

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

1. Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002, Fourth Supplemental Agreement dated 3 September 2002 and Fifth Supplemental Agreement dated 7 January 2003 between the Company of the one part and Amsteel Corporation Berhad ("Amsteel"), a major shareholder of the Company; Umatrac Enterprises Sdn Bhd ("Umatrac"), a subsidiary of Amsteel; Posim Berhad[@] ("LFIB"), a company wherein certain Directors and major shareholders of the Company have an interest; Lion Corporation Berhad ("LCB"), a major shareholder of the Company; and Limpahjaya Sdn Bhd ("Limpahjaya"), a subsidiary of LCB (collectively "Silverstone Vendors"), of the other part, for the acquisition by the Company from the Silverstone Vendors of 119,653,758 ordinary shares of RM1.00 each representing 58.69% equity interest in Silverstone Berhad ("Silverstone") for a consideration of RM150,055,564 to be satisfied by (i) the purchase consideration of RM16,236,282 for shares held by LCB and Limpahjaya by an issuance of 8,967,491 new ordinary shares of RM1.00 each in the Company ("SCB Shares") at RM1.05 per SCB Share and the balance of RM6,820,417 to be set-off against inter-company balances owing by the LCB Group to the Group; and (ii) the purchase consideration of RM133,819,282 for shares held by Amsteel, Umatrac and LFIB by an issuance of 127,446,935 new SCB Shares at RM1.05 per SCB Share; and that the Company shall resolve or cause to be resolved all the issues affecting the joint-venture operations of the Group in the People's Republic of China upon the terms therein contained.
2. Conditional Share Sale Agreement dated 5 July 2000, First Supplemental Agreement dated 19 October 2000, Second Supplemental Agreement dated 8 October 2001, Third Supplemental Agreement dated 26 March 2002 and Fourth Supplemental Agreement dated 7 January 2003 between the Company of the one part and Horizon Towers Sdn Bhd, Amanvest (M) Sdn Bhd, Lion Holdings Sdn Bhd, Araniaga Holdings Sdn Bhd, Finlink Holdings Sdn Bhd, Teck Bee Mining (M) Sendirian Berhad, Tirta Enterprise Sdn Bhd, William Cheng Sdn Bhd, Ceemax Electronics Sdn Bhd, Lancaster Trading Company Limited, Lion Holdings Pte Ltd, Sin Seng Investment Pte Ltd, all of which are companies wherein certain Directors and major shareholders of the Company have an interest, and Datuk Cheng Yong Kim (collectively "Silverstone Private Vendors") of the other part, for the acquisition by the Company from the Silverstone Private Vendors of a total of 31,727,292 ordinary shares of RM1.00 each representing 15.56% equity interest in Silverstone for a consideration of RM39,788,610 to be satisfied by an issuance of 37,893,914 new SCB Shares at an issue price of RM1.05 per SCB Share.
3. Conditional Sale and Purchase Agreement dated 10 November 2000 and various supplemental agreements and letters between AMB Venture Sdn Bhd ("AMBV"), a wholly-owned subsidiary of the Company, Tan Sri William H.J. Cheng and Lion Asiapac Limited ("LAP"), a company wherein certain Directors and major shareholders of the Company have an interest, for the disposal by AMBV of its entire 25 million ordinary shares of RM1.00 each in Angkasa Transport Equipment Sdn Bhd ("ATE"), to LAP for a consideration of SGD37,255,682 (equivalent to RM80,470,000) to be wholly satisfied by LAP with the issuance of 149,022,728 new ordinary shares of SGD0.25 each ("LAP Shares") at par together with 149,022,728 free detachable LAP warrants to AMBV subject to LAP repaying an outstanding loan of Rmb20 million (equivalent to approximately RM9.1 million) owing by ATE to Anhui Jianghuai Automotive Group Co Ltd and adjustments contained therein ("Proposed Disposal of ATE"); and that LAP shall be entitled to deposit with an escrow agent a portion of the 149,022,728 new LAP Shares together with 149,022,728 free detachable LAP warrants issued to AMBV in relation to the Proposed Disposal of ATE, calculated based on the formula as set out therein, for any of the property ownership rights of buildings that are not transferred by Anhui Jianghuai Automotive Chassis Co Ltd to Hefei Jianghuai Automotive Co Ltd prior to the completion of the Proposed Disposal of ATE.

