LION INDUSTRIES CORPORATION BERHAD

2010

LION INDUSTRIES CORPORATION BERHAD

A Member of The Lion Group

(415-D)

Laporan Tahunan 2010 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eightieth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 23 November 2010 at 3.30 pm for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2010. **Note 3**

2. To approve the payment of a first and final dividend of 1.0% less 25% Malaysian Income Tax. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM210,000 (2009 : RM210,000). **Resolution 2**

4. To re-elect Directors:

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

   Y. Bhg. Tan Sri Cheng Yong Kim **Resolution 3**
   Mr Chong Jee Min **Resolution 4**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 6**

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

7. Special Business

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

7.1.1 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 8**

7.1.2 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 Part A of the Circular to Shareholders of the Company dated 1 November 2010 ("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 9**

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."

7.1.3 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 10**

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

(ii) the maximum funds to be allocated for the share buy-back shall not exceed the retained profits or the share premium account of the Company or both, based on its latest audited financial statements available up to the date of the share buy-back transaction

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

THAT authority conferred by this ordinary resolution shall commence immediately upon the passing of this resolution and will only continue to be in force until:

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

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

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM1.00 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

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

7.2 To consider and, it thought fit, pass the following special resolution:

Proposed Amendments to the Articles of Association of the Company

"THAT the Articles of Association of the Company be amended in the following manner: **Resolution 11**

(I) Article 8

(i) By deleting the words "… and unless the Director holds office in an executive capacity." at the end of Article 8(c) and thereafter the new Article 8(c) shall read as follows:

A Director may not participate in an issue of shares to employees unless the members by resolution passed in general meeting, have approved of the specific allotment to be made to the Director.

(ii) By deleting the existing Article 8(d) which reads as follows in its entirety:

Notwithstanding article 8(c) above hereof, any non-executive Director may so subscribe and participate in an issue of shares of the Company pursuant to a public issue or public offer provided always that no special allotment or options shall be granted to him.

(II) Article 123

By deleting the existing Article 123 in its entirety and substituting therefor with the following new Article 123:

Any dividend, interest, or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the person whose name appears in the Register of Members or the Record of Depositors of the Company or to such address as the holder may in writing direct or paid by way of electronic transfer of remittance to the bank account provided by the Member to the Central Depository from time to time. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other monies payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented and the Company shall have no responsibility for any sums lost or delayed in the course of delivery or remittance or where the Company has acted on any such instructions of the Member."

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 2 December 2010 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 6 December 2010 in respect of transfers; and

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

The dividend, if approved, will be paid on 22 December 2010 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 6 December 2010.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
1 November 2010

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 shall be eligible to attend the 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 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

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

2. *Circular to Shareholders dated 1 November 2010 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2010 Annual Report:

   (i) Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   (ii) Part B - Proposed Renewal of Authority for Share Buy-Back

3. *Agenda Item 1*

   This item of the Agenda is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 require that the Directors' Report and the Audited Financial Statements be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

Notes: (continued)

4. *Resolution 8*

   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 24 November 2009 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 purposes of funding future investment projects, working capital and/or acquisitions.

5. *Resolution 9*

   This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of Part A 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.

6. *Resolution 10*

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

7. *Resolution 11*

   This approval will allow the Company to:

   (i) grant options to subscribe for shares in the Company to non-executive Directors; and

   (ii) pay dividend, interest or other monies payable in cash in respect of shares in the Company by way of electronic transfer of remittance in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Electronic Dividend Payment.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Eightieth Annual General Meeting of the Company are set out in the Directors' Profile on pages 7 to 9 of the 2010 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. A. Bhg. Tun Musa Hitam *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Asmat bin Kamaludin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay Mr Chong Jee Min
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	415-D
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lionind
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	AmBank (M) Berhad EON Bank Berhad Affin Investment Bank Berhad RHB Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Tun Musa Hitam
Independent Non-Executive Chairman

Y. A. Bhg. Tun Musa Hitam, a Malaysian, aged 76, was appointed a Director and Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee.

Tun Musa Hitam received his Bachelors of Arts degree from the University of Malaya and Masters Degree in International Relations from the University of Sussex, United Kingdom. He also holds Honorary Doctorates from the University of Sussex, Universiti Malaysia Sabah, University of Malaya and University Technology MARA. He was a Fellow at the Centre for International Affairs, Harvard University, United States of America and is currently a Fellow of the Malaysian Institute of Management and a member of the Advisory Board of the Malaysian Journal of Diplomacy and Foreign Relations.

Tun Musa Hitam had held various posts at international level. Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs from 1981 to 1986, he was Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority (FELDA), Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and from 1995 to 2002, the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group (CMAG). Tun Musa Hitam also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the 52nd Session of the Commission in 1995. At national level, Tun Musa Hitam had served as the Chairman of Suhakam, the Malaysian National Commission on Human Rights from 2000 to 2002.

Tun Musa Hitam is also the Chairman of United Malayan Land Berhad and Sime Darby Berhad, both public listed companies; the founding Chairman of the CIMB Group's International Advisory Panel, a Joint-Chairman of the Malaysia-China Business Council, the Chairman of the World Islamic Economic Forum, the Chairman of the Eminent Persons Group on the ASEAN Charter, the Chairman of the Yayasan Sime Darby, Special Envoy of the Commonwealth Secretary-General to the Maldives, a member of the Advisory Board of the Malaysian "Journal of Diplomacy and Foreign Relations" and the Advisory Panel of the South Johor Economic Region.

Tun Musa Hitam attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 60, was appointed the Managing Director of the Company on 16 January 1995. He is also a member of the Company's Remuneration Committee.

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

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

- Managing Director of Lion Diversified Holdings Berhad, a public listed company
- Director of Lion Corporation Berhad, a public listed company
- Director of Silverstone Corporation Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 3,294,789 ordinary shares of RM1.00 each and an indirect interest in 199,429,446 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 139 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

Tan Sri Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Tan Sri Asmat bin Kamaludin
Independent Non-Executive Director

Y. Bhg. Tan Sri Asmat bin Kamaludin, a Malaysian, aged 66, was appointed to the Board on 26 February 2001. He is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

Tan Sri Asmat obtained a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He also holds a Diploma in European Economic Integration from the University of Amsterdam. He had served in the Ministry of Trade and Industry, now known as the Ministry of International Trade and Industry (MITI) for approximately 35 years. During his tenure in the civil service, Tan Sri Asmat served on the board of various companies and corporations as MITI's representative, including Heavy Industries Corporation of Malaysia (HICOM), Malaysian Technology Development Corporation, Multimedia Development Corporation, Permodalan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, National Productivity Corporation, Malaysia External Trade Development Corporation (MATRADE), Small and Medium Industries Development Corporation (SMIDEC) and Perbadanan Johor. Between 1973 and 1976, he held the position of Senior Economic Counsellor to the European Community in Brussels. Tan Sri Asmat was appointed Secretary-General of MITI in May 1992 and held the position till his retirement in January 2001. He was appointed by MITI in 2008 to represent Malaysia as Governor on the Governing Board of The Economic Research Institute for ASEAN and East Asia (ERIA).

At the international level, Tan Sri Asmat has also served in committees of various international organisations such as the Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN) and the World Trade Organisation (WTO).

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, Scomi Group Berhad, Symphony House Berhad, Compugates Holdings Berhad, TASCO Berhad and Scomi Marine Berhad
- Vice Chairman of YTL Cement Berhad
- Director of Malaysian Pacific Industries Berhad, Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad

Save for Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad, all the above companies are public listed companies.

Tan Sri Asmat also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation (JACTIM), a non-profit organisation.

Tan Sri Asmat attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Dato' Kamaruddin @ Abas bin Nordin
Non-Independent Non-Executive Director

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 72, was appointed to the Board on 20 July 1994. He is also a member of the Company's Nomination Committee and Remuneration Committee.

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

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

Dato' Kamaruddin has a direct shareholding of 80,000 ordinary shares of RM1.00 each in the Company.

Dato' Kamaruddin attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 53, was appointed to the Board on 6 April 1994.

Mr Cheng holds a Diploma in Building from Singapore Polytechnic and a Bachelor of Science degree in Business Administration from the University of San Francisco, the United States of America. Mr Cheng has been with The Lion Group for more than 20 years. He is primarily involved in the Property Division of The Lion Group.

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

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

Mr Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 57, was appointed to the Board on 6 June 2001. He is also a member of the Company's Audit Committee.

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

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

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

Mr Heah attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 51, was appointed to the Board on 5 May 2004. He is also a member of the Company's Audit Committee.

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

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

Mr Chong is also a Director of Jaks Resources Berhad and Autoair Holdings Berhad, both public listed companies.

Mr Chong attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Save as disclosed above, 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 2010 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 2010 under review, 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 four (4) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

Board Committees

The Board delegates certain functions to several committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on 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 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 19 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, business prospects and opportunities, economic and regional issues, management and entrepreneurship, finance, and corporate responsibility, some of which were organised by Bursa Securities and the Securities Commission.

In addition, the Company would arrange 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 19 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 2010 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	793	813
Non-executive Directors	190	145	335
	210	938	1,148

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

Range of Remuneration (RM)			Number of Directors Executive	Non-executive
25,000	&	below	–	1
25,001	–	50,000	–	3
50,001	–	100,000	–	1
100,001	–	150,000	–	1
750,001	–	850,000	1	–

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/lionind 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 three (3) 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 15 to 18 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 2010, 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 14 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. While the internal auditors attend all meetings of the Audit Committee, the external auditors meet with the Audit Committee at least twice a year and attend the annual general meeting of the Company.

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

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

  Mr Chong Jee Min
  (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").

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

  The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, 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 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, five (5) Audit Committee Meetings were held. Except for Mr Heah Sieu Lay who was absent for one (1) Meeting, all other members attended all the five (5) 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**

  (a) Reviewed the related party transaction entered into by the Group set out below:

  - Proposed joint-venture between Slag Aggregate Sdn Bhd, a wholly-owned subsidiary of the Company, with Tuner Industry & Trade Corp and Bichain Trading Co. Ltd to undertake a proposed slag processing business.

  (b) Reviewed recurrent related party transactions of a revenue or trading nature on a quarterly basis for compliance under the Shareholders' Mandate.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Management Audit Department ("GMA 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 GMA 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 internal audit function of the Group for the financial year was RM310,400.

NOMINATION COMMITTEE

Chairman : Y. A. Bhg. Tun Musa Hitam
(Independent Non-Executive Director)

Members : Y. Bhg. Tan Sri Asmat bin Kamaludin
(Independent Non-Executive Director)

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin
(Non-Independent Non-Executive Director)

Terms of Reference :

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

REMUNERATION COMMITTEE

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

Members : Y. Bhg. Tan Sri Cheng Yong Kim
(Non-Independent Executive Director)

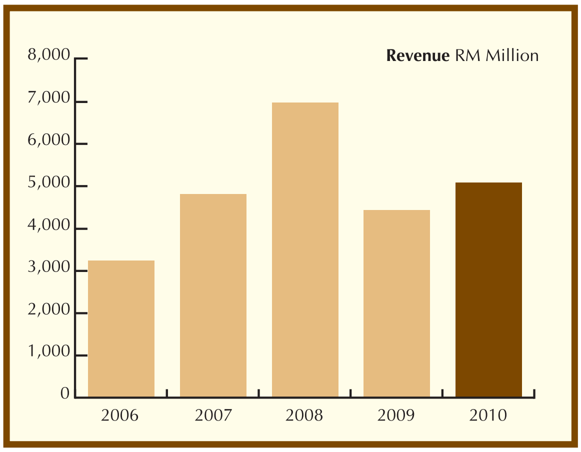
Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin
(Non-Independent Non-Executive Director)

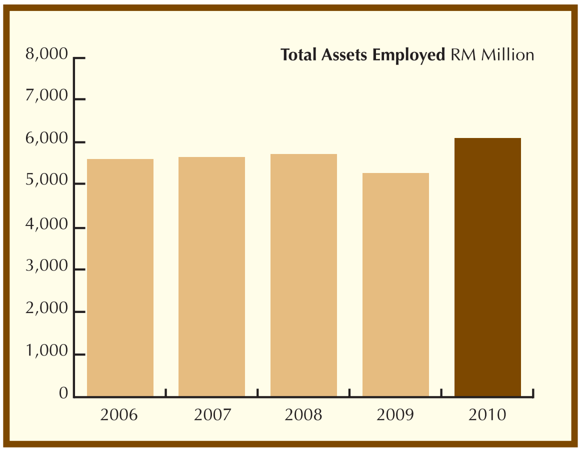
Terms of Reference :

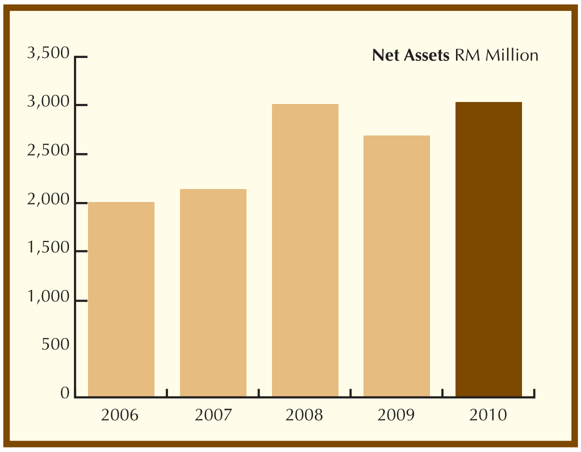
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

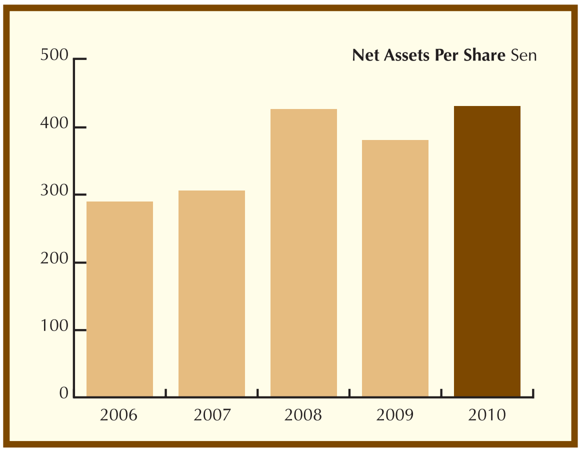
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	**2010 RM'000**
Revenue	3,223,933	4,792,788	6,940,157	4,419,256	**5,057,773**
Profit/(Loss) before taxation	(146,462)	271,756	893,550	(374,767)	**515,781**
Profit/(Loss) after taxation	(33,265)	199,914	842,093	(242,778)	**417,170**
Dividends:					
Rate (%)	0.5	1.0	1.0	1.0	**1.0**
Amount (net of tax)	2,510	5,182	5,346	5,349	**5,365**
Total assets employed	5,604,075	5,652,863	5,720,599	5,275,657	**6,055,721**
Net assets	2,009,824	2,142,242	3,019,623	2,695,548	**3,038,403**
	Sen	Sen	Sen	Sen	**Sen**
Net assets per share	288	304	424	378	**425**
Earnings/(Loss) per share	(1.5)	30.4	119.0	(39.0)	**50.7**

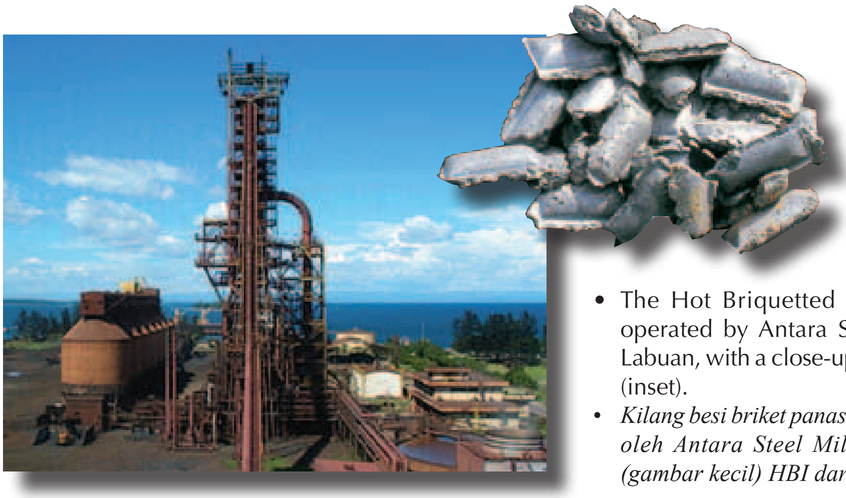








THE GROUP'S BUSINESSES



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

- Amsteel Mills Sdn Bhd in Banting produces long steel products namely billets, bars and wire rods for specialised applications.
- *Amsteel Mills Sdn Bhd di Banting menghasilkan produk keluli panjang iaitu billet, bar dan rod wayar untuk aplikasi khusus.*

- Latest products from Posim Petroleum Marketing Sdn Bhd which distributes petroleum-based products and automotive components.
- *Produk terkini daripada Posim Petroleum Marketing Sdn Bhd yang mengedarkan produk berasaskan petroleum dan komponen automotif.*

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

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Lion Industries Corporation Berhad ("LICB" atau "Kumpulan") diaudit bagi tahun kewangan berakhir pada 30 Jun 2010.

PRESTASI KEWANGAN

Tahun kewangan dalam kajian merupakan tempoh yang penuh dengan peristiwa dan mencabar bagi Kumpulan. Selepas terpaksa mengharungi kemelesetan ekonomi terburuk yang tidak pernah berlaku sebelumnya, ekonomi dunia mula menunjukkan tanda-tanda pemulihan sederhana pada separuh kedua tahun 2009. Ekonomi negara-negara baru muncul terutama di Asia, telah menunjukkan daya ketahanan yang baik ketika berdepan dengan kemelesetan yang amat buruk kerana mereka tidak berdepan dengan gelembung aset dan paling penting sekali, mereka berjaya mengelakkan krisis kewangan dunia berikutan wujudnya sistem kewangan yang baik.

Ekonomi Malaysia juga menunjukkan prestasi jauh lebih baik apabila satu siri pakej rangsangan ekonomi yang diperkenalkan oleh kerajaan untuk menggalakkan ekonomi telah membolehkan negara ini mencatat pemulihan pada kadar lebih cepat.

Sejajar dengan berlakunya pemulihan yang kukuh, Kumpulan telah mencatat prestasi membanggakan dengan pendapatan meningkat 14% kepada RM5.06 bilion berbanding RM4.42 bilion tahun lalu. Operasi HBI di Labuan membuat sumbangan kukuh terhadap prestasi keseluruhan Kumpulan. Keuntungan operasi Kumpulan meningkat kepada RM406 juta berbanding kerugian operasi RM547 juta tahun lalu. Bersama-sama dengan sumbangan yang baik diterima daripada anak-anak syarikat senaraian awam dan syarikat-syarikat bersekutu, terutamanya perniagaan tayar dan peruncitan, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM516 juta berbanding kerugian sebelum cukai sebanyak RM375 juta tahun lalu.

PERKEMBANGAN KORPORAT

Berikut adalah perkembangan korporat yang dilaksanakan oleh Kumpulan setelah berakhirnya tahun kewangan:

(i) Pada 5 Ogos 2010, Lion Forest Industries Berhad ("LFIB"), anak syarikat senaraian awam yang mana 73% kepentingan dimilikinya, telah memeterai perjanjian dengan Shandong Luhe Group Co Ltd untuk membeli baki 25% ekuiti kepentingan dalam Shandong Silverstone LuHe Rubber & Tyre Co Ltd pada pertimbangan harga AS$6.60 juta (kira-kira RM21.12 juta). Apabila selesainya pembelian itu, Shandong Silverstone LuHe Rubber & Tyre Co Ltd akan menjadi anak syarikat milik penuh LFIB.

(ii) Pada 21 Oktober 2010, Silverstone Corporation Berhad, anak syarikat yang mana 84% kepentingan dimiliki oleh LFIB, telah memeterai perjanjian dengan Toyo Tire & Rubber Co Ltd untuk melupuskan kesemua 100% kepentingan ekuiti dalam Silverstone Berhad, pada pertimbangan harga RM462 juta. Harga tawaran berjumlah RM462 juta memberikan ruang yang tepat bagi Kumpulan untuk mengenalpasti dan membuka nilai pelaburan Silverstone Berhad.

Cadangan pelupusan bergantung kepada kelulusan daripada pemegang saham dan pihak berkuasa yang berkaitan yang lain.

DIVIDEN

Lembaga Pengarah mencadangkan pemberian dividen pertama dan akhir sebanyak 1.0% atau 1.0 sen sesaham (2009: 1.0% atau 1.0 sen sesaham), ditolak 25% cukai pendapatan (2009: 25%). Jumlah dividen bersih boleh dibayar, sekiranya diluluskan pada Mesyuarat Agung Tahunan, akan berjumlah RM5.4 juta (2009: RM5.3 juta).

TANGGUNGJAWAB SOSIAL KORPORAT

Kami memperakui pentingnya Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada perniagaan dan telah menerapkan rangka kerja CSR dalam rancangan perniagaan untuk meningkatkan keyakinan pemegang kepentingan, kebertanggungjawaban dan ketelusan. CSR kini menjadi komponen yang semakin penting dalam amalan perniagaan yang baik disasarkan ke arah menambah baik masyarakat dan alam sekitar.

Masyarakat

Dalam menjalankan aktiviti perniagaan. Kumpulan sentiasa peka kepada tanggungjawabnya sebagai warga korporat dalam memberi sumbangan kepada masyarakat disamping meningkatkan keuntungan dan nilai pemegang saham. Kumpulan menumpukan usaha membantu masyarakat di dalam bidang pendidikan dan penjagaan kesihatan melalui dua buah Yayasan yang ditubuhkan oleh Syarikat-syarikat Kumpulan Lion yang mana Kumpulan merupakan salah satu daripada ahlinya.

