



**Laporan Tahunan**  
**2008**  
**Annual Report**



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## NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Eighth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 20 November 2008 at 11.00 am for the following purposes:

### AGENDA

- |       |   |                     |
|-------|---|---------------------|
| 1.    | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2008.  | <b>Resolution 1</b> |
| 2.    | To approve the payment of a first and final dividend of 1.0 sen per ordinary share tax exempt.  | <b>Resolution 2</b> |
| 3.    | To approve the payment of Directors' fees amounting to RM215,500 (2007: RM197,000).   | <b>Resolution 3</b> |
| 4.    | To re-elect Directors:  |                     |
|       | In accordance with Article 98 of the Company's Articles of Association, Mr George Leong Chee Fook retires by rotation and, being eligible, offers himself for re-election.  | <b>Resolution 4</b> |
|       | In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat who was appointed during the financial year retires and, being eligible, offers himself for re-election.  | <b>Resolution 5</b> |
| 5.    | To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration.   | <b>Resolution 6</b> |
| 6.    | Special Business  |                     |
| 6.1   | To consider and, if thought fit, pass the following resolutions as ordinary resolutions:  |                     |
| 6.1.1 | 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."   | <b>Resolution 7</b> |
| 6.1.2 | 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 29 October 2008 ("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 | <b>Resolution 8</b> |

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

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earlier; and

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

#### 6.1.3 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 Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up capital of the Company at any point of time; and
- (ii) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate of the retained profits and/or the share premium of the Company

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

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

- (i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next annual general meeting after the date it is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by shareholders of the Company at a general meeting of the Company,

whichever occurs first; and

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

#### Resolution 9

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."

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

6.2.1 Proposed Amendments to the Memorandum of Association of the Company

"THAT the object clause 3 of the Memorandum of Association of the Company ("MA") be amended by deleting therefrom the existing object clauses 3(1), 3(2) and 3(3) of object clause 3 of the MA substituting therefor with the following new object clauses 3(1), 3(2) and 3(3):

**Resolution 10**

- 3(1) - To acquire and hold for investment shares, stocks, debentures, debenture stocks, bonds, notes and securities; and to invest in, and to acquire, lease, promote or sell, and to manage, conduct or undertake the business of management or otherwise howsoever direct the operations of any business, company, corporation, firm of any other whatsoever enterprise, undertaking or venture and generally to undertake any of the business of a holding or management company.
- 3(2) - To buy, sell, manufacture and deal in all kinds of metals of all grades including iron and steel, descriptions and combinations at all stages of production and any and all products and by-products which may be derived from the said metals, substances and minerals or any of them and for this purpose to set-up, construct, reconstruct, own, lease, maintain and operate processing plant and facilities and to hold any lands, buildings, rights, privileges and concessions of any kind necessary, suitable and convenient for the Company's businesses.
- 3(3) - To purchase or otherwise acquire for investment or resale and to transfer in lands, houses, buildings, plantations and other property of any tenure and any interest therein and any movable property of any description or any interest therein and to create, sell and deal in freehold or leasehold ground rents and to make advances upon the security of land or house, or other property, or any interest therein and generally deal in, transfer by way of sale, lease exchange or otherwise with land and house property and any other property whether real or personal or whether for valuable consideration or not."

6.2.2 Proposed Amendments to the Articles of Association of the Company

"THAT the proposed amendments to the Articles of Association of the Company contained in Appendix II of the Circular to Shareholders of the Company dated 29 October 2008 which has been despatched to the shareholders of the Company, be and are hereby approved and adopted."

**Resolution 11**

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

## DIVIDEND ENTITLEMENT

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

- (a) shares deposited into the depositor's securities account before 12.30 pm on 21 November 2008 in respect of shares exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00 pm on 25 November 2008 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 15 December 2008 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 25 November 2008.