Note:

- [@] Posim Berhad changed its name to Lion Forest Industries Berhad with effect from 20 May 2003.

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2003

Location	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Present Capital Value RM'000	Date of Acquisition/ Valuation
No. 72, Persiaran Jubli Perak, Seksyen 21 40000 Shah Alam Selangor - HS(D) 80060 P.T. No. 14373 Mukim of Damansara District of Petaling Jaya Selangor	Freehold	6.2 hectares	Industrial land and building	Office, workshop and warehouse 10	27,303	18.03.1992
Lot 243, Jalan Cinta Alam Country Heights 43000 Kajang, Selangor - HS(D) 19980 P.T. No. 12889 Mukim Kajang District Ulu Langat, Selangor	Freehold	1,839 sq. metres	Land	Vacant	1,218	08.11.1996
No. 61 Mian Hua Jie Hanyang, China	Leasehold 22.05.2038	0.7 hectare	Building	Vacant	12,372	09.12.1993
No. 221, Hanjiang Road Shiyen, Hubei China	Leasehold 22.05.2038	55.6 hectares	Building	Office and factory 8 - 31	88,037	09.12.1993
No. 38, Nanjing Shimenkan Zhengao Qiaocun Jiangsu, China	Leasehold 01.06.2026	3.3 hectares	Industrial land and building	Office, factory and warehouse 6 - 9	16,391	24.12.1995
No.14, Xihui Road Wuxi, Jiangsu China	Leasehold 22.12.2025	2.9 hectares	Industrial land and building	Office, factory and warehouse 6 - 8	8,583	22.12.1995
281, Xicheng Road, Wuxi, Jiangsu China	Leasehold 18.06.2025	10,600 sq. metres	Industrial land	Office, factory and warehouse 5	2,127	19.06.1997
Lot 5831, Kamunting Industrial Estate II, 34600 Kamunting Perak	Leasehold 01.10.2088	12 hectares	Land and building	Office, factory and warehouse 12	54,120	03.03.1987
Lengkungan Perusahaan Kamunting 3, Kawasan Perusahaan Kamunting Raya, 34600 Kamunting Perak	Leasehold 14.10.2097	4.07 hectares	Land and building	Office, factory and warehouse 5	7,561	05.11.1997

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company’s trading symbol on the US OTC Market is SVTOY and its CUSIP number is 828457101.

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

As at 15 October 2003, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2003

	Class of Shares	
	Ordinary	Preference
Par Value	RM1.00 each	RM0.01 each
Authorised Share Capital	RM499,650,000	RM350,000
Issued and Paid-up Capital	RM338,535,410	RM322,367.88
Voting Rights	One (1) vote per ordinary share	No voting right

Distribution of Shareholdings as at 15 October 2003

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	1,389	10.83	81,315	0.02
100 to 1,000	6,785	52.93	3,177,944	0.94
1,001 to 10,000	3,862	30.12	12,746,787	3.77
10,001 to 100,000	656	5.12	19,609,166	5.79
100,001 to less than 5% of issued shares	125	0.98	142,111,651	41.98
5% and above of issued shares	3	0.02	160,808,547	47.50
	<u>12,820</u>	<u>100.00</u>	<u>338,535,410</u>	<u>100.00</u>

