LION FOREST INDUSTRIES BERHAD

2009

LION FOREST INDUSTRIES BERHAD

A Member of The Lion Group

(82056-X)

Laporan Tahunan 2009 Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 18 November 2009 at 11.15 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2009. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM180,000 (2008 : RM163,000). **Resolution 2**

3. To re-elect Directors:

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

   Y. Bhg. Tan Sri William H.J. Cheng **Resolution 3**
   Y. Bhg. Dato' Mohamad bin Haji Ahmad **Resolution 4**

4. 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 5**

5. Special Business

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

5.1 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 to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 6**

5.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby 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 27 October 2009 ("Related Parties") which has been despatched to the shareholders of the Company, 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; and **Resolution 7**

THAT authority conferred by this ordinary resolution will only 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 must 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 and are hereby 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. To transact any other business for which due notice shall have been given.

By Order of the Board

WONG PHOOI LIN
Secretary

Kuala Lumpur
27 October 2009

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.*

   - *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. *Circular to Shareholders dated 27 October 2009 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2009 Annual Report.

3. *Resolution 2*

   It is proposed that the fees for the Chairman of the Audit Committee be increased due to increased duties and responsibilities.

4. *Resolution 6*

   This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which 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.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 19 November 2008 which will lapse at the conclusion of this Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purpose of funding future investment projects, working capital and/or acquisitions.

5. *Resolution 7*

   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, 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.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Y. Bhg. Dato' Dali Mahmud Hashim Y. Bhg. Dato' Mohamad bin Haji Ahmad Y. Bhg. Dato' Kalsom binti Abd. Rahman Cik Zainab binti Dato' Hj. Mohamed Mr Lin Chung Dien
Secretary	:	Ms Wong Phooi Lin
Company No.	:	82056-X
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/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	CIMB Bank Berhad Public Bank Berhad EON Bank Berhad Bank Muamalat Malaysia Berhad China Construction Bank Corporation
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONFIB
Bursa Securities Stock No.	:	8486
Reuters Code	:	LIOF.KL
ISIN Code	:	MYL8486OO002

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 66, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997.

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

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

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

- Chairman of Lion Diversified Holdings Berhad and Silverstone Corporation Berhad
- Chairman and Managing Director of Lion Corporation Berhad, Parkson Holdings 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 public listed companies.

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 183,516,581 ordinary shares of RM1.00 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 page 111 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

Tan Sri William Cheng is the uncle of Y. Bhg. Datuk Cheng Yong Kim, a major shareholder of the Company, and his brother-in-law, Mr Chan Ho Wai, is the Executive Director of the Company.

Tan Sri William Cheng attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British, aged 53, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Company's Remuneration Committee and Executive Share Option Scheme Committee.

Mr Chan obtained his Higher National Diploma in Electronic Engineering from Bristol Poly II, United Kingdom.

Mr Chan joined The Lion Group in 1992 and first held the position of Material Manager of Ceemax Technology Sdn Bhd in charge of material sourcing and product development until 1994. In 1995, he was appointed an Assistant General Manager of Likom Caseworks Sdn Bhd responsible for the operation and administration of the company until 1996. Since 1997, he is the director in charge of the manufacturing operations of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals. He is currently also a Director of Silverstone Berhad, a public company which is involved in the manufacture and sale of tyres, rubber compounds and other related rubber products. Prior to joining The Lion Group, he was an engineer with HK Aircraft Engineer Co responsible for aircraft maintenance from 1983 to 1991.

Mr Chan is the brother-in-law of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company.

Mr Chan attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Dato' Dali Mahmud Hashim
Independent Non-Executive Director

Y. Bhg. Dato' Dali Mahmud Hashim, a Malaysian, aged 68, was appointed to the Board on 22 August 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee, Nomination Committee and Executive Share Option Scheme Committee.

Dato' Dali obtained his Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He joined the Ministry of External Affairs in August 1963 and served as the Malaysian Ambassador to Pakistan, the Soviet Union, Sweden, Belgium, the European Communities, Indonesia and the United States of America. He retired from the administrative and diplomatic service in December 1998.

Dato' Dali attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Dato' Mohamad bin Haji Ahmad
Independent Non-Executive Director

Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, aged 65, was appointed to the Board on 28 March 1991. He is also a member of the Company's Audit Committee and Nomination Committee.

Dato' Mohamad obtained his Certificate in Business Feasibility Studies and Management Practice from Japan. He is a businessman and the Chairman and Director of his private companies which are involved in building and construction, property development and agriculture.

Dato' Mohamad has a direct shareholding of 13,040 ordinary shares of RM1.00 each in the Company.

Dato' Mohamad attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Dato' Kalsom binti Abd. Rahman
Independent Non-Executive Director

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 61, was appointed to the Board on 23 August 2004. She is also a member of the Company's Audit Committee.

Dato' Kalsom received her Bachelor of Economics (Honours) degree from the University of Malaya and Masters degree in Business Administration (Finance) from the University of Eugene, Oregon, the United States of America. She has served in various capacities in the Ministry of International Trade and Industry (MITI) both at headquarters and overseas offices as well as the Chief Executive Officer of the Small and Medium Industries Development Corporation (SMIDEC) and as Deputy Secretary-General (Industry) of MITI before she retired in 2004. Subsequently, she became the Chairman of SMIDEC until October 2006. Dato' Kalsom was also the Chairman of the Executive Committee of Invest-In-Penang Berhad, a state government agency responsible for the promotion of investments, technology and business into Penang.

Dato' Kalsom's other directorships in public companies are as follows:

- Malaysian Industrial Development Finance Berhad and its subsidiaries, MIDF Amanah Investment Bank Berhad, MIDF Amanah Asset Management Berhad and MIDF Property Berhad
- Chemical Company of Malaysia Berhad, a public listed company
- MISC Berhad, a public listed company

Dato' Kalsom attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Zainab binti Dato' Hj. Mohamed
Independent Non-Executive Director

Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, aged 51, was appointed to the Board on 10 December 2001. She is also a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee.

Cik Zainab obtained her Diploma in Accountancy from Universiti Teknologi MARA (UiTM) in 1978 and studied at the London School of Accountancy, England for the Association of Chartered Certified Accountants qualification from 1979 to 1981. She is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Cik Zainab has more than 25 years of experience in the audit and finance fields holding various positions in an audit firm, a commercial bank, an investment and holding company, a petroleum multinational company, a general insurance company and a solid waste management concessionaire.

Currently, she manages her own management and consultancy firm, ANZ Consultancy Services.

Cik Zainab attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 66, was appointed to the Board on 25 February 2008.

Mr Lin holds a Bachelor of Mechanical Engineering degree from the National Taiwan University. He is the Chairman and Chief Executive Officer of Bichain Trading Co Ltd, a company dealing in import and export of steel products founded by him in 1972. Prior to this, he was an Export Manager (Taipei Branch) with Sanyo Seike Trading Co Ltd (1967-1972) and a Mechanical Engineer with Da-Eng Steel & Iron Co Ltd (1966-1967).

Mr Lin has a direct shareholding of 7,060 ordinary shares of RM1.00 each in the Company.

Mr Lin attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

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 interests with the Company; and (iv) any conviction for offences within the past ten (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 2009 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 2009, five (5) 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 Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

Represented on the Board are five (5) 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 Executive 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 Executive 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 matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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

Supply of Information

The Board as a whole and 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 and senior management of the Group and external advisers are also invited to attend the Board meetings to provide their professional views, advice and explanation on specific items on the agenda 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 Company Secretaries advise the Board on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in 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 to ensure the effectiveness of the Board. Newly appointed Directors will be given an orientation programme to familiarise themselves with the Group's operations to better understand the Group's businesses.

The process of assessing the Directors is an on-going responsibility of the Nomination Committee and the Board.

The members and terms of reference of the Nomination Committee are presented on page 16 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, the Directors had participated in seminars, forums, conferences and training programmes on topics/subjects in relation to corporate governance, prospects in various industries, financial, business opportunities and current global financial crisis. The Directors had also attended various other forums and seminars organised by Bursa Securities, the Securities Commission and trade associations.

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 as and when the same were advised by Bursa Securities ("Continuing Updates").

The Board views the aforementioned seminars, forums, conferences and training programmes attended and/or participated by the Directors, and the Continuing Updates provided to the Directors as adequate to enhance the Directors' 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 16 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 2009 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	14	-	14
Non-executive Directors*	178	146	324
	192	146	338

* Including an executive Director who ceased to hold executive function and retired at the previous Annual General Meeting.

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

Range of Remuneration (RM)	Number of Directors Executive	Number of Directors Non-executive
25,000 & below	1	2
25,001 – 50,000	-	4
150,001 – 200,000	-	1 #

\# An executive Director who ceased to hold executive function and retired at the previous Annual General Meeting.

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 Company's homepage at www.lion.com.my/lionfib provides easy access to corporate information pertaining to the Group and its activities.

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 12 to 15 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 in ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to 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 2009, 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 11 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements.

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
- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered
- A Code of Ethics for all employees which defines the ethical standards and conduct at work
- A whistleblower policy established under the Human Resource Policy Manual which defines the rights of informants and also the protections accorded them. The channels of escalation are also documented to encourage and enable concerned parties to report any wrongdoing so that they can be properly addressed

Conclusion

The Board is of the view that the system of internal control in place is generally satisfactory and sufficient to safeguard all stakeholders' interest.

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' Dali Mahmud Hashim
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Dato' Mohamad bin Haji Ahmad
  (Independent Non-Executive Director)

  Y. Bhg. Dato' Kalsom binti Abd. Rahman
  (Independent Non-Executive Director)

  Cik Zainab binti Dato' Hj. Mohamed
  (Independent Non-Executive Director)

  The composition of the Audit Committee complies with Chapter 15 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

- **Secretary**

  The Secretary of Lion Forest Industries Berhad, Ms Wong Phooi Lin, is also the Secretary 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, all of whom shall be non-executive Directors with a majority of them being independent Directors. The composition of the Audit Committee shall fulfill the requirements as prescribed or approved in the Listing Requirements. 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. A majority of independent Directors present shall form a quorum. The Audit Committee shall meet with the external auditors without the executive Board members being present at least twice a year.

  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.
  (g) the right to be able to meet with the external auditors, internal auditors or both, excluding the attendance of other Directors or employees of the Company, whenever deemed necessary.

- **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 audits, and any matter the auditors may wish to discuss excluding the attendance of other Directors and employees of the Company, whenever deemed 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, competency 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 interests 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.

(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 senior internal audit staff members and reasons thereof.

(xii) To perform any other such function as may be directed by the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Except for Y. Bhg. Dato' Kalsom binti Abd. Rahman who was absent for two (2) Meetings, all other members attended all the six (6) 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 its consideration and approval focusing particularly on changes in or implementation of major 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's 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 meetings with the external auditors without executive Board members and management being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

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

- **Allocation of Share Options**

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

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Management Audit Department. Its principal activity is to perform regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The purpose, authority and responsibility of the internal audit function as well as the nature of the assurance activities provided by the function are articulated in the internal audit charter.

In discharging its function, the Group Management Audit Department adopts the *International Standards for the Professional Practice of Internal Auditing* as well as established auditing guidelines to enhance its competency and proficiency.

A risk-based audit plan is tabled to the Audit Committee for approval on an annual basis. The audit plan covers key operational and financial activities that are significant to the overall performance of the Group and is developed to ensure adequate coverage on a regular basis. Key risk areas are continuously identified and prioritised to ascertain the scope of the audit activities through the adoption by the operation management of the Internal Control – Self-Assessment Questionnaire and the Strategic Corporate Risk Management Scorecard.

During the financial year, the internal auditors had conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews

The internal auditors also established follow-up review to monitor and to ensure that internal audit recommendations are effectively implemented.

The internal audit activities have been carried out according to the internal audit plan approved by the Audit Committee for the financial year.

The total cost incurred in managing the Group internal audit function for the financial year was RM72,000.

NOMINATION COMMITTEE

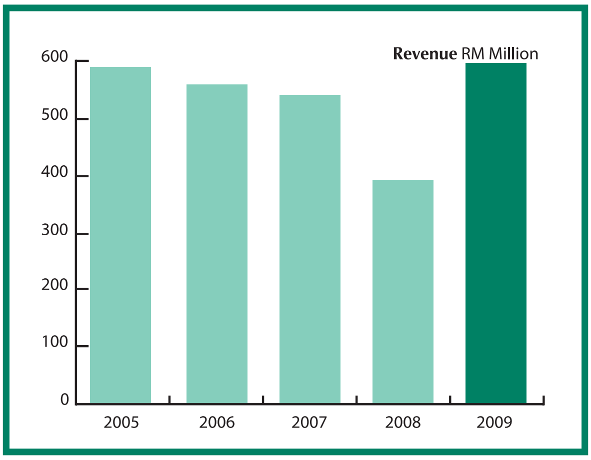
Chairman	:	Y. Bhg. Dato' Dali Mahmud Hashim *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Mohamad bin Haji Ahmad *(Independent Non-Executive Director)* Cik Zainab binti Dato' Hj. Mohamed *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Forest Industries 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

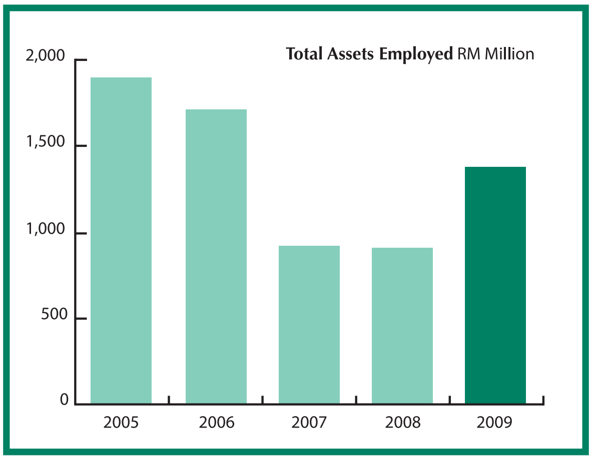
REMUNERATION COMMITTEE

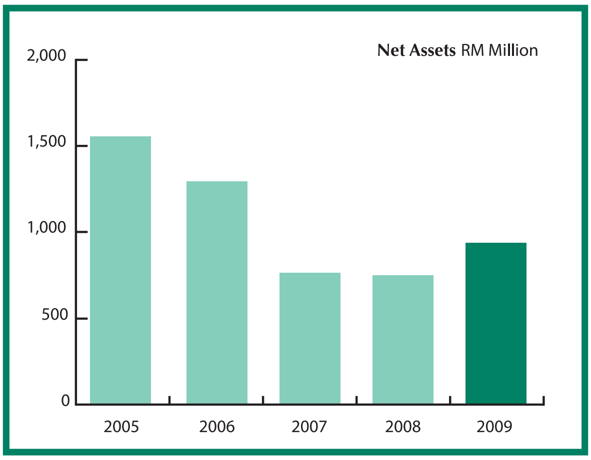
Chairman	:	Y. Bhg. Dato' Dali Mahmud Hashim *(Independent Non-Executive Director)*
Members	:	Mr Chan Ho Wai *(Non-Independent Executive Director)* Cik Zainab binti Dato' Hj. Mohamed *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of the executive 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

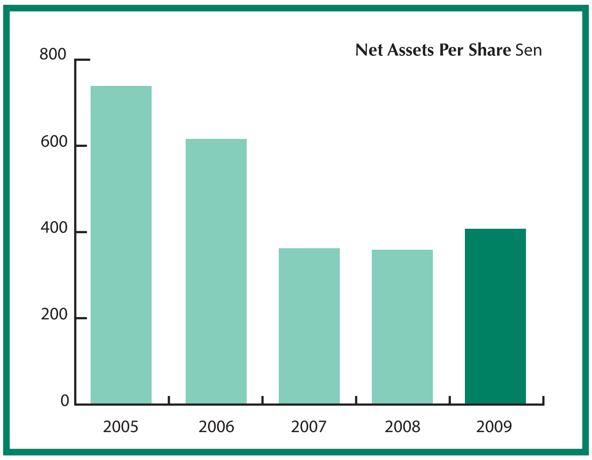
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	590,388	559,755	542,246	392,845	**598,037**
Profit/(Loss) before taxation	36,076	(239,673)	(59,166)	(8,357)	**170,351**
Profit/(Loss) after taxation	29,744	(241,594)	(63,880)	(16,746)	**160,885**
Dividends:					
Rate (%)	16.0	-	-	-	**-**
Amount (Net of tax)	33,586	-	-	-	**-**
Total assets employed	1,897,843	1,709,113	916,114	910,689	**1,377,202**
Net assets	1,552,019	1,295,136	761,902	757,207	**941,889**
Net tangible assets	1,380,546	1,294,491	761,307	756,853	**941,889**
	Sen	Sen	Sen	Sen	Sen
Net assets per share	739	616	362	360	**409**
Earnings/(Loss) per share	14.0	(111.9)	(28.8)	(4.3)	**75.4**





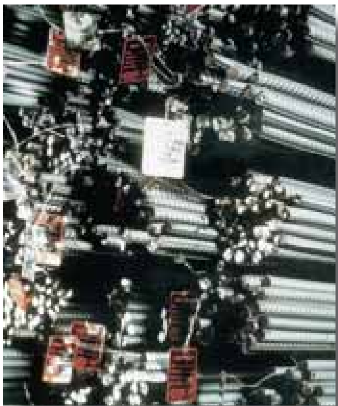




THE GROUP'S BUSINESSES

- The Group's tyre operations in China under Shandong Silverstone LuHe Rubber & Tire Co., Ltd produces all-steel radial truck tyres for the Chinese market.
- *Operasi tayar Kumpulan di China, yang dikendalikan oleh Shandong Silverstone LuHe Rubber & Tire Co., Ltd mengeluarkan tayar trak radial keluli untuk pasaran tempatan di sana.*

- The Group's newly - acquired subsidiary, Silverstone Corporation Berhad is involved in the manufacturing and distribution of Silverstone tyres in Malaysia.
- *Anak syarikat baru dimiliki Kumpulan, Silverstone Corporation Berhad terbabit dalam pengeluaran dan pengedaran tayar Silverstone di Malaysia.*



- The Building Materials Division is involved in the trading and distribution of building and construction materials such as (clockwise, from left) steel bars, cement, roofing and wall tiles.
- *Bahagian Bahan Binaan menjalankan urus niaga menjual dan mengedar bahan-bahan seperti (ikut arah jam, dari kiri) besi, simen, jubin bumbung dan dinding untuk pembinaan bangunan.*

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products and automotive components, with some of its latest products shown here.
- *Posim Petroleum Marketing Sdn Bhd mengedarkan rangkaian pelbagai produk berasaskan petroleum dan komponen automotif; sebahagian produk terkini dipaparkan di sini.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Lion Forest Industries Berhad bagi tahun kewangan berakhir pada 30 Jun 2009.

PRESTASI KEWANGAN

Tahun kewangan dalam kajian menyaksikan ekonomi global memasuki tempoh kemelesetan yang paling teruk susulan keruntuhan sektor kewangan di Amerika Syarikat. Dengan pemberhentian kerja secara besar-besaran serta kebimbangan terhadap kemelesetan teruk dan berpanjangan, permintaan global untuk barangan dan perkhidmatan menjunam ke paras yang tidak pernah terjadi sama sekali. Pengeluaran industri, harga komoditi dan perniagaan barangan menyaksikan penyusutan ketara menjelang hujung 2008 ekoran pengurangan penggunaan persendirian dalam ekonomi utama.

Di dalam negara, ekonomi domestik juga tidak terkecuali daripada kesan kegawatan ekonomi global. Bagaimanapun, seperti kebanyakan ekonomi Asia, tindakan pantas yang diambil oleh Kerajaan bagi membendung kesan itu sedikit sebanyak telah berjaya mengurangkan impak negatif daripada penurunan ketara dan drastik dalam permintaan global.

Dalam tahun kajian, Kumpulan berjaya menyelesaikan pengambilalihan Silverstone Corporation Berhad ("SCB") yang mana anak syarikat utamanya terbabit dalam pengeluaran dan pengedaran tayar Silverstone. Selepas menggabungkan keputusan kewangan SCB untuk tempoh tujuh (7) bulan, Kumpulan merekodkan pendapatan tinggi berjumlah RM598.0 juta berbanding pendapatan tahun sebelumnya berjumlah RM392.8 juta. Keuntungan sebelum cukai berjumlah RM170.4 juta berbanding kerugian sebelum cukai berjumlah RM8.4 juta disumbangkan oleh keuntungan hanya sekali hasil pengambilalihan SCB.

PERKEMBANGAN KORPORAT

Pada 28 November 2008, Syarikat telah menyelesaikan pengambilalihan saham biasa dan saham keutamaan boleh ubah terkumpul boleh tebus dalam SCB, berikutan tawaran pengambilalihan bersyarat berkaitan terbitan dan peruntukan sebanyak 19,931,861 saham baru LFIB kepada pemegang saham yang menerima tawaran. Susulan langkah itu, SCB menjadi anak syarikat 84.16% Syarikat.

Pada 11 September 2009, Syarikat mengumumkan bahawa Mahkamah Persekutuan pada tarikh yang sama menolak rayuan Sabah Forest Industries Sdn Bhd ("SFI") dengan kos ("Penghakiman") dan seterusnya memerintahkan kes itu dipindahkan ke Mahkamah Tinggi Kota Kinabalu untuk penilaian ganti rugi yang perlu dibayar oleh SFI. Susulan keputusan Penghakiman itu, SFI mengarahkan peguamnya untuk mengemukakan permohonan untuk mengkaji semula Penghakiman di bawah Peraturan 137, Peraturan-Peraturan Mahkamah Persekutuan 1995.

