:						
On net equity of foreign subsidiaries	1,131	–	–	–	–	1,131
Conversion of ICULS	–	–	–	–	(100,000)	(100,000)
Conversion of RCULS	–	–	–	–	(10,030)	(10,030)
Appropriation of profit to capital reserves	–	–	–	3,452	–	3,452
At 30 June 2006	(466)	–	–	9,876	10,163	19,573
At 1 July 2006	**(466)**	**–**	**–**	**9,876**	**10,163**	**19,573**
Translation difference:						
On net equity of foreign subsidiaries	**(9,719)**	**–**	**–**	**–**	**–**	**(9,719)**
Conversion of ICULS	**–**	**–**	**–**	**–**	*	*
Conversion of RCULS	**–**	**–**	**–**	**–**	**(10,163)**	**(10,163)**
Appropriation of profit to capital reserves	**–**	**–**	**–**	**8,202**	**–**	**8,202**
Post acquisition reserve of jointly controlled entity	**–**	**–**	**56,544**	**–**	**–**	**56,544**
Effect of change in deferred tax rate	**–**	**–**	**6,829**	**–**	**–**	**6,829**
Equity-settled share option arrangements	**–**	**3,191**	**–**	**–**	**–**	**3,191**
Employee share options exercised	**–**	**(340)**	**–**	**–**	**–**	**(340)**
At 30 June 2007	**(10,185)**	**2,851**	**63,373**	**18,078**	**–**	**74,117**
Company						
At 1 July 2005	–	–	–	–	120,193	120,193
Conversion of ICULS	–	–	–	–	(100,000)	(100,000)
Conversion of RCULS	–	–	–	–	(10,030)	(10,030)
At 30 June 2006	–	–	–	–	10,163	10,163
At 1 July 2006	**–**	**–**	**–**	**–**	**10,163**	**10,163**
Conversion of ICULS	**–**	**–**	**–**	**–**	*	*
Conversion of RCULS	**–**	**–**	**–**	**–**	**(10,163)**	**(10,163)**
At 30 June 2007	**–**	**–**	**–**	**–**	**–**	**–**

* Negligible. Represent conversion of RM300 nominal value of ICULS into 348 new ordinary shares of RM0.50 each.

36. OTHER RESERVES (Continued)

(a) Share option reserve

The share option reserve represents the equity-settled share options granted to employees by Parkson Retail Group Limited, a subsidiary of the Company as set out in Note 37.

(b) Asset revaluation reserve

Movement in asset revaluation reserve represents the fair value adjustments to the property, plant and equipment, investment properties and lease prepayments which were owned by the Group before the acquisition of the remaining 44% equity interest in Beijing Parkson.

(c) Capital reserves

The capital reserves are maintained by the Group's subsidiaries in the People's Republic of China in accordance with the accounting regulations in that country and are not available for payment of dividend.

37. EMPLOYEE SHARE-BASED PAYMENT

On 10 January 2007, a total of 8,188,950 share options were granted by Parkson Retail Group Limited ("Parkson Retail"), a subsidiary of the Company, to 482 eligible employees at an exercise price of HK$36.75 per share pursuant to an employee share option scheme. The Employee Share Option Scheme ("ESOS") ("Scheme") of Parkson Retail was approved by the shareholders of Parkson Retail on 9 November 2005 and is valid and effective for a period of 10 years up to 8 November 2015, after which no further share options will be granted.

The salient features of the ESOS are as follows:

(i) Parkson Retail may from time to time grant options to Group employees, directors, consultants, business associates or advisers of Parkson Retail to subscribe for ordinary shares of Parkson Retail. No consideration is payable upon acceptance of the option by the grantee;

(ii) The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 55,200,000, being 10% of the issued share capital of Parkson Retail on 9 November 2005, the date on which the Scheme was adopted. Unless with the approval from Parkson Retail's shareholders at general meetings, the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months period is not permitted to exceed 1% of the shares of Parkson Retail in issue at any point in time. In addition, Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive Director of Parkson Retail) in excess of 0.1% of Parkson Retail share capital or with a value in excess of HK$5,000,000 must be approved in advance by Parkson Retail's shareholders in general meeting;

(iii) The exercise price is determined by the directors of Parkson Retail and will not be less than (a) the closing price of the Parkson Retail's shares on the date of grant; (b) the average closing of the shares for the 5 business days immediately preceding the date of grant; and (c) the nominal value of Parkson Retail's share;

(iv) The options may be exercised at any time during a period commencing on or after the date to be notified to each grantee which period shall commence not less than 1 year and not to exceed 10 years from the date of grant of the relevant option; and

(v) Shares issued or transferred upon exercise of the options granted under the ESOS will rank *pari passu* in all respects with the existing ordinary shares of Parkson Retail.

37. EMPLOYEE SHARE-BASED PAYMENT (Continued)

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year.