Yayasan Lion-Parkson mengagihkan dana-dana bagi tujuan yang pelbagai termasuk pendidikan dan penyelidikan saintifik; dan pada setiap tahun menawarkan biasiswa dan pinjaman pendidikan kepada bakal graduan universiti tempatan. Yayasan juga terlibat dalam program tahunan Educare bersama Parkson dengan menyediakan pusat mengumpul keperluan persekolahan seperti pakaian, kasut dan peralatan yang disumbangkan oleh orang ramai, yang mana akan di salurkan kepada pelajar yang memerlukan di seluruh negara. Dana Bantuan Perubatan Kumpulan

Lion menyediakan bantuan kewangan kepada mereka yang kurang bernasib baik untuk mendapatkan rawatan perubatan termasuk pembedahan, pembelian peralatan dan ubat-ubatan. Dana itu juga menaja program kesihatan kemasyarakatan seperti kem-kem kesihatan dan pembelian mesin-mesin dialisis bagi keperluan Pusat Dialisis yang menawarkan perkhidmatan secara bersubsidi kepada mereka mengidap penyakit buah pinggang.

Kumpulan juga menyumbang kepada masyarakat melalui penyertaannya dalam program kebajikan dan kempen pungutan derma bertujuan membantu mereka yang memerlukan.

Alam Sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk dalam penyumberan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam. Operasi yang dijalankan oleh Kumpulan adalah mematuhi undang-undang alam sekitar dan juga peraturan yang mentadbir industri di mana ia beroperasi.

Kumpulan menerima pakai peraturan-peraturan berkaitan keselamatan, kesihatan dan alam sekitar dengan pendekatan sistematiknya diperkuatkan menerusi latihan dan pengawasan berterusan supaya dapat memastikan keselamatan dan kesejahteraan para pekerja.

PROSPEK

Persekitaran operasi dijangka terus mencabar berikutan ketidaktentuan yang menyelubungi pemulihan ekonomi negara-negara maju utama. Bagaimanapun, permintaan dalam negara terhadap keluli dijangka meningkat lebih tinggi dengan pelaksanaan pelbagai projek infrastruktur. Dalam bergerak ke hadapan, Kumpulan akan terus melaksanakan rancangan dan strategi mengembangkan penguasaannya dalam pasaran dan memperbaiki kecekapan pengeluaran serta produktiviti.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada semua pemegang saham, pelanggan, pembiaya, rakan perniagaan dan beberapa pihak kerajaan serta pihak berkuasa di atas kepercayaan dan sokongan berterusan terhadap Kumpulan sepanjang tempoh yang mencabar ini.

Saya juga ingin menyatakan rasa penghargaan dan terhutang budi kepada rakan-rakan dalam Lembaga Pengarah di atas tunjuk ajar yang tiada nilainya, sikap dedikasi dan sumbangan yang diberikan mereka.

Akhir sekali, saya dengan rasa penuh keikhlasan mengucapkan terima kasih kepada pihak pengurusan serta kakitangan atas sikap dedikasi serta komitmen terhadap Kumpulan ini.

TUN MUSA HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB" or "the Group") for the financial year ended 30 June 2010.

FINANCIAL PERFORMANCE

It was an eventful and challenging year for the Group. After having gone through its worst recession in decades, the global economy began to show signs of a mild recovery in the second half of 2009. Emerging economies, particularly those in Asia, were able to withstand the deep and severe recession much better as they did not have to contend with an asset bubble and more importantly, were able to largely avoid the global financial crisis due to their sound financial systems.

The Malaysian economy also fared much better as a series of economic stimulus packages introduced by the Government to spur the economy had enabled the country to recover at a faster pace.

In tandem with the strong recovery, the Group achieved a commendable performance as revenue increased by 14% to RM5.06 billion compared to RM4.42 billion achieved last year. Our HBI operation in Labuan contributed strongly to the Group's overall performance. Operating profit for the Group rose to RM406 million against an operating loss of RM547 million last year. Together with the favourable contribution from our listed subsidiary and associated companies, especially from the tyre and retail businesses, the Group recorded a profit before tax of RM516 million against a loss before tax of RM375 million last year.

CORPORATE DEVELOPMENTS

The following are the corporate developments undertaken by the Group after the financial year end:

(i) On 5 August 2010, Lion Forest Industries Berhad ("LFIB"), a 73% owned listed subsidiary company, entered into an agreement with Shandong LuHe Group Co Ltd to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd for a cash consideration of USD6.6 million (approximately RM21.12 million). Upon the completion of the acquisition, Shandong Silverstone LuHe Rubber & Tyre Co Ltd will become a wholly-owned subsidiary company of LFIB.

(ii) On 21 October 2010, Silverstone Corporation Berhad, an 84% owned subsidiary company of LFIB, entered into an agreement with Toyo Tire & Rubber Co Ltd to dispose of its entire 100% equity interest in Silverstone Berhad, for a cash consideration of RM462 million. The offer price of RM462 million provides a timely opportunity for the Group to realise and unlock values from its investment in Silverstone Berhad.

The proposed disposal is subject to the approvals from the shareholders and other relevant authorities.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 1.0% or 1.0 sen per share (2009: 1.0% or 1.0 sen per share), less 25% income tax (2009: 25%). Total net dividend payable, if approved at the Annual General Meeting, will amount to RM5.4 million (2009: RM5.3 million).

CORPORATE SOCIAL RESPONSIBILITY

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and incorporating a CSR framework into our business plan to enhance stakeholder confidence, accountability and transparency. CSR is becoming 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 enchancing the bottom-line and shareholders' value. The Group is focused on improving 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 various needs such as education, charity and scientific research; and every year, awards scholarships and education loans to undergraduates in the local universities. It also participates in the yearly Educare programme with Parkson stores nationwide providing collection bins for the public to donate essential school items such as uniforms, shoes and stationery, which are distributed to needy school children throughout the country. The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate who require medical treatment including surgery, purchase of medical 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 those suffering from renal failure.

The Group also supports the community by participating in charity programmes and fund raising drives to assist those in need.

Environment

While emphasising on technology and industry developments, the Group seeks to uphold environmental concerns including the sourcing of new technologies and opting for business practices that are environmentally friendly. The Group's operations comply 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

The operating environment is expected to remain challenging in view of the uncertainties surrounding the recovery of the major advanced economies. Nevertheless, domestic steel demand is expected to be higher with the implementation of various infrastructure projects. Moving forward, the Group will continue to execute its plans and strategies to expand its market presence and improve production efficiency and productivity.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our deepest appreciation to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group throughout these challenging times.

I would also like to convey my sincere appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contributions.

Last but not least, I sincerely thank the management and staff for their dedication and commitment to the Group.

TUN MUSA HITAM
Chairman

主席报告

我谨代表董事部，欣然提呈截至2010年6月30日的会计年度，金狮工业机构有限公司（Lion Industries Corporation Berhad）的常年报告及经审核财务报告。

业绩

对本集团而言，这是多姿多彩及充满挑战性的一年。经历数十年来最严重的衰退期之后，全球经济在2009年下半年开始显示逐渐复苏的迹象。新兴经济体尤其是亚洲，在这次的经济严重衰退中站得比其他经济体更稳，因为它们无需解决资产泡沫，而更重要的是，稳固的金融体系让这些经济体能够避免陷入全球金融危机的困境。

马来西亚经济的情况较佳，主要是政府推出的经济振兴配套让国家经济得以快速复苏。

与强劲的经济复苏一致，本集团达到令人赞许的业绩表现，收入增长14%，从去年的44亿2千万令吉增至50亿6千万令吉。我们在纳闽的热铁砖（hot briquetted iron，简称HBI）运作为集团整体表现作出强劲贡献。本集团的营运盈利增加至4亿零600万令吉，去年则蒙受5亿4千700万令吉的亏损。连同我们上市子公司与联号公司的良好贡献，尤其是轮胎与零售业务，本集团取得5亿1千600万令吉税前盈利，比较去年则为3亿7千500万令吉的税前亏损。

企业发展

本集团在会计年度结束后进行的企业发展如下：

(i) 2010年8月5日，本集团持有73%股权的上市子公司金狮森林工业有限公司（“LFIB”）与中国山东泸河集团有限公司（Shandong Luhe Group Co Ltd）签约，以660万美元（约2千112万令吉）的现金代价，收购山东银石泸河橡胶轮胎有限公司（Shandong Silverstone LuHe Rubber & Tyre Co Ltd）余下的25%股权。一旦完成收购，山东银石泸河橡胶轮胎有限公司将成为金狮森林工业有限公司的独资子公司。

(ii) 2010年10月21日，LFIB持有84%股权的子公司银石机构有限公司与Toyo Tire & Rubber Co Ltd签约，以4亿6千200万令吉的现金代价，脱售其独资子公司银石有限公司（Silverstone Berhad）的所有股权。有关4亿6千200万令吉的献售价让本集团适时套现投资。

这项股权脱售建议仍然取决于股东及其他相关当局的批准。

股息

董事部欣然建议，发出第一次兼最终股息1.0%或每股1仙的股息（2009：1.0%或每股1仙的股息）必须扣除25%所得税（2009年：25%）。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为540万令吉（2009年：530万令吉）。

企业社会责任

我们认同企业社会责任的重要性并把它视为公司治理框架中不可或缺的一部分，以加强利益相关者的信心、责任感和透明度。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，在提高利润和股东企业价值的同时，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，以教育和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科生。 它也联合全国百盛店参与年度教育计划，提供回收箱给大众，以便捐献学校必需品如校服、鞋子和文具，然后分发给全国各地有需要的学童。金狮集团医药援助基金则为迫切需要医疗的马来西亚人提供财务援助，包括手术、购置器仪和药物。这项基金也赞助社区保健计划如医疗营，并且为那些向不幸社群提供津贴治疗服务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难受害者。

环境

在跟上科技和工业发展之际，本集团也同时关心环境保护，业务运作完全严格遵守其所在领域的环境法律及条例管制。面对能源及天然资源的需求日益增加，我们也为业务运作鉴定替代能源，如天然气，并且选择具环保作用的新技术。

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

由于经济复苏的道路充满变数，促使本集团的运作继续保持挑战性。尽管如此，国内的钢铁需求料因各种基建计划的落实而增加。展望未来，本集团将继续执行业务扩展计划与策略，以扩大市场占有率及改善生产效率与生产力。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东、顾客、银行机构、商业伙伴及各政府与执法机构，在具挑战的时候继续给予本集团支持与信心。

我也要感谢董事部成员，感谢他们所给予的珍贵指导、献身与贡献。

最后，我真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
TUN MUSA HITAM

REVIEW OF OPERATIONS

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

Steel

	2010 RM Million	2009 RM Million
Revenue	**4,149**	3,791
Profit/(Loss)	**332**	(490)

Product	Annual Rated Capacity (Million Metric Tons)
HBI	0.9
Billets/Molten Steel	3.1
Steel Bars and Wire Rods	2.4

Demand for steel products has improved in tandem with the gradual recovery of the global economy after the massive stimulus packages implemented by the Governments of various countries. Together with a favourable local operating environment, the Division was able to record a satisfactory set of results. Overall, the Steel Division recorded a 9% increase in revenue to RM4.15 billion compared to RM3.79 billion last year whilst operating profit was RM332 million against a loss of RM490 million.

Hot Briquetted Iron ("HBI")

Our Labuan plant was able to benefit from the recovery in the steel industry. Demand for HBI surged with improved market sentiments on positive price trends. Sales tonnage of HBI increased by 202% over the previous year while selling prices recovered in the second half of this financial year as it moved upwards in tandem with scrap prices. Margins were higher as production cost increases were capped. Accordingly, our HBI operations at Labuan posted higher revenue of RM935 million and operating profit of RM279 million compared to RM606 million and RM177 million respectively, a year ago.

Long Products (Molten Steel, Billets, Steel Bars & Wire Rods)

The long products performance also improved in line with the improving market conditions. Although demand for steel products has recovered, both selling price and raw material cost remained low. Despite recording higher sales tonnage and production, the long products plants recorded a marginal increase in revenue of RM3.18 billion as compared to RM3.17 billion last year.

The inland waterway transportation system ("IWTS") project undertaken by the Division to enable raw materials to be transported to our steel complex in Banting via Sungai Langat river has contributed positively to the results of the Division with the full commencement of operations in this year. For the year under review, the IWTS recorded a revenue of RM39 million and an operating profit of RM22 million.

Overall, the combined operating profit of long products and IWTS was RM53 million against a loss of RM667 million in 2009.

Tyre

	2010 RM Million	2009 RM Million
Revenue	**578**	328
Profit	**57**	5

Location	Annual Rated Capacity (Million pieces)
Malaysia	3.0
China	0.3

Malaysia

Silverstone Berhad ("Silverstone"), our tyre manufacturing company based in Taiping, became one of the major profit contributors to the Group this year since its acquisition in November 2008. Driven by improved sentiments in the domestic market, Silverstone achieved a better performance with revenue rising by 7% to RM434 million from RM404 million on an annualised basis last year.

Profit before taxation was more than doubled at RM51 million compared to the previous year as various measures employed to improve operational efficiency and the favourable raw material cost have yielded positive results. By managing its working capital closely and efficiently, particularly in inventory control for both its raw materials and finished goods as well as timely investment in new machineries, Silverstone was able to achieve cost efficiency and higher productivity.

Notwithstanding the stiff price competition amongst the local tyre producers, Silverstone was able to stay ahead of its competitors through the introduction of a wide range of tyres that cater to every requirement of the market from tyres for passenger cars to tyres for commercial and industrial use. With strong support from business partners, strategic marketing plans and proven quality tyres, Silverstone secured a bigger share in the domestic market this year.

China

The outbreak of the global financial crisis in 2008 affected the Chinese automotive industry, especially where markets in Europe and the United States of America ("US") had dramatically reduced tyre imports from China, thus adversely impacting the Chinese tyre industry.

Despite the Chinese tyre industry having to face tough challenges in 2009, there were growing opportunities for the industry as it continues to be a low cost producer. However, in September 2009, the US imposed a three-year tariff on tyres imported from China. This had forced tyre makers in China to shift their focus to the domestic and other emerging markets. Competition for tyre sales in China thus intensified.

Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone"), our tyre manufacturing operation in China, was not spared the unfavourable impact of the imposition of the US tariff. However, with concerted efforts put in by the management in expanding the local and export markets, improving production efficiency as well as tyre quality, Shandong Silverstone registered a 70% increase in domestic sales and 4% in exports, with plant utilisation at 89% for the financial year under review. Light truck tyres, a new range of product which was introduced to the market in April this year, accounted for 2% of the total domestic sales. As domestic sales contributed a higher profit margin, Shandong Silverstone recorded a better set of results this year.

Property Development

	2010 RM Million	2009 RM Million
Revenue	**34**	30
Profit	**26**	6

All 58 strata retail units in the M-Walk@Pelangi Avenue development project, located at Jalan Meru, Klang, were completed during the financial year. Being the first of its kind in Klang, M-Walk@Pelangi Avenue was conceived as a purpose-designed shopping and eateries haven which enjoys dual business exposure. All units were sold in the last financial year.

The joint-venture with the Eastern & Oriental Group, known as St Mary Residences CBD, comprising a mixed integrated development project which includes 3 towers of 28-storey apartments, and retail, food and beverage theme outlets located at the site of the former St Mary's School in the Kuala Lumpur Central Business District. A soft launch was conducted for the East Tower which has 169 apartment units in June of last year when the property climate was still not very stable. However, due to its strategic location in the prime CBD-KLCC area, competitive pricing, developer's track record and packaged with an attractive 10/90 end-financing scheme, this development was well received. Following the success of its first tower, the second tower, South Tower which has 288 units, was introduced in October 2009. The project is expected to be completed by 2012.

Building Materials

	2010 RM Million	2009 RM Million
Revenue	**205**	195
Profit	**4**	1

The Division recorded a better performance as the effects of the Government's two stimulus packages began to kick in and overall sentiments started to improve.

The Division will endeavour to lower its operating expenses and at the same time improve its sales and productivity of higher margin products. Although faced with frequent volatile prices, especially for steel bars and cement, the management will strive to achieve an edge over its competitors by maintaining good rapport with its key customers and at the same time, work diligently with its suppliers to ensure continuous and timely support from them.

Moving forward, the Division will remain vigilant on the on-going growth of the construction sector and continue to contribute to the Group's overall profitability.

Automotive Lubricants

	2010 RM Million	2009 RM Million
Revenue	**65**	59
Profit	**11**	5

The Division regained growth in revenue and profitability this year after having being confronted with adverse economic challenges the year before. The encouraging outcome was supported by the Division's commitment to long term collaborative programmes in helping customers to be competitive and sustainable in the businesses that they are involved in. Such programmes ranged from investment in equipments to facilitate the running of customers' operations, to the provision of expertise and holistic approaches to support their workshop or service centre businesses. In particular, we also strive to impart knowledge and understanding on the need for early detection and maintenance requirements as car technology progresses. We believe that by offering our continuous full support to our customers, value is added to these businesses and in the process, help to strengthen our own business network.

We frequently review and upgrade our production facilities to drive efficiencies. Where capacity expansion is required, or when new business opportunities emerge, the production processes are readily made available to ensure that the much needed flexible means are there to allow our businesses to grow. Our laboratory is well-equipped with the latest facilities to ensure our end-products achieve the intended quality and specification required at all times. By utilising resources in a productive and efficient manner, the Division is able to widen its business prospects further.

To remain competitive, the Division ensures that production costs are well managed. The sourcing of base oil and the volatility in supply prices are closely monitored. When it was lucrative and beneficial, we negotiated supplies of quality raw materials at attractively lower prices. In this regard, the investment spent in building our various storage tanks has been favourable as it has now allowed the Division to benefit from holding higher volume and critical supplies for production. These opportunities had enabled the Division to manage and enjoy appropriate margins during the year.

In the longer term, the Division will continue to actively grow its customer base by strengthening the sales and support teams. We will also explore new and suitable products to remain relevant and significant to our customers.

FINANCIAL STATEMENTS

2010

For The Financial Year Ended 30 June 2010

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 50 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.

SIGNIFICANT AND SUBSEQUENT CORPORATE EVENTS

Significant corporate events and event subsequent to the balance sheet date are disclosed in Notes 2 and 49 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	515,781	6,748
Tax (expense)/credit	(98,611)	1,422
Profit for the year	417,170	8,170
Attributable to:		
Equity holders of the Company	361,469	
Minority interests	55,701	
	417,170	

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.

DIVIDENDS

A first and final dividend of 1%, less 25% tax, amounting to RM5.3 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors propose a first and final dividend of 1%, less 25% tax, amounting to RM5.4 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM712,967,165 divided into 712,967,165 ordinary shares of RM1.00 each to RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each by the issuance of 749,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 1,627,800 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme of the Company.

The resulting share premium of RM564,898 arising from the issue of shares has been credited to the share premium account.

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

The Company did not issue any debenture during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 100,000 of its ordinary shares from the open market at an average price of RM1.466 per share. The total consideration paid for the repurchase was RM146,648. The repurchase transactions were financed by internally generated funds.

As of 30 June 2010, the 100,000 shares repurchased during the current financial year were held as treasury shares. Such treasury shares are held at a carrying amount of RM146,648 and further relevant details are disclosed in Note 31 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company became effective on 1 September 2005 and the main features of the ESOS are set out in Note 30 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**	**As of 1.7.2009**	**Exercised**	**Lapsed**	**As of 30.6.2010**
9.5.2006	1.037	990,500	(749,300)	(9,000)	**232,200**
26.2.2007	1.330	2,290,900	(826,000)	(50,000)	**1,414,900**
23.8.2007	1.330	2,879,600	(801,800)	(72,000)	**2,005,800**
23.7.2008	2.050	3,382,600	–	(183,500)	**3,199,100**
		9,543,600	(2,377,100)	(314,500)	**6,852,000**

The ESOS expired 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"), Lion Forest Industries Berhad ("LFIB") 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 the following:

(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 40 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 decision on the quantum of the damages at a later stage, the Group 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. The High Court of Kota Kinabalu has fixed 3 January 2011 to 14 January 2011 for hearing of assessment of damages.

(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 decision of the High Court. On 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has yet to fix the hearing date for the application for leave to appeal.

Indemnity contracts have also been signed between LFIB and Avenel Sdn Bhd ("Avenel"), the immediate holding company of SFI then, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation 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 abovementioned 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. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Labour Court is currently in the process of hearing the Complainants' claims.

The Directors of LFIB, 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 financial year in which this report is made other than the subsequent corporate event as disclosed in Note 49 to the financial statements.