Maklumat penuh bagi perkembangan di atas adalah terdapat dalam muka surat 104 hingga 105 dalam Laporan Tahunan ini.

TINJAUAN OPERASI

Tayar

China

Pakej rangsangan secara besar-besaran yang dilaksanakan oleh Kerajaan China telah banyak membantu mengurangkan impak kejatuhan teruk dalam permintaan antarabangsa untuk tayar. Pengumuman insentif untuk pembangunan industri pembinaan, perindustrian dan industri kenderaan bermotor berserta dengan industri bijih besi dan perlombongan arang batu telah memacu penggunaan domestik dan pertumbuhan ekonomi.

Bagi tahun dalam kajian, pendapatan adalah rendah iaitu berjumlah RMB213 juta berbanding RMB218 juta pada tahun lalu. Prestasi yang memberangsangkan ini dicapai hasil peningkatan 25% dalam jualan domestik berikutan kejayaan menembusi ke lebih banyak kawasan di wilayah pedalaman dan penerimaan pelanggan yang lebih meluas untuk produk yang berkualiti dan cemerlang. Dengan pertumbuhan ekonomi China dijangka pulih pada kadar lebih pantas, ini akan memberi manfaat kepada masa depan operasi tayar kita di China.

Malaysia

Dengan penyelesaian pengambilalihan SCB, Kumpulan menggabungkan prestasi tujuh (7) bulan Silverstone Berhad ("SB") yang melaksanakan operasi pengeluaran dan pengedaran tayar kita di Taiping. Ini menjadikan keputusan SB mewakili 37% daripada pendapatan Kumpulan.

Harga getah asli, komponen bahan mentah utama jatuh dengan ketara daripada RM10.00 sekilogram kepada RM5.21 sekilogram pada Januari 2009. Berikutan itu, kebanyakan pengeluar tayar telah dibebani dengan stok yang dibeli pada harga tinggi dan tidak berupaya mengeluarkan stok tersebut ekoran kejatuhan permintaan. SB adalah terkecuali kerana amalan pemerolehan yang berhemah telah membolehkan kita mendapat manfaat daripada kejatuhan teruk harga getah. Margin keuntungan agak tinggi menjelang suku terakhir tahun kewangan berikutan kos bahan mentah yang rendah.

SB juga melaksanakan program pengurangan kos yang agresif dan bersungguh-sungguh yang menghasilkan penjimatan tambahan dan mengurangkan baki stok bahan mentah tanpa memberi sebarang kesan ke atas jumlah pengeluaran.

Dengan kestabilan harga getah dunia dan pemulihan ekonomi tempatan apabila pakej rangsangan Kerajaan mulai menampakkan kesan, kami menjangka SB akan mencapai satu lagi keputusan yang memuaskan tahun depan.

Bahan Binaan

Di sebalik pelbagai pelan pemulihan Kerajaan dalam menyuntik ekonomi, sektor pembinaan telah mencatat penurunan pertumbuhan dalam tiga suku terakhir. Berikutan dengan itu, perniagaan pengedaran bahan binaan kita yang bergantung kepada sektor pembinaan dan hartanah, juga mengalami penguncupan dalam pendapatan.

Sentimen lemah dan penyusutan sektor hartanah kini telah memaksa para peniaga/pengedar bahan binaan baru dan kecil bertukar kepada ‘mod survival’ dan bersaing secara agresif untuk kekal beroperasi. Tindakan mereka telah meluas dan menghakis margin keuntungan di kalangan pengedar besar dan di seluruh negara, dan kadang kala, mengheret pengilang ke kancah situasi perang harga yang tidak diingini.

Harga bahan binaan seperti besi susut lebih 40% daripada paras tertingginya sebanyak RM4,100 setan. Adalah dijangkakan apabila harga bahan binaan menurun, faedah daripada harga rendah dalam rantaian bekalan bahan binaan boleh dipindahkan kepada pengguna akhir. Sehubungan dengan itu, pemaju boleh bangkit dan memulakan semua projek bagi membantu merangsang industri pembinaan.

Pakej rangsangan yang diumumkan Kerajaan dijangka mampu menggerak dan memacu pemulihan ekonomi. Dengan cabaran getir menunggu di hadapan, penyebaran secara efektif status projek rangsangan ini akan menghasilkan kesan yang ketara dan bermakna terhadap sektor pembinaan, dan sekali gus, operasi pengedaran bahan binaan yang mana Bahagian ini terbabit sama.

Bahan Pelincir dan Lain-Lain

Bahan Pelincir

Dalam tahun yang mana perniagaan berdepan cabaran ekonomi yang luar biasa, Bahagian ini telah mencatatkan prestasi sederhana disokong oleh rangkaian pelanggan yang kukuh. Keyakinan pelanggan terhadap kita sebagai rakan niaga telah membolehkan kita menumpu kepada bidang pemasaran dan prasarana pengedaran inovatif yang memanfaatkan pelanggan dan operasi kita untuk jangka panjang.

Antara bidang utama yang akan terus kita bangunkan disasarkan untuk meningkatkan pembelajaran para pengedar dan bengkel kita bagi membolehkan mereka cemerlang dalam industri servis automotif. Kita percaya bahawa menerusi usaha membantu rakan niaga dengan meningkatkan pengetahuan dan kemahiran, sama ada menerusi program atau menyediakan kemudahan bengkel dan peralatan penting lain, akan membantu mengukuhkan perniagaan mereka berbanding pesaing. Ini akan sama-sama membolehkan perkongsian perniagaan kita dengan mereka membawa kejayaan yang lebih bermakna.

Dalam tahun kajian, kita mengadapi persaingan dalam penurunan permintaan jualan yang teruk dan kenaikan harga. Justeru, kita telah melaksanakan pelbagai langkah menangani saingan itu bagi mengukuhkan perniagaan di semua wilayah, dan menghalang pesaing memasuki kawasan perniagaan yang lebih mencabar. Walaupun kita tidak dapat melepaskan kos margin produk yang rendah kepada pelanggan, namun kita bergantung kepada produk lain untuk memperoleh keuntungan dalam perniagaan. Di peringkat dalaman, kita memberi tumpuan terhadap produktiviti pengeluaran dan rangkaian pengedaran dengan menyalurkan sumber kepada peluang yang bernilai tinggi. Menerusi penjadualan sistematik, perancangan bahan dan pengeluaran dalam skala kecil, kita berusaha sedaya upaya untuk memaksimumkan pengeluaran bagi menghasilkan rangkaian produk mapan.

Teknologi kenderaan yang moden dan inovatif akan memacu permintaan terhadap produk kita. Teknologi enjin yang dipertingkatkan, ciptaan teknologi hibrid dan aplikasi bahan api sel hidrogen dalam kenderaan dijangka akan mengurangkan permintaan terhadap minyak pelincir, sama ada menerusi tempoh masa penukaran yang lebih lama atau pengurangan penggunaan. Sehubungan dengan ini, Bahagian ini akan meninjau peluang untuk pengembangan produk berkaitan untuk kemajuan industri automotif.

TANGGUNGJAWAB SOSIAL KORPORAT

Kami mengiktiraf pentingnya Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada perniagaan dan telah menerapkan rangka kerja CSR ke dalam pelan perniagaan kami untuk meningkatkan keyakinan pemegang kepentingan, akauntabiliti dan ketelusan. CSR kini merupakan satu komponen penting dalam amalan perniagaan yang baik dalam menambah baik masyarakat dan alam sekitar.

Masyarakat

Dalam mengendalikan aktiviti perniagaan, Kumpulan sentiasa menyedari tanggungjawabnya sebagai warga korporat dengan memberikan sumbangan kepada masyarakat selain berusaha meningkatkan pendapatan dan juga nilai para pemegang saham. Kumpulan menumpukan usaha membantu masyarakat menerusi bidang pendidikan dan penjagaan kesihatan melalui dua Yayasan yang ditubuhkan oleh Syarikat-syarikat Kumpulan Lion yang mana Kumpulan merupakan salah satu daripada ahlinya.

Yayasan Lion-Parkson menyalurkan dana bagi keperluan pendidikan dan kebajikan; dan setiap tahun memberikan biasiswa dan pinjaman pendidikan tanpa faedah kepada mahasiswa di universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan atau ubat-ubatan. Tabung ini juga menaja program kesihatan masyarakat seperti kem perubatan dan pembelian mesin-mesin dialisis untuk Pusat-pusat Dialisis yang menawarkan subsidi rawatan kepada golongan kurang bernasib baik.

Kumpulan turut membantu masyarakat dalam usaha pengumpulan dana dan pungutan derma serta menyumbang kepada rayuan mangsa bencana di dalam dan luar negara.

Alam Sekitar

Sejajar dengan pembangunan teknologi dan industri, Kumpulan sentiasa berusaha mendukung keprihatinannya terhadap alam sekitar melalui pematuhan ketat operasi akan undang-undang dan peraturan-peraturan alam sekitar mengikut industri yang dicerburi.

Kumpulan mematuhi peraturan keselamatan, kesihatan dan alam sekitar dengan mengamalkan pendekatan sistematik yang diperkukuhkan melalui latihan dan pemantauan secara tetap untuk memastikan keselamatan dan kesejahteraan para pekerja kami.

PROSPEK

Menuju ke hadapan, lanskap perniagaan dijangka kekal mencabar memandangkan ekonomi utama mulai secara beransur-ansur keluar daripada kesan teruk kemelesetan ekonomi. Operasi pembuatan tayar di China dijangka terus meluaskan kehadiran pasarannya manakala operasi bahan binaan dan produk petroleum tempatan dijangka mencatat prestasi yang memuaskan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kami kepada para pemegang saham, pembiaya, rakan perniagaan serta pihak berkuasa kerajaan dan pengawal selia berkenaan atas sokongan dan keyakinan berterusan terhadap Kumpulan.

Akhir sekali, saya ingin mengucapkan terima kasih kepada rakan Pengarah atas sokongan dan nasihat yang tidak ternilai sepanjang tahun dalam kajian.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad for the financial year ended 30 June 2009.

FINANCIAL PERFORMANCE

The year under review witnessed the global economy entering its most severe recession following the financial meltdown in the United States. Amidst massive job cuts and fears of a protracted and deep recession, global demand for goods and services plummeted to an unprecedented level. Industrial production, commodity prices and merchandise trade saw massive decline towards the end of 2008 as private consumption evaporated in the major economies.

On the domestic front, the local economy was also not spared the effects of the global economic turmoil. However, as with most Asian economies, quick counter measures undertaken by the Government have to a large extent mitigated the negative impact of the sharp and drastic drop in global demand.

During the year, the Group completed the acquisition of Silverstone Corporation Berhad ("SCB") whose main subsidiary is involved in the manufacturing and distribution of Silverstone tyres. After incorporating the results of SCB for seven (7) months, the Group recorded a higher turnover of RM598.0 million as against the previous year's turnover of RM392.8 million. Profit before taxation was RM170.4 million as against a loss before taxation of RM8.4 million due largely to a one-off gain arising from the acquisition of SCB.

CORPORATE DEVELOPMENTS

On 28 November 2008, the Company completed the acquisition of ordinary shares and redeemable cumulative convertible preference shares in SCB via a conditional take-over offer following the issue and allotment of 19,931,861 new LFIB Shares to the accepting holders. Consequent thereupon, SCB became an 84.16% owned subsidiary of the Company.

On 11 September 2009, the Company announced that the Federal Court had on the same date dismissed Sabah Forest Industries Sdn Bhd's ("SFI") appeal with costs ("Judgement") and further ruled that the case be transferred to the High Court of Kota Kinabalu for assessment of damages payable by SFI. Following therefrom, SFI had instructed its solicitors to submit an application for review of the Judgement under Rule 137 of the Rules to the Federal Court 1995.

Full details of the above are set out on pages 104 to 105 of this Annual Report.

REVIEW OF OPERATIONS

Tyre

China

The massive stimulus package implemented by the Chinese Government has to a large degree cushioned the impact of the steep drop in the international demand for tyres. Incentives announced for the development of the construction industry, industrial activities and motor vehicle sector together with the iron ore and coal mining industry have spurred domestic consumption and economic growth.

For the year under review, revenue was marginally lower at RMB213 million as against RMB218 million last year. The satisfactory performance was achieved on the back of a 25% increase in domestic sales with further market penetration to territories of more remote provinces and gaining greater customer acceptance for consistent product quality and excellence. As China is expected to recover at a faster pace from the slowdown in its economic growth, the expected turnaround augurs well for the future of our tyre operations in China.

Malaysia

Upon the successful completion of the acquisition of SCB, the Group consolidated seven (7) months' performance of Silverstone Berhad ("SB"), which undertakes our tyre manufacturing and distribution operation based in Taiping. Accordingly, the results of SB accounted for 37% of the Group's revenue.

Prices of natural rubber, the main raw material component, dropped substantially from RM10.00 per kg to RM5.21 per kg in January 2009. As a result, most tyre manufacturers were caught with stocks acquired at a high cost and were unable to off load these stocks due to the falling demand. SB was the exception as our prudent procurement practice had enabled us to benefit from the steep drop in rubber prices. Margins were considerably higher towards the last quarter of the financial year as a result of the lower raw material cost.

SB also carried out aggressive cost reduction and austerity drive programmes, which resulted in additional savings and reduced the raw material stock balance without any impact on the volume of production.

With the stabilisation of international rubber prices and the recovery in the local economy as the Government's stimulus packages take hold, we expect SB to achieve another set of satisfactory results next year.

Building Materials

Despite the Government's various stimulation plans in pump-priming the economy, the construction sector recorded declining growth in the last three quarters. Consequently, our building materials distribution business, which is dependent on the construction and property sectors, also suffered a contraction in its revenue.

The weak sentiments and the shrinking property sector have now compelled new and small distributors/traders of building materials to turn to 'survival mode' and compete aggressively to remain sustainable. Their actions have spread and eroded profit margins amongst the bigger and nationwide distributors, and sometimes, dragged manufacturers into undesirable price war situations.

Prices of key building materials like steel bars fell more than 40% from its high of RM4,100 per tonne. It is anticipated that when building materials prices reduce, the benefit of lower prices in the construction supply chain could ultimately be transferred to the end-users. Subsequently, developers could pick-up and restart projects to help stimulate the construction industry.

The stimulus packages announced by the Government are expected to kick-in and boost economic recovery. Given the tough challenges ahead, an effective dissemination of the status of these stimulus projects will bear a significant and meaningful impact on the construction sector, and hence, on the building materials distribution operations this Division is involved in.

Lubricants and Others

Lubricants

In a year in which businesses confronted extraordinary economic challenges, the Division had performed moderately sustained by a strong customers network. Our customers' confidence in us as business partners had enabled us to focus on areas of innovative marketing and distribution infrastructure that would benefit customers and our operations in the longer term.

Some key areas that we continued to build on are directed towards extended learning for our dealers and workshops, to enable them to excel in the automotive service industry. We believe that by facilitating our partners with functional knowledge and expertise, whether through programmes or making available workshop equipment and useful diagnostic tools, their business strengths will be enhanced *vis-a-vis* their competitors, and in turn, our business partnerships with them will yield greater achievements together.

During the year, we encountered severe decline in sales demand and rising price competition. Thus, we implemented various counter-measures to reinforce our business in all regions, and ward off competitors in the more volatile business areas. Although we were unable to pass-on low margin product costs to our customers, we depended on the other products to achieve profitability in our business. Internally, we focused on productivity across the production and distribution channels by directing resources to higher value opportunities. Through systematic scheduling, material planning and enabling small batch production, we strove to maximise throughput to produce a sustainable product range.

Modern technologies and innovation in vehicles will drive the demand for our products. Improved engine technology, the invention of hybrid technology and fuel cell hydrogen application in vehicles are expected to lessen the demand for lubricant oil, either through extended drain interval or reduced consumption. In this regard, the Division will seek opportunities for product expansion relevant to the progressive automotive industry.

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. CSR is an important component of good business practice aimed at improving society and the environment.

Society

In carrying out its business activities, the Group is mindful of its responsibilities as a corporate citizen, in contributing to society while enhancing the bottom-line and shareholders' value. The Group is focused on assisting the community through education and medical care via the two Foundations established by the Lion Group of Companies of which the Group is a member.

The Lion-Parkson Foundation disburses funds for education and charitable needs; and every year, awards scholarships and interest-free education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment including surgery, purchase of equipment and medication. The Fund also sponsors community health programmes such as medical camps and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to the less fortunate.

The Group also supports the community by contributing to fundraising and donation drives and responding to the plight of disaster victims locally and elsewhere.

Environment

In keeping abreast with technology and industry developments, the Group seeks to uphold environmental concerns through strict compliance of its operations with the environmental laws and regulations governing the industries in which it operates.

The Group subscribes to the safety, health and environment regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees.

PROSPECTS

Moving forward, the business landscape is expected to remain challenging as major economies begin to gradually emerge from the devastating effect of the economic recession. Our tyre operations in China are expected to continue to expand on its market presence whilst the local building materials and petroleum products operations are envisaged to post a satisfactory performance.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express our deepest appreciation to our shareholders, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group.

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈截至2009年6月30日的会计年度，金狮森林工业有限公司（LION FOREST INDUSTRIES BERHAD，简称“LFIB”）的常年报告及经审核财务报告。

财务表现

会计年度内见到全球经济随着美国金融风暴而进入最严重的深度衰退。除了大规模的裁员与长时期的深度萧条，全球对商品与服务的需求也直线下跌至前所未有的水平。由于主要经济体的私人消费出现蒸发情况造成工业生产、原产品价格与商品贸易在2008年尾大跌。

本地方面，国内经济无法不受全球经济风暴的不利影响。不过，正如大部分的亚洲国家，政府迅速采取应对措施，在很大程度上消除了全球需求大跌的不利冲击。

今年期间，本集团完成对银石盾机构有限公司（Silverstone Corporation Berhad ，简称“SCB”）的收购，后者的主要子公司是以涉及银石盾轮胎制造与分销业务为主。在纳入SCB为期7个月的业绩后，本集团取得更高的营业额，达5亿9千800万令吉，比较之前一年为3亿9千280万令吉，税前盈利则为1亿7千40万令吉，之前一年则为840万令吉的税前亏损，主要是收购SCB的一次性盈利所造成。

企业发展

在2008年11月28日，本公司在发出与分配1千993万1千861股LFIB新股给接受献议的股东后，完成对SCB的普通股及可赎回累积可转换优先股的收购。最终使SCB成为本公司拥有84.16%股权的子公司。

2009年9月11日，本公司宣布，联邦法院在同日驳回沙巴森林工业私人有限公司（ Sabah Forest Industries Sdn Bhd，简称“SFI” ）的上诉，必须自负堂费（ “判决” ），并进一步下令将此案转移至亚庇高等法庭以确定SFI应付的损失赔偿。因此，SFI已指示律师，援引1995年联邦法院条规137条文，提呈判决检讨申请。

以上详情列在本常年报告的第104至105页。

业务检讨

轮胎

中国

中国政府采取的庞大经济刺激配套，很大程度上缓和了轮胎国际需求大跌的冲击。对建筑业、工业与汽车业发展及铁矿与煤矿业所给予的优惠，已刺激国内消费与经济成长。

会计年度内，营业额略低，为人民币2亿1千300万元，之前一年为人民币2亿1千800万元。这项满意的表现主要是因为国内销售大起25%，而持续维持卓越的产品品质，也让集团成功开拓了更大的市场，进军较偏远的省份，同时也扩大了顾客的接受度。由于中国料将以更快脚步从经济放缓成长中复苏，对我们在中国的轮胎业务的未来发展有利。

马来西亚

成功完成收购SCB后，本集团纳入了银石盾有限公司（Silverstone Berhad，简称“SB”）的7个月业绩。SB是我们位于太平的轮胎制造与分销运作，其业绩占本集团营业额的37%。

主要原料，天然胶价格从2009年1月的每公斤10令吉大跌至5令吉21仙。这导致大部分的轮胎制造商遭受之前以较高价格买入的存货所困，而且由于需求下跌，他们无法消耗存货。不过，银石盾是个例外，我们慎重的采购方法让我们能够从天然胶价格大跌中受惠，在迈向会计年度最后一季时，因为较低的原料成本而取得更可观的较高利润。

SB也积极削减成本并进行节约计划，成功地取得额外的节省，在不影响任何生产量的情况下减少原料存货。

随着国际天然胶价格稳定下来，国内经济也因为政府的经济振兴配套而逐步取得复苏，我们预料银石盾明年可取得令人满意的业绩表现。

建筑材料

尽管政府推出各种经济振兴配套来推动经济，但建筑业仍然在最后3季出现负成长。鉴于我们的建筑材料分销业务与建筑业和产业唇齿相依，因此无法避免出现收入萎缩的情况。

疲弱的情绪与萎缩的产业领域无疑迫使新与小型建材分销商/贸易商进入“求存状态”，彼此竞争激烈以求生存。他们的行动侵蚀了较大型与全国分销商的利润，有时候甚至强迫制造商投入不想要的价格战之中。