The share options	Exercise period	Number of Share Options Movement During the Year 1 July 2006	Granted	Exercised	Lapsed	30 June 2007
Lot 1	24 January 2007 to 23 January 2010	–	**5,955,600**	**(644,600)**	–	**5,311,000**
Lot 2	2 January 2008 to 1 January 2011	–	**2,233,350**	–	**(71,250)**	**2,162,100**
		–	**8,188,950**	**(644,600)**	**(71,250)**	**7,473,100**

The exercise prices of the outstanding share options at the end of the year is HK$36.75 per share.

(i) Share options exercised during the year

Options exercised during the financial year resulted in the issuance of 644,600 ordinary shares at HK$36.75 per share. The related average share price of Parkson Retail from the grant date to 30 June 2007 was HK$50.10.

(ii) Fair value of share options granted during the year

The fair value of the options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions. The 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.

The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Fair value of share options (HK$)	2.13
Dividend yield (%)	0.77 – 1.56
Expected volatility (%)	25.79 – 35.94
Risk-free interest rate (%)	3.638 – 3.648
Expected life (year)	0.5 – 1.5
Share price (HK$)	44.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

38. RETAINED PROFITS

As at 30 June 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to RM11,056,000 (2006: RM6,534,000) out of its retained profits. Tax exempt profits available for distribution as at balance sheet date is approximately RM821,800,000 (2006: RM100,667,000), subject to the agreement of the Inland Revenue Board.

39. COMMITMENTS

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
(a) Capital Commitments				
Capital expenditure for property, plant and equipment:				
Approved and contracted for	**156,320**	156,021	**121,587**	151,280
Approved but not contracted for	**90,045**	442,420	**82,588**	440,844
	246,365	598,441	**204,175**	592,124
(b) Non-Cancellable Operating Lease Commitments				
Future minimum rentals payable:				
Not later than one year	**271,360**	198,988	**–**	–
Later than one year and not later than five years	**872,874**	735,326	**–**	–
Later than five years	**1,618,320**	1,139,160	**–**	–
	2,762,554	2,073,474	**–**	–

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries. Leases are negotiated for an average life of between 5 and 20 years.

(c) Acquisition Commitments

As at 30 June 2007, the Group had the following acquisition commitments:

		2007 RM'000
Acquisition of the minority interest of Mianyang Parkson	(Note i)	**40,786**
Acquisition of Anshan Properties	(Note ii)	**204,075**
		244,861

(i) On 21 May 2007, the Group entered into a sale and purchase agreement with Sichuan Fulin Industrial Group Co Ltd to acquire its entire 40% equity interest in Mianyang Parkson at a consideration of Rmb99,928,800 (equivalent to approximately RM45,318,000). The execution of the transaction is subject to the approval from the relevant PRC authorities. Mianyang Parkson was a 60% owned subsidiary of the Group.

As at 30 June 2007, the Group paid an investment deposit amounting to Rmb9,992,880, (equivalent to approximately RM4,532,000) as disclosed in Note 24(d). Management anticipated that the acquisition transaction will be completed in the next financial year.

(ii) As at 30 June 2007, the acquisition transaction of the Anshan Properties as stated in Note 20 has not been completed.

40. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**–**	–	**37,817**	28,394

On 16 January 2004, Graimpi Sdn Bhd and LDH Management Sdn Bhd (collectively referred to as "Brewery Vendors") and Horsinvest Holding Co Ltd entered into a supplemental agreement ("Supplemental Agreement"), pursuant to which they agreed to the following:

(a) a United States Dollar equivalent of the amount of Rmb30 million (equivalent to approximately RM13.77 million) is to be held in escrow for the use by Hunan DEbier Brewery Co Ltd to satisfy all the relevant employee severance payments. As at 30 June 2007, the relevant employee severance payments have been settled and the Group has received the Rmb30 million; and

(b) the Brewery Vendors agreed to jointly and severally indemnify Horsinvest Holding Co Ltd and each of their respective successors, assigns, and directors and officers and the directors of the brewery companies (namely Consitrade (M) Sdn Bhd, DEbier Sdn Bhd or their subsidiaries or associates except for Shanghai DEbier Management Consulting Co Ltd, Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd) ("Brewery Companies") designated by Horsinvest Holding Co Ltd (collectively, the "Indemnified Persons") and shall reimburse the Indemnified Persons for any and all liabilities incurred directly or indirectly by any of the Indemnified Persons or any of the Brewery Companies arising out of, resulting from, relating to or in connection with the Brewery Companies' employee benefits liabilities and any taxation liabilities arising on or before the completion date, i.e. 16 January 2004; provided that:

    (i) the obligation of the Brewery Vendors to indemnify the Indemnified Persons shall be limited in amount to the percentage of the liabilities that is equivalent to the aggregate percentage interest held directly or indirectly by Consitrade (M) Sdn Bhd or DEbier Sdn Bhd in such Brewery Companies immediately prior to the completion date, i.e. 16 January 2004; and

    (ii) claims for indemnification shall be brought by the Indemnified Persons with notice in writing to the Brewery Vendors no later than:

    - 3 years from 16 January 2004 with respect to a claim or claims in connection with employee benefits liabilities; and
    - 7 years from 16 January 2004 with respect to a claim or claims in connection with any taxation liabilities.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

		Group	
Related Parties	**Nature**	**2007 RM'000**	**2006 RM'000**
Lion Industries Corporation Berhad	Rental of premises	**2,399**	2,397
Amsteel Mills Sdn Bhd	Purchase of steel products	**6,735**	3,016
Antara Steel Mills Sdn Bhd	Purchase of steel products	**31,926**	–
Megasteel Sdn Bhd	Commission, management and finance income from trading of steel products *	**8,765**	33
Lion Plate Mills Sdn Bhd	Purchase of steel products	**90**	2,280
Bright Steel Sdn Bhd	Purchase of steel products	**802**	4,204
Bright Steel Service Centre Sdn Bhd	Purchase of steel products	**2,384**	226
Likom Plastic Industries Sdn Bhd	Purchase of raw materials	**22,124**	28,845
WGD Retail Consultancy Sdn Bhd	Commission receivables	**279**	2,043

* The income is in relation to the financing facilities provided for trading of steel products amounting to RM337.8 million (2006: RM4.4 million).

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Lion Industries Corporation Berhad ("LICB") is a substantial shareholder of the Company.

Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd are subsidiaries of LICB.

Megasteel Sdn Bhd and Lion Plate Mills Sdn Bhd are subsidiaries of Lion Corporation Berhad, an associate of the Company in which certain Directors and certain substantial shareholders of the Company are directors and substantial shareholders.

Bright Steel Sdn Bhd and Bright Steel Service Centre Sdn Bhd are subsidiaries of Amalgamated Containers Berhad (now known as Parkson Holdings Berhad), a company in which certain Directors and certain substantial shareholders of the Company is a director and/or are substantial shareholders.

Likom Plastic Industries Sdn Bhd is a company in which certain Directors of the Company are also substantial shareholders of its holding company.

WGD Retail Consultancy Sdn Bhd is a wholly-owned subsidiary of Amsteel Corporation Berhad, a company in which certain Directors and certain substantial shareholders of the Company is a director and/or are substantial shareholders.

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 on terms that are no more favourable to the related parties than those arranged with independent third parties.

42. SIGNIFICANT EVENTS

Significant events are as disclosed in the Directors' Report.

43. FINANCIAL INSTRUMENTS

(a) 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 interest rate, foreign exchange, liquidity and credit risks. It is the Group's policy not to engage in speculative transactions.

(b) 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 is managed through the use of fixed and floating rates debts. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Interest Rate Risk (Continued)

The following financial instruments of the Group and the Company are exposed to interest rate risk:

	Note	Within 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Total RM'000
At 30 June 2007							
Group							
Fixed rate							
Credit linked notes	18	–	–	–	–	**690,726**	**690,726**
Term loans	27	**(54,768)**	–	–	–	–	**(54,768)**
Letter of credit-i Facility	27	**(31,725)**	–	–	–	–	**(31,725)**
Revolving credit	27	**(14,248)**	–	–	–	–	**(14,248)**
PRC bank loans	27	–	–	–	–	**(664,377)**	**(664,377)**
Hire purchase	28	**(1,306)**	**(586)**	**(150)**	**(49)**	–	**(2,091)**
Notes	32	–	–	–	–	**(1,098,589)**	**(1,098,589)**
Interest rate swap contracts *		–	–	–	–	–	–
Floating rate							
Cash assets	25	**1,774,573**	–	–	–	–	**1,774,573**
Bankers' acceptances	27	**(6,184)**	–	–	–	–	**(6,184)**
At 30 June 2006							
Group							
Fixed rate							
Term loans	27	(104,205)	(2,000)	(3,100)	(6,050)	(3,750)	(119,105)
Revolving credit	27	(10,929)	–	–	–	–	(10,929)
RCULS	30	(992)	–	(42,332)	–	–	(43,324)
Hire purchase	28	(1,397)	(1,088)	(409)	(69)	–	(2,963)
Floating rate							
Cash assets	25	1,016,045	–	–	–	–	1,016,045
Bankers' acceptances	27	(11,467)	–	–	–	–	(11,467)
At 30 June 2007							
Company							
Fixed rate							
Hire purchase	28	**(117)**	**(117)**	**(48)**	–	–	**(282)**
Floating rate							
Cash assets	25	**195,707**	–	–	–	–	**195,707**
At 30 June 2006							
Company							
Fixed rate							
RCULS	30	(992)	–	(42,332)	–	–	(43,324)
Hire purchase	28	(117)	(117)	(117)	(48)	–	(399)
Floating rate							
Cash assets	25	136,451	–	–	–	–	136,451