DIRECTORS

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

Tun Musa Hitam
Tan Sri Cheng Yong Kim
Tan Sri Asmat bin Kamaludin
Dato' Kamaruddin @ Abas bin Nordin
Cheng Yong Liang
Heah Sieu Lay
Chong Jee Min

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim and Mr. Chong Jee Min retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam and Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

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			
	As of 1.7.2009	**Additions**	**Disposals**	**As of 30.6.2010**
Direct interest				
Tan Sri Cheng Yong Kim	2,594,789	294,000	–	**2,888,789**
Dato' Kamaruddin @ Abas bin Nordin	68,800	–	–	**68,800**
Cheng Yong Liang	47,880	–	–	**47,880**
Indirect interest				
Tan Sri Cheng Yong Kim	300,015,455	1,413,991	(102,000,000)	**199,429,446**

In addition, the following Directors are also deemed to have interests in shares in the Company by virtue of the options granted to them pursuant to the ESOS of the Company as follows:

	Number of options			
	As of 1.7.2009	**Granted**	**Exercised**	**As of 30.6.2010**
Tan Sri Cheng Yong Kim	700,000	–	(294,000)	**406,000**
Dato' Kamaruddin @ Abas bin Nordin	71,200	–	–	**71,200**

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

	Nominal value per ordinary share	Number of shares As of 1.7.2009	Additions	Disposals	As of 30.6.2010
Tan Sri Cheng Yong Kim					
Direct interest					
Lion Forest Industries Berhad	RM1.00	130	–	–	**130**
Indirect interest					
Lion Forest Industries Berhad	RM1.00	183,474,484	154,775	–	**183,629,259**
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**
Silverstone Corporation Berhad	RM1.00	286,173,498	–	–	**286,173,498**
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**
Lion Rubber Industries Pte Ltd	*	10,000,000	–	–	**10,000,000**
Silverstone Tyre (S) Pte Ltd	*	25,400,080	–	–	**25,400,080**
Willet Investment Pte Ltd	*	45,954,450	–	–	**45,954,450**
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	**1,000,000**

Investments in the People's Republic of China	**Currency**	**As of 1.7.2009**	**Additions**	**Disposals**	**As of 30.6.2010**
Tan Sri Cheng Yong Kim					
Indirect interest					
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 voluntary liquidation)	USD	10,878,944	–	–	**10,878,944**

	Nominal value per preference share	Number of shares As of 1.7.2009	Additions	Disposals	As of 30.6.2010
Tan Sri Cheng Yong Kim					
Indirect interest					
Silverstone Corporation Berhad	RM0.01	16,902,569	–	–	**16,902,569**

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

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interests 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 the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 44 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 above.

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 CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur
30 September 2010

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

Report on the Financial Statements

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the balance sheets as of 30 June 2010 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 39 to 131.

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 to 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 2010 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 5(ii)(f) and 40 to the financial statements, which further explain 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 accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 50 to the financial statements;

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

(d) the auditors' reports on the accounts of the subsidiary companies were not subject to any qualification or any adverse comment made under Subsection (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KEK AH FONG
Partner - 1880/04/12 (J)
Chartered Accountant

Petaling Jaya
30 September 2010

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Revenue	6	**5,057,773**	4,419,256	**11,894**	10,176
Other income		**188,292**	166,136	**23,955**	14,287
Net change in inventories		**32,856**	(90,176)	**–**	–
Raw materials and consumables used		**(3,828,328)**	(4,183,286)	**–**	–
Purchase of trading merchandise		**(188,515)**	(147,162)	**–**	–
Property development costs	16(b)	**(15,974)**	(8,755)	**–**	–
Staff costs	7	**(194,088)**	(158,066)	**(5,927)**	(6,959)
Directors' remuneration	8	**(1,148)**	(1,143)	**(1,027)**	(1,004)
Depreciation of property, plant and equipment	13	**(134,500)**	(112,951)	**(432)**	(338)
Amortisation of:					
Prepaid land lease payments	15	**(2,081)**	(2,805)	**–**	–
Intangible assets	22	**–**	(50)	**–**	–
Other expenses		**(437,735)**	(346,343)	**(18,004)**	(8,138)
Investment income	9	**24,467**	27,733	**2,871**	4,506
Finance costs	10	**(94,923)**	(109,745)	**(6,582)**	(6,825)
Profit/(Loss) from operations	7	**406,096**	(547,357)	**6,748**	5,705
Share in results of:					
Associated companies		**101,320**	34,871	**–**	–
Jointly controlled entity		**6,233**	–	**–**	–
Negative goodwill arising from acquisition of a subsidiary company	17	**2,132**	137,719	**–**	–
Profit/(Loss) before tax		**515,781**	(374,767)	**6,748**	5,705
Tax (expense)/credit	11	**(98,611)**	131,989	**1,422**	228
Profit/(Loss) for the year		**417,170**	(242,778)	**8,170**	5,933

	The Group 2010 RM'000	The Group 2009 RM'000
Attributable to:		
Equity holders of the Company	**361,469**	(278,298)
Minority interests	**55,701**	35,520
	417,170	(242,778)

	Note	The Group 2010	The Group 2009
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen):			
Basic	12(a)	**50.67**	(39.04)
Diluted	12(b)	**50.63**	N/A

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

BALANCE SHEETS

AS OF 30 JUNE 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**1,657,652**	1,727,777	**3,065**	2,717
Investment properties	14	**66,334**	68,078	**61,000**	62,742
Prepaid land lease payments	15	**102,380**	104,792	**–**	–
Land held for property development	16(a)	**35,210**	35,541	**113**	292
Investment in subsidiary companies	17	**–**	–	**179,771**	182,484
Investment in associated companies	18	**782,400**	792,435	**20,141**	20,141
Investment in jointly controlled entity	19	**6,233**	–	**–**	–
Long-term investments	20	**87,699**	91,292	**18,360**	18,826
Deferred tax assets	21	**49,907**	122,236	**1,126**	–
Intangible assets	22	**–**	–	**–**	–
Goodwill	23	**130,443**	130,443	**–**	–
Total Non-Current Assets		**2,918,258**	3,072,594	**283,576**	287,202
Current Assets					
Property development costs	16(b)	**42,738**	51,216	**–**	–
Inventories	24	**1,449,890**	793,434	**43**	43
Short-term investments	25	**10,552**	8,782	**–**	–
Trade receivables	26(a)	**464,723**	357,969	**–**	9
Other receivables, deposits and prepayments	26(b)	**309,032**	247,164	**42,983**	60,004
Accrued billings for property development projects		**2,761**	393	**–**	–
Amount owing by jointly controlled entity	19	**18,766**	13,061	**–**	–
Amount owing by subsidiary companies	27(a)	**–**	–	**1,076,243**	1,079,331
Deposits, cash and bank balances	28	**838,597**	730,861	**19,266**	25,783
		3,137,059	2,202,880	**1,138,535**	1,165,170
Assets classified as held for sale	29	**404**	183	**–**	–
Total Current Assets		**3,137,463**	2,203,063	**1,138,535**	1,165,170
Total Assets		**6,055,721**	5,275,657	**1,422,111**	1,452,372

(Forward)

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	30	**715,344**	712,967	**715,344**	712,967
Reserves	31	**2,323,059**	1,982,581	**411,703**	407,970
Equity attributable to equity holders of the Company		**3,038,403**	2,695,548	**1,127,047**	1,120,937
Minority interests		**382,016**	332,957	**–**	–
Total Equity		**3,420,419**	3,028,505	**1,127,047**	1,120,937
Non-Current and Deferred Liabilities					
LICB Bonds and USD Debts	32	**–**	61,633	**–**	71,152
BaIDS	33	**130,000**	240,000	**–**	–
RCCPS	35	**13,672**	13,672	**–**	–
Long-term borrowings	36	**366,175**	364,707	**–**	–
Finance lease payables	37	**71,596**	1	**–**	–
Hire-purchase obligations	38	**5,675**	8,084	**135**	211
Deferred tax liabilities	21	**47,124**	35,049	**–**	378
Total Non-Current and Deferred Liabilities		**634,242**	723,146	**135**	71,741
Current Liabilities					
Trade payables	39(a)	**653,322**	296,626	**441**	388
Other payables, deposits and accrued expenses	39(b)	**916,349**	591,386	**2,718**	9,956
Provisions	40	**15,000**	15,000	**–**	–
Advance billings of property development projects		**–**	6,821	**–**	–
Amount owing to subsidiary companies	27(a)	**–**	–	**234,613**	246,588
Finance lease payables	37	**6,004**	37	**–**	–
Hire-purchase obligations	38	**2,439**	2,448	**76**	154
Short-term borrowings	41	**231,514**	376,966	**–**	–
LICB Bonds and USD Debts	32	**49,138**	1,934	**57,081**	2,608
BaIDS	33	**110,000**	90,000	**–**	–
SCB Bonds and USD Debts	34	**–**	137,646	**–**	–
Tax liabilities		**17,294**	5,142	**–**	–
Total Current Liabilities		**2,001,060**	1,524,006	**294,929**	259,694
Total Liabilities		**2,635,302**	2,247,152	**295,064**	331,435
Total Equity and Liabilities		**6,055,721**	5,275,657	**1,422,111**	1,452,372

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

The Group		← Non-Distributable Reserves →					Distributable	Attributable		
	Note	Share capital RM'000	Share premium RM'000	Translation adjustment account RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	reserve - Retained earnings RM'000	to equity holders of the Company RM'000	Minority interests RM'000	Total equity RM'000
As of 1 July 2008		712,700	525,452	8,510	3,219	15,329	1,754,413	3,019,623	195,199	3,214,822
Acquisition of subsidiary companies		–	–	–	–	–	(12,955)	(12,955)	41,885	28,930
Issue of shares	30	267	71	–	–	–	–	338	–	338
Currency translation differences		–	–	3,520	–	–	–	3,520	3,257	6,777
Loss for the year		–	–	–	–	–	(278,298)	(278,298)	35,520	(242,778)
Share-based payments		–	1,789	–	4,794	295	–	6,878	113	6,991
Effect of dilution on equity interest in an associated company		–	–	–	–	–	(38,212)	(38,212)	56,983	18,771
Dividend	42	–	–	–	–	–	(5,346)	(5,346)	–	(5,346)
As of 30 June 2009		712,967	527,312	12,030	8,013	15,624	1,419,602	2,695,548	332,957	3,028,505

			← Non-Distributable Reserves →					Distributable	Attributable		
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment account RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	reserve - Retained earnings RM'000	to equity holders of the Company RM'000	Minority interests RM'000	Total equity
As of 1 July 2009		712,967	527,312	–	12,030	8,013	15,624	1,419,602	2,695,548	332,957	3,028,505
Issue of shares	30	2,377	565	–	–	–	–	–	2,942	–	2,942
Purchase of treasury shares	31	–	–	(147)	–	–	–	–	(147)	–	(147)
Acquisition of minority interest		–	–	–	–	–	–	–	–	(1,250)	(1,250)
Currency translation differences		–	–	–	(9,282)	–	–	–	(9,282)	(5,392)	(14,674)
Profit for the year		–	–	–	–	–	–	361,469	361,469	55,701	417,170
Share-based payments		–	1,829	–	–	(1,649)	314	–	494	–	494
Effect of dilution on equity interest in a subsidiary company		–	–	–	–	–	(7,272)	–	(7,272)	–	(7,272)
Dividend	42	–	–	–	–	–	–	(5,349)	(5,349)	–	(5,349)
As of 30 June 2010		**715,344**	**529,706**	**(147)**	**2,748**	**6,364**	**8,666**	**1,775,722**	**3,038,403**	**382,016**	**3,420,419**

(Forward)

The Company

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
			← Non-Distributable Reserves			→		
As of 1 July 2008		712,700	525,452	–	3,219	153	(128,410)	1,113,114
Issue of shares	30	267	71	–	–	–	–	338
Profit for the year		–	–	–	–	–	5,933	5,933
Share-based payments		–	1,789	–	4,794	315	–	6,898
Dividend	42	–	–	–	–	–	(5,346)	(5,346)
As of 30 June 2009		712,967	527,312	–	8,013	468	(127,823)	1,120,937
As of 1 July 2009		712,967	527,312	–	8,013	468	(127,823)	1,120,937
Issue of shares	30	2,377	565	–	–	–	–	2,942
Purchase of treasury shares	31	–	–	(147)	–	–	–	(147)
Profit for the year		–	–	–	–	–	8,170	8,170
Share-based payments		–	1,829	–	(1,649)	314	–	494
Dividend	42	–	–	–	–	–	(5,349)	(5,349)
As of 30 June 2010		**715,344**	**529,706**	**(147)**	**6,364**	**782**	**(125,002)**	**1,127,047**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

The Group	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**417,170**	(242,778)
Adjustments for:		
Depreciation of property, plant and equipment	**134,500**	112,951
Tax expense/(credit) recognised in income statements	**98,611**	(131,989)
Finance costs	**94,923**	109,745
Allowance for:		
Obsolescence of inventories	**30,891**	2,011
Doubtful trade and other receivables	**14,006**	4,888
Inventories written down	**9,273**	471,833
Impairment loss on:		
Property, plant and equipment	**6,248**	20,265
Long-term investments	**1,271**	316
Intangible assets	**–**	304
Property, plant and equipment written off	**4,811**	9
Amortisation of:		
Prepaid land lease payments	**2,081**	2,805
Intangible assets	**–**	50
Fair value adjustments on investment properties	**1,636**	295
Share-based payments	**494**	6,878
Overprovision of development costs in prior years	**179**	20
Deposits written off	**87**	72
Share in results of:		
Associated companies	**(101,320)**	(34,871)
Jointly controlled entity	**(6,233)**	–
Gain from discount on acquisition from third party holders of:		
SCB Bonds and USD Debts	**(52,941)**	(7,028)
RCCPS	**–**	(642)
Interest income	**(24,848)**	(28,247)
Gain from SCB Bonds and USD Debts restructuring	**(11,117)**	–
(Gain)/Loss on disposal/partial disposal of:		
Associated companies	**(23,919)**	(2,632)
Long-term investments	**(72)**	(156)
Assets classified as held for sale	**(1)**	(37)
Subsidiary company	**2,139**	–
Property, plant and equipment	**977**	(538)
Investment properties	**–**	(780)
Unrealised (gain)/loss on foreign exchange	**(30,151)**	13,422
Overprovision of accrued expenses in prior years	**(6,626)**	–
Allowance no longer required for:		
Obsolescence of inventories	**(2,084)**	(5,993)
Doubtful trade and other receivables	**(1,813)**	(1,635)
Negative goodwill arising from acquisition of a subsidiary company	**(2,132)**	(137,719)
Impairment loss no longer required for:		
Long-term investments	**(15)**	(4,611)
Investment in associated companies	**–**	(4,222)
Provision for damages arising from litigation claim	**–**	15,000
Inventories written off	**–**	1,832
Bad debts written off	**–**	40
Operating Profit Before Working Capital Changes	**556,025**	158,858

(Forward)

The Group	2010 RM'000	2009 RM'000
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	**9,312**	5,818
Inventories	**(695,203)**	163,084
Amount due by contract customers	**(2,368)**	–
Trade and other receivables, deposits and prepayments	**(179,645)**	404,128
Amount owing by jointly controlled entity	**(5,705)**	159
Increase/(Decrease) in:		
Trade and other payables, deposits and accrued expenses	**642,200**	(245,471)
Amount due to contract customers	**(6,821)**	2,956
Movements in translation adjustment account	**16,342**	(11,022)
Cash Generated From Operations	**334,137**	478,510
Finance costs paid	**(4,605)**	(6,819)
Tax refunded/(paid)	**7,518**	(16,217)
Net Cash From Operating Activities	**337,050**	455,474
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividends received from associated companies	**70,254**	30,983
Proceeds from disposal/partial disposal of:		
Investment in associated companies	**57,907**	2,632
Property, plant and equipment	**2,678**	900
Assets classified as held for sale	**125**	276
Long-term investments	**94**	2,600
Investment property	**–**	1,675
Interest received	**11,140**	14,120
Proceeds from disposal/redemption of investments	**3,881**	26,362
Net cash inflow from acquisition of a subsidiary company (Note 17)	**694**	6,424
Purchase of:		
Other investments	**(56,847)**	(33,138)
Property, plant and equipment (Note)	**(8,183)**	(154,974)
Minority interest	**(1,250)**	–
Net cash outflow from disposal of a subsidiary company (Note 17)	**(701)**	–
Increase in land held for property development	**(15)**	(2)
Deferred consideration received from disposal of a subsidiary company in prior year	**–**	116,777
Net Cash From Investing Activities	**79,777**	14,635

(Forward)

The Group	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of:			
Short-term borrowings		**(196,178)**	(333,829)
BaIDS		**(90,000)**	(70,000)
Finance lease liabilities		**(5,527)**	(50)
Hire-purchase obligations		**(3,153)**	(4,932)
Redemption/Repayment of:			
LICB Bonds and USD Debts		**(18,802)**	(19,947)
SCB Bonds and USD Debts		**(12,473)**	(4,970)
RCCPS		**(144)**	(113)
Increase in security deposits received from customers		**34,061**	100,181
Decrease in cash and cash equivalents – restricted		**(37,649)**	(204,578)
Interest and profit element of BaIDS paid		**(21,735)**	(28,523)
Dividend paid to equity holders of the Company		**(5,349)**	(5,346)
Purchase of treasury shares		**(147)**	–
Proceeds from issue of shares		**2,942**	338
Net Cash Used In Financing Activities		**(354,154)**	(571,769)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**62,673**	(101,660)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**234,622**	335,172
Effects of changes in exchange rates		**(1,755)**	1,110
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**295,540**	234,622

Note: Purchase of property plant and equipment is financed through:

	2010 RM'000	2009 RM'000
Cash	**8,183**	154,974
Finance lease	**80,000**	–
Hire-purchase	**41**	12,964
	88,224	167,938

The Company	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**8,170**	5,933
Adjustments for:		
Allowance for doubtful:		
Other receivables	**11,056**	–
Amount owing by subsidiary companies	**33**	76
Finance costs	**6,582**	6,825
Investment in a subsidiary company written off	**2,525**	–
Fair value adjustments on investment properties	**1,742**	–
Impairment loss on:		
Long-term investments	**644**	203
Investment in subsidiary companies	**468**	6
Depreciation of property, plant and equipment	**432**	338
Share-based payments	**214**	1,308
Overprovision of development costs in prior years	**179**	20
Bad debts written off on amount owing by a subsidiary company	**17**	–
Property, plant and equipment written off	**10**	–
Dividend income	**(9,239)**	(7,167)
Overprovision of accrued expenses in prior years	**(6,626)**	–
Allowance no longer required for:		
Doubtful amount owing by subsidiary companies	**(8,086)**	(7,717)
Doubtful other receivables	**(510)**	–
Interest income	**(2,978)**	(4,676)
Unrealised (gain)/loss on foreign exchange	**(5,920)**	6,273
Waiver of debts by a subsidiary company	**(2,526)**	–
Tax credit recognised in income statement	**(1,422)**	(228)
(Gain)/Loss on disposal of property, plant and equipment	**(3)**	40
Impairment loss no longer required for:		
Long-term investments	**–**	(4,169)
Investment in subsidiary companies	**–**	(1,886)
Operating Loss Before Working Capital Changes	**(5,238)**	(4,821)
Movements in working capital:		
Decrease/(Increase) in:		
Land held for property development	**–**	(2)
Trade and other receivables, deposits and prepayments	**7,293**	(455)
(Decrease)/Increase in trade and other payables, deposits and accrued expenses	**(559)**	37
Cash Generated From/(Used In) Operations	**1,496**	(5,241)
Finance costs paid	**(30)**	(29)
Tax (paid)/refunded	**(38)**	1,826
Net Cash From/(Used In) Operating Activities	**1,428**	(3,444)

(Forward)

The Company	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease in amount owing by subsidiary companies		**11,067**	49,932
Dividend received		**8,770**	7,167
Proceeds from redemption of investments		**2,085**	6,609
Interest received		**325**	522
Proceeds from disposal of property, plant and equipment		**7**	33
Purchase of property, plant and equipment		**(794)**	(1,498)
Proceeds from disposal of long-term investments		**–**	4
Net Cash From Investing Activities		**21,460**	62,769
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Redemption/Repayment of LICB Bonds and USD Debts		**(21,731)**	(22,691)
Dividend paid to equity holders of the Company		**(5,349)**	(5,346)
Decrease in amount owing to subsidiary companies		**(4,956)**	(32,782)
Repayment of hire-purchase obligations		**(164)**	(239)
Purchase of treasury shares		**(147)**	–
Proceeds from issue of shares		**2,942**	338
Decrease/(Increase) in cash and cash equivalents - restricted		**2,225**	(705)
Net Cash Used In Financing Activities		**(27,180)**	(61,425)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,292)**	(2,100)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**20,429**	22,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**16,137**	20,429

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 50.

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

The registered office of the Company is located at Level 14, Office Tower, No.1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

The principal place of business of the Company is located at Level 2-5, Office Tower, No.1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 30 September 2010.

2. SIGNIFICANT CORPORATE EVENTS

As part of the terms for the disposal of Lion Forest Industries Berhad's ("LFIB") entire 97.78% equity interest in Sabah Forest Industries Sdn Bhd ("SFI") in 2007, LFIB 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 this regard, there was a litigation claim by UNP Plywood Sdn Bhd ("UNP"), against SFI for RM128,874,435 for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993.

The High Court of Kota Kinabalu had on 23 February 2007 dismissed the claim by UNP. 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.

LFIB 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"). On 11 February 2010, the Federal Court dismissed SFI's application for judicial review of the Judgement with costs.

The case has been remitted to the High Court of Kota Kinabalu for assessment of damages payable by SFI.

In relation thereto, the Group 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.

3. 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 Companies Act, 1965 in Malaysia.

New Accounting Standards

In the current financial year, the Group adopted FRS 8 Operating Segments for annual periods beginning on or after 1 July 2009. The adoption of FRS 8 did not result in changes to the Group's accounting policies and did not have any material financial effect on the results of the Group for the current and prior financial years.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114_{2004} 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.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRSs and IC Interpretations issued but not yet effective

At the date of authorisation for issue of these financial statements, the FRSs, Issues Committee Interpretations ("IC Interpretations") and amendments to FRSs and IC Interpretation which were issued but not yet effective until future periods are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[1]
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010)[2]
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters)[3]
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)[1]
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)[2]
FRS 3	Business Combinations (Revised in 2010)[2]
FRS 4	Insurance Contracts[1]
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)[2]
FRS 7	Financial Instruments: Disclosures[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition)[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[3]
FRS 101	Presentation of Financial Statements (Revised in 2009)[1]
FRS 123	Borrowing Costs (Revised)[1]
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[1]
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010)[2]
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation)[1]
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)[4]

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

FRSs and IC Interpretations issued but not yet effective (continued)

FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)[2]
FRS 139	Financial Instruments: Recognition and Measurement[1]
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition, embedded derivatives and revised FRS 3 and Revised FRS 127)[1]
Improvements to FRSs (2009)[1]	
IC Interpretation 4	Determining whether an arrangement contains a lease[3]
IC Interpretation 9	Reassessment of Embedded Derivatives[1]
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)[1]
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3)[2]
IC Interpretation 10	Interim Financial Reporting and Impairment[1]
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions[1]
IC Interpretation 12	Service Concession Arrangements[2]
IC Interpretation 13	Customer Loyalty Programmes[1]
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[1]
IC Interpretation 15	Agreements for the Construction of Real Estate[5]
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation[2]
IC Interpretation 17	Distributions of Non-cash Assets to Owners[2]
IC Interpretation 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 March 2010
5 Effective for annual periods beginning on or after 1 January 2012
6 Applies to transfers of assets from customers received on or after 1 January 2011

Consequential amendments were also made to various FRSs as a result of these new/revised FRSs.