By Order of the Board

**LIM KWEE PENG**  
**YASMIN WEILI TAN BINTI ABDULLAH**  
Secretaries

Kuala Lumpur  
29 October 2008

### Notes:

1. *Proxy*
  - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
  - *An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.*
  - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*
  - *Form of Proxy sent through facsimile transmission shall not be accepted.*
2. *Circular to Shareholders dated 29 October 2008 ("Circular")*  
*Details on the following are set out in the Circular enclosed together with the 2008 Annual Report:*
  - (i) *Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions*
  - (ii) *Part B - Statement in relation to the Proposed Renewal of Authority for Share Buy-Back*
  - (iii) *Part C - Appendix I*  
*Proposed Amendments to the Memorandum of Association of the Company*
  - (iv) *Part D - Appendix II*  
*Proposed Amendments to the Articles of Association of the Company*

3. *Resolution 7*

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

4. *Resolution 8*

*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.*

5. *Resolution 9*

*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.*

6. *Resolution 10*

*This approval will allow amendments to be made to the object clause 3 of the Memorandum of Association of the Company to update and streamline the objectives of the Company by removing those business objectives that are no longer relevant and to place emphasis on the existing businesses of the Company which are that of investment holding and businesses of its subsidiaries by expanding on the objects of the Company to encompass the steel and property business, and related businesses thereto.*

7. *Resolution 11*

*This approval will allow amendments to be made to the Articles of Association of the Company ("AA") to bring the AA in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, to incorporate current statutory and regulatory requirements for clarity and enhancements and, where relevant, to render consistency throughout the AA.*

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Details of the Directors standing for re-election at the Thirty-Eighth Annual General Meeting of the Company are set out in the Directors' Profile on pages 7 to 9 of the 2008 Annual Report.

## CORPORATE INFORMATION

<b>Board of Directors</b>	:	Y. Bhg. Tan Sri William H.J. Cheng (Chairman) Y. Bhg. Datuk Cheng Yong Kim (Managing Director) Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat Y. Bhg. Dato' Ismail @ Mansor bin Said Mr Heah Sieu Lay Mr Cheng Yong Kwang Mr George Leong Chee Fook
<b>Secretaries</b>	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
<b>Company No.</b>	:	9428-T
<b>Registered Office</b>	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : <a href="http://www.lion.com.my">http://www.lion.com.my</a>
<b>Share Registrar</b>	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
<b>Auditors</b>	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
<b>Principal Bankers</b>	:	Alliance Bank Malaysia Berhad RHB Bank Berhad Kuwait Finance House (Malaysia) Bhd The Bank of Nova Scotia Berhad Bank of China (Malaysia) Berhad
<b>Stock Exchange Listing</b>	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
<b>Stock Name</b>	:	LIONDIV
<b>Bursa Securities Stock No.</b>	:	2887
<b>Reuters Code</b>	:	LDIV.KL
<b>ISIN Code</b>	:	MYL2887OO007



## DIRECTORS' PROFILE

### **Tan Sri William H.J. Cheng**

*Non-Independent Non-Executive Chairman*

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 65, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also the Chairman of the Executive Share Option Scheme Committee of the Company.

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 121,356,607 ordinary shares of RM0.50 each and an indirect shareholding of 309,545,688 ordinary shares of RM0.50 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 135 of this Annual Report. He also has interests in certain companies which conduct similar business with the Company in the property development sector and upstream steel operations.

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

Tan Sri William Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

### **Datuk Cheng Yong Kim**

*Managing Director*

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 58, was appointed the Managing Director of the Company on 26 January 2007.

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

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

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

Datuk Cheng has a direct shareholding of 7,841,337 ordinary shares of RM0.50 each and an indirect shareholding of 267,875,935 ordinary shares of RM0.50 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 135 of this Annual Report. He also has interests in certain companies which conduct similar business with the Company in the property development sector and upstream steel operations.

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

Datuk Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

**Tan Sri Dato' Seri Aseh bin Che Mat***Independent Non-Executive Director*

Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat, a Malaysian, aged 56, was appointed to the Board on 1 December 2007. He is also a member of the Audit Committee of the Company.