* the effect of the interest rate swap is disclosed in Note 27(iv)

43. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign Exchange Risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in US Dollars, the Group's foreign currency exchange risk is primarily due to US Dollars. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Other than the SGN2 with carrying amount of RM421.37 million at year end (Note 32(ii)) and those disclosed below, the financial assets and financial liabilities of the Group are denominated in their functional currencies. The SGN2 payables in US Dollar is denominated in functional currencies of a subsidiary, which is in Chinese Renminbi. The net unhedged financial assets and financial liabilities of the Group, excluding the SGN2, that are not denominated in their functional currencies are as follows:

At 30 June 2007

	Net Financial Assets/Liabilities Held				
Functional Currency	**Ringgit Malaysia RM'000**	**Chinese Renminbi RM'000**	**Hong Kong Dollar RM'000**	**Others RM'000**	**Total RM'000**
Receivables					
Ringgit Malaysia	**323,086**	**–**	**–**	**40,123**	**363,209**
Chinese Renminbi	**–**	**325,970**	**–**	**–**	**325,970**
Others	**–**	**–**	**–**	**15,844**	**15,844**
	323,086	**325,970**	**–**	**55,967**	**705,023**
Deposits, Cash and Bank Balances					
Ringgit Malaysia	**376,642**	**–**	**–**	**–**	**376,642**
Chinese Renminbi	**–**	**1,076,315**	**–**	**–**	**1,076,315**
Hong Kong Dollar	**–**	**–**	**270,850**	**27,099**	**297,949**
Others	**–**	**–**	**–**	**23,667**	**23,667**
	376,642	**1,076,315**	**270,850**	**50,766**	**1,774,573**
Payables					
Ringgit Malaysia	**338,210**	**–**	**–**	**20,145**	**358,355**
Chinese Renminbi	**–**	**802,947**	**–**	**–**	**802,947**
Others	**–**	**–**	**83**	**10,950**	**11,033**
	338,210	**802,947**	**83**	**31,095**	**1,172,335**

At 30 June 2006

Receivables					
Ringgit Malaysia	97,196	–	–	35,899	133,095
Chinese Renminbi	–	238,517	–	–	238,517
Others	–	–	–	26,558	26,558
	97,196	238,517	–	62,457	398,170

43. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign Exchange Risk (Continued)

At 30 June 2006

	Net Financial Assets/Liabilities Held				
Functional Currency	**Ringgit Malaysia RM'000**	**Chinese Renminbi RM'000**	**Hong Kong Dollar RM'000**	**Others RM'000**	**Total RM'000**
Deposits, Cash and Bank Balances					
Ringgit Malaysia	268,817	–	–	–	268,817
Chinese Renminbi	–	329,203	–	–	329,203
Hong Kong Dollar	–	–	405,522	–	405,522
Others	–	–	–	12,503	12,503
	268,817	329,203	405,522	12,503	1,016,045
Payables					
Ringgit Malaysia	332,795	–	–	37,553	370,348
Chinese Renminbi	–	411,698	–	–	411,698
Others	–	–	–	18,835	18,835
	332,795	411,698	–	56,388	800,881

(d) Hedging Activities

As at 30 June 2007, the Group held four interest rate swap contract which are synthetic financial instruments and designated as hedges of the expected interest payments attributable to the PRC bank loans in a total amount of RM664.4 million (Note 27(iv)).

The interest rate swap contracts have been drafted to match the principal amounts and terms of the relevant bank loan agreements and these synthetic financial instruments will together generate a fixed interest rate bank loan with an effective interest rate of 10.3%.

The Group and JPMorgan Chase Bank, N.A. agreed that the execution of the interest rate swap contracts is non-separable from the performance of the PRC bank loans and the parties have the right and intention to realise the assets and settle the liabilities attributable to the PRC bank loans and the interest rate swap contracts simultaneuously and on a net basis.

The cash flow hedges of the expected future interest payments on 13 May and 13 November of each year, commencing on 13 May 2007, were assessed to be highly effective and as at 30 June 2007, there is no unrealised gain or loss in respect of these contracts.

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(f) Credit Risk

Credit risk arises when sales made were on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

43. FINANCIAL INSTRUMENTS (Continued)

(g) Fair Values

The fair values of the Group's financial assets and liabilities, except for investments, advances to/from subsidiaries and ICULS, are approximate to their carrying amounts.

The fair values of the quoted investments and ICULS are disclosed in Notes 18 and 29 respectively. It is not practicable to estimate the fair values of advances to/from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

It is not practical to estimate the fair value of the Group's unquoted investments due to the lack of quoted market prices.