主要建材如钢条的价格，从每公吨4千100令吉的高峰下跌40%。一旦建材价格下跌，建筑供应链较低价格所带来的好处，最后料将转移给最终用户。发展商可藉此重新启动发展项目，再度协助刺激建筑业。

政府已宣布的经济振兴配套料将有助刺激经济复苏。由于我们未来面对艰巨挑战，这些振兴配套有效的扩散效果将对建筑业带来显著与有意义的影响，本组业务所在的建材分销运作自然也会受惠。

潤滑油及其他

潤滑油

尽管处于经济充满特别挑战的一年，本组业绩仍然因为强大的顾客联系网络而取得适中的持续成长。作为商业伙伴，顾客对我们的信心让我们能够专注于投资在具革新性的行销与分销基建建设，而这长期会为顾客与我们带来利益。

我们持续建设一些关键领域，包括为我们的经销商与车间工作者提呈培训，让他们更擅长于在汽车服务业。我们坚信，为我们的商业伙伴提供有用的专业知识与技术，不论是课程或是车厂配备与有效的诊断工具，都将加强他们的商业竞争力，进而携手取得更大的商业成就。

今年期间，我们面对销售需求大跌及价格竞争激烈的情况。因此，我们落实了各种不同的应对措施，以稳定我们在所有区域的业务，不让竞争对手有机可乘，进攻我们较弱的商业区域。尽管我们无法转嫁较低利润产品的成本至我们的顾客，我们仍能依赖其他产品来实现业务的获利性。在内部，我们专注于提高生产与分销管道的生产力，将资源转向更高价值的机会。通过有系统的工作调度、物资计划及允许小批量生产，我们争取生产能力的最大化，以生产可持续的产品系列。

现代科技与车辆的革新将推动我们产品的需求。改善的引擎技术，车辆的複合动力技术的发明及燃料电池氢能应用，料将因为延长的换油期限或减少消耗而导致润滑油的需求缩减。这方面，本组将寻找扩大汽车业相关产品的机会。

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。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。

社会

本集团在展开商业活动时，深切了解到作为企业公民的责任，在加强业务与股东价值的同时，也要回馈社会。作为金狮集团成立的两项基金的成员，本集团着重于通过这两项基金，以教育与医疗服务来回馈社会。

金狮百盛基金（Lion-Parkson Foundation）拨款供作教育与慈善用途；每年都提供奖学金和免息教育贷款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公民提供财务援助，包括手术、购置器材和药物。这项基金也赞助社区保健计划如医疗营，并且为那些提供津贴治疗服务给不幸社群的洗肾中心添购洗肾机器。

本集团也通过筹款及捐款活动为社会做出贡献，同时也援助本地及其他地方的灾黎。

环境

在跟上科技和工业发展之际，本集团同时也关心环境保护，业务运作完全严格遵照环境条例及工业运作的相关工业条例。

本集团有系统地通过定期培训和有效的监管，来落实安全、卫生及环保条例，以确保员工的安全和福利获得照顾。

展望

未来的商业环境料将保持挑战性，而主要经济体则开始逐步摆脱经济衰退所带来的不利冲击。我们在中国的轮胎业务料将能够继续扩大市场占有率，而本地的建材与石油产品业务，则料取得满意的表现。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东、银行机构、商业伙伴及各政府与执法机构对本集团的持续支持与信心。

最后，我也要感谢董事部成员，感谢他们在全年期间所给予的珍贵支持与指导。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2009

For The Financial Year Ended 30 June 2009

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 37 to the Financial Statements.

SIGNIFICANT EVENTS AND SUBSEQUENT EVENT

Significant events during the financial year and subsequent event are disclosed in Notes 37 and 38 to the Financial Statements, respectively.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	170,351	7,542
Income tax expense	(9,466)	(3,946)
Profit for the year	160,885	3,596
Attributable to:		
Equity holders of the Company	167,495	
Minority interests	(6,610)	
	160,885	

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend any payment of dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the current financial year, the issued and paid-up share capital of the Company was increased from RM210,435,171, comprising 210,435,171 ordinary shares of RM1.00 each to RM230,367,032, comprising 230,367,032 ordinary shares of RM1.00 each, by the issue and allotment of 19,931,861 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share as consideration for the acquisition of 286,006,287 ordinary shares and 14,279,049 preference shares in Silverstone Corporation Berhad as disclosed in Note 37 to the Financial Statements.

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

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

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was implemented for the benefit of eligible executive employees and executive directors of the Group with effect from 1 September 2005.

The main features of the ESOS are as disclosed in Note 24 to the Financial Statements.

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

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

		Number of options				
Grant date	**Subscription price per share (RM)**	**Balance as of 1.7.2008**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2009**
10.5.2006	1.16*	921,500	-	-	(123,100)	798,400
29.8.2007	1.04	1,589,700	-	-	(205,300)	1,384,400
		2,511,200	-	-	(328,400)	2,182,800

* *Subscription price was adjusted from RM3.00 per share to RM1.16 per share on 19 June 2007 consequent upon the capital distribution of RM2.00 per share to the shareholders of the Company.*

The exercise period for the above options will expire on 31 August 2010.

OTHER STATUTORY INFORMATION

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

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

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

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

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

(c) 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; or

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

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

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

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

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

As part of the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI"), the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

<u>Litigation claims in respect of the termination of contracts for the extraction and sales of timber</u>

Included in the litigation claims are as follows:

(i) Claim by UNP Plywood Sdn. Bhd. for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 30 to the Financial Statements, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu making a final assessment of the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability.

(ii) Claim by Harapan Permai Sdn. Bhd. ("Harapan Permai") against SFI for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement ("Timber Agreement") dated 9 November 1992 via Civil Suit No. K22-40-97 filed on 11 April 1997.

SFI had applied to strike out the claim on the ground that the Timber Agreement is illegal under the Sabah Forest Enactment 1968. The Deputy Registrar had on 12 September 2003 dismissed SFI's application to strike out Harapan Permai's claim. On SFI's appeal, the High Court Judicial Commissioner had on 15 December 2006 allowed SFI's appeal and accordingly struck out Harapan Permai's claim.

Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the whole decision of the High Court. The Court of Appeal has yet to fix the hearing date for Harapan Permai's appeal.

Indemnity contracts have also been signed between the Company and Avenel Sdn. Bhd. ("Avenel"), the immediate holding company then, whereby Avenel agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation claims and any other claims brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, the audited financial statements of Avenel does not indicate that it is able to fully discharge its obligations under the above mentioned indemnity.

Back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants allege that they have not been given annual increments from 1997 to 2006 (with some claiming for 2007 also) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 24 September 2009, stay of execution for enforcement/execution of the High Court's Order dated 17 July 2009 directing the Labour Court to proceed with the inquiry of the Complainants' claims was granted for a period of 3 months from 24 September 2009. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

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

DIRECTORS

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

Tan Sri William H.J. Cheng
Chan Ho Wai
Dato' Dali Mahmud Hashim
Dato' Mohamad bin Haji Ahmad
Dato' Kalsom binti Abd. Rahman
Zainab binti Dato' Hj. Mohamed
Lin Chung Dien
Ngan Yow Chong (retired on 19.11.2008)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng and Y. Bhg. Dato' Mohamad bin Haji Ahmad retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were Directors at the end of the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.7.2008	Additions	Disposals	Balance as of 30.6.2009
Direct interest				
Tan Sri William H.J. Cheng	-	400	-	400
Dato' Mohamad bin Haji Ahmad	12,000	1,040	-	13,040
Lin Chung Dien	-	7,060	-	7,060
Indirect interest				
Tan Sri William H.J. Cheng	167,988,512	15,528,069	-	183,516,581

The shareholdings in the related corporations of those who were Directors at the end of the financial year are as follows:

		Number of shares			
	Nominal value per ordinary share	Balance as of 1.7.2008	Additions	Disposals	Balance as of 30.6.2009
Direct interest					
Lion Industries Corporation Berhad					
Dato' Mohamad bin Haji Ahmad	RM1.00	3,276	-	-	3,276
Lin Chung Dien	RM1.00	25,320	-	-	25,320
Indirect interest					
Tan Sri William H.J. Cheng					
Lion Industries Corporation Berhad	RM1.00	336,981,643	-	(106,010)	336,875,633
Lion-Kimtrans Logistics Sdn. Bhd.	RM1.00	3,750,000	-	-	3,750,000
LLB Enterprise Sdn. Bhd.	RM1.00	690,000	-	-	690,000
Marvenel Sdn. Bhd.	RM1.00	100	-	-	100
Ototek Sdn. Bhd.	RM1.00	1,050,000	-	-	1,050,000
Posim EMS Sdn. Bhd.	RM1.00	800,000	-	-	800,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	-	-	4,750,000
Soga Sdn. Bhd.	RM1.00	4,332,078	-	-	4,332,078
Steelcorp Sdn. Bhd.	RM1.00	99,750	-	-	99,750
Holdsworth Investment Pte. Ltd.	*	4,500,000	-	-	4,500,000
Zhongsin Biotech Pte. Ltd.	*	1,000,000	-	-	1,000,000

DIRECTORS' INTERESTS (continued)

Investments in the People's Republic of China	Currency	Balance as of 1.7.2008	Additions	Disposals	Balance as of 30.6.2009
Indirect interest					
Tan Sri William H.J. Cheng					
Beijing Trostel Property Development Co. Ltd.	USD	6,650,000	-	-	6,650,000
Shandong Silverstone LuHe Rubber & Tyre Co. Ltd.	USD	30,000,000	-	-	30,000,000
Tianjin Baden Real Estate Development Co. Ltd.	USD	5,000,000	-	-	5,000,000
Tianjin Hua Shi Auto Meter Co. Ltd. (In liquidation - voluntary)	USD	10,878,944	-	-	10,878,944

		Number of shares			
	Nominal value per ordinary share	Balance as of 28.11.2008#	Additions	Disposals	Balance as of 30.6.2009
Indirect interest					
Tan Sri William H.J. Cheng					
Silverstone Corporation Berhad	RM1.00	286,173,498	-	-	286,173,498
Lion Rubber Industries Pte. Ltd.	*	10,000,000	-	-	10,000,000
Silverstone Tyre (S) Pte. Ltd.	*	31,750,100	-	-	31,750,100
Willet Investment Pte. Ltd.	*	45,954,450	-	-	45,954,450

		Number of shares			
	Nominal value per preference share	Balance as of 28.11.2008#	Additions	Disposals	Balance as of 30.6.2009
Indirect interest					
Tan Sri William H.J. Cheng					
Silverstone Corporation Berhad	RM0.01	16,226,329	676,240	-	16,902,569

* Shares in companies incorporated in Singapore do not have a par value.
# Became related corporations on 28 November 2008.

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.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected to such Directors and/or substantial shareholders have interests as disclosed in Note 19 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted pursuant to the Company's ESOS as disclosed in Note 19 to the Financial Statements.

HOLDING COMPANY

The Company is a subsidiary company of Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, which is also regarded by the Directors as the ultimate holding company.

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
19 October 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the balance sheets as of 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 105.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

Emphasis of Mater

Without qualifying our opinion, we draw attention to Notes 4 (ii)(e) and 30 to the Financial Statements, which further explained an uncertainty regarding the provision for damages arising from a litigation claim.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

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

(b) We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TEO SWEE CHUA
Partner - 2846/01/10 (J)
Chartered Accountant

19 October 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Note	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
Revenue	5	**598,037**	392,845	**87,666**	82,714
Other operating income		**48,801**	34,707	**19,995**	30,289
Changes in inventories of finished goods, trading merchandise and work-in-progress		**(27,390)**	(7,256)	**-**	-
Raw materials and consumables used		**(182,565)**	(95,001)	**-**	-
Purchase of trading merchandise		**(201,590)**	(229,846)	**(83,205)**	(81,505)
Staff costs	6	**(48,523)**	(18,842)	**(1,528)**	(2,074)
Depreciation of:					
Property, plant and equipment	10	**(27,525)**	(15,107)	**(35)**	(62)
Investment properties	11	**(41)**	(47)	**(41)**	(47)
Amortisation of:					
Prepaid land lease payments	12	**(872)**	(96)	**-**	-
Intangible assets	16	**(50)**	(50)	**-**	-
(Loss)/Gain on foreign exchange:					
Realised		**(717)**	(12,519)	**36**	(12,406)
Unrealised		**17,784**	(7,576)	**8,823**	(7,894)
Other operating expenses		**(116,113)**	(45,933)	**(5,920)**	(1,535)
Finance costs	7	**(9,490)**	(3,636)	**(3,249)**	(5,741)
Share in results of associated companies		**(11,985)**	-	**-**	-
Provision for damages arising from litigation claim	30	**(15,000)**	-	**(15,000)**	-
Negative goodwill arising from acquisition of subsidiary companies	13	**147,590**	-	**-**	-
Profit/(Loss) before tax	6	**170,351**	(8,357)	**7,542**	1,739
Income tax expense	8	**(9,466)**	(8,389)	**(3,946)**	(3,869)
Profit/(Loss) for the year		**160,885**	(16,746)	**3,596**	(2,130)
Attributable to:					
Equity holders of the Company		**167,495**	(9,086)		
Minority interests		**(6,610)**	(7,660)		
		160,885	(16,746)		
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen)	9				
Basic		**75.38**	(4.32)		
Diluted		**N/A**	N/A		

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

BALANCE SHEETS

AS OF 30 JUNE 2009

	Note	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	10	**367,113**	147,187	**4,780**	4,815
Investment properties	11	**1,335**	2,271	**1,335**	2,271
Prepaid land lease payments	12	**9,140**	4,549	**-**	-
Investment in subsidiary companies	13	**-**	-	**18,095**	11,397
Investment in associated companies	14	**151,825**	-	**-**	-
Other investments	15	**28,212**	84,383	**42**	67
Intangible assets	16	**-**	354	**-**	-
Deferred tax assets	18	**13,106**	404	**-**	-
Amount owing by subsidiary company	13	**-**	-	**18,200**	18,200
Total non-current assets		**570,731**	239,148	**42,452**	36,750
Current Assets					
Inventories	20	**84,679**	31,825	**-**	-
Other investments	21	**7,667**	19,389	**6,377**	-
Trade receivables	22(a)	**109,969**	74,704	**5,200**	5,984
Other receivables and prepaid expenses	22(b)	**41,551**	141,788	**3,455**	122,088
Amount owing by holding company	19	**26,488**	26,200	**26,488**	26,200
Amount owing by subsidiary companies	13	**-**	-	**203,381**	165,208
Amount owing by associated companies	14	**19,103**	-	**-**	-
Amount owing by other related companies	19	**111,450**	102,199	**106,198**	100,852
Tax recoverable		**1,226**	557	**-**	-
Fixed deposits, cash and bank balances	23	**404,338**	274,879	**327,120**	243,007
Total current assets		**806,471**	671,541	**678,219**	663,339
Total Assets		**1,377,202**	910,689	**720,671**	700,089

(Forward)

	Note	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	24	**230,367**	210,435	**230,367**	210,435
Reserves	25	**711,522**	546,772	**340,340**	349,612
Equity attributable to equity holders of the Company		**941,889**	757,207	**570,707**	560,047
Minority interests		**59,009**	23,778	**-**	-
Total equity		**1,000,898**	780,985	**570,707**	560,047
Non-current and Deferred Liabilities					
Redeemable cumulative convertible preference shares	26	**13,672**	-	**-**	-
Hire-purchase payables	28	**7,528**	13	**-**	-
Deferred tax liabilities	18	**945**	477	**245**	153
Amount owing to subsidiary company	13	**-**	-	**18,200**	18,200
Total non-current and deferred liabilities		**22,145**	490	**18,445**	18,353
Current Liabilities					
Trade payables	29(a)	**54,384**	51,183	**10,657**	12,809
Other payables and accrued expenses	29(b)	**69,798**	34,686	**5,278**	5,169
Provisions	30	**15,000**	-	**15,000**	-
Amount owing to subsidiary companies	13	**-**	-	**98,503**	95,768
Amount owing to other related companies	19	**3,966**	4,087	**415**	423
Hire-purchase payables	28	**2,141**	51	**-**	-
Bank borrowings	31	**66,312**	36,183	**-**	5,651
Bonds and debts	27	**137,646**	-	**-**	-
Tax liabilities		**4,912**	3,024	**1,666**	1,869
Total current liabilities		**354,159**	129,214	**131,519**	121,689
Total liabilities		**376,304**	129,704	**149,964**	140,042
Total Equity and Liabilities		**1,377,202**	910,689	**720,671**	700,089

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

The Group	Note	Share capital RM'000	Share premium RM'000	← Non-distributable reserves: Equity compensation reserve RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Capital redemption reserve RM'000 →	(Accumulated losses)/ Retained profit RM'000	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total equity RM'000
Balance as of 1 July 2007		210,274	688,003	412	(3,606)	122	9	(133,312)	761,902	29,679	791,581
Translation adjustment for the year		-	-	-	3,382	-	-	-	3,382	1,759	5,141
Loss for the year		-	-	-	-	-	-	(9,086)	(9,086)	(7,660)	(16,746)
Total recognised income and expense		-	-	-	3,382	-	-	(9,086)	(5,704)	(5,901)	(11,605)
Issue of shares	24	161	25	-	-	-	-	-	186	-	186
Share-based payments		-	-	784	-	39	-	-	823	-	823
Balance as of 30 June 2008		210,435	688,028	1,196	(224)	161	9	(142,398)	757,207	23,778	780,985
Balance as of 1 July 2008		**210,435**	**688,028**	**1,196**	**(224)**	**161**	**9**	**(142,398)**	**757,207**	**23,778**	**780,985**
Translation adjustment for the year		**-**	**-**	**-**	**10,123**	**-**	**-**	**-**	**10,123**	**(45)**	**10,078**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**167,495**	**167,495**	**(6,610)**	**160,885**
Total recognised income and expense		**-**	**-**	**-**	**10,123**	**-**	**-**	**167,495**	**177,618**	**(6,655)**	**170,963**
Issue of shares	24	**19,932**	**-**	**-**	**-**	**-**	**-**	**-**	**19,932**	**-**	**19,932**
Fair value adjustment on shares issued for the acquisition of subsidiary companies		**-**	**-**	**-**	**-**	**-**	**-**	**(12,955)**	**(12,955)**	**-**	**(12,955)**
Acquisition of subsidiary companies		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,886**	**41,886**
Share-based payments		**-**	**-**	**(57)**	**-**	**144**	**-**	**-**	**87**	**-**	**87**
Balance as of 30 June 2009		**230,367**	**688,028**	**1,139**	**9,899**	**305**	**9**	**12,142**	**941,889**	**59,009**	**1,000,898**

(Forward)

The Company	Note	Share capital RM'000	← Non-distributable reserves Share premium RM'000	Equity com-pensation reserve RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
Balance as of 1 July 2007		210,274	688,003	412	122	(337,643)	561,168
Total recognised income and expense							
- Loss for the year		-	-	-	-	(2,130)	(2,130)
Issue of shares	24	161	25	-	-	-	186
Share-based payments		-	-	784	39	-	823
Balance as of 30 June 2008		210,435	688,028	1,196	161	(339,773)	560,047
Balance as of 1 July 2008		**210,435**	**688,028**	**1,196**	**161**	**(339,773)**	**560,047**
Total recognised income and expense							
- Profit for the year		**-**	**-**	**-**	**-**	**3,596**	**3,596**
Issue of shares	24	**19,932**	**-**	**-**	**-**	**-**	**19,932**
Fair value adjustment on shares issued for the acquisition of subsidiary companies		**-**	**-**	**-**	**-**	**(12,955)**	**(12,955)**
Share-based payments		**-**	**-**	**(57)**	**144**	**-**	**87**
Balance as of 30 June 2009		**230,367**	**688,028**	**1,139**	**305**	**(349,132)**	**570,707**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

The Group	2009 RM'000	2008 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**160,885**	(16,746)
Adjustments for:		
Depreciation of:		
Property, plant and equipment	**27,525**	15,107
Investment properties	**41**	47
Provision for damages arising from litigation claim	**15,000**	-
Impairment loss on:		
Property, plant and equipment	**20,267**	-
Intangible assets	**304**	-
Goodwill on consolidation	**-**	191
Share in results of associated companies	**11,985**	-
Finance costs	**9,490**	3,636
Income tax expense recognised in income statements	**9,466**	8,389
Allowance for:		
Doubtful debts	**3,117**	1,779
Slow-moving and obsolete inventories	**2,696**	111
Inventories written off	**1,832**	-
Amortisation of:		
Prepaid land lease payments	**872**	96
Intangible assets	**50**	50
Inventories written down	**-**	2
Share-based payment expenses	**87**	823
Property, plant and equipment written off	**2**	-
Negative goodwill arising from acquisition of subsidiary companies	**(147,590)**	-
Interest income	**(23,734)**	(23,620)
Unrealised (gain)/loss on foreign exchange	**(17,784)**	7,576
Gain from acquisition of:		
Bonds issued by subsidiary company	**(7,028)**	-
Redeemable cumulative convertible preference shares issued by subsidiary company	**(642)**	-
Impairment loss no longer required for investments in:		
Associated companies	**(4,222)**	-
Unquoted investments	**(782)**	-
Allowance no longer required for:		
Doubtful debts	**(4,084)**	(799)
Slow-moving and obsolete inventories	**(3,486)**	-
Accretion of notional interest on deferred consideration	**(1,909)**	(9,030)
Gain on disposal of:		
Investment properties	**(780)**	-
Property, plant and equipment	**(321)**	(19)
Quoted investments	**(156)**	-
Dividend income from quoted investments	**(9)**	-
Operating Profit/(Loss) Before Working Capital Changes	**51,092**	(12,407)
Decrease /(Increase) in:		
Inventories	**44,121**	5,760
Trade receivables	**25,828**	(8,630)
Other receivables and prepaid expenses	**(6,207)**	466
Amount owing by associated companies	**4,584**	-