Substantial Shareholders as at 15 October 2003

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri William H.J. Cheng	6,000	0.002	210,143,193	62.07
2. Datuk Cheng Yong Kim	1,947,863	0.58	209,234,003	61.81
3. Lion Realty Pte Ltd	-	-	209,158,876	61.78
4. Lancaster Trading Company Limited	509,993	0.15	35,577,982	10.51
5. Utara Enterprise Sdn Bhd	-	-	35,577,982	10.51
6. William Cheng Sdn Bhd	363,783	0.11	35,577,982	10.51
7. Lion Holdings Sdn Bhd	22,854,569	6.75	12,723,413	3.76
8. Lion Development (Penang) Sdn Bhd	-	-	173,580,894	51.27
9. Horizon Towers Sdn Bhd	160,272	0.05	173,420,622	51.23
10. Umatrac Enterprises Sdn Bhd	63,749,586	18.83	-	-
11. Lion Corporation Berhad	2,700	0.0008	173,417,922	51.23
12. Amsteel Corporation Berhad	98,151,977	28.99	63,749,586	18.83
13. Timuriang Sdn Bhd	-	-	63,749,586	18.83

Directors' interest in shares in the Company and its related companies as at 15 October 2003

The Directors' interest in shares in the Company and its related companies as at 15 October 2003 are the same as that shown in the Directors' Report for the financial year ended 30 June 2003.

Thirty Largest Registered Shareholders as at 15 October 2003

Registered Shareholders	No. of Shares	% of Shares
1. Amsteel Corporation Berhad	98,151,977	28.99
2. HLG Nominee (Tempatan) Sdn Bhd P & O Capital Sdn Bhd for Umatrac Enterprises Sdn Bhd	38,095,238	11.25
3. Malaysian Trustees Berhad Silverstone Scheme	24,561,332	7.26
4. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	14,392,500	4.25
5. Lembaga Tabung Angkatan Tentera	13,483,429	3.98
6. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (7/974-1)	11,349,148	3.35
7. Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for Lion Holdings Sdn Bhd (230077)	7,998,651	2.36
8. HDM Nominees (Asing) Sdn Bhd DBS Bank Ltd	6,965,367	2.06
9. Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for Tirta Enterprise Sdn Bhd (220015)	5,594,344	1.65
10. Cartaban Nominees (Asing) Sdn Bhd WestLB AG	4,951,935	1.46
11. Tjoe Tjoe Peng	4,498,635	1.33
12. Tidycorp Holdings Limited	4,417,873	1.31
13. Kwan Sow Tung @ Kwan Sau Tung	4,358,233	1.29
14. Tan Onn Poh	3,383,114	1.00
15. Mohaiyani Nominees (Asing) Sdn Bhd BNP Paribas (Labuan Branch)	3,291,214	0.97
16. Alliancegroup Nominees (Asing) Sdn Bhd Bayerische Landesbank (Labuan Branch)	3,263,231	0.96
17. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B3)	2,982,877	0.88
18. HDM Nominees (Tempatan) Sdn Bhd P & O Capital Sdn Bhd for Umatrac Enterprises Sdn Bhd	2,790,000	0.82
19. Tirta Enterprise Sdn Bhd	2,311,373	0.68
20. Mayban Nominees (Asing) Sdn Bhd Mizuho Corporate Bank Limited, Labuan Branch (230082)	2,270,071	0.67
21. Mayban Securities Nominees (Asing) Sdn Bhd Mayban Nominees (S) Pte Ltd for Umatrac Enterprises Sdn Bhd (MB 39A)	2,111,571	0.62
22. Teh Kok Seng	2,000,000	0.59
23. Albert Cheng Yong Kim	1,945,982	0.57
24. Chee Kim Hoon	1,641,074	0.48
25. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B5)	1,577,400	0.47
26. HSBC Nominees (Asing) Sdn Bhd Bank of America, National Association, Labuan Branch	1,418,795	0.42
27. RHB Capital Nominees (Tempatan) Sdn Bhd RHB Bank Berhad (Account 1)	1,418,795	0.42
28. Mayban Nominees (Tempatan) Sdn Bhd J.P. Morgan Chase Bank Berhad for Angkasa Marketing Bhd (JPM Sec Asiapac)	1,211,147	0.36
29. Chia Wai Kee	1,203,916	0.36
30. Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Geok Eng (470427)	1,203,916	0.36

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM26,700.