Tan Sri Dato' Seri Aseh graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya and received his Masters degree in Public Administration from the University of Southern California, United States of America and his PhD (Honorary) degree in Foreign Relations from Limkokwing University of Creative Technology, Cyberjaya, Malaysia.

Tan Sri Dato' Seri Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his 8 years with the Commission. Since 1984, Tan Sri Dato' Seri Aseh served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia. In February 2001, Tan Sri Dato' Seri Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007.

Tan Sri Dato' Seri Aseh is the Chairman of Pos Malaysia Berhad and MWE Holdings Berhad and a Director of Stemlife Berhad, all of which are public listed companies.

Tan Sri Dato' Seri Aseh attended the remaining four (4) Board Meetings of the Company held during the financial year ended 30 June 2008 subsequent to his appointment.

**Y. Bhg. Dato' Ismail @ Mansor bin Said***Independent Non-Executive Director*

Y. Bhg. Dato' Ismail @ Mansor bin Said, a Malaysian, aged 59, was appointed to the Board on 15 September 1995. Dato' Ismail is also the Chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

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

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

Dato' Ismail attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

**Heah Sieu Lay***Non-Independent Non-Executive Director*

Mr Heah Sieu Lay, a Malaysian, aged 55, was appointed to the Board on 5 June 2001. He is also a member of the Audit Committee of the Company.

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

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

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

Mr Heah attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

**Cheng Yong Kwang**

*Non-Independent Non-Executive Director*

Mr Cheng Yong Kwang, a Singaporean, aged 52, was appointed to the Board on 11 July 1994. He is also a member of the Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee of the Company.

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

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

He is a Director of Lion Asiapac Limited, Singapore, a Commissioner of P T Lion Metal Works Tbk, Indonesia and a Director of Anhui Jianghuai Automobile Co., Ltd, China.

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

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

Mr Cheng attended six (6) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

Mr Cheng who is due to retire by rotation at the forthcoming Annual General Meeting of the Company, will not seek re-election as Director of the Company.

**George Leong Chee Fook**

*Independent Non-Executive Director*

Mr George Leong Chee Fook, a Malaysian, aged 62, was appointed to the Board on 5 June 2001. Mr George Leong is also the Chairman of the Nomination Committee and Remuneration Committee, and a member of the Audit Committee of the Company.

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

Mr George Leong attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2008.

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 interest 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 2008 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 2008, eight (8) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

#### Board Composition and Balance

The Board comprises seven (7) Directors, six (6) of whom are non-executive. The current Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

Represented on the Board are three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

#### Board Committees

The Board delegates certain functions to several committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on 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 members, in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and senior management of the Group and external advisers are also invited to attend the Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order to arrive at an informed decision.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and under appropriate circumstances, at the Company's expense.

The Company Secretaries advise the Board on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

### **Appointments to the Board**

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skill, experience and competency to be appointed to the Board and Board Committees. 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, an in-house seminar was held for the benefit of the Directors. Certain Directors had also participated in other seminars and programmes other than that in relation to the in-house seminar.

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

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

The Board views the aforementioned seminars and 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 2008 are categorised as follows:

	<b>Fees RM'000</b>	<b>Salaries &amp; Other Emoluments RM'000</b>	<b>Total RM'000</b>
Executive Director	20	364	384
Non-executive Directors*	212	67	279
	<u>232</u>	<u>431</u>	<u>663</u>

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

<b>Range of Remuneration (RM)</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-executive*</b>
25,000 & below	–	3
25,001 – 50,000	–	3
100,001 – 150,000	–	1
350,001 – 400,000	1	–

\* Including a Director who retired at the previous Annual General Meeting and a Director who was appointed during the financial year.

## 3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

The Company's website at [www.lion.com.my](http://www.lion.com.my) provides easy access to corporate information pertaining to the Group and its activities.

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

#### **4. ACCOUNTABILITY AND AUDIT**

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, all of whom are non-executive Directors with a majority of them being 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 2008, 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. The roles of both the external and internal auditors are further described in the Audit Committee Report.