The directors anticipate that the adoption of the above standards and interpretations, when they become effective, are not expected to be relevant or have material impact on the financial statements of the Group and of the Company in the period of initial application except for the following:

FRS 3: Business Combinations (Revised in 2010)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests share of the fair value of the identifiable net assets of the acquiree;

- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in income statements;

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

FRS 3: Business Combinations (Revised in 2010) (continued)

- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and

- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in income statements as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

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 and the Company's financial position and performance, the nature and extent of risks arising from the financial instruments, and the objectives, policies and processes for managing capital. By virtue of exemption in paragraph 44AB of FRS 7, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

FRS 7: Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

FRS 101 - Presentation of Financial Statements (Revised in 2009)

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. There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and of the Company's financial statements.

FRS 123 - Borrowing Costs (Revised)

FRS 123 (Revised) 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 127: Consolidated and Separate Financial Statements (Revised in 2010)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in the income statements.

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

FRS 127: Consolidated and Separate Financial Statements (Revised in 2010) (continued)

Under FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or income statements. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised in 2010) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in the income statements.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

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. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon initial application of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

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 the following improvement is expected to have an impact on the Group's financial statements.

FRS 117 Leases generally requires leases of land with an indefinite useful life to be classified as operating leases. 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 as of 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 relating 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.

IC Interpretation 15: Agreements for the Construction of Real Estate

IC Interpretation 15 Agreements for the Construction of Real Estate addresses how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue and when revenue from the construction of real estate should be recognised. Under IC Interpretation 15, an agreement for the construction of real estate is a construction contract within the scope of FRS 111 only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not). If the buyer has that ability, FRS 111 applies. If the buyer does not have that ability, FRS 118 applies.

Presently, the agreements for the construction of real estate of the Group are accounted for in accordance with FRS 201_{2004} Property Development Activities whereby revenue is recognised using the percentage of completion method as construction of real estate progresses. Upon the adoption of IC Interpretation 15, the Group will review the nature of its agreements for the construction of real estate and will generally account for these agreements in accordance with FRS 118 as FRS 201_{2004} would by then have been withdrawn. It is likely that revenue from many of these agreements will be recognised at a single time – at completion upon or after delivery of the real estate. The agreements affected will be mainly those that do not meet the definition of a construction contract as interpreted by IC Interpretation 15 and do not transfer to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The directors are of the view that the impact of the eventual application of this Interpretation is not known or reasonably estimable presently.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiary companies) as mentioned in Note 50 made up to the balance sheet date.

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

All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. 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 combinations (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.

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 reassessment, 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 statement.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenue of the Company consists of gross rental income and gross dividend income from the subsidiary companies and associated companies.

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

(i) Steel Division

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

(ii) Property Development Division

Property development projects – upon signing of the individual sale and purchase agreements, based on the percentage of completion method.

Sales of land under development and completed property units – when the significant risks and rewards of ownership have passed to the buyer.

Rental income – on accrual basis.

(iii) Tyre Division

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

(iv) Building Materials Division

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

(v) Other Divisions

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

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

Foreign Currency

(i) Functional and Presentation Currencies

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, United States Dollar, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's and the Company'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.

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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rate prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. 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.

Employee Benefits

(i) Short-term Employee Benefits

Salaries, wages, bonuses, social security contributions and annual leave are accrued for in the year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined Contribution Plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employee Provident Fund ("EPF"), a local statutory defined contribution plans, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statements as incurred. Once the contributions have been paid, there are no further payment obligations.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity Compensation Benefits (continued)

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 equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

Income Tax

Income tax expense on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by 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 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 profit 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 settled, based on the tax rates that have been enacted or substantively enacted by 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 and the Company expect, 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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.

The tax effects of the unutilised reinvestment allowances are recognised only upon actual realisation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

At each balance sheet date, the Group and the Company review the carrying amounts of their non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statements.

Property, Plant and Equipment

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

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. All other property, plant and equipment are depreciated on a straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 5%
Plant, machinery and equipment	2% - 20%
Prime movers and trailers	15%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Floating cranes	5%
Tug boats and barges	10%
Infrastructure	7%
Renovations	2% - 10%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for prospectively.

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

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

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 at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 44 to 87 years (2009: 45 to 88 years).

Capitalisation of Borrowing Cost

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

Investment Properties

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

Investment properties are stated at fair value, representing open-market value determined by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are recognised in the income statements in the year in which they arise.

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 in the period of the retirement or disposal.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statements on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

Property, Plant and Equipment under Finance Leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheets as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

Property, Plant and Equipment under Hire-Purchase

Property, plant and equipment acquired under hire-purchase 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 obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities are expected to be completed within the Group's normal operating cycle.

Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control through the power to govern the financial and operating policies of the companies so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the companies.

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

Associated Companies

Associated companies are entities in which the Group has significant influence, directly or indirectly and that is neither a subsidiary company nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decision of the investee but not in control or joint control over those policies.

Investment in associated companies is stated in the Company's separate financial statements at cost less any accumulated impairment losses.

The Group's investment in associated companies is accounted for under the equity method of accounting based on the audited or management-prepared 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 and reserves 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 financial statements.

The associated companies are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated companies. 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 the asset transferred.

Jointly Controlled Entity

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the management-prepared financial statements of the jointly controlled entity. Under the equity method of accounting, the Group's share of profits or losses of jointly controlled entity during the financial year is included in the consolidated income statement.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are eliminated unless cost cannot be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in quoted and unquoted corporations are stated in both the Group's financial statements and the Company's financial statements at cost or at group cost, adjusted for accretion of interest, where applicable, less any accumulated impairment losses.

Intangible Assets

Intangible assets of the Group comprise acquisition cost of technical know-how in the design of a subsidiary company's product and services and development expenditure. Development expenditure represents expenses incurred in the development of new or substantially improved products prior to the commencement of commercial production.

Intangible assets considered to have finite useful life, are stated at cost less any impairment losses and are amortised systematically using the straight-line method over their estimated useful lives of 10 years upon commencement of commercial production during which its economic benefits are expected to be consumed. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in 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 a subsequent period.

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

Property Development Activities

Property development revenue is recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the balance sheet date as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that are probable of recovery.

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

Inventories of unsold completed development units are stated at the lower of cost and net realisable value.

Accrued billings represent the excess of property development revenue recognised in the income statements over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in the income statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

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

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

Receivables

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

Payables

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

Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS")

The BaIDS are bonds issued in accordance with the Islamic finance concept of Bai' Bithaman Ajil. In accordance with such concept, the Group sold certain assets to a trustee, and repurchased them at the same price together with an agreed profit margin. The Group's payment of the purchase price is deferred in accordance with the maturities of the BaIDS, whilst the profit element is paid half-yearly.

The BaIDS are initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the BaIDS in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively.

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

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

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 sheets and the preferential dividends are recognised as finance costs in the income statements in the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Assets Classified as Held For Sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Financial Assets

The principal financial assets of the Group are trade and other receivables, amount owing by jointly controlled entity, deposits, cash and bank balances, and other investments.

The principal financial assets of the Company also include amount owing by subsidiary companies.

Financial Liabilities

The significant financial liabilities of the Group include trade and other payables, bank borrowings, BaIDS, LICB Bonds, SCB Bonds, USD Debts and RCCPS, which are stated at nominal value.

The significant financial liabilities of the Company also include amount owing to subsidiary companies, which are stated at nominal value.

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

Equity Instruments

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

Cash and Cash Equivalents

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 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.

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

(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 period except for the following:

(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 and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**6,248**	20,265	**–**	–
Long-term investments	**1,271**	316	**644**	203
Intangible assets	**–**	304	**–**	–
Investment in subsidiary companies	**–**	–	**468**	6

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) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the balance sheet date, pertaining to the steel operations of the Group, was RM130,443,000 (2009: RM130,443,000) and no impairment loss has been recognised in the income statements during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 23.

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group and the Company amounted to RM49,907,000 (2009: RM122,236,000) and RM1,126,000 (2009: RMNil) respectively.

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

(ii) **Key sources of estimation uncertainty (continued)**

(d) **Allowances for Doubtful Debts**

Allowance for doubtful debts is made based on the evaluation of collectibility 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.

(e) **Depreciation of Property, Plant and Equipment**

The cost of property, plant and equipment except for freehold land and capital work-in-progress, is 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.

(f) **Provisions**

As mentioned in Note 40, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad, the Group has provided for damages arising from litigation claim 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 ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

6. **REVENUE**

An analysis of revenue is as follows:

	The Group		**The Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sales of goods	**5,023,581**	4,388,869	**–**	–
Revenue from:				
Property development	**30,498**	24,762	**–**	–
Sales of land under development and completed property units	**1,039**	2,616	**–**	–
Gross rental income	**2,655**	3,009	**2,655**	3,009
Gross dividend income from:				
Associated companies (quoted in Malaysia)	**–**	–	**2,639**	7,167
Subsidiary companies	**–**	–	**6,600**	–
	5,057,773	4,419,256	**11,894**	10,176

7. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is arrived at after crediting/(charging) the following income/(expenses):

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Allowance for:				
Obsolescence of inventories	**(30,891)**	(2,011)	**–**	–
Doubtful trade and other receivables	**(14,006)**	(4,888)	**(11,056)**	–
Doubtful amount owing by subsidiary companies	**–**	–	**(33)**	(76)
Inventories written down	**(9,273)**	(471,833)	**–**	–
Rental expense of:				
Plant, machinery and equipment	**(8,379)**	(8,497)	**–**	–
Jetties and leasehold land	**(4,188)**	(4,188)	**–**	–
Premises	**(4,088)**	(3,723)	**(3)**	(3)
Premises payable to related parties	**(1,071)**	(186)	**–**	–
Impairment loss on:				
Property, plant and equipment (Note 13)	**(6,248)**	(20,265)	**–**	–
Long-term investments (Note 20)	**(1,271)**	(316)	**(644)**	(203)
Intangible assets (Note 22)	**–**	(304)	**–**	–
Investment in subsidiary companies (Note 17)	**–**	–	**(468)**	(6)
Property, plant and equipment written off	**(4,811)**	(9)	**(10)**	–
Fair value adjustments on investment properties (Note 14)	**(1,636)**	(295)	**(1,742)**	–
(Loss)/Gain on disposal of:				
Subsidiary company (Note 17)	**(2,139)**	–	**–**	–
Property, plant and equipment	**(977)**	538	**3**	(40)
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(757)**	(741)	**(75)**	(70)
Underprovision in prior years	**(19)**	(139)	**(5)**	–
Other auditors:				
Current year	**(75)**	(106)	**–**	–
Underprovision in prior years	**–**	(2)	**–**	–
Non-audit services:				
Auditors of the Company	**(96)**	(14)	**(8)**	(8)
Other auditors	**(112)**	(112)	**–**	–
Overprovision of development costs in prior years (Note 16(a))	**(179)**	(20)	**(179)**	(20)
Deposits written off	**(87)**	(72)	**–**	–
Provision for damages arising from litigation claim (Note 40)	**–**	(15,000)	**–**	–
Inventories written off	**–**	(1,832)	**–**	–
Bad debts written off:				
Trade receivables	**–**	(40)	**–**	–
Amount owing by subsidiary companies	**–**	–	**(17)**	–
Investment in subsidiary company written off	**–**	–	**(2,525)**	–
Gain from discount on acquisition from third party holders of:				
SCB Bonds and USD Debts	**52,941**	7,028	**–**	–
RCCPS	**–**	642	**–**	–
Gain/(Loss) on foreign exchange (net):				
Unrealised	**30,151**	(13,422)	**5,920**	(6,273)
Realised	**19,829**	(1,912)	**–**	–

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain on disposal/partial disposal of:				
Associated companies (Note 18)	**23,919**	2,632	**–**	–
Subsidiary company (Note 17)	**136**	–	**–**	–
Long-term investments	**72**	156	**–**	–
Assets classified as held for sale	**1**	37	**–**	–
Investment properties (Note 14)	**–**	780	**–**	–
Gain from SCB Bonds and USD Debts restructuring by subsidiary companies	**11,117**	–	**–**	–
Overprovision of accrued expenses in prior years	**6,626**	–	**6,626**	–
Rental income from premises	**2,636**	3,102	**–**	–
Allowance no longer required for:				
Obsolescence of inventories	**2,084**	5,993	**–**	–
Doubtful trade and other receivables	**1,813**	1,635	**510**	–
Doubtful amount owing by subsidiary companies	**–**	–	**8,086**	7,717
Interest income from Housing Development Accounts	**381**	154	**107**	170
Bad debts recovered	**154**	129	**–**	–
Impairment loss no longer required for:				
Long-term investments	**15**	4,611	**–**	4,169
Investment in associated companies	**–**	4,222	**–**	–
Investment in subsidiary companies (Note 17)	**–**	–	**–**	1,886
Waiver of debts by a subsidiary company	**–**	–	**2,526**	–

Analysis of staff costs is as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries, bonuses and allowances	**175,714**	136,684	**4,967**	4,616
Defined contribution plans	**17,940**	14,620	**800**	1,128
Share-based payments	**434**	6,762	**160**	1,215
	194,088	158,066	**5,927**	6,959

Included in staff costs are the remuneration of members of key management, other than the directors of the Group and of the Company as disclosed in Note 8, as follows:

	The Group	
	2010 RM'000	2009 RM'000
Salaries, bonuses and allowances	**2,240**	2,064
Defined contribution plans	**220**	240
Share-based payments	**82**	165
	2,542	2,469

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the directors of the Group as disclosed in Note 8, otherwise than in cash from the Group amounted to RM138,658 (2009: RM178,011).

8. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Executive director:				
Fee	**20**	20	**20**	20
Salary and other emoluments	**660**	600	**660**	600
Defined contribution plans	**79**	77	**79**	77
Share-based payments	**54**	93	**54**	93
	813	790	**813**	790
Non-executive directors:				
Fees	**190**	190	**190**	190
Salary and other emoluments	**127**	127	**24**	24
Defined contribution plans	**12**	13	**–**	–
Share-based payments	**6**	23	**–**	–
	335	353	**214**	214
Total	**1,148**	1,143	**1,027**	1,004

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM97,495 (2009: RM113,334).

9. INVESTMENT INCOME

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Fixed deposits	**10,759**	13,606	**218**	352
Related parties	**5,564**	3,839	**384**	3,583
Long-term investments	**3,021**	5,631	**2,263**	566
Accretion of notional interest on deferred consideration	**–**	1,909	**–**	–
Subsidiary companies	**–**	–	**6**	5
Others	**5,123**	2,748	**–**	–
	24,467	27,733	**2,871**	4,506

10. FINANCE COSTS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Term loans	**33,049**	42,718	**–**	–
Security deposits received from customers	**12,024**	7,780	**–**	–
Bills payable	**5,535**	7,798	**–**	–
SCB Bonds and USD Debts	**4,535**	3,447	**–**	–
Bank overdrafts	**3,983**	6,208	**–**	–
Finance lease and hire-purchase	**3,783**	639	**10**	16
LICB Bonds and USD Debts	**3,654**	3,859	**4,239**	4,459
RCCPS	**144**	78	**–**	–
Advances from subsidiary companies	**–**	–	**427**	445
Others	**4,605**	6,819	**30**	29
Profit element on BaIDS	**21,735**	28,523	**–**	–
Borrowing costs	**1,876**	1,876	**1,876**	1,876
	94,923	109,745	**6,582**	6,825

11. TAX (EXPENSE)/CREDIT

Tax (expense)/credit for the Group and the Company consists of:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Estimated tax payable:				
Current year	**(14,813)**	(7,460)	**(82)**	–
Over/(Under)provision in prior years	**606**	(2,968)	**–**	141
	(14,207)	(10,428)	**(82)**	141
Deferred taxation (Note 21):				
Current year	**(62,034)**	113,158	**1,013**	519
Over/(Under)provision in prior years	**(22,370)**	29,259	**491**	(432)
	(84,404)	142,417	**1,504**	87
	(98,611)	131,989	**1,422**	228

11. TAX (EXPENSE)/CREDIT (continued)

The tax (expense)/credit varied from the amount of tax (expense)/credit determined by applying the applicable income tax rate to profit/(loss) before tax as a result of the following differences:

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Profit/(Loss) before tax	**515,781**	(374,767)	**6,748**	5,705
Tax at statutory tax rate of 25% (2009: 25%)	**(128,945)**	93,692	**(1,687)**	(1,426)
Effect of differential tax rates in other countries	**12**	3	**–**	–
Tax effects of:				
Non-taxable income	**51,377**	61,072	**7,758**	5,012
Non-deductible expenses	**(42,550)**	(53,512)	**(5,140)**	(3,067)
Utilisation of investment tax allowances	**18,364**	–	**–**	–
Double deduction of expenses	**–**	1,165	**–**	–
Effect on deferred tax due to change in income tax rate	**–**	(111)	**–**	–
Tax effect on share in results of associated companies and jointly controlled entity	**26,888**	8,718	**–**	–
Deferred tax assets not recognised	**(1,993)**	(5,329)	**–**	–
(Under)/Overprovision in prior years:				
Tax payable	**606**	(2,968)	**–**	141
Deferred taxation	**(22,370)**	29,259	**491**	(432)
	(98,611)	131,989	**1,422**	228

As of 30 June 2010, a subsidiary company has tax exempt income accounts of RM233,838,000 (2009 : RM160,382,000) arising from investment tax allowances claimed under the Promotion of Investments Act, 1986 and reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967. These tax exempt income accounts, which are subject to approval by the tax authorities, are available for distribution as tax-exempt dividends to the shareholders.

As of 30 June 2010, a subsidiary company has unutilised investment tax allowances under the Promotion of Investments Act, 1986 amounting to RM Nil (2009 : RM73,456,000), the tax effects of which are not recognised in the financial statements of the Group until actual utilisation.

The Company has the following tax-exempt accounts:

	The Company	
	2010 RM'000	**2009 RM'000**
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**21,170**	21,170
Tax-exempt dividends received	**18,234**	15,596
Total	**39,404**	36,766

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to the same amounts. As of 30 June 2010, the Company has not distributed any of its tax-exempt accounts as tax-exempt dividends.

12. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is 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.

	2010 RM'000	2009 RM'000
Profit/(Loss) attributable to ordinary equity holders of the Company:	**361,469**	(278,298)

	2010 '000	2009 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**712,967**	712,700
Effect of the exercise of ESOS	**446**	203
Effect of treasury shares	**(8)**	–
	713,405	712,903

	2010	2009
Basic earnings/(loss) per share (sen)	**50.67**	(39.04)

(b) Diluted earnings per share

	2010 RM'000	2009 RM'000
Profit/(Loss) attributable to ordinary equity holders of the Company:	**361,469**	(278,298)

	2010 '000	2009 '000
Weighted average number of ordinary shares in issue	**713,405**	N/A
Effect of dilution:		
Share options	**547**	N/A
Adjusted weighted average number of ordinary shares in issue and issuable	**713,952**	N/A

	2010	2009
Diluted earnings per share (sen)	**50.63**	N/A

The main features of the ESOS are set out in Note 30.