(II) STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

Corporate Proposal	Proposed Utilisation	Status	
		Paid	Outstanding
	RM'000	RM'000	RM'000
Disposal of 51% equity interest in each of Lion Suzuki Marketing Sdn Bhd and Suzuki Assemblers Malaysia Sdn Bhd to Suzuki Motor Corporation for a cash consideration of RM1,227,789 and RM26,682,706 respectively.	i) Repayment of borrowings	27,893	6,173
	ii) Expenses	17	-
		27,910	6,173

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions concluded during the financial year ended 30 June 2003 were as follows:

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Motor vehicles related		
(i) The sale of "Suzuki" four-wheel drive and multi-purpose vehicles	Lion Corporation Berhad Group ("LCB Group") ⁽¹⁾	2,920
(ii) The purchase of spare parts, tyres, plastic parts, diesel, lubricants oil, component parts and related products	Amsteel Group ⁽¹⁾ Lion Forest Industries Berhad Group ("LFIB Group") ⁽¹⁾	36 215
		251
(iii) The rental and sharing of office premises	Amsteel Group ⁽¹⁾ LFIB Group ⁽¹⁾	1,100 562
		1,662
(iv) The provision of service of motor vehicles and sale of spare parts	Amsteel Group ⁽¹⁾ LCB Group ⁽¹⁾ LFIB Group ⁽¹⁾ Lion Industries Corporation Berhad Group ("LICB Group") ⁽¹⁾	37 46 15 49
		147
(v) The obtaining of services of assembly of motor vehicles	LCB Group ⁽¹⁾	36
(vi) The obtaining of training services, security services and purchase of insurance	Amsteel Group ⁽¹⁾ Lembaga Tabung Angkatan Tentera Group ⁽²⁾	46 10
		56

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

Nature of Recurrent Transactions	Related parties	Amount RM'000
(b) Tyres		
(i) The sale of tyres, rubber compounds and related products and services	Dong Feng Tyre Factory Co Ltd Group ("Dong Feng Group") ⁽³⁾ Amsteel Group ⁽¹⁾	500 408 <u>908</u>
(ii) The purchase of plastic products, rubber compounds and related products	Dong Feng Group ⁽³⁾	<u>3,322</u>
(iii) The purchase of petroleum, diesel, lubricants oil and related products	LFIB Group ⁽¹⁾	<u>975</u>
(iv) The sub-rental of sales office	LCB Group ⁽¹⁾	<u>46</u>
(v) The obtaining of security services and motor vehicle services	Amsteel Group ⁽¹⁾ LCB Group ⁽¹⁾	40 3 <u>43</u>
(vi) The purchase of spare parts	Amsteel Group ⁽¹⁾	<u>4</u>
(c) Others		
(i) The provision of training and other related services	Amsteel Group ⁽¹⁾ Lion Diversified Holdings Berhad Group ⁽¹⁾ LCB Group ⁽¹⁾ LFIB Group ⁽¹⁾ LICB Group ⁽¹⁾ Amalgamated Containers Berhad Group ⁽¹⁾ Ributasi Holdings Sdn Bhd Group ⁽⁴⁾	44 10 47 39 206 22 6 <u>374</u>
(ii) The rental of office premises	LICB Group ⁽¹⁾	<u>112</u>
(iii) The obtaining of security services and security communication equipment	Amsteel Group ⁽¹⁾	<u>112</u>
(iv) The obtaining of secretarial services	LCB Group ⁽¹⁾	<u>22</u>
(v) The obtaining of storage services	Amsteel Group ⁽¹⁾	<u>10</u>
(vi) The purchase of office equipment, furniture, computers and other industrial products	Amsteel Group ⁽¹⁾ LCB Group ⁽¹⁾ Ributasi Holdings Sdn Bhd Group ⁽⁴⁾	3 4 2 <u>9</u>

Notes:

"Group" includes subsidiary and associated companies

(1) Company in which certain Directors and major shareholders of the Company have an interest

(2) Major shareholder of the Company as defined in the Listing Requirements of the Kuala Lumpur Stock Exchange

(3) Major shareholder of a subsidiary of the Company

(4) Company in which certain Directors of the Company have an interest

(IV) EXPLANATION FOR PROFIT FORECAST VARIANCE

Explanation on variance between forecasted net profit pursuant the Group Wide Restructuring Scheme as against the audited net profit for the financial year ended 30 June 2003:

	RM'000
Forecasted net profit for the financial year ended 30 June 2003 pursuant to the GWRS (Circular to Shareholders dated 9 January 2003("Circular"))	142,030
(i) Lower results from the Tyre Division due to significant increase in natural rubber prices and higher allowance for doubtful debts and obsolete inventories made during the year. Demand for tyre in China was also affected by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") virus	(28,587)
(ii) Lower share of associated companies' results	(6,993)
(iii) Higher loss recorded by the local Motor Division due to lower market demand and allowance for obsolescence in inventories	(7,889)
(iv) Others	(860)
Audited net profit for the financial year ended 30 June 2003	97,701

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

The status of the various conditions imposed by the SC in its approval of the GWRS are as follows:

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

Further to the recommendations put forth by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") to strengthen the Group's Organisational and Financial Management System, the Group had over the past two (2) years taken active steps to adopt the recommendations to enable the operations to be run efficiently and effectively. These steps include the recruitment of experienced and capable personnel to head the various public listed companies ("PLCs") within the Lion Group as well as the streamlining of the management reporting system. All material recommendations by PwC as set out in the Circular have been complied with.

1. Organisation Structure

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

1.1 Group Management Structure

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

(V) **STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)(continued)**

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

1.2 Silverstone Corporation Berhad (“SCB”) Management Structure

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

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

(V) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)
(b) Status of Proposed Divestment Programme ("PDP")
(i) Status of the assets to be divested

Stages of the assets to be divested	PDP (Per GWRS)	Completed before December 2002	Divestment concluded subsequent to December 2002			
			Total	Proceeds received/ to be received (Jan - Dec 2003)		
				Jan to Jun 2003	Projected for Jul to Dec 2003	Projected full year
	RM'million	RM'million	RM'million	RM'million (a)	RM'million (b)	RM'million (a) + (b)
By 31 December 2002 Non-listed shares in automotive industry companies**	54.7	54.7	-	-	-	-
By 31 December 2003 Non-listed shares in automotive industry companies	83.8	-	-	-	83.8	83.8
By 31 December 2004 Wuhan Fortune Motor Co. Ltd. ## Non-listed shares in automotive industry companies	42.7 30.7 73.4	- - -	43.1 - -	- - -	7.3 - -	7.3 - -
By 31 December 2005 Non-listed shares in tyre industry companies	75.6	-	-	-	-	-
By 31 December 2006 Non-listed shares in automotive industry companies	94.7	-	-	-	-	-
Total	382.2	54.7	43.1	-	91.1	91.1

** The entire divestment proceeds of RM243.7 million was received by the Company, of which RM189 million had been utilised earlier by the Company to repay certain borrowings and to repay the Security Providers of Avenel Sdn Bhd.

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

(b) Status of Proposed Divestment Programme (“PDP”) (continued)

(ii) Transactions completed during the financial year and details on the utilisation of the divestment proceeds received

The details of the assets divested during the financial year are as follows:

Description of assets/business	Status		Utilisation
	Received	Outstanding	
	RM' million	RM' million	RM' million
## Disposal by Range Grove Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 50% equity interest in Wuhan Fortune Motor Co Ltd (“Wuhan Fortune”) to Tri-Ring Group Co (“Tri-Ring”) for a cash consideration of Rmb1 (equivalent to approximately RM0.46); and Settlement of inter-company advances to Wuhan Fortune amounting to Rmb167.56 million (equivalent to approximately RM76.93 million) by Tri-Ring for a cash consideration of Rmb94.66 million (equivalent to approximately RM43.46 million) and waiver of interest accrued thereon amounting to Rmb70.82 million (equivalent to approximately RM32.51 million). The divestment was completed on 24.4.2003.	20.38	23.08	Repayment of borrowings 43.11 Estimated expenses 0.35 Gross proceed 43.46
			RM8.6 million of the total amount received was utilised to redeem/repay AMB Bonds/SPV Debts. The balance is pending repatriation from China and has been earmarked for redemption/repayment of AMB Bonds/SPV Debts.
		4.84	
		6.08	
		6.08	
		6.08	
		23.08	