(Forward)

	Note	2009 RM'000	2008 RM'000
(Decrease)/Increase in:			
Trade payables		**(25,852)**	13,097
Other payables and accrued expenses		**(10,237)**	1,777
Cash Generated From Operations		**83,329**	63
Interest received		**1,221**	1,475
Income tax paid		**(7,706)**	(7,541)
Net Cash From/(Used In) Operating Activities		**76,844**	(6,003)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,176)**	(8,485)
Additions to other investments		**(53,229)**	(101,313)
Proceeds from redemption of other investments		**20,043**	-
Proceeds from disposal of:			
Other investments		**2,598**	-
Investment properties		**1,675**	-
Property, plant and equipment		**549**	238
Deferred consideration received from disposal of a subsidiary company in prior year		**124,290**	294,526
Dividend income		**9**	-
Net cash inflow from acquisition of subsidiary companies	13	**6,424**	441
Decrease/(Increase) in:			
Amount owing by holding company		**2,708**	53,212
Amount owing by other related companies		**(2,926)**	14,806
Cash at banks held under Escrow Account and fixed deposits pledged		**(153,246)**	(182,090)
Interest received from:			
Fixed deposits with licensed banks		**8,240**	7,977
Other related companies		**6,445**	6,636
Net Cash (Used In)/From Investing Activities		**(48,596)**	85,948
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in bank borrowings excluding bank overdrafts		**(35,836)**	(24,924)
Proceeds from issue of shares		**-**	186
Payment of hire-purchase payables		**(3,853)**	(108)
Repayment of bonds		**(6,611)**	-
Finance costs paid		**(6,043)**	(3,636)
Net Cash Used In Financing Activities		**(52,343)**	(28,482)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(24,095)**	51,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**88,497**	37,276
Effect of exchange differences		**668**	(242)
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**65,070**	88,497

(Forward)

The Company	2009 RM'000	2008 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**3,596**	(2,130)
Adjustments for:		
Provision for damages arising from litigation claim	**15,000**	-
Income tax expense recognised in income statements	**3,946**	3,869
Finance costs	**3,249**	5,741
Allowance for doubtful debts	**1,023**	239
Share-based payment expenses	**87**	823
Depreciation of:		
Investment properties	**41**	47
Property, plant and equipment	**35**	62
Interest income	**(17,232)**	(20,541)
Unrealised (gain)/loss on foreign exchange	**(8,823)**	7,894
Dividend income	**(3,431)**	(70)
Accretion of notional interest on deferred consideration	**(1,909)**	(9,030)
Gain on disposal of:		
Investment properties	**(780)**	-
Quoted investments	**(1)**	-
Allowance for doubtful debts no longer required	**-**	(564)
Operating Loss Before Working Capital Changes	**(5,199)**	(13,660)
(Increase)/Decrease in:		
Trade receivables	**(239)**	1,381
Other receivables and prepaid expenses	**(3,748)**	8,758
(Decrease)/Increase in:		
Trade payables	**(2,152)**	(1,530)
Other payables and accrued expenses	**110**	(819)
Cash Used In Operations	**(11,228)**	(5,870)
Interest received	**-**	1,009
Income tax paid	**(3,199)**	(2,822)
Net Cash Used In Operating Activities	**(14,427)**	(7,683)

(Forward)

	Note	2009 RM'000	2008 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of:			
Investment properties		**1,675**	-
Other investments		**2**	-
Deferred consideration received from disposal of a subsidiary company in prior year		**124,290**	294,526
Investment in subsidiary companies		**-**	(3,160)
(Increase)/Decrease in:			
Amount owing by holding company		**2,708**	53,212
Amount owing by subsidiary companies		**(29,048)**	(127,106)
Amount owing by other related companies		**(5,346)**	11,396
Cash at banks held under Escrow Account and fixed deposits pledged		**(132,864)**	(181,793)
Interest received from:			
Fixed deposits with licensed banks		**7,551**	7,573
Other related companies		**6,386**	6,636
Subsidiary companies		**299**	123
Dividend received from subsidiary companies		**2,573**	52
Net Cash (Used In)/From Investing Activities		**(21,774)**	61,459
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
(Decrease)/Increase in:			
Bank borrowings excluding bank overdrafts		**(4,594)**	(3,677)
Amount owing to subsidiary companies		**2,735**	1,803
Amount owing to other related companies		**(8)**	(100)
Proceeds from issue of shares		**-**	186
Finance costs paid		**(3,249)**	(5,741)
Net Cash Used In Financing Activities		**(5,116)**	(7,529)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(41,317)**	46,247
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**59,051**	12,804
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**17,734**	59,051

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 37.

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

The Company's principal place of business is located at Wisma Posim, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 19 October 2009.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

Standards and Interpretations issued but not yet effective

At the date of authorisation of issue of the financial statements, the following new/revised FRSs, amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") are issued but not yet effective until future periods:

FRS 1	Amendments to FRS 1 - First-time Adoption of Financial Reporting Standards
FRS 2	Amendments to FRS 2 - Share-based Payment: Vesting Conditions and Cancellations
FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 127	Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to FRS 7	Financial Instruments : Disclosure
Amendments to FRS 132	Financial Instruments : Presentation
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Standards and Interpretations issued but not yet effective (continued)

Except for FRS 8 which is effective for annual financial statements for periods beginning on or after 1 July 2009, these new/revised FRSs, amendments to FRSs and IC Interpretations are effective for annual periods beginning on or after 1 January 2010. The Directors anticipate that the adoption of these new/revised FRSs, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

FRS 7: Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and processes for managing capital.

FRS 8: Operating Segments

FRS 8, which replaces FRS 114_{2009} Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments using business and geographical approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments may change.

FRS 101: Presentation of Financial Statements

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively.

FRS 123: Borrowing Costs

FRS 123 eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This principal change in the Standard has no impact on the financial statements of the Group and of the Company in the period of initial application as it has always been the Group's and the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.

FRS 139: Financial Instruments: Recognition and Measurement

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

IC Interpretation 10: Interim Financial Reporting and Impairment

This Standard prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of IC Interpretation 10 does not have any significant financial impact on the results of the Group.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Amendments to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

These Standards allow first time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practices to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in separate financial statements of the investors. The adoption of amendments to FRSs 1 and 127 does not have any significant financial impact on the results of the Group and of the Company.

Amendments to FRS 132: Financial Instruments : Presentation

The revisions to FRS 132 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

The amendments will only permit reclassification of certain non-derivative financial assets recognised in accordance with FRS 139. Financial liabilities, derivatives and financial assets that are designated as at fair value to profit and loss ("FVTPL") on initial recognition under the 'fair value option' cannot be reclassified. The amendments therefore only permit reclassification of debt and equity financial assets subject to meeting specified criteria. The amendments do not permit reclassification into FVTPL.

A financial asset within the scope of these amendments can only be reclassified out of FVTPL or Available For Sale ("AFS") if specified criteria are met. The criteria vary depending on whether the asset would have met the definition of 'loans and receivables' ("LR") had it not been classified as at FVTPL or AFS at initial recognition. A debt instrument that would have met the definition of LR (if it had not been required to be classified as held for trading at initial recognition) may be reclassified out of FVTPL if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

A debt instrument classified as AFS that would have met the definition of LR (if it had not been designated as AFS) may be reclassified to the LR category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

To make transparent to users any reclassifications under the new requirements, FRS 7 is also amended.

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

Improvements to FRSs (2009) contain amendments to 21 FRSs. Some of the improvements involve accounting changes to presentation, recognition or measurement whilst some are changes to terminology with little effect on accounting. Only two of the improvements are expected to have an impact on the Group's and the Company's financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)" (continued)

(i) FRS 117 Leases generally requires leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' using the general principles of FRS 117. These amendments are effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1 January 2010 (i.e. the date of adoption of the amendments) and the Group will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings. It is likely that the changes will affect the classification of some of the Group's leases of land.

(ii) FRS 140 Investment Property has been amended to include within its scope investment property in the course of construction, and to require such property to be measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in the income statements. The Group has previously accounted for such assets at cost less accumulated impairment losses under FRS 116 Property, Plant and Equipment. The change will be applied prospectively and therefore will not impact the current reported results.

By virtue of the exemption in paragraph 44AB of FRS 7 and paragraph 103AB of FRS 139, the impact of applying FRS 7 and FRS 139 on the Group's financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting power of the entity.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the Group's financial statements for like transactions and events in similar circumstances.

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Revenue and Revenue Recognition

Revenue is measured at the fair value of consideration received and receivable in the normal course of business.

Revenue of the Company consists of gross invoice value of sales, net of discounts and returns, and gross dividend income.

Revenue of the Group consists of gross invoice value of goods supplied to third parties, net of discounts and returns.

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

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

Employee Benefits

(i) Short term employee benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and the Company. 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

The Company and certain subsidiary companies make statutory contributions to approved provident funds and the contributions are charged to the income statements. The approved provident funds are defined contribution plans. The Group's foreign incorporated subsidiary companies and its eligible employees also made contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statements as incurred. Once the contributions have been paid, there are no further payment obligations.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Employee Benefits (continued)

(iii) Equity compensation benefits

The Group's ESOS allows the employees to acquire shares in the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in the income statements with a corresponding increase in the equity compensation reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

Taxation

Income tax expense for the year comprises current and deferred tax.

Current 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 or substantively enacted at the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for, using the "balance sheet liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future 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 from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion

The individual financial statements of each foreign subsidiary company are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in the income statements in the year in which the foreign operation is disposed of.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Impairment of Assets Excluding Goodwill

The carrying amounts of property, plant and equipment, investment properties, intangible assets, investment in subsidiary companies, investment in associated companies and other investments 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.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised immediately in the income statements.

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

Property, Plant and Equipment

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

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

Freehold land and capital work-in-progress are not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	2% - 18%
Leasehold buildings	1.65% - 2%
Plant and machinery	3.70% - 25%
Office equipment	18% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	18% - 25%
Prime movers and trailers	15%
Office renovation	20%
Computer equipment	18% - 20%
Chiller max equipment	10%

The residual value and estimated useful life of the assets are reviewed at each balance sheet date and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use is capitalised and included as part of the cost of the related property, plant and equipment.

Investment Properties

Investment properties, comprising certain freehold land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and any impairment losses.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheets). The difference between the net disposal proceeds and the carrying amount is recognised in the income statements.

Freehold land within investment properties is not depreciated. Freehold buildings are depreciated on the straight-line method at an annual rate of 2%.

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated as cost less amount amortised.

The prepaid land lease payments are amortised evenly over the lease term of the land.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in unquoted shares in subsidiary companies, which is eliminated on consolidation, and investments in unquoted shares in associated companies are stated at cost less any impairment losses in the Company's financial statements.

Other investments consist of investment in quoted and unquoted bonds and shares, Redeemable Cumulative Convertible Preference Shares ("RCCPS") and Redeemable Convertible Secured Loan Stocks ("RCSLS").

Investments in quoted and unquoted shares are stated at cost less any impairment losses.

Investments in unquoted bonds, RCCPS and RCSLS are recorded at cost, adjusted for accretion of interest less any impairment losses.

Investment in Associated Companies

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

The Group's investment in associated companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated company made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit/loss of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the cost of investment in the consolidated balance sheets.

Unrealised profits and losses arising from transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the associated companies except where unrealised losses provide evidence of an impairment of asset transferred.

Intangible Assets

Intangible assets consist of the acquisition cost of technical know-how in the design of a subsidiary company's products and services and are stated at cost less accumulated amortisation and any impairment losses. The intangible assets are amortised on a straight-line basis over a period of ten years upon commencement of commercial production during which its economic benefits are expected to be consumed.

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in the subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials, fuel and lubricants, and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress include cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

Receivables

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

Payables

Trade and other payables are stated at the nominal value of the consideration to be paid for goods and services received.

Equity Instruments

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

Redeemable Cumulative Convertible Preference Shares ("RCCPS")

The RCCPS are recorded at the amount of proceeds received, net of transaction costs.

The RCCPS are classified as non-current liabilities in the balance sheet and the preferential dividends are recognised as finance costs in the income statements in the period in which they are incurred.

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

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

Provisions

Provisions are made when the Group or the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

At each balance sheet date, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

Cash Flow Statements

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made 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 except as disclosed below:

(a) Impairment of Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. During the current financial year, the Group recognised impairment losses in respect of the following:

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Property, plant and equipment	**20,267**	-
Intangible assets	**304**	-
Goodwill on consolidation	**-**	191

Management exercises its judgement in estimating the recoverable amounts of these assets.

When there is an indication that the carrying amount of an asset may be impaired, the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use ("VIU"), will be assessed. The assessment of recoverable amounts involves various methodologies.

In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact on the Group's financial position and results.

(b) Allowance for Doubtful Debts

Allowance for doubtful debts is made based on the evaluation of collectability and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Key sources of estimation uncertainty (continued)

(c) Depreciation of Property, Plant and Equipment

Except for freehold land and capital work-in-progress, the costs of property, plant and equipment are depreciated on a straight-line basis over the assets' useful lives. The Group reviews the remaining useful lives of property, plant and equipment at the end of each financial year and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(d) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Provisions

As mentioned in Note 30, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company then, the Company had provided for damages arising from litigation claims amounting to RM15,000,000. The provision is made based on the management's best estimate using information currently available. As the legal case is to be remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods:				
External customers	**598,037**	392,845	**-**	100
Subsidiary company	**-**	-	**84,235**	82,544
Gross dividend income from:				
Subsidiary companies	**-**	-	**3,430**	70
Other investments	**-**	-	**1**	-
	598,037	392,845	**87,666**	82,714

6. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Interest income on:				
Fixed deposits with licensed banks	**8,240**	7,977	**7,551**	7,573
Advances to other related companies	**6,445**	6,636	**6,386**	6,636
Advances to holding company	**2,996**	5,200	**2,996**	5,200
Advances to subsidiary companies	**-**	-	**299**	123
Investment in unquoted bonds	**4,312**	2,332	**-**	-
Others	**1,741**	1,475	**-**	1,009
Gain from acquisition of:				
Bonds issued by subsidiary company	**7,028**	-	**-**	-
RCCPS issued by subsidiary company	**642**	-	**-**	-
Impairment loss no longer required for investments in:				
Associated companies	**4,222**	-	**-**	-
Unquoted investments	**782**	-	**-**	-
Allowance no longer required for:				
Doubtful debts	**4,084**	799	**-**	564
Slow-moving and obsolete inventories	**3,486**	-	**-**	-
Accretion of notional interest on deferred consideration	**1,909**	9,030	**1,909**	9,030
Gain on disposal of:				
Investment properties	**780**	-	**780**	-
Property, plant and equipment	**321**	19	**-**	-
Quoted investments	**156**	-	**1**	-
Bad debts recovered	**49**	136	**32**	133
Dividend income from quoted investments	**9**	-	**1**	-
Rental income from investment properties rented to:				
Third parties	**8**	12	**8**	12
Subsidiary companies	**-**	-	**7**	7
Impairment loss on:				
Property, plant and equipment (Note 10)	**(20,267)**	-	**-**	-
Intangible assets (Note 16)	**(304)**	-	**-**	-
Goodwill on consolidation	**-**	(191)	**-**	-
Allowance for:				
Doubtful debts	**(3,117)**	(1,779)	**(1,023)**	(239)
Slow-moving and obsolete inventories	**(2,696)**	(111)	**-**	-
Rental of premises payable to:				
Third parties	**(2,875)**	(453)	**(109)**	(28)
Subsidiary company	**-**	-	**(30)**	(30)
Inventories written off	**(1,832)**	-	**-**	-
Hire of plant and machinery	**(439)**	(48)	**-**	-
Directors' remuneration (Note 19)	**(338)**	(438)	**(326)**	(438)
Auditors' remuneration:				
Statutory:				
Current year	**(305)**	(179)	**(37)**	(37)
Underprovision in prior year	**(5)**	(6)	**(2)**	(5)
Special audit	**-**	(5)	**-**	(5)
Property, plant and equipment written off	**(2)**	-	**-**	-
Inventories written down	**-**	(2)	**-**	-

6. PROFIT/(LOSS) BEFORE TAX (continued)

Staff costs include salaries, bonuses, contributions to defined contribution plans, share-based payments and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM4,436,000 and RM103,000 (RM1,660,000 and RM115,000 in 2008), respectively. The Group and the Company recognised total expenses of RM87,000 (RM823,000 in 2008), relating to share-based payment transactions during the financial year, of which an amount of RM14,000 (RM42,000 in 2008) relates to a non-executive Director and included as part of the directors' salaries and other emoluments as disclosed in Note 19.

Included in staff costs of the Group and of the Company are remuneration of the Executive Director and other members of key management as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other remuneration	**754**	720	**422**	411
Defined contribution plans	**97**	97	**56**	56
Share-based payment expenses	**35**	122	**24**	78
Benefits-in-kind	**33**	45	**27**	37
	919	984	**529**	582

7. FINANCE COSTS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Bank overdrafts and other borrowings	**5,408**	3,615	**58**	341
Bonds and debts	**3,447**	-	**-**	-
Hire-purchase	**557**	21	**-**	-
RCCPS	**78**	-	**-**	-
Advances from subsidiary companies	**-**	-	**3,191**	5,400
	9,490	3,636	**3,249**	5,741

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
Estimated tax payable:				
Current	**6,875**	8,110	**3,824**	3,695
(Over)/Underprovision in prior years	**(107)**	211	**30**	174
	6,768	8,321	**3,854**	3,869
Deferred tax (Note 18):				
Current	**2,732**	835	**92**	-
Overprovision in prior years	**(34)**	(767)	**-**	-
	2,698	68	**92**	-
	9,466	8,389	**3,946**	3,869

A reconciliation of income tax expense applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
Profit/(Loss) before tax	**170,351**	(8,357)	**7,542**	1,739
Tax at applicable tax rate of 25% (26% in 2008)	**42,588**	(2,173)	**1,886**	452
Tax effects of:				
Non-deductible items	**11,864**	16,353	**4,855**	5,622
Non-taxable items	**(43,458)**	(4,293)	**(2,825)**	(2,379)
Effects of different tax rates	**-**	(114)	**-**	-
Double deduction of expenses	**-**	(39)	**-**	-
Utilisation of deferred tax assets previously not recognised	**(1,450)**	(789)	**-**	-
Deferred tax assets not recognised	**63**	-	**-**	-
(Over)/Underprovision in prior years:				
Current tax	**(107)**	211	**30**	174
Deferred tax	**(34)**	(767)	**-**	-
	9,466	8,389	**3,946**	3,869

8. INCOME TAX EXPENSE (continued)

As of 30 June 2009, the balances in the tax-exempt accounts of the Company are as follows:

	The Company	
	2009	**2008**
	RM'000	**RM'000**
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**7,579**	7,579
Tax-exempt dividends received	**27,398**	27,398
	34,977	34,977

The above balances in the tax-exempt accounts, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividends up to the same amounts.

9. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic

The basic earnings/(loss) per ordinary share of the Group has been calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	The Group	
	2009	**2008**
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	**167,495**	(9,086)
Weighted average number of ordinary shares in issue ('000)	**222,198**	210,420
Basic earnings/(loss) per share (sen)	**75.38**	(4.32)

Fully diluted

As of the balance sheet date, the options over 2,182,800 (2,511,200 in 2008) unissued ordinary shares granted to eligible executive employees and the executive director pursuant to the Company's ESOS have an anti-dilutive effect and therefore the fully diluted earnings/(loss) per ordinary share is not presented. The main features of the ESOS are set out in Note 24.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group	COST Balance as of 1 July 2007 RM'000	Currency translation differences RM'000	Additions RM'000	Disposals RM'000	Acquisition of a subsidiary company RM'000	Reclassi-fications RM'000	Balance as of 30 June 2008 RM'000
Freehold land	4,777	-	-	-	-	-	4,777
Freehold buildings	5,968	-	18	-	-	-	5,986
Long leasehold buildings	44,256	2,905	64	-	-	(2,550)	44,675
Plant and machinery	116,994	6,581	6,532	(1,089)	-	608	129,626
Office equipment	844	7	466	(4)	186	(68)	1,431
Furniture and fittings	779	-	19	(9)	16	71	876
Motor vehicles	2,585	39	229	(68)	96	-	2,881
Prime movers and trailers	-	-	762	-	14,136	-	14,898
Office renovation	726	-	-	-	-	-	726
Computer equipment	3,022	119	395	(30)	71	1,939	5,516
	179,951	9,651	8,485	(1,200)	14,505	-	211,392

The Group	Balance as of 1 July 2008 RM'000	Currency translation differences RM'000	Additions RM'000	Disposals RM'000	COST Write-offs RM'000	Acquisition of subsidiary companies RM'000	Reclassi-fications RM'000	Balance as of 30 June 2009 RM'000
Freehold land	**4,777**	**-**	**-**	**-**	**-**	**552**	**6,123**	**11,452**
Freehold buildings	**5,986**	**(626)**	**365**	**-**	**-**	**78,121**	**-**	**83,846**
Long leasehold buildings	**44,675**	**3,571**	**164**	**-**	**-**	**-**	**10,111**	**58,521**
Plant and machinery	**129,626**	**7,908**	**2,768**	**(2,164)**	**(2)**	**372,844**	**7,489**	**518,469**
Office equipment	**1,431**	**36**	**57**	**-**	**-**	**-**	**-**	**1,524**
Furniture and fittings	**876**	**(45)**	**262**	**(123)**	**(218)**	**25,282**	**-**	**26,034**
Motor vehicles	**2,881**	**46**	**240**	**(546)**	**-**	**6,850**	**-**	**9,471**
Prime movers and trailers	**14,898**	**-**	**12,964**	**-**	**-**	**-**	**-**	**27,862**
Office renovation	**726**	**-**	**-**	**-**	**-**	**-**	**-**	**726**
Computer equipment	**5,516**	**323**	**90**	**(38)**	**-**	**-**	**(82)**	**5,809**
Chiller max equipment	**-**	**-**	**56**	**-**	**-**	**-**	**-**	**56**
Capital work-in-progress	**-**	**-**	**8,173**	**-**	**-**	**18,098**	**(23,641)**	**2,630**
	211,392	**11,213**	**25,139**	**(2,871)**	**(220)**	**501,747**	**-**	**746,400**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment consist of the following: (continued)

The Group	ACCUMULATED DEPRECIATION						
	Balance as of 1 July 2007 RM'000	Currency translation differences RM'000	Charge for the year RM'000	Disposals RM'000	Acquisition of a subsidiary company RM'000	Reclassi-fications RM'000	Balance as of 30 June 2008 RM'000
Freehold land	-	-	-	-	-	-	-
Freehold buildings	1,298	-	127	-	-	-	1,425
Long leasehold buildings	2,117	140	2,083	-	-	-	4,340
Plant and machinery	29,365	1,081	11,801	(874)	-	-	41,373
Office equipment	640	3	355	(4)	95	(12)	1,077
Furniture and fittings	706	-	63	(7)	9	12	783
Motor vehicles	1,740	11	337	(68)	66	-	2,086
Prime movers and trailers	-	-	20	-	10,676	-	10,696
Office renovation	673	-	26	-	-	-	699
Computer equipment	1,360	36	295	(28)	63	-	1,726
	37,899	1,271	15,107	(981)	10,909	-	64,205

The Group	ACCUMULATED DEPRECIATION							
	Balance as of 1 July 2008 RM'000	Currency translation differences RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Acquisition of subsidiary companies RM'000	Reclassi-fications RM'000	Balance as of 30 June 2009 RM'000
Freehold land	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Freehold buildings	**1,425**	**(217)**	**1,334**	**-**	**-**	**28,047**	**-**	**30,589**
Long leasehold buildings	**4,340**	**347**	**2,356**	**-**	**-**	**-**	**-**	**7,043**
Plant and machinery	**41,373**	**1,644**	**20,995**	**(1,975)**	**(2)**	**211,089**	**-**	**273,124**
Office equipment	**1,077**	**25**	**123**	**-**	**-**	**-**	**249**	**1,474**
Furniture and fittings	**783**	**(5)**	**821**	**(123)**	**(216)**	**23,951**	**-**	**25,211**
Motor vehicles	**2,086**	**17**	**290**	**(510)**	**-**	**5,194**	**-**	**7,077**
Prime movers and trailers	**10,696**	**-**	**995**	**-**	**-**	**-**	**-**	**11,691**
Office renovation	**699**	**-**	**12**	**-**	**-**	**-**	**-**	**711**
Computer equipment	**1,726**	**59**	**593**	**(35)**	**-**	**-**	**(249)**	**2,094**
Chiller max equipment	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**6**
Capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	64,205	**1,870**	**27,525**	**(2,643)**	**(218)**	**268,281**	**-**	**359,020**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment consist of the following: (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES Balance as of 1 July 2007 RM'000	Charge for the year RM'000	Acquisition of a subsidiary year RM'000	Balance as of 30 June 2008/ 1 July 2008 RM'000	Charge for the year RM'000	Balance as of 30 June 2009 RM'000	NET BOOK VALUE As of 30 June 2009 RM'000	As of 30 June 2008 RM'000
Freehold land	-	-	-	-	-	-	11,452	4,777
Freehold buildings	-	-	-	-	-	-	53,257	4,561
Long leasehold buildings	-	-	-	-	-	-	51,478	40,335
Plant and machinery	-	-	-	-	17,051	17,051	228,294	88,253
Office equipment	-	-	-	-	-	-	50	354
Furniture and fittings	-	-	-	-	-	-	823	93
Motor vehicles	-	-	-	-	-	-	2,394	795
Prime movers and trailers	-	-	-	-	3,216	3,216	12,955	4,202
Office renovation	-	-	-	-	-	-	15	27
Computer equipment	-	-	-	-	-	-	3,715	3,790
Chiller max equipment	-	-	-	-	-	-	50	-
Capital work-in-progress	-	-	-	-	-	-	2,630	-
	-	-	-	-	20,267	20,267	367,113	147,187

The Company	COST Balance as of 1 July 2007 RM'000	Additions RM'000	Balance as of 30 June 2008/ 1 July 2008 RM'000	Additions RM'000	Balance as of 30 June 2009 RM'000
Freehold land	4,777	-	4,777	-	4,777
Office equipment	262	-	262	-	262
Furniture and fittings	392	-	392	-	392
Motor vehicles	554	-	554	-	554
Office renovation	256	-	256	-	256
Computer equipment	324	-	324	-	324
	6,565	-	6,565	-	6,565

The Company	ACCUMULATED DEPRECIATION Balance as of 1 July 2007 RM'000	Charge for the year RM'000	Balance as of 30 June 2008/ 1 July 2008 RM'000	Charge for the year RM'000	Balance as of 30 June 2009 RM'000	NET BOOK VALUE As of 30 June 2009 RM'000	As of 30 June 2008 RM'000
Freehold land	-	-	-	-	-	4,777	4,777
Office equipment	254	4	258	4	262	-	4
Furniture and fittings	389	1	390	1	391	1	2
Motor vehicles	476	52	528	26	554	-	26
Office renovation	256	-	256	-	256	-	-
Computer equipment	313	5	318	4	322	2	6
	1,688	62	1,750	35	1,785	4,780	4,815

10. PROPERTY, PLANT AND EQUIPMENT (continued)

During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM25,139,000 (RM8,485,000 in 2008) of which RM12,963,000 (RM Nil in 2008) was acquired by means of hire-purchase arrangements. The net book values of property, plant and equipment acquired under hire-purchase as of the end of the financial year are as follows:

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Motor vehicles	**56**	113
Prime movers and trailers	**12,798**	-
	12,854	113

As of 30 June 2009, certain freehold land and buildings of the Group with net book values totalling RM9,453,000 (RM9,338,000 in 2008) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 31.

As of 30 June 2009, certain plant and machinery and leasehold land and building of a foreign subsidiary company with net book values totalling RM53,659,000 (RM54,620,000 in 2008) have been pledged as collaterals to a foreign bank for a term loan facility granted to the said foreign subsidiary company as mentioned in Note 31.

11. INVESTMENT PROPERTIES

	The Group and The Company	
	2009	**2008**
	RM'000	**RM'000**
Net book value:		
At beginning of year	**2,271**	2,318
Disposal during the year	**(895)**	-
Depreciation charge for the year	**(41)**	(47)
At end of year	**1,335**	2,271
Cost	**1,638**	2,793
Accumulated depreciation	**(303)**	(522)
Net book value	**1,335**	2,271
Fair value	**1,225**	2,552

The rental income earned by the Group and the Company from their investment properties amounted to RM8,000 (RM12,000 in 2008) and RM15,000 (RM19,000 in 2008) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM4,000 (RM6,000 in 2008).

11. INVESTMENT PROPERTIES (continued)

Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM10,000 (RM13,000 in 2008).

The fair value of the investment properties has been arrived at on the basis of valuations carried out by Henry Butcher Malaysia (SEL) Sdn. Bhd., an independent valuer that is not related to the Group. Valuations were based on current prices in an active market for the properties.

As of 30 June 2009, certain freehold land and buildings and long leasehold buildings of the Company included as part of investment properties with net book value totalling RM1,279,000 (RM2,215,000 in 2008) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 31.

12. PREPAID LAND LEASE PAYMENTS

	The Group	
	2009 RM'000	**2008 RM'000**
Cost:		
At beginning of year	**4,755**	4,458
Currency translation diferrences	**180**	297
Acquisition of subsidiary companies	**5,408**	-
At end of year	**10,343**	4,755
Cumulative amortisation:		
At beginning of year	**206**	104
Currency translation diferrences	**20**	6
Acquisition of subsidiary companies	**105**	-
Amortisation for the year	**872**	96
At end of year	**1,203**	206
Unamortised portion:		
At beginning of year	**4,549**	4,354
At end of year	**9,140**	4,549

Prepaid land lease payments relate to:

(a) Land use rights paid to government authorities of the People's Republic of China for factory buildings, office complex and warehouse located in the LuHe Industrial Zone, Zhucheng Shandong Province and the lease will expire in year 2054.

(b) Lease of land for the Group's factory building, office complexes and warehouse located in Kamunting, Perak and the lease will expire between year 2048 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

Prepaid land lease payments are amortised over the lease terms of the land/rights. As of 30 June 2009, the prepaid land and lease agreement of the Group with carrying value totalling RM4,811,000 (RM4,549,000 in 2008) have been charged as collaterals to a foreign bank for a term loan facility granted to the Group as mentioned in Note 31.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2009	2008
	RM'000	RM'000
Unquoted shares - at cost	**18,895**	12,197
Less: Impairment loss	**(800)**	(800)
	18,095	11,397

Amount owing by subsidiary company (non-current portion), which arose as a result of a long term loan on-lend to LFIB Plantations Sdn. Bhd. as disclosed below, is unsecured, interest-free (interest-free in 2008) and has a tenure of 10 years from 2006.

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are repayable on demand. The advances bear interest at rates ranging from 1.00% to 6.30% (1.00% to 6.30% in 2008) per annum.

Amount owing to subsidiary companies consists of:

	The Company	
	2009	2008
	RM'000	RM'000
Advances	**71,655**	69,388
Term loan	**26,488**	26,200
Long term loan	**18,560**	18,380
	116,703	113,968
Less : Amount due within 12 months (shown under current liabilities)	**(98,503)**	(95,768)
Non-current portion	**18,200**	18,200

The advances are interest-free (interest-free in 2008) and are repayable on demand. The interest rates per annum for the term loan and long term loan are as follows:

	The Company	
	2009	2008
	%	%
Term loan	**12.00**	12.00
Long term loan	**1.00**	1.00

The term loan arose in 2004 when Lion Industries Corporation Berhad ("LICB"), the ultimate holding company of the Company, accepted the Company's offer to lend up to RM100 million, the sum of which was advanced by Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company then. LICB in turn advanced the same to Amsteel Mills Sdn. Bhd. ("AMSB"), a subsidiary company of LICB, to enable AMSB to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan ("Offer of Financing"). The Offer of Financing was implemented on 6 August 2004.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

On the disposal of SFI during the financial year 2007, the amount payable by the Company to SFI, which forms part of the excluded assets of SFI in the disposal transaction, has been transferred to Intra Inspirasi Sdn. Bhd., a wholly-owned subsidiary company of the Company.

The long term loan principal outstanding of RM18.2 million (RM18.2 million in 2008) was granted to the Company in 2006 for on-lend to a subsidiary company, LFIB Plantations Sdn. Bhd., for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia. The said loan is unsecured with a repayment period of 10 years.

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

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2009 %	2008 %	Principal Activities
Lion Petroleum Products Sdn. Bhd.	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
LFIB Plantations Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn. Bhd.	Malaysia	**70.00**	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Posim EMS Sdn. Bhd.	Malaysia	**80.00**	80.00	Provision of energy management and conservation services
Silverstone (Hubei) Rubber and Tyre Co. Ltd. ^	People's Republic of China	**100.00**	100.00	Dormant
Stoller Chemical Company (M) Sdn. Bhd. (In liquidation - voluntary)	Malaysia	**100.00**	100.00	Dormant
Quay Class Ltd.^	British Virgin Islands	**100.00**	100.00	Dormant
Intra Inspirasi Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Gama Harta Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Companies	Country of Incorporation	Effective Equity Interest 2009 %	2008 %	Principal Activities
Singa Logistics Sdn. Bhd. #	Malaysia	**100.00**	100.00	Provision of transportation services
Silverstone Corporation Berhad #*	Malaysia	**84.16**	-	Investment holding
Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. #	People's Republic of China	**75.00**	75.00	Manufacturing and distribution of tyres
P.T. Lion Intimung Malinau #	Republic of Indonesia	**95.00**	95.00	Dormant
Subsidiary companies of Silverstone Corporation Berhad				
AMB Aerovest Limited ^	British Virgin Islands	**84.16**	-	Investment holding
AMB Harta (L) Limited	Malaysia	**84.16**	-	Treasury business
AMB Harta (M) Sdn. Bhd. #	Malaysia	**84.16**	-	Managing of debts novated from Silverstone Corporation Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Silverstone Corporation Berhad and certain of its subsidiary companies
AMB Venture Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
Chrome Marketing Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
iMpression Worldwide Inc. ^	British Virgin Islands	**84.16**	-	Acquisition of patents, patent rights, copyrights, trademarks, formulas, licences, concessions, and granting of licences, or rights to use in respect of the same to any other person
Innovasi Istimewa Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
Innovasi Selaras Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
Lion Rubber Industries Pte. Ltd. #	Singapore	**58.91**	-	Investment holding
Lion Motor Sdn. Bhd. #	Malaysia	**84.16**	-	Sale and distribution of motor vehicles
Lion Tyre Venture Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
Range Grove Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Companies	Country of Incorporation	Effective Equity Interest 2009 %	2008 %	Principal Activities
Silverstone Polymer Industries Sdn. Bhd.	Malaysia	**84.16**	-	Retreading tyres
Seintasi Sdn. Bhd. #	Malaysia	**84.16**	-	Investment holding
Shanghai Silverstone Management Consulting Co. Ltd. #	People's Republic of China	**84.16**	-	Provision of management services
Silverstone Berhad	Malaysia	**84.16**	-	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn. Bhd.	Malaysia	**84.16**	-	Distribution of tyres, rubber compounds and other related rubber products
Silverstone Tyreplus Pty. Ltd. #	Australia	**84.16**	-	Dormant
Silverstone Tyre (S) Pte. Ltd. #	Singapore	**67.33**	-	Investment holding
CEDR Corporate Consulting Sdn. Bhd. #	Malaysia	**84.16**	-	Provision of training services
Willet Investment Pte. Ltd. #	Singapore	**58.91**	-	Investment holding

The financial statements of these companies are audited by auditors other than the auditors of the Company.

^ The financial statements of these companies are examined for the purpose of consolidation.

* The auditors' report on the financial statements of this subsidiary company has included an emphasis of matter that the financial statements have been prepared on the basis of accounting principles applicable to a going concern, notwithstanding that the group and the company incurred a net loss of RM69.4 million and RM57.3 million respectively for the financial year ended 30 June 2009 and current liabilities of the group and the company have exceeded current assets by RM397.6 million and RM54.6 million respectively. In addition, the auditors also draw attention that the proposal to vary the redemption/repayment schedule of the bonds and debts of the group and the company is still subject to the approval of the bond and debt holders.

The Company's investment in Ototek Sdn. Bhd. with carrying value amounting to RM1,175,000 (RM1,175,000 in 2008) has been pledged as collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as mentioned in Note 31.

Acquisition of subsidiary companies

During the current financial year, the Group acquired 84.16% equity interest in Silverstone Corporation Berhad ("SCB") as disclosed in Note 37. The acquisition, which was completed on 28 November 2008, was accounted for under the purchase method.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

The effects of the abovementioned acquisition on the financial results of the Group from the date of acquisition to 30 June 2009 are as follows:

	The Group 2009 RM'000
Revenue	225,108
Profit after tax and minority interests	7,711

The fair values of the assets acquired and liabilities assumed from the acquisition of subsidiary companies are as follows:

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	233,466	233,466
Investment in associated companies	154,990	233,190
Other investments	45,274	45,274
Prepaid land lease payments	5,303	5,303
Deferred tax assets	15,309	15,309
Inventories	96,523	96,523
Trade and other receivables	82,723	82,723
Amount owing by associated companies	23,687	23,687
Tax recoverable	470	470
Cash and bank balances	24,423	24,423
Trade and other payables	(82,638)	(82,638)
Tax liabilities	(18)	(18)
Bank borrowings and hire-purchase payables	(80,878)	(83,650)
Bonds and debts	(307,321)	(509,480)
Deferred tax liabilities	(377)	(377)
RCCPS	(14,762)	(30,575)
Minority interests	(14,108)	(14,108)
Provisional fair value of net assets acquired	182,066	39,522
Total cost of investment in SCB	(6,698)	
	175,368	
Minority interests	(27,778)	
Net negative goodwill	147,590	
Cash and bank balances of subsidiary companies acquired	24,423	
Less: Fixed deposits pledged to financial institutions	(2,080)	
Bank overdrafts	(15,919)	
Cash flows on acquisition, net of cash and cash equivalents acquired	6,424	

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

The negative goodwill arose mainly due to the fair values of the bonds and debts and RCCPS acquired by the Group are lower than the book values of the bonds and debts and RCCPS issued by SCB.

On 27 March 2008, the Company entered into a conditional share sale agreement with Amsteel Corporation Berhad ("Amsteel"), a company in which a corporate shareholder of the holding company has substantial financial interest, to acquire from Amsteel its entire 100% equity interest in Singa Logistics Sdn. Bhd. ("Singa Logistics") for a cash consideration of RM2,727,000. Singa Logistics is principally engaged in the provision of transportation services. This acquisition, which was completed on 24 April 2008, was accounted for under the purchase method.

The effects of the abovementioned acquisition on the financial results of the Group from the date of acquisition to 30 June 2008 are as follows:

	The Group 2008 RM'000
Revenue	2,100
Profit after tax	71

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary company are as follows:

	Fair value recognised on acquisition RM'000	**Carrying value RM'000**
Net assets acquired:		
Property, plant and equipment	3,596	380
Inventories	8	8
Trade receivables	385	385
Other receivables and prepaid expenses	355	355
Cash and bank balances	3,168	3,168
Trade payables	(531)	(531)
Other payables and accrued expenses	(4,166)	(4,166)
Hire-purchase payables	(28)	(28)
Tax liabilities	(2)	(2)
Deferred tax liabilities	(58)	(58)
Net assets/(liabilities) acquired	2,727	(489)
Cash and bank balances of subsidiary company acquired	3,168	
Less: Purchase consideration	(2,727)	
Cash flows on acquisition, net of cash and cash equivalents acquired	441	

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
At cost:				
Quoted investment outside Malaysia	**83,486**	-	**-**	-
Unquoted investments	**80,410**	4,684	**4,684**	4,684
Less: Impairment loss	**-**	-	**(4,684)**	(4,684)
	163,896	4,684	**-**	-
Share of post-acquisition results less dividend received	**(12,071)**	(4,684)	**-**	-
	151,825	-	**-**	-
Market value of quoted investment outside Malaysia	**66,907**	-	**-**	-

The associated companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2009 %	Effective Equity Interest 2008 %	Principal Activities
Kinabalu Motor Assembly Sendirian Berhad #	Malaysia	**20.00**	20.00	Assembly and sale of commercial vehicles
Associated companies of Silverstone Corporation Berhad				
Hunan Changfa Automobile Engine Co. Ltd. #	People's Republic of China	**42.08**	-	Manufacture of automotive engine
Lion Asia Investment Pte. Ltd. #	Singapore	**16.83**	-	Investment holding
Lion Asiapac Limited #	Singapore	**30.86**	-	Investment holding
Nanjing Jincheng Machinery Co. Ltd. #	People's Republic of China	**40.16**	-	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn. Bhd. #	Malaysia	**16.83**	-	Investment holding

The financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The summarised financial information of the associated companies are as follows:

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Revenue	**1,564,331**	6,002
Loss for the year	**(189,720)**	(14,488)
Current assets	**712,125**	10,197
Non-current assets	**595,464**	12,801
Current liabilities	**(553,704)**	(47,391)
Non-current liabilities	**(336,479)**	(740)
Net assets/(liabilities)	**417,406**	(25,133)

The Group's share of losses of the associated companies has been recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses amounted to RM45,328,000 (RM5,027,000 in 2008) and RM8,168,000 (RM1,697,000 in 2008) respectively.

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Amount owing by associated companies	**19,103**	-

Included in the amount owing by associated companies is an amount of RM17,500,000 arising from the proceeds receivable for the disposal of a subsidiary company by the SCB Group. The said amount which is interest-free and repayable by three instalments, is denominated in Chinese Renminbi.