As of 30 June 2009, the options over 9,732,300 unissued ordinary shares granted to eligible executives and executive Directors pursuant to the Company's ESOS had an anti-dilutive effect and therefore the diluted loss per ordinary share was not presented.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	COST								
	As of 1 July 2008 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Effects of acquisition of a subsidiary company RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2009 RM'000
Freehold land	76,969	1,050	–	–	552	–	–	6,123	84,694
Freehold buildings	298,882	2,928	(626)	–	78,121	–	–	–	379,305
Buildings under long lease	112,196	2,025	3,571	–	–	(169)	(54)	10,714	128,283
Buildings under short lease	7,357	–	–	–	–	–	–	–	7,357
Plant, machinery and equipment	1,418,486	32,020	7,908	(2,164)	372,844	–	(2)	23,792	1,852,884
Prime movers and trailers	14,898	12,964	–	–	–	–	–	–	27,862
Motor vehicles	12,493	754	46	(1,964)	6,850	–	–	–	18,179
Furniture and office equipment	51,150	3,358	15	(220)	25,282	–	(250)	375	79,710
Computer equipment	6,867	1,580	323	(59)	–	–	–	(82)	8,629
Floating cranes	32,911	–	–	–	–	–	–	–	32,911
Tug boats and barges	36,861	2,034	–	–	–	–	–	–	38,895
Renovations	4,754	–	–	–	–	–	–	–	4,754
Construction work-in-progress	221,430	109,225	–	–	18,098	–	–	(40,922)	307,831
Total	2,295,254	167,938	11,237	(4,407)	501,747	(169)	(306)	–	2,971,294

	COST							
	As of 1 July 2009 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2010 RM'000
Freehold land	84,694	–	–	(329)	–	–	–	**84,365**
Freehold buildings	379,305	1,121	–	–	–	–	179	**380,605**
Buildings under long lease	128,283	1,947	(4,036)	–	(646)	–	802	**126,350**
Buildings under short lease	7,357	–	–	–	–	–	–	**7,357**
Plant, machinery and equipment	1,852,884	18,789	(7,807)	(12,006)	–	(5)	128,532	**1,980,387**
Prime movers and trailers	27,862	5,326	–	(1,111)	–	–	–	**32,077**
Motor vehicles	18,179	72	(73)	(1,304)	–	(1)	–	**16,873**
Furniture and office equipment	79,710	3,876	(43)	(207)	–	(387)	61	**83,010**
Computer equipment	8,629	281	(298)	(56)	–	(36)	–	**8,520**
Floating cranes	32,911	–	–	–	–	–	–	**32,911**
Tug boats and barges	38,895	9,716	–	–	–	–	22,969	**71,580**
Infrastructure	–	2,726	–	–	–	–	104,374	**107,100**
Renovations	4,754	639	–	–	–	(3,838)	–	**1,555**
Construction work-in-progress	307,831	43,731	–	–	–	(4,757)	(256,917)	**89,888**
Total	2,971,294	88,224	(12,257)	(15,013)	(646)	(9,024)	–	**3,022,578**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION

	As of 1 July 2008 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effects of acquisition of a subsidiary company RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2009 RM'000
Freehold land	–	–	–	–	–	–	–	–	–
Freehold buildings	54,877	15,962	(217)	–	28,047	–	–	–	98,669
Buildings under long lease	76,204	5,406	347	–	–	(52)	(54)	–	81,851
Buildings under short lease	466	–	–	–	–	–	–	–	466
Plant, machinery and equipment	646,611	79,827	1,644	(1,975)	211,089	–	(2)	–	937,194
Prime movers and trailers	10,696	995	–	–	–	–	–	–	11,691
Motor vehicles	8,833	1,164	17	(1,815)	5,194	–	–	–	13,393
Furniture and office equipment	35,115	3,603	42	(199)	23,951	–	(241)	249	62,520
Computer equipment	2,796	757	59	(56)	–	–	–	(249)	3,307
Floating crane	391	1,563	–	–	–	–	–	–	1,954
Tug boats and barges	3,381	3,649	–	–	–	–	–	–	7,030
Renovations	4,674	25	–	–	–	–	–	–	4,699
Construction work-in-progress	–	–	–	–	–	–	–	–	–
Total	844,044	112,951	1,892	(4,045)	268,281	(52)	(297)	–	1,222,774

ACCUMULATED DEPRECIATION

	As of 1 July 2009 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	–	–	–	**–**
Freehold buildings	98,669	17,007	–	–	–	–	–	**115,676**
Buildings under long lease	81,851	5,796	(486)	–	(409)	–	–	**86,752**
Buildings under short lease	466	–	–	–	–	–	–	**466**
Plant, machinery and equipment	937,194	90,154	(2,721)	(8,797)	–	(4)	(66)	**1,015,760**
Prime movers and trailers	11,691	1,883	–	(1,111)	–	–	–	**12,463**
Motor vehicles	13,393	1,081	(36)	(1,203)	–	–	608	**13,843**
Furniture and office equipment	62,520	3,626	(47)	(194)	–	(345)	(542)	**65,018**
Computer equipment	3,307	787	(69)	(53)	–	(36)	–	**3,936**
Floating crane	1,954	1,563	–	–	–	–	–	**3,517**
Tug boats and barges	7,030	5,397	–	–	–	–	–	**12,427**
Infrastructure	–	7,140	–	–	–	–	–	**7,140**
Renovations	4,699	66	–	–	–	(3,828)	–	**937**
Construction work-in-progress	–	–	–	–	–	–	–	**–**
Total	1,222,774	134,500	(3,359)	(11,358)	(409)	(4,213)	–	**1,337,935**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE	
	As of 1 July 2008 RM'000	Charge for the year RM'000	As of 30 June 2009 RM'000	Charge for the year RM'000	As of 30 June 2010 RM'000	As of 30 June 2009 RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	**–**	84,694	**84,365**
Freehold buildings	–	–	–	–	**–**	280,636	**264,929**
Buildings under long lease	–	–	–	–	**–**	46,432	**39,598**
Buildings under short lease	–	–	–	–	**–**	6,891	**6,891**
Plant, machinery and equipment	478	17,050	17,528	6,248	**23,776**	898,162	**940,851**
Prime movers and trailers	–	3,215	3,215	–	**3,215**	12,956	**16,399**
Motor vehicles	–	–	–	–	**–**	4,786	**3,030**
Furniture and office equipment	–	–	–	–	**–**	17,190	**17,992**
Computer equipment	–	–	–	–	**–**	5,322	**4,584**
Floating crane	–	–	–	–	**–**	30,957	**29,394**
Tug boats and barges	–	–	–	–	**–**	31,865	**59,153**
Infrastructure	–	–	–	–	**–**	–	**99,960**
Renovations	–	–	–	–	**–**	55	**618**
Construction work-in-progress	–	–	–	–	**–**	307,831	**89,888**
Total	478	20,265	20,743	6,248	**26,991**	1,727,777	**1,657,652**

The Company

	COST			
	As of 1 July 2008 RM'000	**Additions RM'000**	**Disposals RM'000**	**As of 30 June 2009 RM'000**
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	1,800	–	(149)	1,651
Furniture and office equipment	1,317	15	(37)	1,295
Computer equipment	1,225	1,483	(21)	2,687
Renovations	3,837	–	–	3,837
Total	10,284	1,498	(207)	11,575

	COST				
	As of 1 July 2009 RM'000	**Additions RM'000**	**Disposals RM'000**	**Write off RM'000**	**As of 30 June 2010 RM'000**
Plant, machinery and equipment	2,105	–	–	–	**2,105**
Motor vehicles	1,651	–	(5)	–	**1,646**
Furniture and office equipment	1,295	147	(13)	–	**1,429**
Computer equipment	2,687	8	(24)	–	**2,671**
Renovations	3,837	639	-	(3,838)	**638**
Total	11,575	794	(42)	(3,838)	**8,489**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	ACCUMULATED DEPRECIATION			
	As of 1 July 2008 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2009 RM'000
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	543	157	(83)	617
Furniture and office equipment	1,232	19	(30)	1,221
Computer equipment	947	161	(21)	1,087
Renovations	3,827	1	–	3,828
Total	8,654	338	(134)	8,858

	ACCUMULATED DEPRECIATION					NET BOOK VALUE	
	As of 1 July 2008 RM'000	Charge for the year RM'000	Disposals RM'000	Write off RM'000	As of 30 June 2010 RM'000	As of 30 June 2009 RM'000	As of 30 June 2010 RM'000
Plant, machinery and equipment	2,105	–	–	–	**2,105**	–	**–**
Motor vehicles	617	157	(1)	–	**773**	1,034	**873**
Furniture and office equipment	1,221	25	(13)	–	**1,233**	74	**196**
Computer equipment	1,087	207	(24)	–	**1,270**	1,600	**1,401**
Renovations	3,828	43	–	(3,828)	**43**	9	**595**
Total	8,858	432	(38)	(3,828)	**5,424**	2,717	**3,065**

As of 30 June 2010, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,139.4 million (2009: RM1,192.6 million) have been charged as collaterals to certain financial institutions for the LICB Bonds and USD Debts, BaIDS and borrowings granted to the Group (Notes 32, 33, 36 and 41).

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease and hire-purchase arrangements with net book values of RM72,804,000 (2009: RM14,800,000) and RM803,000 (2009: RM882,000) respectively.

14. INVESTMENT PROPERTIES

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	**68,078**	69,151	**62,742**	62,742
Fair value adjustments during the year (Note 7)	**(1,636)**	(295)	**(1,742)**	–
Transfer from property, plant and equipment (Note 13)	**237**	117	**–**	–
Reclassified as held for sale (Note 29)	**(345)**	–	**–**	–
Disposals	**–**	(895)	**–**	–
At end of year	**66,334**	68,078	**61,000**	62,742

14. INVESTMENT PROPERTIES (continued)

The fair values of the investment properties have been arrived at on the basis of valuations carried out by independent valuers that are not related to the Group and the Company. Valuations were based on current prices in an active market for the properties.

The rental income earned by the Group and the Company from their investment properties amounted to RM2,925,000 (2009: RM3,526,000) and RM2,655,000 (2009: RM3,009,000) 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 RM625,000 (2009: RM678,000) and RM617,000 (2009: RM655,000) respectively.

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 RM42,600 (2009: RM47,600) and RM10,000 (2009: RM26,800) respectively.

As of 30 June 2010, all freehold and leasehold land and buildings of the Group and of the Company included as part of investment properties with fair values totalling RM66,282,000 (2009: RM68,023,000) and RM61,000,000 (2009: RM62,742,000) respectively have been charged as collaterals to certain local banks for bank overdrafts and other credit facilities granted to the Group (Notes 32, 33, 36 and 41).

As of 30 June 2010, the titles to all parcels of leasehold land and buildings of the Company included as part of investment properties with carrying values totalling RM61,000,000 (2009: RM62,742,000) have not been registered in the name of the Company.

Investment properties amounting to RM65,376,000 (2009: RM67,099,000) and RM61,000,000 (2009: RM62,742,000) for the Group and the Company respectively are held under leasehold interest.

In 2009, the Group disposed of certain investment properties to related party for a total cash consideration of RM1,675,000. These transactions gave rise to a gain on disposal of RM780,000 (Note 7).

15. PREPAID LAND LEASE PAYMENTS

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Cost:		
At beginning of year	**134,208**	128,745
Exchange differences	**(354)**	160
Effects of acquisition of a subsidiary company	**–**	5,303
At end of year	**133,854**	134,208
Cumulative amortisation:		
At beginning of year	**29,416**	26,611
Exchange differences	**(23)**	–
Amortisation for the year	**2,081**	2,805
At end of year	**31,474**	29,416
Unamortised portion:		
At beginning of year	**104,792**	102,134
At end of year	**102,380**	104,792

15. PREPAID LAND LEASE PAYMENTS (continued)

Prepaid land lease payments relate to:

(a) Lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor, Pasir Gudang Industrial Estate, Johor and Kamunting, Perak, and the leases will expire between the years 2025 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period; and

(b) 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.

Prepaid land lease payments are amortised over the lease terms of the land/rights.

As of 30 June 2010, certain parcel of leasehold land of the Group with carrying values totalling RM93.7 million (2009: RM100.5 million) have been charged as collaterals to certain financial institutions for the LICB Bonds and USD Debts, BaIDS and borrowings granted to the Group (Notes 32, 33, 36 and 41).

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At beginning of year:				
Land costs	**45,912**	45,912	**53**	53
Development costs	**8,087**	8,105	**239**	257
	53,999	54,017	**292**	310
Development costs incurred	**15**	2	**–**	2
Overprovision of development costs in prior years (Note 7)	**(179)**	(20)	**(179)**	(20)
Cost transferred to property development costs – net (Note 16(b))	**(922)**	–	**–**	–
At end of year	**52,913**	53,999	**113**	292
Accumulated impairment losses:				
At beginning of year	**(18,458)**	(18,458)	**–**	–
Transferred to property development costs (Note 16(b))	**755**	–	**–**	–
At end of year	**(17,703)**	(18,458)	**–**	–
Net	**35,210**	35,541	**113**	292

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)

(b) Property Development Costs

	The Group	
	2010	2009
	RM'000	RM'000
At beginning of year:		
Land cost	**32,774**	32,774
Development costs	**42,377**	39,314
	75,151	72,088
Costs incurred:		
Land cost	**17**	–
Development costs	**9,545**	9,890
	9,562	9,890
Transfer from land held for property development - net (Note 16(a))	**922**	–
	85,635	81,978
Costs recognised as expenses in income statements:		
Previous years	**(20,800)**	(12,045)
Current year	**(15,974)**	(8,755)
	(36,774)	(20,800)
Cost transferred to completed units	**(1,627)**	(362)
Cost eliminated due to completion of project	**(3,520)**	(6,465)
Accumulated impairment losses:		
At beginning of year	**(3,135)**	(3,324)
Transfer from land held for property development (Note 16(a))	**(755)**	–
Transfer to completed units	**960**	47
Closed out due to completion of projects	**1,954**	142
At end of year	**(976)**	(3,135)
Net	**42,738**	51,216

As of 30 June 2010, certain parcels of land of the Group with carrying values totalling RM39.5 million (2009: RM39.5 million) have been charged as collaterals for the LICB Bonds and USD Debts (Note 32).

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2010	**2009**
	RM'000	**RM'000**
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**285,359**	292,684
Deemed capital contribution	**13,572**	13,292
	298,931	305,976
Accumulated impairment losses	**(161,392)**	(165,724)
	137,539	140,252
Total	**179,771**	182,484
Market value of quoted shares	**56,860**	35,199

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the carrying values of certain subsidiary companies are in excess of their recoverable amounts. Accordingly, the Directors made an impairment loss amounting to RM468,000 (2009: RM1,880,000 net of reversal of impairment loss) in respect of the investment in these subsidiary companies.

As of 30 June 2010, the investment in a quoted subsidiary company of the Company with carrying value of RM42,232,000 (2009: RM42,232,000) has been pledged as collaterals to certain financial institutions for the LICB Bonds and USD Debts (Note 32).

Acquisition of subsidiary companies

During the current financial year, Lion Forest Industries Berhad ("LFIB"), a subsidiary company of the Group, completed the following acquisitions:

(i) On 26 August 2009, LFIB acquired the entire issued and paid up capital of Harta Impiana Sdn Bhd, a company incorporated in Malaysia, for a cash consideration of RM2.

(ii) On 17 June 2010, LFIB acquired 51% equity interest comprising 51 Class B ordinary shares of USD1 each in Jadeford International Limited ("Jadeford") for a cash consideration of USD43,000 (equivalent to RM143,000).

The acquisition of Harta Impiana and Jadeford does not give rise to any financial results to the Group.

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

The fair values of the assest acquired and liabilities assumed from the acquisition of Harta Impiana and Jadeford are as follows:

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Investment in bonds and RCCPS	86,016	86,016
Other investments	4,118	4,118
Short term deposits	806	806
Cash and bank balances	31	31
Other creditors and accruals	(86,511)	(86,511)
Provisional fair value of net assets acquired	4,460	4,460
Share of net assets acquired	2,275	
Total cost of investment in Harta Impiana and Jadeford	(143)	
Net negative goodwill	2,132	
Consideration paid	143	
Less : Cash and cash equivalent acquired	(837)	
Cash flows on acquisition, net of cash and cash equivalents acquired	(694)	

On 28 November 2008, LFIB completed the acquisition of 84.16% equity interest in Silverstone Corporation Berhad ("SCB") for a consideration of RM6,673,296, satisfied by the issue and allotment by LFIB of 19,931,861 new ordinary shares of RM1.00 each at an issue price of RM1.00 each to the accepting shareholders of SCB.

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

	The Group 2009 RM'000
Revenue	225,108
Profit after tax and minority interest	5,649

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

The fair value of the assets acquired and liabilities assumed from the acquisition of SCB in the previous financial year were 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
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, deposits and prepayments	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, deposits and accrued expenses	(82,638)	(82,638)
Tax liabilities	(18)	(18)
Bank borrowings and hire-purchase obligations	(80,878)	(83,650)
SCB Bonds and USD Debts	(310,832)	(512,991)
Deferred tax liabilities	(377)	(377)
RCCPS	(21,122)	(36,935)
Minority interest	(14,108)	(14,108)
Provisional fair value of net assets acquired	172,195	29,651
Total cost of investment in SCB	(6,698)	
	165,497	
Minority interest	(27,778)	
Net negative goodwill	137,719	
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	

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

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Disposal of subsidiary company

On 22 December 2009, Jadeford ceased to be a subsidiary company of LFIB upon completion of the disposal of 51% equity interest in Jadeford comprising 51 Class B ordinary shares of USD1 each fully paid, for a cash consideration of USD40,164 (equivalent to RM136,000).

Assets and liabilities disposed of were as follows:

	Fair value recognised on disposal RM'000
Investment in bonds and RCCPS	60,416
Other investments	4,118
Short term deposits	806
Cash and bank balances	31
Other creditors and accruals	(60,911)
Provisional fair value of net assets acquired	4,460
Sales proceeds received	136
Share of net assets disposed	(2,275)
Loss on disposal of subsidiary company (Note 7)	(2,139)
Sales proceeds received	(136)
Add : Cash and cash equivalent disposed	837
Cash flows on disposal, net of cash and cash equivalents disposed	701

18. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
At cost:				
Quoted investments	**380,404**	384,160	**20,141**	20,141
Unquoted investments	**152,418**	152,418	**–**	–
	532,822	536,578	**20,141**	20,141
Share in post-acquisition results less dividends received	**249,578**	255,857	**–**	–
	782,400	792,435	**20,141**	20,141
Market value of quoted investments	**1,177,534**	1,153,388	**265,529**	251,721

The summarised financial information in respect of the Group's associated companies are set out below:

	The Group 2010 RM'000	The Group 2009 RM'000
Assets and Liabilities		
Current assets	**5,065,680**	4,570,468
Non-current assets	**6,503,014**	6,825,324
Total Assets	**11,568,694**	11,395,792
Current liabilities	**4,399,870**	3,221,389
Non-current liabilities	**2,095,838**	3,512,303
Total Liabilities	**6,495,708**	6,733,692
Results		
Revenue	**5,167,152**	5,410,477
Profit/(Loss) for the year	**617,302**	(279,919)

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

	The Group 2010 RM'000	The Group 2009 RM'000
Share of net assets (excluding goodwill)	**546,313**	550,766
Share of goodwill of associated companies	**236,087**	241,669
	782,400	792,435

18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The Group's share in losses of certain associated companies has been recognised to the extent of the carrying amount of the investments. The cumulatitve and current year's unrecognised share of profit/(losses) are as follows:

	The Group 2010 RM'000	The Group 2009 RM'000
At beginning of year	**(137,700)**	(44,300)
Current year	**22,800**	(93,400)
At end of year	**(114,900)**	(137,700)

As of 30 June 2010, the investment in quoted associated companies of the Company with carrying value of RM20,141,000 (2009: RM20,141,000) has been pledged as collaterals to certain financial institutions for the LICB Bonds and USD Debts (Note 32).

During the current financial year, the Group disposed of certain equity interest with carrying value amounting to RM33,988,000 in an associated company, Parkson Holdings Berhad, for a total consideration of RM57,907,000. This disposal gave rise to a gain on disposal of RM23,919,000 to the Group (Note 7).

In 2009, the Group disposed of its entire equity interest with carrying values amounting to RMNil in associated company, Changchun Fawer-Lion Auto Electromechanical Co Ltd, for consideration of RM2,632,000. This disposal gave rise to a gain on disposal of RM2,632,000 to the Group (Note 7).

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group 2010 RM'000	The Group 2009 RM'000
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results	**6,108**	(125)
	6,233	–

Details of the jointly controlled entity, which is incorporated in Malaysia, are as follows:

Name of Jointly Controlled Entity	Financial Year End	Effective Percentage Ownership 2010 %	Effective Percentage Ownership 2009 %	Principal Activities
Mergexcel Property Development Sdn Bhd	31 March	**49**	49	Property development

The jointly controlled entity is audited by a firm of auditors other than the auditors of the Company.

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY (continued)

The summarised financial information in respect of the Group's jointly controlled entity is set out below:

	The Group	
	2010 RM'000	2009 RM'000
Assets and Liabilities		
Current assets	**278,330**	3,895
Non-current assets	**8**	190,438
Total Assets	**278,338**	194,333
Current liabilities	**267,045**	194,809
Non-current liabilities	**–**	–
Total Liabilities	**267,045**	194,809
Results		
Revenue	**83,608**	–
Profit/(Loss) for the year	**11,479**	(288)

Amount owing by jointly controlled entity arose mainly from advances granted and payments made on behalf of the jointly controlled entity. The said amount is interest-free (2009: interest-free) and repayable on demand.

20. LONG-TERM INVESTMENTS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Quoted investments in Malaysia:				
At cost				
Shares	**2,862**	3,004	**1,729**	1,729
Warrants	**56,972**	56,972	**37,302**	37,302
ICULS*	**30,015**	30,015	**–**	–
	89,849	89,991	**39,031**	39,031
Accumulated impairment losses	**(57,766)**	(56,647)	**(38,011)**	(37,368)
	32,083	33,344	**1,020**	1,663
Quoted investments outside Malaysia:				
Shares - at cost	**281**	131	**56**	56
Accumulated impairment losses	**(168)**	(31)	**(32)**	(31)
	113	100	**24**	25

(Forward)

20. LONG-TERM INVESTMENTS (continued)

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Unquoted investments:				
At cost				
Ordinary shares	**1,593**	1,663	**400**	400
Unquoted bonds, adjusted for accretion of interest	**40,994**	42,372	**–**	–
RCSLS**	**39,561**	39,146	**16,916**	16,738
	82,148	83,181	**17,316**	17,138
Accumulated impairment losses	**(22,928)**	(22,928)	**–**	–
	59,220	60,253	**17,316**	17,138
Less: Unquoted investments, redeemable within one year (Note 25)	**(3,717)**	(2,405)	**–**	–
	55,503	57,848	**17,316**	17,138
Total	**87,699**	91,292	**18,360**	18,826
Market value of quoted investments	**40,628**	33,449	**1,094**	1,693

* Represents irredeemable convertible unsecured loan stocks issued by Lion Diversified Holdings Berhad.

** Represents redeemable convertible secured loan stocks issued by Lion Corporation Berhad.

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM1,271,000 (2009: RM316,000) and RM644,000 (2009: RM203,000) in the income statements of the Group and of the Company respectively (Note 7).

Certain of the Group's investments with carrying values totalling RM31.24 million (2009: RM62.14 million) have been pledged as collaterals to certain financial institutions for the LICB Bonds, SCB Bonds, USD Debts and borrowings (Notes 32, 34, 36 and 41).

The investment in unquoted bonds, ICULS and RCSLS of the Company and of certain subsidiary companies bear a yield to maturity at rates ranging from 4.00% to 7.00% (2009: 4.00% to 7.00%) per annum.

21. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) of the Group and the Company are as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	**87,187**	(70,162)	**(378)**	(465)
Transfer to/(from) income statements (Note 11):				
Property, plant and equipment	**(99,203)**	105,378	**(116)**	(559)
Investment properties	**(477)**	(304)	**(477)**	(304)
Property development activities	**–**	2,193	**–**	–
Others	**(1,054)**	(826)	**–**	–
Unused tax losses and unabsorbed capital allowances	**16,330**	35,976	**2,097**	950
	(84,404)	142,417	**1,504**	87
Acquisition of a subsidiary company	**–**	14,932	**–**	–
At end of year	**2,783**	87,187	**1,126**	(378)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's and the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheets purposes:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets	**49,907**	122,236	**1,126**	–
Deferred tax liabilities	**(47,124)**	(35,049)	**–**	(378)
	2,783	87,187	**1,126**	(378)

Deferred tax assets/(liabilities) presented in the balance sheets are in respect of the tax effects of the following:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets				
Temporary differences arising from others	**4,670**	5,648	**–**	–
Unused tax losses and unabsorbed capital allowances	**182,329**	165,999	**3,327**	1,230
	186,999	171,647	**3,327**	1,230
Offsetting	**(137,092)**	(49,411)	**(2,201)**	(1,230)
Deferred tax assets (after offsetting)	**49,907**	122,236	**1,126**	–

(Forward)

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**178,733**	79,530	**431**	315
Investment properties	**1,770**	1,293	**1,770**	1,293
Property development activities	**760**	760	**–**	–
Others	**2,953**	2,877	**–**	–
	184,216	84,460	**2,201**	1,608
Offsetting	**(137,092)**	(49,411)	**(2,201)**	(1,230)
Deferred tax liabilities (after offsetting)	**47,124**	35,049	**–**	378

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2010, the estimated amount of temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	**3,496**	4,023
Property development activities	**1,715**	3,070
Trade receivables	**19,996**	8,540
Others	**5,390**	(4,986)
Unused tax losses and unabsorbed capital allowances	**144,481**	156,457
	175,078	167,104

The availability of the unused tax losses and unabsorbed capital allowances for offsetting future taxable profit of the respective subsidiary companies are subject to the agreement with the tax authorities.

22. INTANGIBLE ASSETS

	The Group 2010 RM'000	2009 RM'000
At cost:		
At beginning and end of year	**2,051**	2,051
Cumulative amortisation:		
At beginning of year	**(1,747)**	(1,697)
Amortisation for the year	**–**	(50)
At end of year	**(1,747)**	(1,747)
Cumulative impairment losses:		
At beginning of year	**(304)**	–
Charge for the year (Note 7)	**–**	(304)
At end of year	**(304)**	(304)
Net	**–**	–

23. GOODWILL

	The Group 2010 RM'000	2009 RM'000
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

Goodwill acquired in business combinations is allocated, at acquisition date, to cash-generating units ("CGU") that are expected to benefit from that business combination. Goodwill has been allocated to the steel operations of the Group.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 4% (2009: 4%) per annum. The discount rate used is 8% (2009: 8%) per annum.

24. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property:				
Completed units for sale (net of provision for write down of RM3,908,000 (2009: RM3,165,000) for the Group)	**9,689**	9,535	**43**	43
Products at cost:				
Raw materials	**457,752**	217,875	**–**	–
Work-in-progress	**10,354**	11,590	**–**	–
Finished goods	**521,165**	344,557	**–**	–
General and consumable stores	**210,972**	207,390	**–**	–
Trading merchandise	**21,748**	5,871	**–**	–
Goods-in-transit	**280,737**	30,336	**–**	–
	1,502,728	817,619	**–**	–
Less: Allowance for inventory obsolescence	**(62,527)**	(33,720)	**–**	–
	1,440,201	783,899	**–**	–
Net	**1,449,890**	793,434	**43**	43

Certain of the Group's inventories with carrying values totalling RM1,330.4 million (2009: RM811.3 million) have been pledged as collaterals to certain financial institutions for the BaIDS and borrowings (Notes 33, 36 and 41) granted to the Group.

The inventories of a subsidiary company in 2009 amounting to RM14.1 million had been pledged to a third party for the financing arrangement as disclosed in Note 39(b)(iii).

25. SHORT-TERM INVESTMENTS

	The Group	
	2010 RM'000	2009 RM'000
Unquoted investments - redeemable within one year (Note 20)	**3,717**	2,405
Money market instruments (Note 43)	**6,835**	6,377
	10,552	8,782

26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

Trade receivables are as follows:

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Trade receivables	**478,239**	370,751	**–**	9
Less: Allowance for doubtful debts	**(15,941)**	(15,207)	**–**	–
	462,298	355,544	**–**	9
Retention monies	**2,425**	2,425	**–**	–
	464,723	357,969	**–**	9

The credit period granted to customers ranges from 30 to 90 days (2009: 30 to 90 days).

During the financial year, trade receivables of the Group amounting to RM7,000 (2009: RMNil) were written off against allowance for doubtful debts.

The currency profile of trade receivables is as follows:

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Ringgit Malaysia	**387,904**	297,446	**–**	9
United States Dollar	**50,508**	51,625	**–**	–
Singapore Dollar	**–**	3,393	**–**	–
Renminbi	**22,036**	5,505	**–**	–
Others	**4,275**	–	**–**	–
	464,723	357,969	**–**	9

As of 30 June 2010, the trade receivables of the Group amounting to RM225.4 million (2009: RM137.6 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for borrowings obtained by the Group (Notes 36 and 41).

26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(b) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist of:

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Deferred consideration	**–**	2,800	**–**	–
Other receivables	**181,140**	168,616	**48,672**	56,628
Less: Allowance for doubtful debts	**(30,653)**	(21,673)	**(12,086)**	(1,540)
	150,487	146,943	**36,586**	55,088
Tax recoverable	**6,127**	15,700	**2,563**	2,138
Refundable deposits	**23,943**	18,549	**678**	634
Prepayments	**128,475**	63,172	**3,156**	2,144
	309,032	247,164	**42,983**	60,004

During the financial year, other receivables of the Group amounting to RM2,472,000 (2009: RMNil) were written off against allowance for doubtful debts.

In 2009, the deferred consideration represented the fair value of the outstanding consideration receivable from the purchasers in relation to the disposal of Sabah Forest Industries Sdn Bhd ("SFI") in prior years.

Included in refundable deposits of the Group are amounts paid by subsidiary companies for the following:

(a) deposits paid for the purchases of inventories and property, plant and equipment amounting to RM16,922,000 (2009: RM4,870,000) and RM345,000 (2009: RM2,840,000) respectively; and

(b) deposits amounting to RMNil (2009: RM6,103,000) paid for the purchase of SCB Bonds, USD Debts and RCCPS issued by SCB.

As of 30 June 2010, other receivables, deposits and prepayments of the Group with carrying value of RM172.8 million (2009: RM119.4 million) have been pledged as collaterals for the borrowings obtained by the Group (Notes 36 and 41).

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

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Ringgit Malaysia:				
Deferred consideration	**–**	2,800	**–**	–
Others	**252,249**	239,670	**42,983**	60,004
	252,249	242,470	**42,983**	60,004
United States Dollar	**55,666**	4,478	**–**	–
Renminbi	**–**	151	**–**	–
Others	**1,117**	65	**–**	–
	309,032	247,164	**42,983**	60,004

27. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company 2010 RM'000	The Company 2009 RM'000
Amount owing by subsidiary companies	**1,210,707**	1,221,890
Less: Allowance for doubtful debts	**(134,464)**	(142,559)
Net	**1,076,243**	1,079,331
Amount owing to subsidiary companies	**234,613**	246,588

During the financial year, amount owing by subsidiary companies amounting to RM42,000 (2009: RMNil) were written off against allowance for doubtful debts.

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

The amount owing by/to subsidiary companies is either interest-free or bears interest at 8% (2009: either interest-free or bears interest at 8%) per annum and repayable on demand.

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

	The Company 2010 RM'000	The Company 2009 RM'000
Ringgit Malaysia	**1,076,242**	1,079,313
Singapore Dollar	**1**	1
Renminbi	**–**	17
	1,076,243	1,079,331

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

	The Company 2010 RM'000	The Company 2009 RM'000
Ringgit Malaysia	**168,201**	175,243
United States Dollar	**48,750**	52,642
Singapore Dollar	**9,192**	9,606
Renminbi	**8,470**	9,097
	234,613	246,588

27. RELATED COMPANY TRANSACTIONS (continued)

(b) Amount owing by an associated company

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by an associated company	**24,465**	24,465
Less: Allowance for doubtful debts	**(24,465)**	(24,465)
Net	**–**	–

The amount owing by an associated company, which arose from advances, is denominated in United States Dollar, interest-free (2009: interest-free) and repayable on demand.

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

The Company obtained the approval of its shareholders at an Extraordinary General Meeting held on 15 June 2004 to borrow up to RM100 million, for financing required to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan by Amsteel Mills Sdn Bhd ("AMSB"), a subsidiary company of the Company, from Lion Forest Industries Berhad ("LFIB"), a subsidiary company of the Company, the sum of which was advanced by Sabah Forest Industries Sdn Bhd ("SFI"), a subsidiary company of LFIB then.

The amount receivable from AMSB and amount payable to LFIB amounting to RM19.1 million (2009: RM26.5 million) and the interest income and expense amounting to RM2.6 million (2009: RM3.0 million) arising therefrom have been offset in the financial statements as the Company has a legal enforceable right to offset these amounts and also has the intention to realise the receivable and settle the liability simultaneously. The said amount bears interest at an average effective rate of 12% (2009: 12%) per annum. On the disposal of SFI during the financial year ended 30 June 2007, the amount receivable from AMSB by SFI which formed part of certain excluded assets of SFI in the disposal transaction, had been transferred to Intra Inspirasi Sdn Bhd, a wholly-owned subsidiary company of LFIB.

28. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks:				
Restricted	**470,459**	419,955	**2,342**	4,792
Unrestricted (Note 43)	**173,725**	118,726	**3,700**	9,800
	644,184	538,681	**6,042**	14,592
Housing Development Accounts (Note 43)	**34,402**	32,623	**9,735**	9,630
Cash and bank balances:				
Restricted	**50,597**	63,452	**787**	562
Unrestricted (Note 43)	**109,414**	96,105	**2,702**	999
	838,597	730,861	**19,266**	25,783

28. DEPOSITS, CASH AND BANK BALANCES (continued)

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

Included in deposits with licensed banks and cash and bank balances are the following:

(a) amounts totalling RM193.8 million (2009: RM146.6 million) and RM3.1 million (2009: RM5.4 million) for the Group and the Company, respectively, which have been earmarked for the purposes of repayment of the LICB Bonds, SCB Bonds, USD Debts, BaIDS and borrowings (Notes 32, 33, 34, 36 and 41) and pledged as collaterals for bank guarantees granted.

(b) an amount of RM327.2 million (2009: RM336.8 million) of the Group held under Escrow Account for the purpose of indemnifying Sabah Forest Industries Sdn Bhd ("SFI") and the purchasers of SFI for the legal claims as mentioned in Note 46(b).

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
Fixed deposits with licensed banks	**2.5%**	1.6%	**2.6%**	1.6%

Deposits of the Group and of the Company have an average maturity of 41 days (2009: 37 days).

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**816,520**	685,884	**19,266**	25,783
Renminbi	**16,981**	37,803	**–**	–
United States Dollar	**4,571**	4,913	**–**	–
Indonesian Rupiah	**504**	1,974	**–**	–
Singapore Dollar	**21**	287	**–**	–
	838,597	730,861	**19,266**	25,783

The deposits, cash and bank balances denominated in Renminbi of the subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of that country. The said deposits, 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 to be remitted to countries outside the PRC.

29. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2010 RM'000	2009 RM'000
At beginning of year	**183**	422
Transfer from investment properties (Note 14)	**345**	–
Disposals	**(124)**	(239)
At end of year	**404**	183

(a) During the financial year, Antara Steel Mills Sdn Bhd ("Antara") entered into conditional sale and purchase agreements to dispose of a parcel of land and building for a total cash consideration of RM270,000. The said disposals are expected to be completed within one year from the date of the Sale and Purchase Agreements. Accordingly, the said disposal had been classified as non-current asset held for sale as of 30 June 2010.

(b) During the previous financial year, Antara entered into conditional sale and purchase agreements to dispose of a land and building for a total cash consideration of RM125,000. The said disposal was completed during the financial year.

(c) During the previous financial year, Antara entered into conditional sale and purchase agreements to dispose of a parcel of land and building for a total cash consideration of RM78,000. However, the said disposal is pending completion as of 30 June 2010.

30. SHARE CAPITAL

Share capital of Group and of the Company is presented by:

	The Group and The Company	
	2010 RM'000	2009 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
At beginning of year:		
712,967,165 as of 1 July 2009; 712,699,965 as of 1 July 2008	**712,967**	712,700
Issued during the year:		
2,377,100 in 2010; 267,200 in 2009	**2,377**	267
At end of year:		
715,344,265 as of 30 June 2010; 712,967,165 as of 30 June 2009	**715,344**	712,967

During the financial year, the issued and paid-up share capital of the Company was increased from RM712,967,165 divided into 712,967,165 ordinary shares of RM1.00 each to RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each by the issuance of 749,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 1,627,800 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company.

30. SHARE CAPITAL (continued)

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM712,699,965 divided into 712,699,965 ordinary shares of RM1.00 each to RM712,967,165 divided into 712,967,165 ordinary shares of RM1.00 each by the issuance of 73,200 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share, 188,400 new ordinary shares of RM1.00 each at an issue price of RM1.330 and 5,600 new ordinary shares of RM1.00 each at an issue price of RM2.05 per share for cash pursuant to the ESOS of the Company.

The resulting share premium of RM564,898 (2009: RM70,760) arising from the issue of shares in 2010 and 2009 has been credited to the share premium account. The new ordinary shares issued in 2010 and 2009 ranked *pari passu* in all material respects with the then existing ordinary shares of the Company.

The main features of the ESOS, which became effective on 1 September 2005, 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.

30. SHARE CAPITAL (continued)

Details of the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year are as follows:

Grant date	Number of options over ordinary shares of RM1 each As of 1.7.2009	Exercised	Lapsed	As of 30.6.2010	Exercisable as of 30.6.2010
9.5.2006	990,500	(749,300)	(9,000)	**232,200**	**232,200**
26.2.2007	2,290,900	(826,000)	(50,000)	**1,414,900**	**1,414,900**
23.8.2007	2,879,600	(801,800)	(72,000)	**2,005,800**	**2,005,800**
23.7.2008	3,382,600	–	(183,500)	**3,199,100**	**3,199,100**
	9,543,600	(2,377,100)	(314,500)	**6,852,000**	**6,852,000**
WAEP	1.300	1.238	1.742	**1.656**	**1.656**

Grant date	Number of options over ordinary shares of RM1 each As of 1.7.2008	Granted	Exercised	Lapsed	As of 30.6.2009	Exercisable as of 30.6.2009
9.5.2006	1,076,600	–	(73,200)	(12,900)	990,500	896,000
26.2.2007	2,383,300	–	(55,900)	(36,500)	2,290,900	2,057,900
23.8.2007	3,119,500	–	(132,500)	(107,400)	2,879,600	2,059,200
23.7.2008	–	3,576,900	(5,600)	(188,700)	3,382,600	2,935,500
	6,579,400	3,576,900	(267,200)	(345,500)	9,543,600	7,948,600
WAEP	1.282	1.330	1.250	1.319	1.300	1.563

The ESOS expired on 31 August 2010.

The related weighted average share price at the date of exercise for share options exercised during the year was RM1.74 (2009: RM2.10). The options outstanding at the end of the year have a weighted average remaining contractual life of 0.16 years (2009: 1.16 years).

The fair value of share options granted during the financial year was estimated by the Directors 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:

	2010	2009
Estimated average fair value of share options at the following grant date (RM):		
23 July 2008	**–**	2.52
Expected life (years)	**0.16**	1.16
Expected volatility (%)	**66.14**	66.14
Risk-free interest rate (%)	**4.03**	4.03
Expected dividend yield (%)	**1.00**	1.00

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of the options granted were incorporated into the measurement of the fair value.

31. RESERVES

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable reserves:				
Share premium	**529,706**	527,312	**529,706**	527,312
Treasury shares	**(147)**	–	**(147)**	–
Equity compensation reserve	**6,364**	8,013	**6,364**	8,013
Capital reserve	**8,666**	15,624	**782**	468
Translation adjustment account	**2,748**	12,030	**–**	–
	547,337	562,979	**536,705**	535,793
Retained earnings/ (Accumulated losses)	**1,775,722**	1,419,602	**(125,002)**	(127,823)
	2,323,059	1,982,581	**411,703**	407,970

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.

Treasury shares

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 100,000 of its ordinary shares from the open market at an average price of RM1.466 per share. The total consideration paid for the repurchase was RM146,648. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Equity compensation reserve

Equity compensation reserve, which relates to the equity-settled share options granted to eligible employees by the Company, 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.

Capital reserve

Capital reserve, which is not available for the payment of dividends, arose from share options lapsed reclassified from equity compensation reserve and share of other reserves in Lion Forest Industries Berhad, a public listed subsidiary company, and associated companies.

Translation adjustment account

Exchange differences arising from the translation of foreign controlled subsidiary and associated companies are taken to the translation adjustment account as described in the accounting policies.

32. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
LICB Bonds issued to:				
Scheme Creditors	**36,764**	47,382	**36,764**	47,382
Subsidiary/Associated companies	**3,255**	4,172	**11,060**	14,225
USD Debts issued to:				
Scheme Creditors	**10,996**	15,766	**–**	–
A subsidiary company, LLB Harta (L) Limited ("LICB Debts")	**–**	–	**11,134**	15,906
	51,015	67,320	**58,958**	77,513
Portion payable within one year:				
LICB Bonds issued to:				
Scheme Creditors	**(36,764)**	(3,137)	**(36,764)**	(3,137)
Subsidiary/Associated companies	**(3,255)**	(276)	**(11,060)**	(942)
USD Debts issued to:				
Scheme Creditors	**(10,996)**	(397)	**–**	–
A subsidiary company	**–**	–	**(11,134)**	(405)
	(51,015)	(3,810)	**(58,958)**	(4,484)
Borrowing costs*	**1,877**	1,876	**1,877**	1,876
	(49,138)	(1,934)	**(57,081)**	(2,608)
Non-current portion	**–**	63,510	**–**	73,029
Borrowing costs*	**–**	(1,877)	**–**	(1,877)
Net	**–**	61,633	**–**	71,152

* Borrowing costs (net of annual amortisation of RM1.9 million for the Group and the Company for 9 years) represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Financial year ending 30 June 2011	**–**	63,510	**–**	73,029

The currency profile of the LICB Bonds and USD Debts is as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	**40,019**	51,554	**47,824**	61,607
United States Dollar	**10,996**	15,766	**11,134**	15,906
	51,015	67,320	**58,958**	77,513

32. LICB BONDS AND USD DEBTS - SECURED (continued)

Pursuant to the implementation of the Group Wide Restructuring Scheme ("GWRS") in 2003, the Group issued RM Denominated Bonds ("LICB Bonds") and USD Denominated Consolidated and Rescheduled Debts ("USD Debts") to the Scheme Creditors as part of the settlement of debts.

The LICB Debts issued by the Company to LLB Harta (L) Limited ("Harta (L)"), a subsidiary company, served as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

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

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

(i) The LICB Bonds are only transferable to persons who are the first holders of the LICB Bonds issued by the Company whilst the USD Debts are freely transferable.

(ii) The tranches of LICB Bonds and USD Debts are as follows:

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

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

(iii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LICB Bonds and USD Debts issued by the Group:

(a) The assets included in the proposed divestment programme for the Group. If there is an existing charge on any such assets, the Security Trustee will take a lower priority security interest.

(b) The ACB Resources Berhad (formerly known as Amsteel Corporation Berhad) ("ACB") Bonds and ACB shares attached to the ACB Bonds received by the Company (Note 20).

32. LICB BONDS AND USD DEBTS - SECURED (continued)

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

Dedicated Cash Flows means cash flows from the following sources:

i. net surplus proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently a charge, if applicable;

ii. net proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently no charge;

iii. proceeds from the redemption of the ACB Bonds;

iv. any Back-End Amount and Loyalty Payment received by the Company as a holder of the ACB Bonds;

v. net proceeds from the disposal of ACB shares received by the Company pursuant to the GWRS for the Group;

vi. net proceeds from the disposal of equity-kicker shares attached to the ACB Bonds;

vii. dividend payments from Sabah Forest Industries Sdn Bhd from year 2002 to 2011; and

viii. subject to the proportions allocated to holders of the LICB Bonds and the USD Debts, net proceeds from the disposal of any residual assets (other than assets in the proposed divestment programme for the Group) of the Group.

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

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

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

(a) assignment of all the rights attaching to the LICB Debts to Harta (L), including the rights to receive payments from the Company and rights to other entitlements;

(b) a debenture over the LICB Debts of Harta (L);

(c) a charge over the Redemption Account of Harta (L). The Redemption Account will capture the proceeds from the repayment of the LICB Debts; and

(d) corporate guarantee by the Company to the Facility Agent for the benefit of holders of the USD Debts.