(iii) Plans to overcome any projected shortfall

The Group had disposed of its subsidiary company, Angkasa Transport Equipment Sdn Bhd Group to Lion Asiapac Limited (“LAP”). The disposal consideration was satisfied by 149,022,728 new ordinary shares of SGD0.25 each in LAP at par together with 149,022,728 free detachable LAP warrants attached. The LAP shares are listed on the Singapore Exchange Securities Trading Limited and the Group will dispose of these shares and warrants at appropriate time. However, in the event that the Group is unable to effect the divestment due to poor market sentiment, lenders consent will be obtained to reschedule the repayment date of its AMB Bonds and SPV Debts. Meanwhile, the Group is actively seeking potential buyers for those companies under its PDP.

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

(c) Status of Issues Affecting the Joint-Venture Companies of Silverstone Corporation Berhad (“SCB”) in the People’s Republic of China

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	Land Use Right(s) for land(s) (“LUR”) and Property Ownership Right(s) for building(s) (“POR”) to be transferred by the PRC Party to the JV Co. as PRC Party’s contribution to the capital of the JV Co., in accordance with the terms of the joint venture agreement	<p>Hunan Changfa Automobile Engine Co Ltd (SCB Group’s equity holding : 50%)</p> <hr/> <p>Nanjing Jinyi Casting Co Ltd (SCB Group’s equity holding : 60%)</p> <hr/> <p>Wuhan Fortune Motor Co Ltd (“WFM”) (SCB Group’s equity holding : 50%)</p>	<p>The Management of the SCB Group had liaised with the PRC Parties to transfer the LUR and/or POR for the following land and/or building to the JV Co.:</p> <p>PRC Party: Changsha Auto Engine General Factory</p> <p>Building: No. 39, Shao Shan Lu, Dong Qu, Changsha, Hunan Province, PRC</p> <p>Land: Xian Jia Hu, He Xi, Changsha, Hunan Province, PRC.</p> <hr/> <p>PRC Party: Nanjing Jincheng Machinery Factory</p> <p>Building: No.38, Dong Tong Qiao, Bai Xia District, Nanjing City, Jiangsu Province PRC</p> <hr/> <p>PRC Party: Wuhan Fortune Industry Co Ltd</p> <p>Building: 1) No.209, Village 3, Zhoutou, Hanyang, Wuhan, Hubei Province, PRC 2) No.818, Village 3, Linggang Road, QingShan, Wuhan, Hubei Province, PRC</p> <p>Land: 1) No.209, Village 3, Zhoutou, Hanyang, Wuhan, Hubei Province, PRC 2) No.818, Village 3, Linggang Road, QingShan, Wuhan, Hubei Province, PRC</p>	<p>The PRC Parties are in the process of effecting the transfer of the LUR and/or POR to the JV Co. and will endeavour to complete the transfer by 30 June 2004.</p> <hr/> <p>Issue resolved</p> <hr/> <p>SCB had completed its disposal of WFM to Tri-Ring Group Co (“Tri-Ring”) on 24.4.2003.</p> <p>Tri-Ring is aware of the Items of Concern affecting the operations of WFM.</p>

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

(c) Status of Issues Affecting the Joint-Venture Companies of Silverstone Corporation Berhad (“SCB”) in the People’s Republic of China (continued)