15. OTHER INVESTMENTS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted investments in Malaysia:				
At cost:				
Ordinary shares	**165**	169	**158**	161
Warrants	**782**	-	**-**	-
	947	169	**158**	161
Less: Accumulated impairment losses	**(116)**	(118)	**(116)**	(118)
	831	51	**42**	43

15. OTHER INVESTMENTS (continued)

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Quoted investments outside Malaysia:				
At cost	**225**	-	**-**	-
Less: Accumulated impairment losses	**(150)**	-	**-**	-
	75	-	**-**	-
Unquoted investments:				
At cost:				
RCCPS	**-**	99	**-**	-
Others	**1,005**	227	**-**	175
	1,005	326	**-**	175
Less: Accumulated impairment losses	**(105)**	(151)	**-**	(151)
	900	175	**-**	24
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,873**	103,546	**-**	-
Less: Accumulated impairment losses	**(47,586)**	-	**-**	-
	5,287	103,546	**-**	-
Redeemable within one year (Note 21)	**-**	(19,389)	**-**	-
	5,287	84,157	**-**	-
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS") (at cost, adjusted for accretion of interest)	**22,409**	-	**-**	-
Redeemable within one year (Note 21)	**(1,290)**	-	**-**	-
	21,119	-	**-**	-
Total	**28,212**	84,383	**42**	67
Market value of quoted investments:				
Quoted in Malaysia	**817**	42	**12**	25
Quoted outside Malaysia	**75**	-	**-**	-

Investment of the Group with carrying value totalling RM28,480,000 (RM Nil in 2008) have been pledged as securities for the SCB Bonds and SPV Debts issued by SCB as disclosed in Note 27.

Investment in unquoted bonds and RCSLS of the Group bears a yield to maturity ranging from 4.75% to 7.00% (1.00% to 3.00% in 2008) per annum and coupon rate of 7.00% (Nil in 2008) per annum respectively.

16. INTANGIBLE ASSETS

	The Group 2009 RM'000	The Group 2008 RM'000
At cost:		
At beginning/end of year	**500**	500
Cumulative amortisation and impairment losses:		
At beginning of year	**146**	96
Amortisation for the year	**50**	50
Impairment loss for the year	**304**	-
At end of year	**(500)**	(146)
Net	**-**	354

17. GOODWILL ON CONSOLIDATION

	The Group 2009 RM'000	The Group 2008 RM'000
Goodwill on consolidation:		
At beginning/end of year	**191**	191
Cumulative impairment losses:		
At beginning/end of year	**(191)**	(191)
	-	-

18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2009 RM'000	The Group 2008 RM'000
Deferred Tax Assets		
At beginning of year	**404**	471
Acquisition of subsidiary companies	**15,309**	-
Net transfer to income statements (Note 8)	**(2,607)**	(67)
At end of year	**13,106**	404

18. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred Tax Liabilities				
At beginning of year	**477**	418	**153**	153
Acquisition of subsidiary companies	**377**	58	**-**	-
Net transfer from income statements (Note 8)	**91**	1	**92**	-
At end of year	**945**	477	**245**	153

The deferred tax assets of the Group represent the tax effects of the following:

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	**(27,632)**	381
Inventories	**2,433**	-
Other payables and accrued expenses	**2,673**	94
Unutilised tax losses	**1,698**	350
Unabsorbed capital allowances	**61,018**	34
	40,190	859
Less: Deferred tax assets not recognised	**(27,084)**	(455)
Net	**13,106**	404

The deferred tax liabilities of the Group and of the Company represent the tax effects of the following:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences arising from:				
Property, plant and equipment	**1,000**	679	**242**	300
Others	**(55)**	(202)	**3**	(147)
	945	477	**245**	153

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

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, which is also regarded by the Directors as the ultimate holding company.

Amount owing by holding company represents term loan receivable, which arose as a result of the Offer of Financing as disclosed in Note 13, bears interest at an average effective rate of 12.00% (12.00% in 2008) per annum.

Amount owing by other related companies bears interest at 6.30% (6.30% in 2008) per annum and is repayable on demand.

Amount owing to other related companies is interest-free (interest-free in 2008) and repayable on demand.

Significant transactions undertaken with related parties during the financial year are as follows:

Name of Companies	Nature	The Company 2009 RM'000	The Company 2008 RM'000
With subsidiary companies:			
Posim Marketing Sdn. Bhd.	Trade sales	**84,236**	82,544
	Interest income on advances	**8**	7
	Rental income	**3**	3
Posim Petroleum Marketing Sdn. Bhd.	Interest expense on advances	**16**	19
	Rental income	**4**	4
Lion Petroleum Products Sdn. Bhd.	Rental expenses	**30**	30
	Interest income on advances	**-**	89
Intra Inspirasi Sdn. Bhd.	Interest expense on advances	**3,175**	5,381
Gama Harta Sdn. Bhd.	Interest income on advances	**291**	-
Ototek Sdn. Bhd.	Interest income on advances	**-**	27

Name of Company	Nature	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
With holding company:					
Lion Industries Corporation Berhad	Interest income on advances	**2,996**	5,200	**2,996**	5,200

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
With other related companies:					
JOPP Builders Sdn. Bhd.	Interest income on advances	**60**	56	**60**	56
LLB Harta (M) Sdn. Bhd.	Interest income on advances	**6,326**	6,580	**6,326**	6,580
Antara Steel Mills Sdn. Bhd.	Trade sales	**272**	164	**-**	-
	Provision of transportation services	**295**	38	**-**	-
Amsteel Mills Sdn. Bhd.	Trade sales	**3,406**	3,722	**-**	-
	Provision of transportation services	**2,906**	452	**-**	-
	Interest income	**59**	-	**-**	-
Amsteel Mills Marketing Sdn. Bhd.	Trade purchases	**57,247**	77,421	**-**	-

Name of Companies	Nature	The Group 2009 RM'000	The Group 2008 RM'000
With related parties:			
Parkson Corporation Sdn. Bhd.	Trade sales	**1,619**	1,125
Silverstone Polymer Industries Sdn. Bhd.*	Trade purchases	**14,734**	15,192
Silverstone Berhad*	Trade sales	**351**	689
Lion Steelwork Sdn. Bhd.	Trade sales	**158**	181
Megasteel Sdn. Bhd.	Trade sales	**3,361**	2,990
	Provision of transportation services	**8,240**	1,572
Bright Steel Sdn. Bhd.	Trade sales	**245**	304
Lion Plate Mills Sdn. Bhd.	Trade sales	**63**	133
Zhucheng Xin An Thermo Electric Power Co. Ltd.	Purchase of steam energy	**-**	386
Digital Engines Sdn. Bhd.	Procurement of services	**12**	36

* Became subsidiary companies during the current financial year.

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Other related companies refer to subsidiary companies of Lion Industries Corporation Berhad, the ultimate holding company.

Related parties refer to entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected to such Directors and/or substantial shareholders, have interests.

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

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables:				
Included in trade receivables	**11,885**	5,525	**-**	-
Included in other receivables	**31**	27	**31**	17
Payables:				
Included in trade payables	**30**	10,403	**-**	-
Included in other payables	**2**	36	**-**	-

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

Forms of Directors' remuneration charged to the income statements for the financial year are as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fees				
Executive Director	**14**	15	**14**	15
Non-executive Directors*	**178**	148	**166**	148
	192	163	**180**	163
Salaries and other emoluments				
Executive Director	**-**	251	**-**	251
Non-executive Directors*	**136**	-	**136**	-
	136	251	**136**	251
Contributions to defined contribution plan				
Executive Director	**-**	24	**-**	24
Non-executive Directors*	**10**	-	**10**	-
	10	24	**10**	24
Total	**338**	438	**326**	438

* In 2009, include a non-executive Director who retired at the previous Annual General Meeting.

Included in salaries and other emoluments of the Group and of the Company is an amount of RM14,000 (RM42,000 in 2008) representing amount recognised in respect of share-based payment transactions.

20. INVENTORIES

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Finished goods:		
Tyres	**38,463**	7,798
Others	**102**	70
Work-in-progress	**11,500**	3,553
Raw materials	**20,384**	10,747
Trading merchandise	**5,871**	1,303
Fuel and lubricants	**145**	6,255
Parts and accessories	**16,233**	-
Others	**2,162**	2,546
	94,860	32,272
Less: Allowance for slow-moving and obsolete inventories	**(10,181)**	(447)
	84,679	31,825

21. OTHER INVESTMENTS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted:				
Bonds, redeemable within one year (Note 15)	**-**	19,389	**-**	-
RCSLS, redeemable within one year (Note 15)	**1,290**	-	**-**	-
Money market instruments	**6,377**	-	**6,377**	-
	7,667	19,389	**6,377**	-

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**116,995**	77,659	**6,139**	6,357
Allowance for doubtful debts	**(7,026)**	(2,955)	**(939)**	(373)
	109,969	74,704	**5,200**	5,984

Trade receivables comprise amounts outstanding for sale of goods. The credit period ranges from 30 to 90 days (30 to 60 days in 2008).

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

(a) Trade receivables (continued)

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**100,069**	73,950	**6,139**	6,357
United States Dollar	**9,102**	927	**-**	-
Chinese Renminbi	**3,386**	2,782	**-**	-
Others	**4,438**	-	**-**	-
	116,995	77,659	**6,139**	6,357

(b) Other receivables and prepaid expenses

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deferred consideration	**2,800**	119,577	**2,800**	119,577
Other receivables	**17,232**	870	**31**	25
	20,032	120,447	**2,831**	119,602
Prepaid expenses	**7,374**	3,115	**437**	2,389
Deposits	**14,145**	18,226	**187**	97
	41,551	141,788	**3,455**	122,088

Deferred consideration of RM2,800,000 (RM119,577,000 in 2008), represents fair value of the outstanding consideration receivable from the purchasers in relation to the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI").

Included in deposits of the Group are amounts paid by subsidiary companies as follows:

(a) deposits paid for the purchase of inventories amounting to RM4,870,000 (RM6,523,000 in 2008);

(b) deposits paid for the purchase of property, plant and equipment amounting to RM2,840,000 (RM3,112,000 in 2008); and

(c) deposits paid for the purchase of debts and RCCPS amounting to RM6,103,000 (RM7,382,000 in 2008).

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

(b) Other receivables and prepaid expenses (continued)

The currency exposure profile of deferred consideration is as follows:

	The Group and The Company	
	2009 RM'000	2008 RM'000
United States Dollar	**-**	116,777
Ringgit Malaysia	**2,800**	2,800
	2,800	119,577

Included in deferred consideration is an amount of RM Nil (RM116,777,000 in 2008), which has been withheld by the purchasers of SFI pursuant to the terms of sale and purchase agreement entered into for the disposal of SFI, for potential losses that may be suffered by SFI as a result of the litigation claims as mentioned in Note 33.

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed deposits with licensed banks:				
Restricted	**339,704**	184,378	**315,445**	182,581
Unrestricted	**14,187**	62,646	**10,408**	59,696
	353,891	247,024	**325,853**	242,277
Cash and bank balances:				
Restricted	**318**	318	**318**	318
Unrestricted	**50,129**	27,537	**949**	412
	404,338	274,879	**327,120**	243,007

Included in fixed deposits with licensed banks, and cash and bank balances of the Group and of the Company are amounts totalling RM336,822,000 (RM184,696,000 in 2008) and RM315,763,000 (RM182,899,000 in 2008), respectively, which have been held under Escrow Account for the following purposes:

(i) Indemnity to SFI and the purchasers of SFI for the litigation claims as mentioned in Note 33.

(ii) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as mentioned in Note 31.

Included in the fixed deposits with licensed banks of the Group in 2009 is also an amount of RM3,200,000 earmarked for redemption of the SCB Bonds and the SPV Debts.

Fixed deposits with licensed banks earn interest at rates ranging from 2.15% to 3.39% (2.50% to 3.47% in 2008) per annum and have maturity periods ranging from 1 to 138 days (1 to 30 days in 2008).

23. FIXED DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	**365,489**	263,163	**327,120**	243,007
Chinese Renminbi	**34,081**	7,141	**-**	-
United States Dollar	**2,518**	2,341	**-**	-
Indonesia Rupiah	**1,974**	2,234	**-**	-
Singapore Dollar	**276**	-	**-**	-
	404,338	274,879	**327,120**	243,007

Fixed deposits, and cash and bank balances denominated in Chinese Renminbi of subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of the PRC. The said fixed deposits, and cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

24. SHARE CAPITAL

	The Group and The Company	
	2009 RM'000	2008 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
500,000,000 at beginning and end of year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year: 210,435,171 as of 1 July 2008; 210,274,371 as of 1 July 2007	**210,435**	210,274
Issued during the year: 19,931,861 in 2009; 160,800 in 2008	**19,932**	161
At end of year: 230,367,032 as of 30 June 2009; 210,435,171 as of 30 June 2008	**230,367**	210,435

During the current financial year, the issued and paid-up share capital of the Company was increased from RM210,435,171, comprising 210,435,171 ordinary shares of RM1.00 each to RM230,367,032, comprising 230,367,032 ordinary shares of RM1.00 each, by the issue and allotment of 19,931,861 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share as consideration for the acquisition of 286,006,287 ordinary shares and 14,279,049 preference shares in Silverstone Corporation Berhad as disclosed in Note 37.

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

An ESOS was implemented for the benefit of eligible executive employees and executive directors of the Group with effect from 1 September 2005.

24. SHARE CAPITAL (continued)

The main features 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.

(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 ESOS shall be allocated, in aggregate, to executive directors and senior management; and

(ii) not more than 10% of the shares available under the ESOS 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share 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 five 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 five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further five years, without further approval of the relevant authorities.

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

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

		Number of options				
Grant date	**Subscription price per share (RM)**	**Balance as of 1.7.2008**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2009**
10.5.2006	1.16*	921,500	-	-	(123,100)	798,400
29.8.2007	1.04	1,589,700	-	-	(205,300)	1,384,400
		2,511,200	-	-	(328,400)	2,182,800

* *Subscription price was adjusted from RM3.00 per share to RM1.16 per share on 19 June 2007 consequent upon the capital distribution of RM2.00 per share to the shareholders of the Company.*

24. SHARE CAPITAL (continued)

The number of options exercisable at the end of the financial year are as follows:

	2009	2008
Options exercisable	**2,182,800**	2,104,000

Details of the ESOS exercised during the last financial year and the fair value, at exercise dates, of shares issued are as follows:

Exercise dates	Average fair value per share at issue date RM	Exercise price per share RM	Number of share options
July 2007	1.75	1.16	28,000
August 2007	1.75	1.16	126,500
November 2007	0.52	1.04	6,300

	The Group and The Company 2009 RM	2008 RM
Ordinary share capital - at par	**-**	160,800
Share premium	**-**	24,972
Proceeds received on exercise of share options	**-**	185,772
Fair value at exercise dates of shares issued	**-**	273,651

The options outstanding at the end of the financial year have a weighted average exercise price of RM1.08 (RM1.09 in 2008) per share option and a weighted average remaining contractual life of 1 year (2 years in 2008). All options not exercised would expire on 31 August 2010.

The fair value of share options granted was estimated by using a Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	Grant date 29.8.2007	10.5.2006
Estimated average fair value of share options (RM)	0.52	1.75
Weighted average share price (RM)	1.14	3.35
Expected life (years)	3	4.16
Expected dividend yield (%)	1	1
Risk-free interest rate (%)	3	3
Expected volatility (%)	64	64

25. RESERVES

	The Group 2009 RM'000	The Group 2008 RM'000	The Company 2009 RM'000	The Company 2008 RM'000
Non-distributable reserves:				
Share premium	**688,028**	688,028	**688,028**	688,028
Equity compensation reserve	**1,139**	1,196	**1,139**	1,196
Translation adjustment account	**9,899**	(224)	**-**	-
Capital reserve	**305**	161	**305**	161
Capital redemption reserve	**9**	9	**-**	-
	699,380	689,170	**689,472**	689,385
Retained profits/(Accumulated losses)	**12,142**	(142,398)	**(349,132)**	(339,773)
	711,522	546,772	**340,340**	349,612

Share premium

Share premium arose from the premium on the issuance of new ordinary shares in current and prior financial years and also share-based payment transactions for options already exercised by employees being reclassified from the equity compensation reserve.

Equity compensation reserve

Equity compensation reserve relates to the equity-settled share options granted to employees and is made up of the cumulative value of services received from employees recorded on grant of share options, net of the amount reclassified to share premium and capital reserve for options exercised and lapsed.

Translation adjustment account

Exchange difference arising from the translation of foreign controlled entity is taken to the translation adjustment account as described in the accounting policies.

Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from the following:

	The Group and The Company 2009 RM'000	The Group and The Company 2008 RM'000
Share options lapsed reclassified from equity compensation reserve	**305**	161

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by a subsidiary company.

26. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS")

	The Group 2009 RM'000	2008 RM'000
Issued and fully paid:		
At beginning of year	**-**	-
Acquisition of subsidiary companies	**144**	-
Acquired by the Group from third parties	**(7)**	-
At end of year	**137**	-
Share premium:		
At beginning of year	**-**	-
Acquisition of subsidiary companies	**14,205**	-
Acquired by the Group from third parties	**(670)**	-
At end of year	**13,535**	-
	13,672	-

The subsidiary company, SCB has issued 30,575,044 RCCPS of RM0.01 each at a premium of RM0.99 each. As at the end of the financial year, approximately 55.28% of the RCCPS issued had been acquired by the Group. The above represents RCCPS held by third parties.

The main features of the RCCPS are as follows:

(i) The RCCPS may be converted into new ordinary and fully paid-up shares of RM1.00 each in SCB ("New SCB Shares") at any time after the third anniversary up to and including the tenth anniversary of the date of 14 March 2003, being the issue date of the RCCPS.

(ii) The conversion price of the RCCPS is fixed at RM1.10 per New SCB Share to be satisfied solely by the tender of RCCPS by the registered holders for cancellation by SCB.

(iii) Unless converted into New SCB Shares, SCB shall be obligated to redeem the RCCPS in cash at a sum equal to the aggregate of (a) the par value of RM0.01 each; (b) the premium paid thereon of RM0.99 each; and (c) the accumulated and unpaid preferential dividend (as described below) if any, 10 years from and inclusive of the date of issue of the RCCPS ("Redemption Date"). If any registered holder of the RCCPS shall fail or refuse to surrender the certificate for such RCCPS or shall fail or refuse to accept the redemption money payable in respect of them, such money shall be retained and held by SCB in trust for such registered holders but without interest or further obligation whatsoever.

(iv) The RCCPS shall carry a fixed cumulative preferential gross dividend of RM0.01 per RCCPS per annum, from the date of issue until the Redemption Date. Such rights to dividend shall be cumulative and shall be paid in priority to any payment of dividend on the New SCB Shares. Any declaration of the fixed preferential gross dividend of RM0.01 per RCCPS per annum shall be paid in cash and subject to the profits of SCB available for distribution.

(v) The RCCPS carry no right to vote at general meetings of SCB unless the general meeting is (a) for any resolution which varies or is deemed to vary the rights and privileges of such RCCPS or (b) for any resolution for the winding-up of SCB.

(vi) The registered holders of the RCCPS shall have no right to appoint any director to the Board of SCB or to participate in the management of SCB, but shall be entitled to attend meetings and receive all notices, audited accounts and reports which holders of ordinary shares in SCB are entitled to.

26. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS") (continued)

The main features of the RCCPS are as follows: (continued)

(vii) Save and except that the RCCPS shall rank in priority to all other classes of shares in SCB as regards the preferential dividend and return of capital in the event of winding-up, the RCCPS have no right to participate in the surplus assets and profits of SCB.

(viii) The RCCPS may be transferred to persons (and their respective successors) within the following categories:

(a) all banks licensed under the Banking and Financial Institutions Act, 1989 or the Offshore Banking Act, 1990; or

(b) persons who are the first holders of the SCB Bonds issued by SCB or lenders of the SPV Debts issued by AMB Harta (L) Limited, a subsidiary company of SCB, both on 14 March 2003.

27. BONDS AND DEBTS - SECURED

	The Group	
	2009	**2008**
	RM'000	**RM'000**
SCB Bonds	**11,233**	-
SPV Debts	**126,413**	-
	137,646	-

The subsidiary company, SCB has issued the following zero coupon redeemable secured bonds ("SCB Bonds") to its Scheme Creditors pursuant to the implementation of its Group Wide Restructuring Scheme on 14 March 2003:

(i) RM98.594 million (present value as at the date of issue) Class B SCB Bonds, having a maturity date of 31 December 2008 as part of the settlement of debts; and

(ii) RM39.032 million (present value as at the date of issue) Class C SCB Bonds, having a maturity date of 31 December 2011 as part of the settlement of debts.

In addition, AMB Harta (L) Limited ("SPV"), a wholly-owned subsidiary company of SCB, has also issued the following debts ("SPV Debts") on 14 March 2003:

(i) RM276.90 million (present value as at the date of issue) Class B (a) SPV Debts, having a maturity date of 31 December 2008 as part of the settlement of debts;

(ii) RM92.16 million (present value as at the date of issue) Class B (b) SPV Debts, having a maturity date of 31 December 2008 as part of the settlement of debts; and

(iii) RM109.62 million (present value as at the date of issue) Class C SPV Debts, having a maturity date of 31 December 2011 as part of the settlement of debts.

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

Class B SCB Bonds	4.75%
Class C SCB Bonds	4.75%
Class B (a) SPV Debts	4.00%
Class B (b) SPV Debts	4.00%
Class C SPV Debts	4.00%

27. BONDS AND DEBTS - SECURED (continued)

The SCB Bonds and SPV Debts are payable annually on 31 December of each calendar year. An additional 1% interest above the cash yields to maturity shall be charged on the portion delayed in redemption/repayment for SCB Bonds and SPV Debts.