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

32. LICB BONDS AND USD DEBTS - SECURED (continued)

Pursuant to the indulgence and approval granted by the holders of the LICB Bonds and USD Debts to vary the redemption date and the repayment date of the LICB Bonds and USD Debts in December 2003, additional securities were charged in favour of the Security Trustee. The additional securities as of 30 June 2010 are as follows:

(i) 665,181,000 ordinary shares of RM1.00 each in Amsteel Mills Sdn Bhd ("AMSB") representing 99% of the issued and paid-up capital of AMSB;

(ii) 37,518,645 ordinary shares of RM0.50 each in Lion Diversified Holdings Berhad ("LDHB") representing 5.09% of the issued and paid-up capital of LDHB;

(iii) 45,726,980 ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson") representing 4.46% of the issued and paid-up capital of Parkson;

(iv) 45,127,236 ordinary shares of RM1.00 each in Lion Forest Industries Berhad ("LFIB") representing 19.51% of the issued and paid-up capital of LFIB; and

(v) shares in subsidiary companies of the Company, other than shares in the subsidiary companies of AMSB, LFIB, Parkson and LDHB respectively, with an adjusted net tangible assets of RM5 million or more as of 30 June 2003, provided such shares are not encumbered.

33. BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS")

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Secured:		
BaIDS	**240,000**	330,000
Portion due within 12 months (shown under current liabilities)	**(110,000)**	(90,000)
Non-current portion	**130,000**	240,000

The non-current portion is repayable as follows:

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Financial years ending 30 June:		
2011	**–**	110,000
2012	**130,000**	130,000
	130,000	240,000

33. BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (continued)

On 30 August 2005, Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company, issued 6-year RM500 million Bai' Bithaman Ajil Islamic Debt Securities:

(i) to part finance the acquisition of the hot briquetted iron operations and assets in Labuan ("Labuan Operations") from its immediate holding company, Amsteel Mills Sdn Bhd ("AMSB");

(ii) to upgrade the existing plant of Antara and the Labuan Operations; and

(iii) for working capital purposes.

The BaIDS were issued with the following tenure from the date of the first issuance of the BaIDS and the face value of the BaIDS are computed based on the profit rates specified for each series of the BaIDS as follows:

Series	Amount (RM'000)	Tenure	Profit rates
A – issued	40,000	1	6.4%
B – issued	60,000	2	6.9%
C – issued	70,000	3	7.4%
D – issued	90,000	4	7.9%
E – issued	110,000	5	8.4%
F – issued	130,000	6	8.7%
	500,000		

The implicit yield-to-maturity for this financing facility is repayable semi-annually commencing on 28 February 2006.

The BaIDS are secured by the following:

(a) National Land Code ("NLC") charges over three pieces of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor ("BaIDS Charges") where Antara's existing fully-integrated steel plant is located ("Antara Steel Plant");

Prior to the utilisation of proceeds from the BaIDS, the BaIDS Charges shall rank after the existing charges under the NLC created in favour of the security agent for the lenders of AMSB ("Existing Charges"). On and subsequent to the utilisation of the proceeds from the BaIDS, the BaIDS Charges shall rank prior to the Existing Charges;

(b) A debenture creating a fixed and floating charge over all existing and future assets of Antara ("BaIDS Debenture"). Prior to the utilisation of proceeds from the BaIDS, the BaIDS Debenture shall rank after the debenture created in favour of the security agent for the lenders of AMSB ("Existing Debenture"). On and subsequent to the utilisation of the proceeds from the BaIDS, the BaIDS Debenture shall rank prior to the Existing Debenture;

(c) Assignment and first charge over the designated accounts opened and maintained by Antara in relation to the BaIDS;

(d) Assignment of all performance and/or design bonds and all other guarantees and benefits to be issued in favour of Antara (if any) in relation to the capital expenditure/upgrading works for the Antara Steel Plant and the hot briquetted iron ("HBI") operations; and

(e) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the HBI operations.

In addition, the Company provides a corporate guarantee to the security agent in respect of the BaIDS.

34. SCB BONDS AND USD DEBTS - SECURED

	The Group 2010 RM'000	The Group 2009 RM'000
Current		
SCB Bonds	–	11,233
USD Debts	–	126,413
	–	137,646

A subsidiary company of Lion Forest Industries Berhad, Silverstone Corporation Berhad ("SCB"), had on 4 July 2008 obtained the consent of its SCB Bonds and USD Debts holders to vary the repayment schedule of the SCB Bonds and USD Debts with the aim to fully settle the debts by 31 December 2017 and at a revised yield to maturity ("YTM") which is to take effect retrospectively from 1 November 2007 ("SCB Scheme").

The SCB Scheme was implemented on 12 January 2010 upon SCB obtaining written approvals from its SCB Bonds and USD Debts holders on additional sources of funds for the repayment of the SCB Bonds and USD Debts.

The implementation of the SCB Scheme led to consequential changes to the principal terms and conditions of SCB Bonds and USD Debts.

The revised outstanding balances and the revised maturity date for repayment of the SCB Bonds and USD Debts are as follows:

(i) The tranches of SCB Bonds issued by SCB are as follow:

Class	Nominal Amount RM million	Net Present Value RM million	Maturity Date	Cash Yield to Maturity
B	82.9 #	78.9	31 December 2012	3%
C	55.6	51.2	31 December 2017	1%
Accrued YTM*	5.7	5.7	31 December 2013	–

(ii) The tranches of USD Debts issued by AMB Harta (L) Limited ("AMB Harta"), a wholly-owned subsidiary of SCB, are as follow:

Class	Nominal Amount USD million	Net Present Value USD million	Maturity Date	Cash Yield to Maturity
B	74.4 #	70.7	31 December 2012	3%
C	27.7	25.8	31 December 2017	1%
Accrued YTM*	4.7	4.7	31 December 2013	–

SCB and its subsidiary company had repaid SCB Bonds and USD Debts of RM14.0 million and USD12.6 million, respectively, prior to the implementation of the SCB Scheme.

* Accrued YTM shall not accrue any interest.

34. SCB BONDS AND USD DEBTS - SECURED (continued)

The SCB Bonds and USD 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 USD Debts.

The repayment date and amount of the Class B SCB Bonds and USD Debts which due on 31 December 2009 have been varied with the approval from Bank Negara Malaysia.

As at the end of the current financial year, the entire SCB Bonds and USD Debts (91.84% and 64.58% respectively in 2009) had been acquired by LFIB. The acquisition of SCB Bonds and USD Debts during the financial year has resulted in a gain of RM52,941,000 for the Group. The amounts outstanding as at the end of the previous financial year represent SCB Bonds and USD Debts held by third parties.

Securities for the SCB Bonds and the USD Debts

The Security Trustee holds the following securities for the benefits of the holders of the SCB Bonds and the USD 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 ACB Resources 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 USD 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.

34. SCB BONDS AND USD DEBTS - SECURED (continued)

(iv) Investment in Silverstone Berhad

In relation to the SCB Bonds and the USD 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 USD Debts paid by SCB and/or AMB Harta 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 USD 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 USD 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 USD 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.

(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.

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

	The Group	
	2010 RM'000	2009 RM'000
Issued and fully paid:		
At beginning of year	**137**	–
Acquisition of a subsidiary company	**–**	144
Acquisition by the Group from third party holders	**–**	(7)
At end of year	**137**	137
Share premium		
At beginning of year	**13,535**	–
Acquisition of a subsidiary company	**–**	14,205
Acquisition by the Group from third party holders	**–**	(670)
At end of year	**13,535**	13,535
	13,672	13,672

The subsidiary company, SCB, has in issue 30,575,000 RM0.01 RCCPS issued at a premium of RM0.99 each. As at the end of the financial year, approximately 55.28% (2009: 55.28%) of the RCCPS had been acquired by LFIB. 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 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) their 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 holder 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.

35. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS") (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 USD Debts issued by AMB Harta (L) Limited, a subsidiary company of SCB, both on 14 March 2003.

36. LONG-TERM BORROWINGS

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Outstanding loans (secured):		
Principal	**416,058**	589,250
Portion due within one year (Note 41)	**(49,883)**	(224,543)
Non-current portion	**366,175**	364,707

The non-current portion is repayable as follows:

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Financial years ending 30 June:		
2011	**–**	364,707
2012	**122,113**	–
2013 and thereafter	**244,062**	–
	366,175	364,707

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 13), investment properties (Note 14), leasehold land (Note 15), fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 6.25% to 8.75% (2009: 5.80% to 7.06%) per annum.

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

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Ringgit Malaysia	**200,595**	202,361
United States Dollar	**165,580**	162,346
	366,175	364,707

37. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amounts payable under finance lease:				
Within one year	**13,180**	39	**6,004**	37
In the second to third year inclusive	**96,653**	8	**71,596**	1
	109,833	47	**77,600**	38
Less: Future finance charges	**(32,233)**	(9)	**NA**	NA
Present value of lease payables	**77,600**	38	**77,600**	38
Less: Amount due within the next 12 months (shown under current liabilities)			**(6,004)**	(37)
Non-current portion			**71,596**	1

The non-current portion of the finance lease obligations is repayable as follows:

	The Group	
	2010 RM'000	2009 RM'000
2011	**–**	1
2012	**6,550**	–
2013	**7,156**	–
2014 and thereafter	**57,890**	–
	71,596	1

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rate of 8.58% (2009: 8.58%) per annum.

38. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total outstanding	**9,111**	12,215	**236**	400
Less: Interest-in-suspense	**(997)**	(1,683)	**(25)**	(35)
Principal outstanding	**8,114**	10,532	**211**	365
Less: Portion payable within one year (shown under current liabilities)	**(2,439)**	(2,448)	**(76)**	(154)
Non-current portion	**5,675**	8,084	**135**	211

38. HIRE-PURCHASE OBLIGATIONS (continued)

The non-current portion of the hire-purchase obligations is payable as follows:

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Financial years ending 30 June:				
2011	**–**	2,409	**–**	76
2012	**2,442**	2,442	**76**	76
2013 and thereafter	**3,233**	3,233	**59**	59
	5,675	8,084	**135**	211

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.80% to 8.72% (2009: 2.80% to 8.72%) and 2.20% to 2.85% (2009: 2.20% to 2.85%) per annum, respectively.

39. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

(a) Trade payables

Trade payables consist of the following:

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Trade payables	**649,624**	292,563	**138**	138
Retention monies	**3,698**	4,063	**303**	250
	653,322	296,626	**441**	388

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2009: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Ringgit Malaysia	**452,266**	258,140	**441**	388
United States Dollar	**171,869**	7,316	**–**	–
Renminbi	**26,168**	19,711	**–**	–
Singapore Dollar	**3,019**	11,459	**–**	–
	653,322	296,626	**441**	388

39. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)

(b) Other payables, deposits and accrued expenses

Other payables, deposits and accrued expenses consist of the following:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables and deposits	**350,677**	241,214	**823**	7,810
Accrued expenses	**565,672**	350,172	**1,895**	2,146
	916,349	591,386	**2,718**	9,956

The currency profile of other payables, deposits and accrued expenses is as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	**696,052**	553,159	**2,718**	9,956
United States Dollar	**218,909**	36,913	**–**	–
Renminbi	**596**	566	**–**	–
Others	**792**	748	**–**	–
	916,349	591,386	**2,718**	9,956

Included in other payables of the Group are the following:

(i) An amount of RM33,544 (2009: RM36,100) owing to Shandong LuHe Group Co Ltd, a corporate shareholder of Shandong Silverstone LuHe Rubber & Tyre Co Ltd, a subsidiary company. The said amount, which is denominated in Renminbi, arose from payments made on behalf of the subsidiary company and is interest-free (2009: interest-free) and repayable on demand.

(ii) An amount of RM163,242,000 (2009: RM129,181,000) representing security deposits received from customers, which bear interest at rates ranging from 8.75% to 10.00% (2009: 8.75% to 10.00%) per annum.

(iii) In 2009, an amount of RM12,086,000 representing advances received from a third party which is secured by inventories as disclosed in Note 24 and bore interest at rates ranging from 3.67% to 3.73% per annum.

40. PROVISIONS

	The Group	
	2010 RM'000	2009 RM'000
Provision for damages arising from litigation claim:		
At beginning of year	**15,000**	–
Provision during the year	**–**	15,000
At end of year	**15,000**	15,000

40. PROVISIONS (continued)

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") in 2007, Lion Forest Industries Berhad 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.

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"). On 11 February 2010, the Federal Court dismissed SFI's application for judicial review of the Judgement with costs.

The case has been remitted to the High Court of Kota Kinabalu for assessment of damages payable by SFI.

Pending the assessment of damages by the court and the outcome of the motion for judicial review filed, the Group has 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 46(b).

41. SHORT-TERM BORROWINGS

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Short-term loans from financial institutions:		
Secured	**–**	6,321
Unsecured	**13,707**	38,504
	13,707	44,825
Bank overdrafts - Secured (Note 43)	**28,836**	19,209
Bills payable	**139,088**	88,389
Portion of long-term loans due within one year		
- Secured (Note 36)	**49,883**	224,543
	231,514	376,966

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13), investment properties (Note 14), leasehold land (Note 15) and floating charges over the other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 2.83% to 10.00% (2009: 3.90% to 10.00%) per annum.

41. SHORT-TERM BORROWINGS (continued)

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

	The Group	
	2010	2009
	RM'000	RM'000
Ringgit Malaysia	**211,049**	232,959
United States Dollar	**20,465**	120,490
Renminbi	**–**	23,517
	231,514	376,966

42. DIVIDEND

	The Group and The Company	
	2010	2009
	RM'000	RM'000
First and final dividend of 1%, less 25% tax (2009: 1%, less 25% tax)	**5,349**	5,346

The Directors propose a first and final dividend of 1%, less 25% tax, amounting to RM5.4 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

43. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances (unrestricted) (Note 28)	**109,414**	96,105	**2,702**	999
Fixed deposits with licensed banks (unrestricted) (Note 28)	**173,725**	118,726	**3,700**	9,800
Housing Development Accounts (Note 28)	**34,402**	32,623	**9,735**	9,630
Money market instruments (Note 25)	**6,835**	6,377	**–**	–
Bank overdrafts (Note 41)	**(28,836)**	(19,209)	**–**	–
Total	**295,540**	234,622	**16,137**	20,429

44. RELATED PARTY TRANSACTIONS

Related parties are 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 interest, excluding those parties disclosed in Notes 17, 18, 19 and 27.

During the financial year, significant transactions undertaken with related parties, are as follows:

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

		The Group		The Company	
Name of Company	**Nature**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Megasteel Sdn Bhd	Sales of goods	**1,184,026**	628,311	**–**	–
	Purchase of goods, raw materials and consumables	**817,012**	1,060,563	**–**	–
	Provision of transportation services	**31,964**	24,375	**–**	–
	Rental income	**910**	910	**–**	–
Angkasa Hong Leong Pte Ltd	Sales of goods	**21,929**	147,409	**–**	–
Graimpi Sdn Bhd	Sales of goods	**206**	838	**–**	–
Lion DRI Sdn Bhd	Sales of goods	**–**	891	**–**	–
	Purchase of raw materials	**286,166**	289,776	**–**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	**13,925**	14,539	**–**	–
Lion Blast Furnace Sdn Bhd	Sales of goods	**118**	52,766	**–**	–
Bright Steel Sdn Bhd	Sales of goods	**9,556**	3,839	**–**	–
Silverstone Polymer Industries Sdn Bhd	Purchase of goods	**–**	18,108	**–**	–
Lion Tooling Sdn Bhd	Purchase of toolings	**4,777**	4,652	**–**	–
Likom Computer System Sdn Bhd	Interest income	**–**	3,168	**–**	3,168

44. RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Nature	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Likom Plastic Industries Sdn Bhd	Rental income	**1,515**	1,726	**1,515**	1,726
	Interest income	**138**	84	**138**	84
Likom CMS Sdn Bhd	Rental income	**1,140**	1,283	**1,140**	1,283
Parkson Corporation Sdn Bhd	Sales of goods	**198**	1,619	**–**	–
Compact Energy Sdn Bhd	Purchase of consumables	**23,672**	21,588	**–**	–
	Rental income	**185**	185	**–**	–
Che Kiang Realty Sdn Bhd	Interest income	**–**	56	**–**	56

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

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Receivables:				
Included in trade receivables	**153,165**	113,496	**–**	–
Included in other receivables	**68,101**	54,280	**26,549**	44,111
Payables:				
Included in trade payables	**33,534**	57,298	**–**	–
Included in other payables	**23,903**	9,812	**–**	–

The outstanding balances with related parties are either interest-free or bear interest at 8% (2009: either interest-free or bore interest at 8%) per annum and repayable on demand.

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.

44. RELATED PARTY TRANSACTIONS (continued)

(b) Share options granted and remuneration payable to Directors

The number of options over ordinary shares of RM1.00 each in the Company granted to the executive Directors of the Company and a subsidiary company pursuant to the Company's ESOS is as follows:

	Unexercised options	
	2010	**2009**
	'000	**'000**
Tan Sri Cheng Yong Kim	**406**	700
Dato' Kamaruddin @ Abas bin Nordin*	**71**	71

* Executive Director of a subsidiary company

The share options were granted to the Directors on the same terms and conditions as those offered to other eligible executives of the Group (Note 30).

The details of the remuneration of the Directors of the Company are disclosed in Note 8.

45. SEGMENTAL INFORMATION

(a) Business Segments:

The Group's activities are classified into five (5) major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services;
- Property development - property development and management;
- Tyre - manufacture and sale of tyres and other related rubber products;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs, plastic components and automotive components, sales and distribution of motor vehicles and provision of transportation services, none of which is of a sufficient size to be reported separately.

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

Capital additions comprise additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

45. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2010

	Steel RM'000	Property development RM'000	Tyre RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External revenue	4,149,265	34,193	578,094	204,570	91,651	–	5,057,773
Inter-segment revenue	46,152	–	–	–	–	(46,152)	–
Total revenue	4,195,417	34,193	578,094	204,570	91,651	(46,152)	5,057,773
Results							
Segment results	331,866	19,396	56,825	4,097	69,579	–	481,763
Unallocated costs							(5,211)
Finance costs							(94,923)
Share in results of:							
Associated companies	–	–	–	–	101,320	–	101,320
Jointly controlled entity	–	6,233	–	–	–	–	6,233
Negative goodwill arising from acquisition of a subsidiary company							2,132
Investment income							24,467
Proft before tax							515,781
Tax expense							(98,611)
Profit for the year							417,170
Assets							
Segment assets	3,791,445	302,384	513,296	184,951	91,778	–	4,883,854
Investment in associated companies and joint venture	–	6,233	–	–	782,400	–	788,633
Unallocated corporate assets							383,234
Consolidated total assets							6,055,721
Liabilities							
Segment liabilities	2,252,079	62,001	91,309	25,163	140,332	–	2,570,884
Unallocated liabilities							64,418
Consolidated total liabilities							2,635,302
Other Information							
Capital additions	56,126	803	24,651	6	6,638	–	88,224
Depreciation and amortisation	103,683	532	28,750	127	3,489	–	136,581
Other non-cash expenses/(income)	29,057	19,949	9,173	1,056	(101,363)	–	(42,128)

45. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2009

	Steel RM'000	Property development RM'000	Tyre RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External revenue	3,790,831	30,388	327,642	194,836	75,559	–	4,419,256
Inter-segment revenue	54,428	–	–	–	–	(54,428)	–
Total revenue	3,845,259	30,388	327,642	194,836	75,559	(54,428)	4,419,256
Results							
Segment results	(489,963)	5,800	4,576	1,474	20,904	–	(457,209)
Unallocated costs							(8,136)
Finance costs							(109,745)
Share in results of associated companies	(58,104)	–	–	–	92,975	–	34,871
Negative goodwill arising from acquisition of a subsidiary company							137,719
Investment income							27,733
Loss before tax							(374,767)
Tax credit							131,989
Loss for the year							(242,778)
Assets							
Segment assets	2,930,750	335,055	490,970	175,177	76,534	–	4,008,486
Investment in associated companies	–	–	–	–	792,435	–	792,435
Unallocated corporate assets							474,736
Consolidated total assets							5,275,657
Liabilities							
Segment liabilities	1,695,923	97,035	91,309	25,164	297,530	–	2,206,961
Unallocated liabilities							40,191
Consolidated total liabilities							2,247,152
Other Information							
Capital additions	141,288	1,510	10,772	10	14,358	–	167,938
Depreciation and amortisation	86,880	483	24,408	154	3,881	–	115,806
Other non-cash expenses/(income)	489,034	3,405	2,792	1,707	(140,196)	–	356,742

45. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

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

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs, manufacture and sales of tyres and other related rubber products, sales and distribution of motor vehicles and provision of transportation services.
- People's Republic of China - manufacture and sale of tyres, plastic components and automotive parts; and
- Others countries which are not sizable to be reported separately.

	Revenue		Total Assets		Capital Additions	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Malaysia	**3,800,444**	3,062,122	**5,631,288**	4,857,331	**78,455**	165,687
People's Republic of China	**117,941**	79,965	**272,868**	270,097	**9,769**	2,251
Other countries	**1,139,388**	1,277,169	**151,565**	148,229	**–**	–
	5,057,773	4,419,256	**6,055,721**	5,275,657	**88,224**	167,938

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

46. CONTINGENT LIABILITIES

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

	The Company	
	2010 RM'000	**2009 RM'000**
Unsecured:		
Subsidiary company	**240,000**	330,000

(b) As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), Lion Forest Industries Berhad ("LFIB") 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. In this connection, the following are contingent liabilities of SFI:

	The Group	
	2010 RM'000	**2009 RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**313,331**	313,331
Less: Provision (Note 40)	**(15,000)**	(15,000)
	298,331	298,331
Back pay labour claims from SFI's employees	**23,427**	23,427
	321,758	321,758

46. 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:

(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 40, 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 deciding on the quantum of the damages at a later stage, the Group 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. The High Court of Kota Kinabalu has fixed 3 January 2011 to 14 January 2011 for hearing of assessment of damages.

(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 decision of the High Court on 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has yet to fix the hearing date for the application for leave to appeal.

Indemnity contracts have also been signed between LFIB and Avenel Sdn Bhd ("Avenel"), the immediate holding company of SFI then, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation 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. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Labour Court is currently in the process of hearing the Complainants' claims.