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

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

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

(ii) Quoted Investments

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

(iii) Long Term Borrowings

The fair value of long term borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

44. SEGMENT INFORMATION

(a) Reporting Format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business Segments

The Group is organised on a worldwide basis into four major business segments:

(i) Retailing - Department stores operations
(ii) Property - Property development
(iii) Computer - Manufacturing and sale of computer and related products
(iv) Others - Investment holding and others

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

44. SEGMENT INFORMATION (Continued)

(b) Business Segments (Continued)

2007

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	4,782,552	87,469	298,559	3,102	5,171,682
Inter-segment sales	–	–	–	–	–
Total revenue	4,782,552	87,469	298,559	3,102	5,171,682
Results					
Segment results	477,891	19,793	7,257	5,617	510,558
Unallocated corporate expenses					–
Profit from operations					510,558
Finance costs					(100,644)
Impairment loss of intangible assets	(2,547)	–	–	–	(2,547)
Impairment loss and compensation due to cessation of operation of a subsidiary	(46,406)	–	–	–	(46,406)
Gain on disposal of subsidiaries					499,261
Share of results of associates	–	–	–	(10,987)	(10,987)
Share of results of jointly controlled entities	9,020	(1,268)	–	–	7,752
Income tax expenses					(118,947)
Profit after taxation					738,040
Minority interests					(133,422)
Net profit for the year					604,618
Assets					
Segment assets	4,466,882	254,637	182,194	1,160,483	6,064,196
Investments in associates	1,029	–	–	153,648	154,677
Investments in jointly controlled entities	30,326	10,733	–	–	41,059
Non-current asset held for sale	2,249	–	–	–	2,249
Unallocated corporate assets					46,994
Consolidated total assets					6,309,175
Liabilities					
Segment liabilities	2,858,180	57,458	57,292	71,387	3,044,317
Unallocated corporate liabilities					129,468
Consolidated total liabilities					3,173,785

44. SEGMENT INFORMATION (Continued)

(b) Business Segments (Continued)

2007

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Other Information					
Capital expenditure	**63,095**	**3**	**6,942**	**287,698**	**357,738**
Depreciation	**72,706**	**156**	**5,957**	**350**	**79,169**
Amortisation	**384**	**–**	**–**	**–**	**384**
Impairment losses	**48,953**	**–**	**–**	**10,334**	**59,287**
Non-cash items other than depreciation, amortisation and impairment losses	**13,937**	**–**	**2,606**	**(1,046)**	**15,497**

2006

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Revenue					
External sales	2,893,114	141,532	332,757	141	3,367,544
Inter-segment sales	–	–	–	–	–
Total revenue	2,893,114	141,532	332,757	141	3,367,544
Results					
Segment results	200,801	24,453	23,741	4,876	253,871
Unallocated corporate expenses					–
Profit from operations					253,871
Finance costs					(20,701)
Gain on disposal of subsidiaries					436,211
Share of results of associates	(2,460)	–	–	(104,219)	(106,679)
Share of results of jointly controlled entities	43,356	(17)	–	–	43,339
Income tax expense					(78,112)
Profit after taxation					527,929
Minority interests					(57,054)
Net profit for the year					470,875
Assets					
Segment assets	1,980,318	272,332	222,118	530,299	3,005,067
Investments in associates	889	–	–	166,731	167,620
Investments in jointly controlled entities	93,134	53	–	–	93,187
Unallocated corporate assets					42,768
Consolidated total assets					3,308,642

44. SEGMENT INFORMATION (Continued)

(b) Business Segments (Continued)

2006

	Retailing RM'000	Property RM'000	Computer RM'000	Others RM'000	Consolidated RM'000
Liabilities					
Segment liabilities	749,480	65,254	63,815	110,120	988,669
Unallocated corporate liabilities					50,700
Consolidated total liabilities					1,039,369
Other Information					
Capital expenditure	53,471	14	7,057	277,614	338,156
Depreciation	52,430	19	5,580	455	58,484
Amortisation	9,101	–	2,936	103	12,140
Non-cash items other than depreciation, amortisation and impairment losses	1,849	–	(1,265)	(1,520)	(936)

(c) Geographical Segments

The Group's four business segments are operated in four main geographical areas:

(i) Malaysia - Retailing, property, computer and others
(ii) People's Republic of China - Retailing and others
(iii) Cayman Islands - Retailing and others
(iv) Others - Retailing, computer and others