As at the end of the current financial year, approximately 91.84% and 64.58% of SCB Bonds and SPV Debts respectively had been acquired by the Group. The amounts outstanding as at year end represent SCB Bonds and SPV Debts held by third parties.

Securities for the SCB Bonds and the SPV Debts

The Security Trustee holds the following securities for the benefits of the holders of the SCB Bonds and the SPV Debts:

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

(ii) The Amsteel Corporation Berhad ("ACB") Bonds and ACB Shares (comprising both debt to equity conversion shares and equity kicker shares) received by SCB.

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

Dedicated Cash Flows mean cash flows from the following sources:

- net proceeds from the disposal of any assets in the PDP for the SCB Group (other than the net proceeds set aside for the purpose of the Proposed Tender) over which there is no Existing Charge;

- proceeds from the redemption of the ACB Bonds and Lion Diversified Holdings Berhad ("LDHB") Inter-Co Repayment;

- any Back-End Amount and Loyalty Payment received by SCB as a holder of ACB Bonds;

- any Loyalty Payment received by SCB from the LDHB Inter-Co Repayment;

- subject to the proportions allocated to holders of the SCB Bonds and the SPV Debts, net proceeds from the disposal of any residual assets (other than assets in the PDP for the SCB Group and net proceeds set aside for the purpose of the Proposed Tender);

- net proceeds from the disposal of 28.92 million ACB Shares received by SCB as debt to equity conversion shares pursuant to the Debt Restructuring Exercise of the SCB Group;

- net proceeds from the disposal of 5.09 million ACB Shares attached to the ACB Bonds as equity kickers; and

- payment from Silverstone Sub-Bonds from year 2005 to 2011.

27. BONDS AND DEBTS - SECURED (continued)

Securities for the SCB Bonds and the SPV Debts (continued)

(iv) Investment in Silverstone Berhad

In relation to the SCB Bonds and the SPV Debts, SCB covenants, amongst others, that SCB will not, without the prior written consent of the Trustee,

(I) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness except such permitted indebtedness.

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

(a) where the total amounts for the redemption or purchase of the Bonds and the total amounts for the repayment or purchase of the SPV Debts paid by SCB and/or the SPV up to that time when the indebtedness is incurred or proposed to be incurred and the up-front cash payment made on 31 January 2003 (“Repaid Amount”) is less than 50% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 20% of that Repaid Amount;

(b) where the Repaid Amount is equal to or exceeding 50% but less than 75% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 35% of that Repaid Amount; and

(c) where the total Repaid Amount is equal to or more than 75% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 50% of that Repaid Amount.

(II) Disposal of assets in the PDP

Disposal of assets/shares in the PDP if:

(a) the realisable value of the asset is above RM5 million; and

(b) the disposal price is at a discount of 20% or more of the market value of the assets; or

(c) the sale of asset is to a related party.

(III) Disposal of residual assets

Disposal of assets not in the PDP if:

(a) the disposal price is in excess of RM25 million or 20% of the audited consolidated net tangible assets (“NTA”) of SCB, whichever is lower; and

(b) the disposal is at a discount of 20% or more of the market value of the asset.

27. BONDS AND DEBTS - SECURED (continued)

(iv) Investment in Silverstone Berhad (continued)

In relation to the SCB Bonds and the SPV Debts, SCB covenants, amongst others, that SCB will not, without the prior written consent of the Trustee, (continued)

(IV) Capital expenditure

Incur and/or cause SCB's subsidiary companies (other than excluded companies) to incur any capital expenditure:

(a) for any new investment which is not within the core business of SCB or such subsidiary company as at the date of the Trust Deed; or

(b) exceeding 25% of the consolidated NTA of the SCB Group.

SCB had on 4 July 2008 obtained the consent of its bond and debt holders to vary the redemption/repayment schedule of the Class B SCB Bonds and SPV Debts and Class C SCB Bonds and SPV Debts at a revised yield to maturity of 3% and 1% respectively which is to take effect retrospectively from 1 November 2007.

SCB had redeemed/repaid a total amount of RM45.4 million of the Class B SCB Bonds and SPV Debts ("Payments") during the financial year. The payments had been treated as partial and/or full payment for the relevant outstanding Class B SCB Bonds and SPV Debts due on 31 October 2007 and/or 31 December 2007. The full implementation of the revised schedule as mentioned above is pending the approval of the bond and debt holders on the additional cash flow sources to redeem/repay the SCB Bonds and SPV Debts. In accordance with FRS 101, the entire Class B and Class C SCB Bonds and SPV Debts have been reclassified as current liabilities.

28. HIRE-PURCHASE PAYABLES

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Total outstanding	**11,268**	73
Less: Interest-in-suspense	**(1,599)**	(9)
Principal portion	**9,669**	64
Payable as follows:		
Within the next 12 months (shown under current liabilities)	**2,141**	51
After the next 12 months	**7,528**	13
	9,669	64

The interest rates implicit in these hire-purchase obligations range from 3.50% to 8.72% (2.80% to 5.55% in 2008) per annum.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (30 to 90 days in 2008).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**32,462**	23,643	**10,657**	12,809
Chinese Renminbi	**19,711**	16,440	**-**	-
United States Dollar	**2,211**	11,100	**-**	-
	54,384	51,183	**10,657**	12,809

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Other payables	**27,673**	19,896	**111**	21
Accrued expenses	**42,125**	14,790	**5,167**	5,148
	69,798	34,686	**5,278**	5,169

Included in other payables of the Group is an amount of RM36,100 (RM33,000 in 2008) representing an amount owing to Shandong LuHe Group Co. Ltd., a corporate shareholder of a subsidiary company. The said amount, which is denominated in Chinese Renminbi, arose from payments made on behalf of the subsidiary company and is interest-free (interest-free in 2008) and repayable on demand.

30. PROVISIONS

	The Group and The Company	
	2009	2008
	RM'000	RM'000
Provision for damages arising from litigation claim:		
At beginning of year	**-**	-
Provision during the year	**15,000**	-
At end of year	**15,000**	-

30. PROVISIONS (continued)

As part of the terms for the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

On 27 February 2008, the Court of Appeal decided in favour of the plaintiff in one of the litigation claims, UNP Plywood Sdn. Bhd. ("UNP") and ordered damages to be assessed. UNP has claimed for an amount of RM128,874,435 for the termination of contracts for the extraction and sale of timber. SFI appealed against the decision of the Court of Appeal. On 11 September 2009, the Federal Court had dismissed SFI's appeal with costs ("Judgement"). Following the Judgement, the case is to be remitted to the High Court of Kota Kinabalu for assessment of damages payable by SFI.

The solicitors of SFI had on 30 September 2009 filed a motion for judicial review of the Judgement under rule 137 of the Rules to the Federal Court 1995.

Pending the assessment of damages by the court and the outcome of the motion for judicial review filed, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best estimate using information currently available. The balance of the claim by UNP is disclosed as contingent liabilities in Note 33.

31. BANK BORROWINGS

	The Group		The Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Secured				
Bank overdrafts (Note 36)	**5,623**	1,686	**-**	1,057
Bankers acceptances, trust receipts and bill payable	**15,156**	-	**-**	-
Revolving credits	**5,185**	-	**-**	-
Term loan	**23,517**	26,542	**-**	-
	49,481	28,228	**-**	1,057
Unsecured				
Bankers acceptances, trust receipts and bill payable	**1,844**	7,955	**-**	4,594
Term loan	**14,987**	-	**-**	-
Total	**66,312**	36,183	**-**	5,651

As of 30 June 2009, the Company has bank overdraft and other credit facilities totalling RM500,000 (RM5,900,000 in 2008) obtained from certain local banks, which bear interest at rates ranging from 3.90% to 8.34% (4.84% to 6.34% in 2008) per annum.

31. BANK BORROWINGS (continued)

The bank overdraft and other credit facilities of the Company are secured by:

(a) A first fixed charge under the National Land Code, 1965 and an absolute legal assignment over:

(i) freehold land and buildings of the Company and a subsidiary company with carrying value of RM9,453,000 (RM10,240,000 in 2008); and

(ii) long leasehold land and building of the Company with carrying value of RM111,000 (RM112,000 in 2008).

(b) An assignment of the sale and purchase agreements over other buildings of the Company with carrying value of RM1,168,000 (RM1,201,000 in 2008).

(c) A debenture containing a floating charge over the current assets, both present and future, of the following subsidiary companies of the Company:

(i) Lion Petroleum Products Sdn. Bhd.; and

(ii) Posim EMS Sdn. Bhd.

(d) An assignment over all insurance policies over certain assets of the Company and the abovementioned subsidiary companies.

(e) A debenture containing a first fixed charge over the property, plant and equipment of the Company and a floating charge over:

(i) the Escrow Account; and

(ii) all other assets of the Company (not subject to the first fixed charge), both present and future, including intercompany receivables but excluding intercompany receivables from LFIB Plantations Sdn. Bhd., and the Company's shareholdings in LFIB Plantations Sdn. Bhd., Posim Petroleum Marketing Sdn. Bhd., and Posim Marketing Sdn. Bhd.

(f) A first party memorandum of deposit of shares on the pledge of the Company's entire shareholding in Ototek Sdn. Bhd.

(g) A third party memorandum of deposit of fixed deposits belonging to Posim Marketing Sdn. Bhd.

As of 30 June 2009, certain subsidiary companies have bank overdraft and other credit facilities totalling RM66,373,000 (RM11,875,000 in 2008) obtained from certain local banks which are secured by debenture containing first floating charge over all present and future current assets of the subsidiary companies, corporate guarantees by the Company to the extent of RM37,175,000 (RM11,875,000 in 2008) and fixed deposits of a subsidiary company. The facilities bear interest at rates ranging from 3.90% to 8.30% (5.00% to 8.00% in 2008) per annum.

The secured term loan, which is obtained by a foreign subsidiary company and denominated in Chinese Renminbi, bears interest at rates ranging from 7.00% to 8.50% (7.00% to 8.50% in 2008) per annum. The said term loan is secured by a fixed deposit of a subsidiary company and a fixed charge over the following property, plant and equipment of the said foreign subsidiary company:

(i) Leasehold land and building with carrying value of RM38,513,000 (RM37,610,000 in 2008); and

(ii) Plant and machinery with carrying value of RM19,956,000 (RM21,559,000 in 2008).

32. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

(i) Foreign currency risk

The Group undertakes transactions in foreign currencies with certain foreign entities and therefore is exposed to foreign currency risk.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 31. The interest rates for the bonds and debts and hire-purchase payables, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 27 and 28 respectively.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade and other receivables. The Group has no major concentration of credit risk and extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

(iv) Liquidity risk

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

(v) Cash flow risk

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

Financial Assets

The Group's principal financial assets are cash and bank balances, fixed deposits with licensed banks, trade and other receivables, other investments and amount owing by holding company, other related companies and associated companies.

The Company's principal financial assets also include amounts owing by subsidiary companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

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

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, amount owing to other related companies, bank borrowings, RCCPS, and bonds and debts.

Significant financial liabilities of the Company also include amount owing to subsidiary companies.

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

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

32. FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Assets and Financial Liabilities

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of 30 June 2009 are as follows:

	The Group		The Company	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2009	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets				
Other investments:				
Quoted shares and warrants	**906**	**892**	**42**	**12**
Unquoted bonds	**5,287**	**^**	**-**	**-**
Unquoted investments	**900**	**^**	**-**	**-**
Unquoted RCSLS	**21,119**	**^**	**-**	**-**
Amount owing by subsidiary company	**-**	**-**	**18,200**	*
Financial Liabilities				
Bonds and debts	**137,646**	**^**	**-**	**-**
Borrowings - term loan	**38,504**	**38,504**	**-**	**-**
Hire-purchase payables	**9,669**	**8,892**	**-**	**-**
RCCPS	**13,672**	**^**	**-**	**-**
Amount owing to subsidiary company:				
Long term loan	**-**	**-**	**18,200**	*
2008				
Financial Assets				
Other investments:				
Quoted shares	51	42	43	25
Unquoted bonds	84,157	^	-	-
Unquoted investments	175	^	24	^
Amount owing by subsidiary company	-	-	18,200	*
Financial Liabilities				
Borrowings - term loan	26,542	26,542	-	-
Hire-purchase payables	64	63	-	-
Amount owing to subsidiary company:				
Long term loan	-	-	18,200	*

* It is not practical to determine the fair value of this long term loan with sufficient reliability given that this loan does not have fixed terms of repayment.

^ It is not practical to determine the fair value of these unquoted bonds, unquoted investments, unquoted RCSLS, bonds and debts, and RCCPS due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

32. FINANCIAL INSTRUMENTS (continued)

Quoted shares and securities

The market values of quoted shares and securities as at balance sheet date approximate their fair values.

Hire-purchase payables and long term borrowings

The fair values of the hire-purchase payables and long term borrowings of the Group are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, trade and other receivables, intercompany receivables and payables, trade and other payables and bank borrowings

The carrying amounts approximate fair values because of the short maturity period for these instruments.

33. CONTINGENT LIABILITIES

	The Group		**The Company**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sales of timber	**313,331**	313,331	**313,331**	313,331
Less : Provision during the year (Note 30)	**(15,000)**	-	**(15,000)**	-
	298,331	313,331	**298,331**	313,331
Back pay labour claims from SFI's employees	**23,427**	-	**23,427**	-
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	**-**	-	**37,175**	11,875
	321,758	313,331	**358,933**	325,206

As part of the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI"), the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

33. CONTINGENT LIABILITIES (continued)

Litigation claims in respect of the termination of contracts for the extraction and sales of timber

Included in the litigation claims are as follows:

(a) Claim by UNP Plywood Sdn. Bhd. for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 30, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu making a final assessment of the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability.

(b) Claim by Harapan Permai Sdn. Bhd. ("Harapan Permai") against SFI for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement ("Timber Agreement") dated 9 November 1992 via Civil Suit No. K22-40-97 filed on 11 April 1997.

    SFI had applied to strike out the claim on the ground that the Timber Agreement is illegal under the Sabah Forest Enactment 1968. The Deputy Registrar had on 12 September 2003 dismissed SFI's application to strike out Harapan Permai's claim. On SFI's appeal, the High Court Judicial Commissioner had on 15 December 2006 allowed SFI's appeal and accordingly struck out Harapan Permai's claim.

    Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the decision of the High Court. The Court of Appeal has yet to fix the hearing date for Harapan Permai's appeal.

Indemnity contracts have also been signed between the Company and Avenel Sdn. Bhd. ("Avenel"), the immediate holding company then, whereby Avenel agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation claims and any other claims brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, the audited financial statements of Avenel does not indicate that it is able to fully discharge its obligations under the above mentioned indemnity.

Back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants allege that they have not been given annual increments from 1997 to 2006 (with some claiming for 2007 also) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 24 September 2009, stay of execution for enforcement/execution of the High Court's Order dated 17 July 2009 directing the Labour Court to proceed with the inquiry of the Complainants' claims was granted for a period of 3 months from 24 September 2009. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

34. CAPITAL COMMITMENTS

As of 30 June 2009, the Group has the following capital commitments:

	The Group	
	2009	**2008**
	RM'000	**RM'000**
Approved and contracted for in respect of purchase of property, plant and equipment	**24,987**	18,897
Approved but not contracted for in respect of purchase of property, plant and equipment	**1,682**	-

35. SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating divisions:

– building materials and steel products
– petroleum, lubricants and automotive products
– tyre
– others

Others include mainly investment holding, consumer products, provision of transportation services, sale and distribution of motor vehicles, treasury businesses and provision of training services, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

35. SEGMENT INFORMATION (continued)

The Group 2009	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Tyre RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue						
External customers	194,836	57,701	327,642	17,858	-	598,037
Inter-segment sales	9	1,753	2,295	-	(4,057)	-
Total revenue	194,845	59,454	329,937	17,858	(4,057)	598,037
Results						
Segment results	1,474	4,841	4,576	42,109	-	53,000
Unallocated expenses						(3,205)
Unallocated income						9,441
Finance costs						(9,490)
Share in results of associated companies	-	-	-	(11,985)	-	(11,985)
Provision for damages arising from litigation claim						(15,000)
Negative goodwill arising from acquisition of subsidiary companies						147,590
Profit before tax						170,351
Income tax expense						(9,466)
Profit for the year						160,885
Consolidated Balance Sheet						
Assets						
Segment assets	175,177	46,683	490,970	22,611	-	735,441
Investment in associated companies	-	-	-	151,825	-	151,825
Unallocated corporate assets						489,936
Consolidated total assets						1,377,202
Liabilities						
Segment liabilities	25,163	13,574	91,309	85,117	-	215,163
Unallocated corporate liabilities						161,141
Consolidated total liabilities						376,304
Other Information						
Capital expenditures	10	1,322	10,772	13,035	-	25,139
Depreciation	154	1,729	24,306	1,377	-	27,566
Amortisation	-	-	102	820	-	922
Other non-cash expenses/(income)	1,706	(3)	2,792	(150,063)	-	(145,568)

35. SEGMENT INFORMATION (continued)

The Group 2008	Building materials and steel products RM'000	Petroleum, lubricants and automotive products RM'000	Tyre RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	222,996	64,369	102,802	2,678	-	392,845
Inter-segment sales	-	43	-	-	(43)	-
Total revenue	222,996	64,412	102,802	2,678	(43)	392,845
Results						
Segment results	5,542	10,107	(25,424)	(5,786)	(100)	(15,661)
Unallocated expenses						(896)
Unallocated income						11,836
Finance costs						(3,636)
Loss before tax						(8,357)
Income tax expense						(8,389)
Loss for the year						(16,746)
Consolidated Balance Sheet						
Assets						
Segment assets	220,859	49,139	173,700	35,256	-	478,954
Unallocated corporate assets						431,735
Consolidated total assets						910,689
Liabilities						
Segment liabilities	34,347	15,052	69,415	3,302	-	122,116
Unallocated corporate liabilities						7,588
Consolidated total liabilities						129,704
Other Information						
Capital expenditures	136	1,603	5,978	768	-	8,485
Depreciation	174	2,025	12,815	140	-	15,154
Amortisation	-	-	96	50	-	146
Other non-cash expenses/(income)	721	1,153	(3,163)	1,923	-	634

35. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly located in two main geographical areas:

(i) Malaysia - building materials and steel products, petroleum, lubricant and automotive products, consumer products, manufacture and sale of tyres, rubber compounds and other related products, sale and distribution of motor vehicles, provision of transportation services, treasury businesses, provision of training services and investment holding

(ii) People's Republic of China - manufacture and sale of tyres

(iii) Others - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

	Revenue	
	2009	**2008**
	RM'000	**RM'000**
Malaysia	**486,217**	290,043
People's Republic of China	**79,965**	57,893
Other countries	**31,855**	44,909
	598,037	392,845

	Total assets		**Capital expenditures**	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**1,096,728**	721,762	**22,888**	2,507
People's Republic of China	**263,773**	173,700	**2,251**	5,978
Other countries	**16,701**	15,227	**-**	-
	1,377,202	910,689	**25,139**	8,485

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

36. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed deposits with licensed banks (unrestricted) (Note 23)	**14,187**	62,646	**10,408**	59,696
Cash and bank balances (unrestricted) (Note 23)	**50,129**	27,537	**949**	412
Money market instrument (Note 21)	**6,377**	-	**6,377**	-
Bank overdrafts (Note 31)	**(5,623)**	(1,686)	**-**	(1,057)
	65,070	88,497	**17,734**	59,051

37. SIGNIFICANT EVENTS

(a) In relation to the proposed acquisition of the USD debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary company of Silverstone Corporation Berhad ("SCB") ("SPV Debts"), and the RM bonds ("SCB Bonds") and redeemable cumulative convertible preference shares of RM0.01 each issued at a premium of RM0.99 by SCB ("RCCPS") with an aggregate nominal amount of approximately RM515.20 million of which up to approximately RM229.97 million will be funded by the proceeds from the disposal by the Company of its entire 97.78% shareholding in Sabah Forest Industries Sdn. Bhd., the utilisation of which had been approved by the Securities Commission on 14 March 2008:

(i) Gama Harta Sdn. Bhd. and Jadeford International Limited ("Jadeford"), both wholly-owned subsidiary companies of the Company, had on 30 November 2007 entered into a conditional sale and purchase agreement with Amsteel Mills Sdn. Bhd. ("AMSB"), a related company of the Company, for the acquisition from AMSB, of SCB Bonds with an aggregate nominal value of approximately RM117.63 million and 6,699,994 RCCPS for an aggregate cash consideration of up to approximately RM51.15 million ("Proposed AMSB Debt Acquisition").

(ii) Jadeford, had on 30 November 2007 entered into a call option agreement with Raiffeisen Zentralbank Osterreich AG, Singapore Branch ("RZB") for the proposed acquisition from RZB, of SPV Debts with an aggregate nominal value of approximately USD17.37 million (approximately RM58.57 million), and 3,000,818 RCCPS for an aggregate cash consideration of up to approximately USD8.69 million (approximately RM29.30 million) ("Proposed RZB Debt Acquisition").

(iii) Parties to the agreements in relation to the Proposed AMSB Debt Acquisition and the Proposed RZB Debt Acquisition had on 8 August 2008 mutually agreed to exclude the acquisition by Jadeford of the 6,699,994 RCCPS from AMSB and 3,000,818 RCCPS from RZB, from the respective agreements and had accordingly varied the consideration therefor and excluded Jadeford as a party to the Proposed AMSB Debt Acquisition.