No.	Issues	Joint-Venture Company (“JV Co.”)	Steps taken or to be taken to resolve the Issues	Status as at 15 October 2003
1.	(continued)	Dong Feng Lion Tyre Co Ltd (“Dong Feng”) (SCB Group’s equity holding : 55%)	<p>PRC Party: China Dong Feng Tyre Factory</p> <p>Building: No. 221, Hanjiang Road, Shiyan City, Hubei Province, PRC</p>	Dong Feng is seeking a letter of confirmation from the relevant authorities in the PRC that the POR belongs to Dong Feng. The letter of confirmation is expected to be received by the fourth quarter of 2003.
2.	<p>The amount of JV Co.’s capital had exceeded the authorised limit of the provincial Ministry of Foreign Trade and Economic Commission (“MOFTEC”) amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOFTEC in Beijing, the PRC.</p>	<p>Jiangxi Fuqi Motor Co Ltd (“JFM”) (SCB Group’s equity holding : 50%)</p> <hr/> <p>Dong Feng (SCB Group’s equity holding : 55%)</p>	<p>JFM’s existing total investment is USD37.50 million (equivalent to approximately RM142.50 million). The Management of the SCB Group had liaised with the PRC Party, Jiangxi Fuqi Automobile Factory, to seek the approval for the reduction of JFM’s capital by USD7.50 million (equivalent to approximately RM28.50 million) to USD30million (equivalent to approximately RM114 million).</p> <hr/> <p>Dong Feng’s existing total investment is USD63.20 million (equivalent to approximately RM240.16 million). The Management of the SCB Group had liaised with Dong Feng to seek the approval of the MOFTEC in Beijing through the provincial MOFTEC for the excess of USD33.20 million (equivalent to approximately RM126.16 million).</p>	<p>JFM will endeavour to resolve the Issue by 30 June 2004.</p> <hr/> <p>The provincial MOFTEC had requested Dong Feng to rely on the letter of approval dated 4 December 1993 from the provincial MOFTEC, in that the capital of Dong Feng has been properly approved. It is the duty of the provincial MOFTEC to apply for endorsement from the MOFTEC in Beijing.</p>

(V) **STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)(continued)**

(d) Status of the Turnaround Exercise for Loss-Making Operations

The steps taken to turnaround the loss-making operations include, amongst others, the following:

- (i) Strengthening of key management personnel in respect of operational improvement;
- (ii) Implementation of stricter control mechanism to monitor operational cost efficiencies;
- (iii) Enhancing overall productivity efficiencies by restructuring the operational procedures through adoption of better industry practices; and
- (iv) Close monitoring of the progress of the loss-making companies, including regular review of the performance of the companies concerned, assessment of the effectiveness of the operations and management restructuring exercises and remedial actions required.

Steps taken or to be taken	Status and progress	Overall effectiveness of the exercises
<p>(a) Subsidiary company Dong Feng Lion Tyre Co Ltd</p> <p>(i) Replacement of key management staff including the General Manager, Assistant General Manager, Marketing Manager and Purchasing Manager.</p> <p>(ii) Strengthening control mechanism over credit control and collections system, purchasing and factory production overhead system, capital expenditure and authority limit level documentation.</p> <p>(iii) Review of production mix and introduction of changes to the sizes and patterns of the tyres produced to suit the market demand.</p>	<p>(i) Implemented</p> <p>(ii) Implemented</p> <p>(iii) On-going</p>	<p>Actions taken has resulted in significant improvement in operational efficiencies and the management team is now more focussed towards productivity and cost control. Internal control procedures covering all areas of operation have been tightened whilst the timeliness and quality of management reports have been improved. The strengthening of the credit control function will enable the company to reduce credit risks and improve its operating cash flow.</p>
<p>(b) Associated companies Nanjing Jincheng Machinery Co Ltd</p> <p>(i) Appointment of new key management staff including General Manager and reorganisation of the sales and marketing network tasks with meeting stringent performance target.</p> <p>(ii) Introduction of new practices and procedures on sourcing of component parts to reduce cost of purchases.</p> <p>(iii) Maximisation of efficiency of existing production capability and divestment of idle assets.</p>	<p>(i) Implemented</p> <p>(ii) Implemented</p> <p>(iii) In progress</p>	

FORM OF PROXY

I/We

I.C. No./Company No.

of

being a member/members of SILVERSTONE CORPORATION BERHAD, hereby appoint

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Fifth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 4 December 2003 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-elect as Director, Mr Eow Kwan Hoong		
5. To re-appoint as Director, Y. Bhg. Tan Sri Dato' Jaffar bin Abdul		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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

As witness my/our hand this day of 2003

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.