	Total Revenue from External Customers 2007 RM'000	2006 RM'000	Segment Assets 2007 RM'000	2006 RM'000	Capital Expenditure 2007 RM'000	2006 RM'000
Malaysia	**1,106,706**	1,113,393	**1,652,918**	1,193,723	**310,191**	307,369
People's Republic of China	**3,686,338**	1,866,622	**3,247,595**	1,276,002	**45,726**	21,561
Cayman Islands	**–**	–	**960,796**	435,693	**–**	–
Others	**378,638**	387,529	**202,887**	99,649	**1,821**	9,226
Total	**5,171,682**	3,367,544	**6,064,196**	3,005,067	**357,738**	338,156

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2007

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	Office (15)	4.7	1992
2.	Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (9)	2.8	June 2004
3.	Ground Floor Podium "A Block" Kompleks Karamunsing Jalan Tuaran Kota Kinabalu, Sabah	Leasehold 21.1.2901	1,245.1 sq metres	Building	Vacant (17)	2.2	June 2004
4.	918, Huaihai Zhong Lu Shanghai, China	Leasehold 29.11.2024	26,786.0 sq metres	Building	Shopping complex (11)	57.2	June 2004
5.	44-60, Zhong Shan Lu Shi Nan City Qingdao, China	Leasehold 31.5.2025	114,981.3 sq metres	Commercial land and building	Shopping complex and office (7)	122.2	June 2004
6.	127, Renming Zhong Road Wuxi, China	Leasehold 22.4.2044	30,498.6 sq metres	Commercial land and building	Shopping complex and office (11)	21.3	June 2004
7.	239, Dongda Street Xian, China	Leasehold 22.5.2047	17,755.4 sq metres	Commercial building	Shopping complex (10)	25.2	June 2004
8.	37, Jinrong Main Road Xicheng District Beijing, China	Leasehold 30.10.2047	60,888.6 sq metres	Commercial land and building	Shopping complex and office (13)	345.5	July 2006

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2007

Authorised Share Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM368,611,613.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2007

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	157	2.63	4,648	0.00
100 to 1,000	2,630	44.13	2,265,484	0.31
1,001 to 10,000	2,418	40.58	9,485,428	1.29
10,001 to 100,000	497	8.34	15,339,358	2.08
100,001 to less than 5% of issued shares	253	4.25	314,245,118	42.63
5% and above of issued shares	4	0.07	395,883,191	53.69
	5,959	100.00	737,223,227	100.00

Substantial Shareholders as at 30 September 2007

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
1. Tan Sri William H.J. Cheng	121,356,607	16.46	321,313,788	43.58
2. Datuk Cheng Yong Kim	7,596,837	1.03	279,644,035	37.93
3. Lion Realty Pte Ltd	–	–	279,559,235	37.92
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.14	278,497,346	37.78
5. Narajaya Sdn Bhd	112,127,601	15.21	–	–
6. Horizon Towers Sdn Bhd	–	–	166,369,745	22.57
7. Lion Corporation Berhad	838,700	0.11	165,531,045	22.45
8. Amsteel Mills Sdn Bhd	122,948,900	16.68	–	–
9. Lion Industries Corporation Berhad	42,518,645	5.77	123,012,400	16.69
10. LLB Steel Industries Sdn Bhd	–	–	122,948,900	16.68
11. Steelcorp Sdn Bhd	–	–	122,948,900	16.68

Thirty Largest Registered Shareholders as at 30 September 2007

	Registered Shareholders	No. of Shares	% of Shares
1.	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	122,948,900	16.68
2.	Cheng Heng Jem	121,356,607	16.46
3.	Narajaya Sdn Bhd	109,059,039	14.79
4.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	42,518,645	5.77
5.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Merrill Lynch International (Prime Broker)	25,523,200	3.46
6.	Deluxe Venture International Limited	17,400,000	2.36
7.	Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund UAJB for Unifund (HTSG as Trustee)	17,133,700	2.32
8.	Citigroup Nominees (Asing) Sdn Bhd GSCO for Brookside Capital Partners Fund LP	14,820,300	2.01
9.	Scotia Nominees (Tempatan) Sdn Bhd Custodial Account for Ributasi Holdings Sdn Bhd	9,570,000	1.30
10.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	7,896,000	1.07
11.	Cheng Yong Kim	7,596,837	1.03
12.	HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International Plc (Firm A/C)	7,585,020	1.03
13.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for President and Fellows of Harvard College (HCM)	7,212,600	0.98
14.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for JF Asean Fund	6,900,000	0.94
15.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges Bank)	6,424,000	0.87
16.	Citigroup Nominees (Asing) Sdn Bhd Merrill Lynch International	6,344,700	0.86
17.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund KG67 for AIM International Emerging Growth Fund	6,159,300	0.84
18.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ributasi Holdings Sdn Bhd	5,789,474	0.79
19.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	5,660,400	0.77
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. International Plc	5,430,800	0.74
21.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad icapital.biz Berhad	5,408,400	0.73
22.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for Credit Agricole Titres Brunoy	5,310,000	0.72
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. Incorporated	4,718,021	0.64
24.	Lion Holdings Private Limited	4,714,258	0.64
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	3,613,010	0.49
26.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY73 for the Pacific Basin Equity Fund (RIC Plc)	3,242,500	0.44
27.	Cartaban Nominees (Asing) Sdn Bhd Credit Suisse Securities (Europe) Limited	3,032,900	0.41
28.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Osmium Special Situations Fund Ltd	2,965,400	0.40
29.	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	2,742,900	0.37
30.	Ributasi Holdings Sdn Bhd	2,623,953	0.36