(iv) As at 30 June 2009, the Group had acquired 64.58% SPV Debts (excluding those under the Proposed RZB Debt Acquisition), 91.84% SCB Bonds and 55.28% RCCPS in issue.

The Proposed AMSB Debt Acquisition was completed on 4 December 2008 while the Proposed RZB Debt Acquisition is pending completion.

37. SIGNIFICANT EVENTS (continued)

(b) The Company had on 28 November 2008 completed the conditional take-over offer ("Offer") to acquire :

(i) the remaining 339,878,875 ordinary shares of RM1.00 each fully paid in SCB ("SCB Shares") not already held by the Company, representing approximately 99.95% of SCB's existing issued and paid-up ordinary share capital, and all the new SCB Shares that may be issued and allotted prior to the closing date of the Offer pursuant to the conversion of any remaining RCCPS (collectively the "Offer Shares"), to be satisfied by the issue and allotment of 1 new ordinary share of RM1.00 each in the Company ("LFIB Share") at an issue price of RM1.00 each ("Issue Price") for every 15 existing Offer Shares held, or an aggregate of up to 24,393,608 new LFIB Shares; and

(ii) the remaining 28,627,764 RCCPS not already held by Jadeford, representing approximately 93.63% of the existing RCCPS in issue ("Offer RCCPS"), to be satisfied by the issue and allotment of 2 new LFIB Shares at the Issue Price for every 33 existing Offer RCCPS held, or an aggregate of up to 1,735,016 new LFIB Shares.

On the completion of the Offer, the Company issued and allotted 19,931,861 new LFIB Shares at the Issue Price to the accepting holders of SCB as consideration for 286,006,287 SCB Shares and 14,279,049 RCCPS acquired via the Offer, resulting in the Company holding 84.16% equity interest in SCB.

38. SUBSEQUENT EVENT

As part of the terms for the disposal of the Company's entire 97.78% equity interest in Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

In relation to the litigation claim by UNP Plywood Sdn. Bhd. ("UNP"), the High Court of Kota Kinabalu had on 23 February 2007 dismissed the claim by UNP against SFI for RM128,874,435 for alleged termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993.

UNP had appealed against the decision of the High Court to which the Court of Appeal had allowed and had entered judgement against SFI for damages to be assessed.

SFI had further appealed to the Federal Court against the decision of the Court of Appeal.

The Company had on 11 September 2009 announced that the Federal Court had dismissed SFI's appeal against the decision of the Court of Appeal on 27 February 2008 to enter judgement against SFI for damages to be assessed, with costs ("Judgement"). Following the Judgement, the case is to be remitted to the High Court for assessment of damages payable by SFI.

The solicitors of SFI had on 30 September 2009 filed a motion for judicial review of the Judgement under rule 137 of the Rules to the Federal Court 1995.

In relation thereto, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best estimate using information currently available pending the assessment of damages by the court and the outcome of the motion for judicial review filed.

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying balance sheets as of 30 June 2009 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 105, are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2009 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

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

TAN SRI WILLIAM H.J. CHENG **CHAN HO WAI**

Kuala Lumpur
19 October 2009

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

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets as of 30 June 2009 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 105 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.

CHAN HO WAI

Subscribed and solemnly declared by the abovenamed
CHAN HO WAI at **KUALA LUMPUR** in the **FEDERAL TERRITORY** this 19th day of October, 2009.

Before me,

W259
AHMAD B. LAYA
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2009

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM'million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	5 acres	Industrial land and building	Factory (15)	9.4	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	1,650 sq feet	Land and building	2-storey shop office (24)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35 Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	2,716 sq feet	Building	Office (11)	0.4	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land and building	2-storey shop office (11)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land and building	3-storey shop office (10)	0.6	9.2.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	678 sq feet	Building	Office (7)	0.1	16.7.2004
LuHe Industrial Zone Zhucheng City Shandong Province People's Republic of China	Leasehold 20.12.2054	157,049 sq metres	Land and building	Office and plant (5)	56.3	21.12.2004
Lot No. 273 Mukim Teluk Panglima Garang Kuala Langat Selangor Darul Ehsan	Freehold	0.72 hectares	Land	Vacant	0.4	30.6.2005
Lot No. 21 Jalan Inang 1 Taman Skudai 81300 Skudai Johor Darul Takzim	Freehold	1,540 sq feet	Land and building	Shoplot (31)	0.1	18.3.2004

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM'million)	Date of Acquisition
Lot 5831, Kamunting Industrial Estate II 34600 Kamunting Perak Darul Ridzuan	Leasehold 1.10.2088	12 hectares	Land and building	Office, factory and warehouse (18)	52.7	March 2003
Lengkungan Perusahaan Kamunting 3 Kawasan Perusahaan Kamunting Raya 34600 Kamunting Perak Darul Ridzuan	Leasehold 14.10.2097	4.07 hectares	Land and building	Office, factory and warehouse (11)	6.4	March 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2009

Authorised Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM230,367,032
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2009

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	843	16.10	28,570	0.01
100 to 1,000	1,795	34.29	1,248,979	0.54
1,001 to 10,000	2,022	38.62	7,815,746	3.39
10,001 to 100,000	471	9.00	14,689,340	6.38
100,001 to less than 5% of issued shares	102	1.95	37,824,457	16.42
5% and above of issued shares	2	0.04	168,759,940	73.26
	5,235	100.00	230,367,032	100.00

Substantial Shareholders as at 30 September 2009

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	400	*	183,513,520	79.66
2. Datuk Cheng Yong Kim	130	*	183,474,484	79.64
3. Lion Realty Private Limited	-	-	183,469,476	79.64
4. Lion Development (Penang) Sdn Bhd	-	-	183,469,476	79.64
5. Horizon Towers Sdn Bhd	5,344	*	181,206,625	78.66
6. Lion Corporation Berhad	180	*	181,206,445	78.66
7. Lion Industries Corporation Berhad	45,127,236	19.59	136,079,389	59.07
8. Amsteel Mills Sdn Bhd	123,632,704 #	53.67	12,446,685	5.40
9. LLB Steel Industries Sdn Bhd	-	-	181,206,625	78.66
10. Steelcorp Sdn Bhd	-	-	181,206,625	78.66
11. Lion Diversified Holdings Berhad	-	-	181,206,625	78.66
12. Excel Step Investments Limited	-	-	181,206,625	78.66
13. Teraju Varia Sdn Bhd	-	-	181,206,625	78.66
14. LLB Nominees Sdn Bhd	-	-	58,323,730	25.32

* Negligible.

Amsteel Mills Sdn Bhd had assigned the exercise of its voting rights in the Company of 58,323,730 shares (25.32%) to LLB Nominees Sdn Bhd and 13,331,138 shares (5.79%) to Lion Industries Corporation Berhad.

Thirty Largest Registered Shareholders as at 30 September 2009

Registered Shareholders	No. of Shares	% of Shares
1. AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-AMSTEEL0)	123,632,704	53.67
2. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	45,127,236	19.59
3. Amsteel Corporation Berhad	4,772,548	2.07
4. Umatrac Enterprises Sdn Bhd	2,592,349	1.13
5. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,238,600	0.97
6. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Equity Capital Sdn Bhd	1,680,800	0.73
7. Wu Teng Siong	1,385,000	0.60
8. Lion Holdings Sdn Bhd	1,334,745	0.58
9. Pacific & Orient Insurance Co Berhad	1,014,000	0.44
10. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	959,500	0.42
11. Pacific & Orient Insurance Co Berhad	882,000	0.38
12. CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)	855,883	0.37
13. Citigroup Nominees (Asing) Sdn Bhd UBS AG for Neon Liberty Wei Ji Master Fund LP	761,700	0.33
14. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Boon Liat (PB)	740,000	0.32
15. Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	613,500	0.27
16. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chin Hock (8058312)	600,000	0.26
17. Ng Teng Song	497,400	0.22
18. Tirta Enterprise Sdn Bhd	494,868	0.21
19. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ratnasinggam s/o Kanagasabai (39B)	469,264	0.20
20. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London for Spinnaker Global Strategic Fund	407,040	0.18
21. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	374,100	0.16
22. Ong Sai Hoon	374,000	0.16
23. Ooi Chin Hock	340,800	0.15
24. Sivash Holdings Berhad	338,700	0.15
25. AMMB Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Amsteel Corporation Berhad (BK 6/303-4)	327,827	0.14
26. Lembaga Tabung Angkatan Tentera	300,601	0.13
27. Mayban Securities Nominees (Tempatan) Sdn Bhd Mayban Nominees (S) Pte Ltd for Amsteel Corporation Berhad (MB 39A)	297,727	0.13
28. Kwan Sow Tung @ Kwan Sau Tung	290,548	0.13
29. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lai Peng (KLC/AFF)	285,000	0.12
30. Lee Kek Ming	272,000	0.12

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2009

The Directors' interests in shares in the Company and its related corporations as at 30 September 2009 are as follows:

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		400	*	183,516,581	79.66
Dato' Mohamad bin Haji Ahmad		13,040	0.01	-	-
Lin Chung Dien		7,060	*	-	-
Related Corporations					
Lion Industries Corporation Berhad	RM1.00				
Tan Sri William H.J. Cheng		-	-	336,875,633	47.23
Dato' Mohamad bin Haji Ahmad		3,276	*	-	-
Lin Chung Dien		25,320	*	-	-
Tan Sri William H.J. Cheng					
Lion-Kimtrans Logistics Sdn Bhd	RM1.00	-	-	3,750,000	75.00
LLB Enterprise Sdn Bhd	RM1.00	-	-	690,000	69.00
Marvenel Sdn Bhd	RM1.00	-	-	100	100.00
Ototek Sdn Bhd	RM1.00	-	-	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	-	-	800,000	80.00
P.T. Lion Intimung Malinau	USD1.00	-	-	4,750,000	95.00
Silverstone Corporation Berhad	RM1.00	-	-	286,173,498	84.16
Soga Sdn Bhd	RM1.00	-	-	4,332,078	93.93
Steelcorp Sdn Bhd	RM1.00	-	-	99,750	99.75
Holdsworth Investment Pte Ltd	**	-	-	4,500,000	100.00
Lion Rubber Industries Pte Ltd	**	-	-	10,000,000	100.00
Silverstone Tyre (S) Pte Ltd	**	-	-	31,750,100	100.00
Willet Investment Pte Ltd	**	-	-	45,954,450	100.00
Zhongsin Biotech Pte Ltd	**	-	-	1,000,000	100.00

	Nominal Value per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Silverstone Corporation Berhad	RM0.01	-	-	16,902,569	55.28

Investments in the People's Republic of China	Indirect Interest USD	Indirect Interest % of Holding
Beijing Trostel Property Development Co Ltd	6,650,000	95.00
Shandong Silverstone LuHe Rubber & Tyre Co Ltd	30,000,000	75.00
Tianjin Baden Real Estate Development Co Ltd	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation – voluntary)	10,878,944	56.00

Notes:

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2009.

MATERIAL CONTRACTS
INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

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

   By a Novation cum Supplemental Agreement dated 14 March 2007 entered into among the Company, SFI, Intra Inspirasi Sdn Bhd ("Intra Inspirasi"), a wholly-owned subsidiary of the Company, LICB and AMSB, SFI assigned and transferred, by way of a novation, all its rights and obligations under the Facility to Intra Inspirasi. Pursuant to the Novation cum Supplemental Agreement, the Facility is to be secured by the creation of the following:

   (a) second charge over the non-vacant plot of land held under HS(D) 13425, PT 17216, Mukim Tanjung Dua Belas, District of Kuala Langat, Selangor Darul Ehsan ("Property") (including the building and meltshop but excluding the rolling mill) which ranks in priority to the first charge created in favour of the existing lenders of AMSB; and

   (b) second debenture comprising a fixed charge over the non-vacant plot of the Property (excluding the rolling mill) which ranks in priority to the first debenture created in favour of the existing lenders of AMSB.

   Pursuant to the letter dated 30 June 2009, parties involved had mutually agreed to defer the repayment of the last instalment amounting to RM25 million which was due on 30 June 2009 to 31 December 2009.

2. Sale and Purchase Agreement dated 30 November 2007 (as amended by the letters dated 30 May 2008, 8 August 2008 and 18 September 2008) ("AMSB Agreement") entered into among Gama Harta Sdn Bhd ("Gama Harta"), Jadeford International Limited ("Jadeford"), both wholly-owned subsidiaries of the Company, and AMSB for the proposed acquisition (i) by Gama Harta of the zero-coupon redeemable secured Class B and Class C RM denominated bonds issued by Silverstone Corporation Berhad ("SCB") with an aggregate nominal value of approximately RM117.63 million from AMSB; and (ii) by Jadeford of 6,699,994 redeemable cumulative convertible preference shares of RM0.01 each issued at a premium of RM0.99 by SCB ("RCCPS") from AMSB, for an aggregate cash consideration of up to approximately RM51.15 million.

   Pursuant to the supplemental letter dated 8 August 2008, parties to the AMSB Agreement had mutually agreed to exclude the acquisition by Jadeford of the 6,699,994 RCCPS from the AMSB Agreement and had accordingly varied the consideration therefor and excluded Jadeford as a party to the AMSB Agreement.

3. Call Option Agreement dated 30 November 2007 (as amended by the letters dated 30 May 2008, 30 July 2008, 8 August 2008, 28 November 2008, 30 March 2009, 28 May 2009, 29 July 2009 and 29 September 2009) ("RZB Call Option Agreement") entered into between Jadeford and Raiffeisen Zentralbank Osterreich AG, Singapore Branch ("RZB") for the proposed acquisition by Jadeford of the zero-coupon redeemable secured Class B and Class C USD denominated debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of SCB, with an aggregate nominal value of approximately USD17.37 million (approximately RM58.57 million) and 3,000,818 RCCPS (collectively the "Debt Securities") from RZB, for an aggregate cash consideration of up to approximately USD8.69 million (approximately RM29.30 million). A Director and certain major shareholders of the Company have interests in the Debt Securities held by RZB.

   Pursuant to the supplemental letter dated 8 August 2008, parties to the RZB Call Option Agreement had mutually agreed to exclude the acquisition by Jadeford of the 3,000,818 RCCPS from the RZB Call Option Agreement and had accordingly varied the consideration therefor.

OTHER INFORMATION

NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM5,000 (RM5,000 in 2008).

RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2009 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")[(1)]	57,341
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Parkson Holdings Berhad Group ("Parkson Group")[(1)]	1,619
	Lion Corporation Berhad Group ("LCB Group")[(1)]	138
		1,757
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LCB Group[(1)]	3,701
	LICB Group[(1)]	3,681
	Silverstone Corporation Berhad Group ("SCB Group")[(1)]	415
	Ributasi Holdings Sdn Bhd Group ("Ributasi Group")[(2)]	60
	Lion Diversified Holdings Berhad Group ("LDHB Group")[(1)]	43
	Amsteel Corporation Berhad Group ("Amsteel Group")[(1)]	12
		7,912
(iv) Purchase of spare parts, tyres, plastic parts, diesel, lubricant oils, component parts and other related products and services	SCB Group[(1)]	14,763
	LCB Group[(1)]	8
		14,771
(b) Motor vehicles related		
(i) Sale of motor vehicles	LCB Group[(1)]	102
(ii) Provision of service of motor vehicles and sale of spare parts	LCB Group[(1)]	205
	Ributasi Group[(2)]	3
	Amsteel Group[(1)]	1
		209
(iii) Obtaining of services of assembly of motor vehicles	LCB Group[(1)]	46
(iv) Purchase of motor vehicles	LCB Group[(1)]	549

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(c) Tyres		
(i) Obtaining of security services and equipment, and motor vehicles	Amsteel Group(1)	109
(ii) Purchase of spare parts	Amsteel Group(1)	6
(d) Others		
(i) Obtaining of staff training and development and secretarial services	LCB Group(1) SCB Group(1)	25 2 27
(ii) Obtaining of security services and equipment	Amsteel Group(1)	29
(iii) Provision of installation services of equipment	Intelligent Building Automation Systems Sdn Bhd Group(3)	12
(iv) Purchase of office furniture and other equipment, computers and other industrial products, security services and equipment	Ributasi Group(2) LCB Group(1)	45 34 79
(v) Provision of energy management and conservation services	Parkson Group(1)	227
(vi) Provision of transportation and forwarding services	LCB Group(1) LICB Group(1) LDHB Group(1) Amsteel Group(1)	8,327 3,201 47 10 11,585
(vii) Provision of training and other related services	LICB Group(1) LCB Group(1) Parkson Group(1) Amsteel Group(1) Ributasi Group(2) LDHB Group(1) Lion Development (Penang) Sdn Bhd Group(1)	157 102 19 19 5 3 1 306
(viii) Obtaining of storage services	Amsteel Group(1)	2
(ix) Rental of office premises	LICB Group(1)	16

Notes:

"Group" includes subsidiaries and associated companies

(1) Companies in which a Director and certain major shareholders of the Company have interests.
(2) A company in which a Director and a major shareholder of the Company have interests.
(3) Companies in which a Director of a subsidiary of the Company has an interest.

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

The status of the conditions imposed by the SC in its approval for the proposed utilisation of the remaining proceeds derived from the disposal of Sabah Forest Industries Sdn. Bhd. are as follows:

(a) Status of utilisation of proceeds as at 30 September 2009

		Utilisation Status	
	Proposed Utilisation RM'million	**Actual Utilisation RM'million**	**Unutilised/ Outstanding RM'million**
Disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.82 million).			
(i) Capital distribution	420.31	420.55	(0.24)*
(ii) Tyre division	104.36	10.51	93.85
(iii) Plantation division	70.00	-	70.00
(iv) Payment to the State Government of Sabah	4.08	-	4.08
(v) Estimated expenses	1.50	1.50	-
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of Silverstone Corporation Berhad ("SCB") and the bonds and Redeemable Cumulative Convertible Preference Shares issued by SCB and estimated expenses related thereto	229.97	106.40	123.57
	830.22	538.96	291.26
(vii) Funding and investment relating to the business and/or working capital of the Group#	57.14	14.83	42.31
	887.36	553.79	333.57
(viii) Provisional and final adjustment	8.79		
(ix) Adjustment on foreign exchange	48.67		
	944.82		

* A total cash payment of approximately RM420.55 million was distributed to all entitled shareholders of which RM0.24 million was sourced from internally generated funds.

\# Pending the SC's approval.

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

(b) Status of Proposed Divestment Programme ("PDP") of Silverstone Corporation Berhad

(i) Status of the assets to be divested

Stages of the assets to be divested	PDP	Completed up to Dec 2008	Divestment concluded subsequent to December 2008: Concluded Sales Total	Proceeds received/to be received (Jan – Dec 2009): Actual Jan to June 2009	Projected for July to Dec 2009	Total Jan – Dec 2009
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
By 31 December 2008						
Wuxi Top Absorber Co Ltd	18.7	18.7	-	-	-	-
Listed and non-listed shares	9.4	-	-	2.6	-	2.6
	28.1					
By 31 December 2009						
Listed shares	84.7	-	-	-	-	-
By 31 December 2010						
Nanjing Jingyi Casting Co Ltd	17.5	23.3	-	5.3	5.7	11.0
Non-listed shares	76.6	-	-	-	-	-
	94.1					
	206.9	42.0	-	7.9	5.7	13.6

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

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

Description of assets/businesses	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation Amount	Deviation %	Explanation
	RM'million	RM'million	RM'million	RM'million		
1. Disposal by Innovasi Selaras Sdn Bhd of its entire 55% equity interest in Wuxi Top Absorber Co Ltd and to novate its rights and benefits in its entire 30% equity interest in Wuxi Puhua Electroplating Co Ltd for a cash consideration of RM18.7 million						
(i) Redemption/Repayment of SCB Bonds/SPV Debts	18.7	18.7	No requirement	-	-	-
2. Disposal of listed shares for a cash consideration of RM2.6 million						
(i) Redemption/Repayment of SCB Bonds/SPV Debts	2.6	0.0	No requirement	2.6	100	Not fully utilised

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

(b) Status of Proposed Divestment Programme ("PDP") of Silverstone Corporation Berhad (continued)

(ii) Transactions completed and the details on the utilisation of the divestment proceeds received (continued)

The detail of the assets divested during the financial year are as follows: (continued)

Description of assets/businesses	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation Amount	Deviation %	Explanation
	RM'million	RM'million	RM'million	RM'million		
3. Disposal by Innovasi Istimewa Sdn Bhd of its entire 60% equity interest in Nanjing Jingyi Casting Co Ltd for a cash consideration of RM23.75 million						
(i) Redemption/Repayment of SCB Bonds/SPV Debts	5.3	4.6	No requirement	0.7	13	Not fully utilised

(iii) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies identified for divestment under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the SCB Bonds/SPV Debts.

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LION FOREST INDUSTRIES BERHAD
(Incorporated in Malaysia) (82056-X)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member/members of LION FOREST INDUSTRIES 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-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 18 November 2009 at 11.15 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive 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, Y. Bhg. Dato' Mohamad bin Haji Ahmad		
5. To re-appoint Auditors		
6. Authority to Directors to issue shares		
7. 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 2009

No. of shares: .... Signed: ....

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.
- 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.