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

47. CAPITAL COMMITMENTS

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

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Approved and contracted for:		
Acquisition of plant and machinery	**52,185**	132,390
Approved but not contracted for:		
Acquisition of plant and machinery	**46,992**	28,775
Total	**99,177**	161,165

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Foreign currency risk

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

(ii) Interest rate risk

The Group's significant interest-bearing financial assets and financial liabilities are mainly its deposit placements and also its obligations comprising LICB Bonds, USD Debts, BaIDS, hire-purchase obligations, finance lease payables and borrowings.

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

The deposit placements, LICB Bonds, USD Debts, BaIDS and borrowings of the Group as of 30 June 2010 are fixed and floating rate financial liabilities as disclosed in Notes 28, 32, 33, 36, 37, 38 and 41.

(iii) Credit risk

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

As of 30 June 2010, the Group has a significant concentration of credit risk as trade receivable due by Megasteel Sdn Bhd constituted approximately 32% (2009: 11%) of the total receivable balances.

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers and other debtors fail to perform their obligations as of 30 June 2010, is the carrying amounts of these receivables as disclosed in the balance sheets.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 requirements of working capital.

(v) Cash flow risk

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

Fair Values

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

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

	The Group		The Company	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
2010				
Long-term investments (quoted)	**32,196**	**40,628**	**1,044**	**1,094**
Investment in subsidiary company (quoted)	**–**	**–**	**42,232**	**56,860**
2009				
Long-term investments (quoted)	33,444	33,449	1,688	1,693
Investment in subsidiary company (quoted)	–	–	42,232	35,199

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

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

No disclosure is made for long-term borrowings, LICB Bonds, SCB Bonds, USD Debts and BaIDS as it is not practical to determine the fair values of these borrowings because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs.

49. SUBSEQUENT CORPORATE EVENT

On 5 August 2010, LFIB entered into an agreement with Shandong Luhe Group Co. Ltd. to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. for a cash consideration of USD6.60 million (approximately RM21.12 million). Upon the completion of the acquisition, Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. will become a wholly-owned subsidiary company of LFIB.

The acquisition is pending completion.

50. SUBSIDIARY COMPANIES

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

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Property Division			
* Amble Legacy Sdn Bhd	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	**94**	94	Dormant
* Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China) (Dissolved on 14.12.2009)	**–**	95	Property development
Berkat Timor Sdn Bhd	**100**	100	Dormant
Citibaru Sendirian Berhad	**100**	100	Dormant
* Crest Wonder Sdn Bhd	**100**	100	Investment holding
JOPP Builders Sdn Bhd	**100**	100	Contractor for construction and civil engineering works, and property development
Kisan Agency Sdn Bhd	**100**	100	Property development
Lion Courts Sdn Bhd	**100**	100	Property development
LLB Bina Sdn Bhd	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	**100**	100	Investment holding and management company
LLB Indah Permai Sdn Bhd	**100**	100	Property development
Malim Courts Property Development Sdn Bhd	**100**	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	**100**	100	Property development
* Matrix Control Sdn Bhd	**100**	100	Investment holding
Mcken Sdn Bhd	**100**	100	Ceased operations
PM Holdings Sdn Bhd	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	**100**	100	Investment holding

50. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Property Division			
Seri Lalang Development Sdn Bhd	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	**100**	100	Ceased operations
Soga Sdn Bhd	**94**	94	Property development
Sucorp Enterprise Sdn Bhd	**100**	100	Investment holding
Sumber Realty Sdn Bhd	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	**100**	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development
* Trial Jubilant Sdn Bhd	**100**	100	Investment holding and in the process of being dissolved
Steel Division			
Amsteel Mills Sdn Bhd	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	**99**	99	Investment holding
Antara Steel Mills Sdn Bhd	**99**	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	**99**	74	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2010)
* LLB Steel Industries Sdn Bhd	**100**	100	Investment holding
* Steelcorp Sdn Bhd	**99**	99	Investment holding

50. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Others			
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	**80**	80	Investment holding
Lion Forest Industries Berhad	**72**	73	Investment holding, trading and distribution of building materials, and trading of steel products
* Lion Motor Venture Sdn Bhd	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	**69**	69	Dormant
LLB Harta (L) Limited	**100**	100	Treasury business
LLB Harta (M) Sdn Bhd	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	**100**	100	Investment holding
LLB Strategic Holdings Berhad	**100**	100	Dormant
LLB Suria Sdn Bhd	**100**	100	Investment holding
* LLB Venture Sdn Bhd	**100**	100	Dormant
Marvenel Sdn Bhd	**70**	70	Investment holding
* Slag Aggregate Sdn Bhd	**100**	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) (in voluntary liquidation)	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd	**100**	100	Ceased operations
* Zhongsin Biotech Pte Ltd (incorporated in Singapore)	**67**	67	Investment holding

50. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Tyre Division			
* Shandong Silverstone LuHe Rubber & Tyre Co Ltd (incorporated in the People's Republic of China)	**54**	54	Manufacturing and distribution of tyres
Building Materials Division			
Posim Marketing Sdn Bhd	**72**	73	Trading and distribution of building materials
Others			
Gama Harta Sdn Bhd	**72**	73	Investment holding
Harta Impiana Sdn Bhd	**72**	-	Dormant
Intra Inspirasi Sdn Bhd	**72**	73	Investment holding
^ Jadeford International Limited (incorporated in the British Virgin Islands)	**72**	73	Investment holding
LFIB Plantations Sdn Bhd	**72**	73	Investment holding
Lion Petroleum Products Sdn Bhd	**72**	73	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	**72**	73	Investment holding
Ototek Sdn Bhd	**51**	51	Trading and distribution of tyres
Posim EMS Sdn Bhd	**58**	58	Provision of energy management and conservation services
Posim Petroleum Marketing Sdn Bhd	**72**	73	Trading and distribution of petroleum products
* P.T. Lion Intimung Malinau (incorporated in the Republic of Indonesia)	**69**	69	Dormant
^ Quay Class Ltd (incorporated in the British Virgin Islands)	**72**	73	Dormant

50. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
* Silverstone Corporation Berhad	**61**	61	Investment holding
^ Silverstone (Hubei) Rubber And Tyre Co Ltd (incorporated in the People's Republic of China)	**72**	73	Dormant
* Singa Logistics Sdn Bhd	**72**	73	Provision of transportation services
Stoller Chemical Company (M) Sdn Bhd (in liquidation - voluntary) (Dissolved on 2.1.2010)	**–**	73	Dormant
Subsidiary Companies of Silverstone Corporation Berhad			
Tyre Division			
Silverstone Berhad	**61**	61	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn Bhd	**61**	61	Distribution of tyres, rubber compounds and other related rubber products
Silverstone Polymer Industries Sdn Bhd	**61**	61	Retreading tyres
Others			
^ AMB Aerovest Limited (incorporated in the British Virgin Islands)	**61**	61	Investment holding
AMB Harta (L) Limited	**61**	61	Treasury business
* AMB Harta (M) Sdn Bhd	**61**	61	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

50. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2010 %	2009 %	Principal Activities
Subsidiary Companies of Silverstone Corporation Berhad			
Others			
* AMB Venture Sdn Bhd	**61**	61	Investment holding
* CEDR Corporate Consulting Sdn Bhd	**61**	61	Provision of training services
* Chrome Marketing Sdn Bhd	**61**	61	Investment holding
^ iMpression Worldwide Inc (incorporated in the British Virgin Islands)	**61**	61	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	**61**	61	Investment holding
* Innovasi Selaras Sdn Bhd	**61**	61	Investment holding
* Lion Rubber Industries Pte Ltd (incorporated in Singapore)	**44**	44	Investment holding
* Lion Motor Sdn Bhd	**61**	61	Sale and distribution of motor vehicles
* Lion Tyre Venture Sdn Bhd	**61**	61	Investment holding
* Range Grove Sdn Bhd	**61**	61	Investment holding
* Seintasi Sdn Bhd	**61**	61	Investment holding
* Shanghai Silverstone Management Consulting Co Ltd (incorporated in the People's Republic of China)	**61**	61	Provision of management services
* Silverstone Tyreplus Pty Ltd (incorporated in Australia)	**61**	61	Dormant
* Silverstone Tyre (S) Pte Ltd (incorporated in Singapore)	**49**	49	Investment holding
* Willet Investment Pte Ltd (incorporated in Singapore)	**52**	52	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.

51. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**49**	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2010)
Kamiya Corporation Sdn Bhd	30 June	Malaysia	**19**	19	Property development (yet to commence operations as of 30 June 2010)
Lion Asia Investment Pte Ltd	30 June	Singapore	**32**	32	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	**21**	21	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**39**	39	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	**18**	19	Investment holding
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**50**	50	Mixed commercial property development cum cash and carry retail business
Associated Company of Lion Forest Industries Berhad					
Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	**14**	15	Assembly and sale of commercial vehicles

51. ASSOCIATED COMPANIES (continued)

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activities
Associated Companies of Silverstone Corporation Berhad					
Hunan Changfa Automobile Engine Co Ltd	31 December	People's Republic of China	**30**	31	Manufacture of automotive engine
Lion Asiapac Limited	30 June	Singapore	**22**	22	Investment holding
Nanjing Jincheng Machinery Co Ltd	31 December	People's Republic of China	**26**	26	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	**12**	12	Investment holding

^ Although the Group holds less than 20% of the equity interest in Parkson Holdings Berhad, the Group exercises significant influence by virtue that the substantial shareholders of the Company, namely Tan Sri Cheng Heng Jem and Tan Sri Cheng Yong Kim are also the substantial shareholders of Parkson Holdings Berhad and Tan Sri Cheng Heng Jem being a key member of the management of the steel division of the Group.

Except for Lion Insurance Company Limited, the financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets as of 30 June 2010 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 39 to 131, are drawn up in accordance with the provisions of the Companies Act, 1965 and 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 2010 and of the results of their businesses 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 CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur
30 September 2010

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets as of 30 June 2010 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 39 to 131 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.

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 30th day of September, 2010.

Before me,

W259
AHMAD B. LAYA
COMMISSIONER FOR OATHS
Kuala Lumpur

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

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

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

As at 30 September 2010, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Letter of Offer dated 11 December 2003 issued by Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Company, to the Company with the agreement of Sabah Forest Industries Sdn Bhd ("SFI"), a then 97.78% owned subsidiary of LFIB, and Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company (superseding the letter of offer dated 9 June 2003 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, LFIB and AMSB whereby LFIB lent up to RM100 million at an interest rate of 12% per annum (the sum of which is advanced from SFI) to the Company, which in turn 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, LFIB, SFI, Intra Inspirasi Sdn Bhd ("Intra Inspirasi"), a wholly-owned subsidiary of LFIB, 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.

The parties had mutually agreed to:

(a) defer the repayment of the last instalment amounting to RM25 million which was due on 30 June 2009 to 31 December 2009, vide a letter dated 30 June 2009;

(b) make partial repayment of RM6 million and vide a letter dated 29 December 2009, defer the repayment of RM19 million to be by 30 June 2010; and

(c) make partial repayment of RM4 million by 30 June 2010 and vide a letter dated 28 June 2010, defer the repayment of the balance RM15 million to be by 29 October 2010.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2010

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1.	Melaka Technology Park PN 20575 Lot 4926 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	21.2 hectares	Factory buildings	Rental (18)	61.0	June 2010
2.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.1 hectares	Land	For future development	0.1	30 October 1992
3.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land	For future development	7.4	June 1991
4.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.4 hectares	Land	Property under development	3.7	June 1991
5.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	0.9	June 1991
6.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
7.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.1	June 1991
8.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	Office and factory (33)	31.6	22 October 1994
9.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land & buildings	Office and factory (33)	0.7	22 October 1994
10.	PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor	Leasehold 29.3.2087	10.4 hectares	Industrial land	–	6.5	22 October 1994
11.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	Office and factory (15)	6.6	22 October 1994

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
12.	Lot No 273 Mukim of Teluk Panglima Garang Kuala Langat, Selangor	Freehold	1.70 hectares	Land	Vacant	1.0	June 2005
13.	Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	Office and factory (5-10)	286.7	1996
14.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	 6.3) 4.5) 6.5) hectares	 Industrial land & buildings	Office and factory (19) (15) (32)	 10.0) 12.1) 12.1)	 September 2002
15.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land & buildings	Warehouse (15)	6.6	September 2002
16.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	1,287.6 sq metres	Single & double storey houses	Rental (24)	1.0	June 2008
17.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	1,099.2 sq metres	Apartments/ flats	Rental (18)	0.5	June 2008
18.	Blok 2-4, 17 & 18 Taman Cendana 81700, Pasir Gudang, Johor	Leasehold 28.4.2093	19,599.2 sq metres	Apartments/ flats	Rental (13-15)	7.1	June 2008
19.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (16)	1.3	June 2008
20.	PT 4004/HS(D) KK123/85 Taman Sri Guchil Kuala Krai, Kelantan	Freehold	148.65 sq metres	Double storey shophouse	Rental (10)	0.1	June 2008
21.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land & building	Factory (16)	9.4	March 2003
22.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land & building	2-storey shop office (25)	0.1	March 2003

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
23.	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	252.3 sq metres	Building	Office (12)	0.4	March 2003
24.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land & building	2-storey shop office (12)	0.2	March 2003
25.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	208.1 sq metres	Land & building	3-storey shop office (11)	0.6	March 2003
26.	B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (8)	0.1	16 July 2004
27.	LuHe Industrial Zone Zhucheng City Shandong Province People's Republic of China	Leasehold 20.12.2054	157,049 sq metres	Land & building	Office and plant (6)	51.2	21 December 2004
28.	Lot No. 21 Jalan Inang 1 Taman Skudai 81300 Skudai Johor Darul Takzim	Freehold	143.1 sq metres	Land & building	Shoplot (32)	0.1	18 March 2004
29	Lot 5831, Kamunting Industrial Estate II 34600 Kamunting Perak Darul Ridzuan	Leasehold 1.10.2088	12 hectares	Land & building	Office, factory and warehouse (19)	50.9	March 2003
30.	Lengkungan Perusahaan Kamunting 3 Kawasan Perusahaan Kamunting Raya 34600 Kamunting Perak Darul Ridzuan	Leasehold 14.10.2097	4.07 hectares	Land & building	Office, factory and warehouse (12)	6.2	March 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2010

Authorised Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM717,909,365
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	2,895	14.56	132,217	0.02
100 to 1,000	6,920	34.79	4,100,026	0.57
1,001 to 10,000	8,258	41.52	30,562,376	4.26
10,001 to 100,000 *	1,497	7.53	46,328,382	6.45
100,001 to less than 5% of issued shares	316	1.59	406,639,063	56.65
5% and above of issued shares	2	0.01	230,047,301	32.05
	19,888	100.00	717,809,365	100.00

Note:

* *Excluding a total of 100,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 September 2010.*

Substantial Shareholders as at 30 September 2010

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
1. Tan Sri Cheng Heng Jem	102,000,000	14.21	236,246,606	32.91
2. Tan Sri Cheng Yong Kim	3,294,789	0.46	199,306,424	27.77
3. Lion Realty Private Limited	–	–	197,812,045	27.56
4. Lion Development (Penang) Sdn Bhd	225,257	0.03	197,586,788	27.53
5. Horizon Towers Sdn Bhd	122,290	0.02	190,139,625	26.49
6. Lion Corporation Berhad	180,576,909	25.16	9,562,716	1.33
7. Lion Diversified Holdings Berhad	20,820,000	2.90	206,039,625	28.70
8. Teraju Varia Sdn Bhd	–	–	190,139,625	26.49
9. Excel Step Investments Limited	–	–	190,139,625	26.49

Thirty Largest Registered Shareholders as at 30 September 2010

Registered Shareholders	No. of Shares	% of Shares *
1. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Corporation Berhad	155,647,301	21.68
2. Cheng Heng Jem	74,400,000	10.36
3. OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Cheng Heng Jem	27,600,000	3.85
4. Lion Corporation Berhad	24,929,608	3.47
5. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	21,922,900	3.05
6. Mayban Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.90
7. Lion DRI Sdn Bhd	15,900,000	2.22
8. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Bank Luxembourg S.A.	13,732,000	1.91
9. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund	13,519,703	1.88
10. Alliance Group Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	11,978,400	1.67
11. AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)	10,591,200	1.48
12. Lembaga Tabung Haji	9,692,600	1.35
13. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (NOR GES BK LEND)	8,500,000	1.18
14. Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	7,968,000	1.11
15. Bright Steel Sdn Bhd	7,481,316	1.04
16. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,220,881	1.01
17. HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon ACCT)	6,873,355	0.96
18. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Denmark)	6,800,000	0.95
19. Mayang Jati (M) Sdn Bhd	6,723,472	0.94
20. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	6,232,400	0.87
21. HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International PLC (Firm A/C)	5,451,755	0.76
22. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	5,173,100	0.72
23. Citigroup Nominees (Asing) Sdn Bhd UBS AG	4,134,200	0.58
24. Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	3,387,100	0.47
25. Universal Trustee (Malaysia) Berhad CIMB Islamic Small Cap Fund	3,363,300	0.47
26. Amanvest (M) Sdn Bhd	3,292,226	0.46
27. Cheng Yong Kim	3,276,039	0.46
28. Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY64 for The Emerging Markets Equity Fund (RIC PLC)	3,119,900	0.43
29. Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	3,113,126	0.43
30. Mayang Jati (M) Sdn Bhd	3,100,000	0.43

Note:

* *Excluding a total of 100,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 September 2010.*

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2010

The Directors' interests in shares in the Company and its related corporations as at 30 September 2010 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 Cheng Yong Kim		3,294,789	0.46	199,429,446	27.78
Dato' Kamaruddin @ Abas bin Nordin		80,000	0.01	–	–
Cheng Yong Liang		47,880	#	–	–
Related Corporations					
Tan Sri Cheng Yong Kim					
Lion Forest Industries Berhad	RM1.00	130	#	183,629,259	79.30
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					
- Ordinary shares	RM1.00	–	–	286,173,498	84.16
- Preference shares	RM0.01	–	–	17,742,012	58.03
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	*	–	–	25,400,080	80.00
Willet Investment Pte Ltd	*	–	–	45,954,450	100.00
Zhongsin Biotech Pte Ltd	*	–	–	1,000,000	100.00

Investments in the People's Republic of China	Indirect Interest USD	Indirect Interest % of Holding
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 2010.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM96,000.

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2010, a total of 2,377,100 options were exercised by eligible executive employees of the Group at an exercise price of RM1.037 per share (749,300 shares) and RM1.330 per share (1,627,800 shares) pursuant to the Executive Share Option Scheme of the Company.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2010 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")(1)	1,193,582
	Lion Diversified Holdings Berhad Group ("LDHB Group")(1)	324
	Lion Teck Chiang Limited Group (1)	21,929
		1,215,835
(ii) The purchase of scrap iron, gases and other related products and services	LCB Group(1)	830,937
	LDHB Group(1)	286,166
	Lion Asiapac Limited Group ("LAP Group")(2)	23,672
		1,140,775
(iii) The purchase of tools, dies and spare parts	LCB Group(1)	4,777
(iv) The provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group(1)	1,270
	LAP Group(1)	185
		1,455
(v) The obtaining of storage, leasing and rental of properties, management and support, and other related services	LCB Group(1)	1,274
(vi) The provision of transportation and other related services	LCB Group(1)	31,964
	LDHB Group(1)	20,354
		52,318

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Property-based		
(i) The provision of storage, leasing, rental of properties and related services	Ributasi Holdings Sdn Bhd Group[3]	1,515
	LDHB Group[1]	1,140
		2,655

Notes:

"Group" includes subsidiary and associated companies.

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

(IV) SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The Company repurchased a total of 100,000 of its ordinary shares from the open market in June 2010 at an average price of RM1.466 per share. The total consideration paid for the repurchase including transaction costs was RM147,278.94.

As at 30 June 2010, all the 100,000 shares purchased by the Company were held as treasury shares. None of the treasury shares were distributed as share dividends, resold or cancelled during the financial year.

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

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

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Industries Corporation Berhad ("LICB") Management Structure

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

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

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

(i) Status of the assets to be divested

Assets to be Divested	PDP (Per GWRS)	Completed Up to December 2009	Subsequent to December 2009: Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 2010): Actual Jan-Jun 2010	Projected Jul-Dec 2010	Total Jan-Dec 2010
	RM million	RM million	RM million	RM million (a)	RM million (b)	RM million (a) + (b)
By December 2002						
Unlisted shares in pharmaceutical company	2.0	2.0	–	–	–	–
Unlisted shares in automotive company	29.4	29.4	–	–	–	–
Listed shares in financial services company	2.5	2.5	–	–	–	–
	33.9					
By December 2003						
Shares in unlisted companies, industrial land, office block, factories and shoplots in Parade and shopping centre	174.3	174.3	–	–	–	–
By December 2004						
Shares in unlisted companies and shoplots in Parade and shopping centre	45.4	13.1	–	–	–	–
By December 2005						
Shares in unlisted company, factories and apartment	9.7	–	–	–	–	–
By December 2006						
Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre	278.0	76.6	–	–	–	–
Total	**541.3**	**297.9**	**–**	**–**	**–**	**–**

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

(ii) Transactions completed during the financial period (January-June 2010)

No transactions were completed during the financial period.

(iii) Utilisation of the divestment proceeds received

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

LION INDUSTRIES CORPORATION BERHAD

(Incorporated in Malaysia) (415-D)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Eightieth Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 23 November 2010 at 3.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a first and final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
4. To re-elect as Director, Mr Chong Jee Min		
5. To re-appoint as Director, Y. A. Bhg. Tun Musa Hitam		
6. To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
10. Proposed Renewal of Authority for Share Buy-Back		
11. Proposed Amendments to the Articles of Association of the Company		

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 2010

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

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 shall be eligible to attend the 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 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.