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2007

The Directors' interests in shares in the Company and its related companies as at 30 September 2007 are as follows:

The Company

	Nominal Value Per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Tan Sri William H.J. Cheng	RM0.50	121,356,607	16.46	321,313,788	43.58
Datuk Cheng Yong Kim	RM0.50	7,596,837	1.03	279,644,035	37.93
Cheng Yong Kwang	RM0.50	2,272,173	0.31	–	–
Heah Sieu Lay (1)	RM0.50	500,000	0.07	–	–

Related Companies

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

	Nominal Value Per Ordinary Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	80.00
Hamba Research & Development Co Ltd	NT$10.00	980,000	98.00
LDH Investment Pte Ltd	*	4,500,000	100.00
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	100.00
Parkson Holdings Berhad (2)	RM0.25	3,842,048,772	99.16
Parkson Retail Group Limited	HK$0.10	306,360,000	55.11

	Nominal Value Per Preference Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	100.00

Investments in the People's Republic of China	Indirect Interest Rmb	Indirect Interest % Holding
Chongqing Wanyou Parkson Plaza Co Ltd	21,000,000	70.00
Dalian Tianhe Parkson Shopping Centre Co Ltd	60,000,000	60.00
Guizhou Shenqi Parkson Retail Development Co Ltd	6,000,000	60.00
Mianyang Fulin Parkson Plaza Co Ltd	30,000,000	100.00
Nanning Brilliant Parkson Commercial Co Ltd	14,000,000	70.00
Qingdao No. 1 Parkson Co Ltd	124,501,580	52.60
Wuxi Sanyang Parkson Plaza Co Ltd	48,000,000	60.00
Xi'an Chang'an Parkson Store Co Ltd	5,100,000	51.00
Xi'an Lucky King Parkson Plaza Co Ltd	29,580,000	91.00
Xi'an Shidai Parkson Store Co Ltd	7,650,000	51.00
Xinjiang Youhao Parkson Development Co Ltd	10,200,000	51.00
Yangzhou Parkson Plaza Co Ltd	35,553,700	55.00

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2007 (Continued)

Related Companies (Continued)

	Nominal Value Per Ordinary Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Likom CMS Sdn Bhd			
Tan Sri William H.J. Cheng	RM1.00	10,000	100.00
Datuk Cheng Yong Kim	RM1.00	9,998	99.98

Notes:

(1) *Disposed of the entire 500,000 shares on 9 October 2007 and 10 October 2007.*

(2) *Also deem interested in RM500 million 3-year 3.5% coupon redeemable convertible secured loan stocks ("RCSLS") issued by Parkson Holdings Berhad with a right to convert into new ordinary shares in Parkson Holdings Berhad ("Parkson Shares") at a conversion price of RM1.00 nominal amount of the RCSLS for every one new Parkson Share ("Conversion Price") which Conversion Price shall be adjusted to RM4.00 nominal amount of the RCSLS for every one new Parkson Share upon the share consolidation exercise undertaken by Parkson Holdings Berhad on the basis of every four shares of RM0.25 each into one ordinary share of RM1.00 in Parkson Holdings Berhad.*

* *Shares in companies incorporated in Singapore do not have a par value.*

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

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Master Sale Agreement dated 27 September 2006 and Supplemental Agreement dated 21 June 2007 entered into between (i) the Company; (ii) Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, (iii) Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad), a company wherein certain Directors and certain major shareholders of the Company have interests; and (iv) East Crest International Limited ("East Crest"), a wholly-owned subsidiary of ACB, for the disposal by the Company of the following to East Crest:

   (i) 100% of the equity interest in PRG Corporation Limited of 1 ordinary share of HK$0.10 which owns 55.5% equity interest in Parkson Retail Group Limited;

   (ii) 100% of the equity interest in Parkson Corporation Sdn Bhd comprising 50,000,002 ordinary shares of RM1.00 each;

   (iii) 100% of the equity interest in Parkson Venture Pte Ltd comprising 14,800,000 ordinary shares;

   (iv) 100% of the equity interest in Serbadagang Holdings Sdn Bhd comprising 2 ordinary shares of RM1.00 each; and

   (v) 100% of the equity interest in Sea Coral Limited of 1 ordinary share of HK$1.00;

   for a total consideration of RM4,299,730,000 to be satisfied by the issuance of 3,799,730,000 new ordinary shares of RM1.00 each in ACB at an issue price of RM1.00 per share and the issuance of RM500,000,000 nominal value 3-year 3.5% coupon redeemable convertible secured loan stocks at nominal value of RM1.00 each to Excel Step.

2. ACB Share Sale Agreement dated 27 September 2006 entered into between (i) the Company; (ii) Excel Step; (iii) Lion Corporation Berhad ("LCB"), a major shareholder of the Company and a company wherein certain Directors and major shareholders of the Company have interests; and (iv) Limpahjaya Sdn Bhd ("Limpahjaya"), a wholly-owned subsidiary of LCB, for the acquisition by Excel Step from LCB and Limpahjaya of up to 42,318,772 ordinary shares of RM1.00 each representing approximately 56.64% of the issued and paid-up share capital of ACB for a cash consideration of up to RM35,120,000.

3. Conditional Subscription Agreement dated 26 February 2007 between the Company and Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of LCB, a major shareholder of the Company and a company wherein certain Directors and major shareholders of the Company have interests, for the subscription by the Company of 200,000,000 5-year redeemable cumulative convertible preference shares of RM0.01 each in Megasteel for cash of RM200,000,000.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM4.4 million (2006: RM6.3 million).

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2007 were as follow:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) *Computer related*		
i) Rental of storage space, factory and warehouse for manufacturing of computer casings, computer peripherals and electronic box build products	Lion Industries Corporation Berhad Group ("LICB Group")	2,399
ii) Purchase of computer, component parts and other related products and services	Ributasi Holdings Sdn Bhd Group	22,124
	Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) Group	2,384
(b) *Steel related*		
i) Purchase of steel products, scrap iron and other steel related products and services	Lion Corporation Berhad Group ("LCB Group")	231,492
	LICB Group	38,661
ii) Sale of steel products, scrap iron and other steel related products and services	LCB Group	115,991

Note:

"Group" includes subsidiary and associated companies

All the related parties are companies in which certain Directors and certain major shareholders of the Company have interests

STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2007

	Proposed Utilisation RM'million	Utilisation Status Actual RM'million	Utilisation Status Unutilised/ Outstanding RM'million
(I) Disposal of 50% equity interest each in Consitrade (M) Sdn Bhd ("Consitrade") and DEbier Sdn Bhd ("DEbier") for a cash consideration of USD131.50 million (equivalent to approximately RM499.70 million) and security deposit of USD52.60 million (equivalent to approximately RM199.88 million), as security for the Call and Put Option:			
(i) Part payment for the acquisition of Parkson Retail Group	150.00	150.00	–
(ii) Part payment for the acquisition of Mahkota Cheras Project	55.00	55.00	–
(iii) Payment for the acquisition of Lion Corporation Berhad shares	226.72	226.74	(0.02)
(iv) Outlay for the capital distribution	139.36	139.50	(0.14)
(v) Repayment of bank borrowings, working capital and general investments	119.50	119.50	–
(vi) Estimated expenses for the above acquisitions	6.50	6.51	(0.01)
(vii) Part payment for the acquisition of Parkson Retail Group and settlement of inter-company balances	2.50	2.50	–
	699.58	**699.75**	**(0.17)**
(II) Disposal of the remaining 50% equity interest each in Consitrade and DEbier (excluding security deposit of USD52.60 million, equivalent to approximately RM199.88 million) of USD82.17 million (equivalent to approximately RM312.27 million) (including return component):			
(i) First deferred payment for the acquisition of Parkson Retail Group	124.61	124.61	–
(ii) Payment of interest for first deferred payment	4.72	4.72	–
(iii) Payment of dividends to shareholders of LDHB	17.40	17.40	–
(iv) Establishment of new retail outlets	19.00	19.00	–
(v) Working capital and/or repayment of bank borrowings	132.54	132.54	–
(vi) Part payment for the acquisition of Parkson Retail Group and settlement of inter-company balances	14.00	14.00	–
	312.27	**312.27**	**–**

SHARE BUY-BACK

There was no share buy-back during the financial year.

CONVERTIBLE SECURITIES

During the financial year, RM300 nominal value ICULS and RM49,575,640 nominal value RCULS were converted into shares. Further details are set out in the Financial Statements on page 117 of this Annual Report.

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LION DIVERSIFIED HOLDINGS BERHAD
(Incorporated in Malaysia) (9428-T)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member/members of LION DIVERSIFIED HOLDINGS 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-Seventh Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 30 November 2007 at 12.00 noon and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Y. Bhg. Dato' Ismail @ Mansor bin Said		
5. To re-elect as Director, Mr Heah Sieu Lay		
6. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
10. Proposed Renewal of Authority for Share Buy-Back		

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 2007

Signed: ....

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

Representation at Meeting:

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