## STATEMENT ON INTERNAL CONTROL

### Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. Guided by the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*, the Board is pleased to present the Statement on Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

### Board Responsibility

The Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of these systems. However, in view of the inherent limitations in any system, such internal control systems are designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The systems can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses. The system of internal control covers risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. This process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee which is supported by the Internal Auditors.

### Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management Framework was developed and documented via a Corporate Risk Management Manual which sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management scorecards and reporting the status to the Audit Committee.

### Control and Monitoring Process

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

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability
- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority
- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis
- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee
- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis
- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee
- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered

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

## AUDIT COMMITTEE REPORT

### COMPOSITION

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

- Members**

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

Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat  
*(Independent Non-Executive Director)*

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

Mr Heah Sieu Lay  
*(Non-Independent Non-Executive Director)*

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

- Secretaries**

The Secretaries of Lion Diversified Holdings Berhad, Ms Lim Kwee Peng and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

### TERMS OF REFERENCE

- Membership**

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

- Meetings and Minutes**

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

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

- Authority**

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

- the authority to investigate any matter within its terms of reference.
- the resources which are required to perform its duties.
- full and unrestricted access to any information pertaining to the Company and the Group.
- direct communication channels with the external and internal auditors.
- the right to obtain independent professional or other advice as necessary.
- the right to invite other Directors and/or management of the Company to attend any particular Audit Committee meeting to discuss specific issues.
- 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 external audits, and any matter the external 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 interest situation that may arise within the Company and the Group.
- (viii) To consider the appointment of independent advisers for corporate proposals involving related parties.
- (ix) To assess the quality and effectiveness of the system of internal control and efficiency of operations, and to review the risk policy and implementation of the risk management framework.
- (x) To promptly report to Bursa Securities on any matter where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.
- (xi) To review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and be informed of any resignation of 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, ten (10) Audit Committee Meetings were held. Except for Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat who attended the remaining four (4) Meetings held during the financial year subsequent to his appointment as a member of the Audit Committee, all other members attended all the ten (10) Meetings held in the financial year.

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



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

- **Financial Results**
  - (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.
  - (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes in accounting policies, significant and unusual events and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board (“MASB”) and other legal requirements.
- **Internal Audit**
  - (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.
  - (b) Reviewed the audit programmes, resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.
  - (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.
  - (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
  - (e) Reviewed the Internal Control – Self-Assessment ratings submitted by the respective operations management.
- **External Audit**
  - (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
  - (b) Reviewed with external auditors the results of the audit and the audit report in particular, accounting issues and significant audit adjustments arising from the external audit.
  - (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management’s response to the findings of the external auditors.
  - (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.
  - (e) Convened meetings with the external auditors without executive Board members and management being present to discuss issues arising from their review.
- **Risk Management**

Reviewed the Corporate Risk Scorecard of key operations and the mitigating controls to address identified risks.
- **Related Party Transactions**

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

Reviewed material transactions entered into by the Group.

## INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

## NOMINATION COMMITTEE

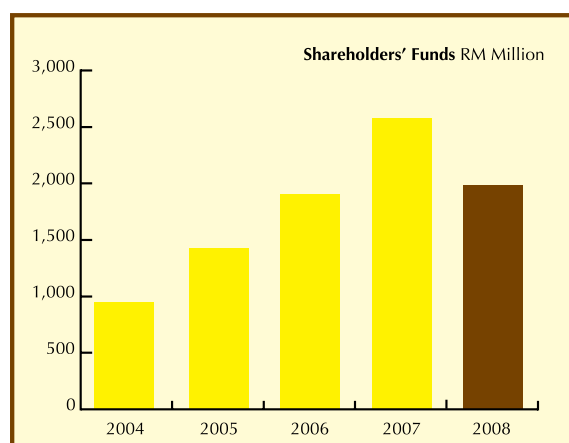
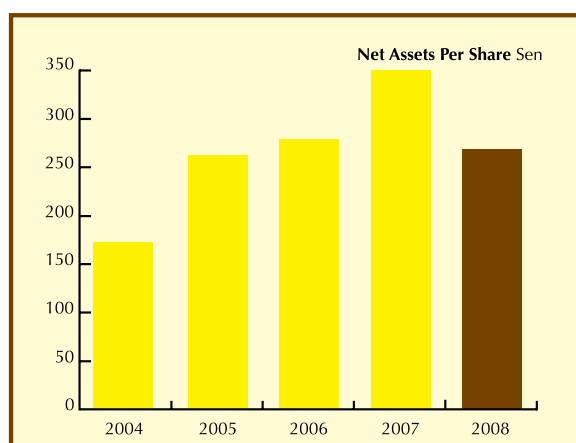
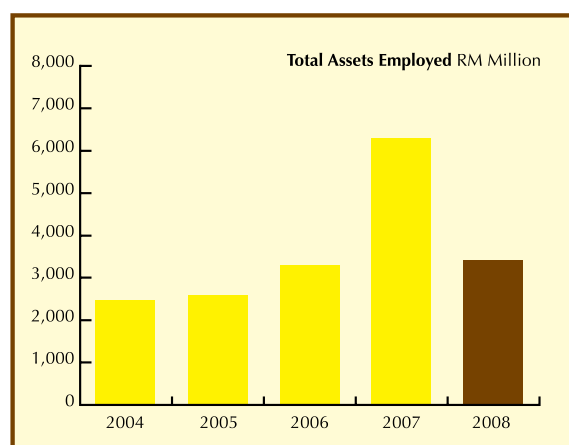
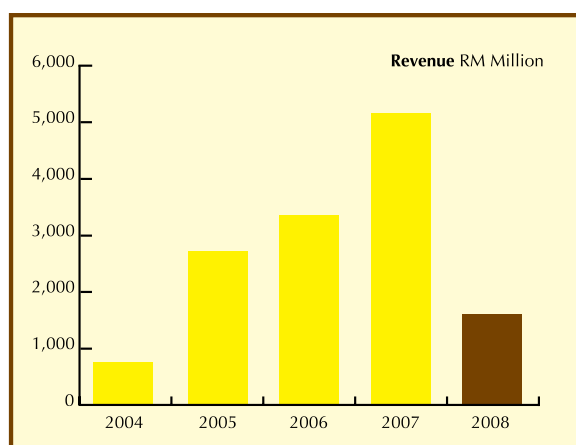
<b>Chairman</b>	:	Mr George Leong Chee Fook (Independent Non-Executive Director)
<b>Members</b>	:	Y. Bhg. Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director)  Mr Cheng Yong Kwang (Non-Independent Non-Executive Director)
<b>Terms of Reference</b>	:	<ul style="list-style-type: none"> <li>To recommend to the Board, candidates for directorships in Lion Diversified Holdings Berhad</li> <li>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</li> <li>To recommend to the Board, Directors to fill the seats on Board Committees</li> <li>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</li> <li>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</li> </ul>

## REMUNERATION COMMITTEE

<b>Chairman</b>	:	Mr George Leong Chee Fook (Independent Non-Executive Director)
<b>Members</b>	:	Y. Bhg. Dato' Ismail @ Mansor bin Said (Independent Non-Executive Director)  Mr Cheng Yong Kwang (Non-Independent Non-Executive Director)
<b>Terms of Reference</b>	:	<ul style="list-style-type: none"> <li>To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary</li> <li>To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time</li> </ul>

## 5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Revenue	753,160	2,728,738	3,367,544	5,171,682	<b>1,616,836</b>
Profit before taxation	435,592	616,804	606,041	856,987	<b>117,934</b>
Profit after taxation	418,031	560,879	527,929	738,040	<b>89,589</b>
Dividends:					
Rate (%)	10.0	12.0	18.0	5.0	<b>2.0</b>
Amount (net of tax)	17,510	22,317	53,882	18,431	<b>7,372</b>
Total assets employed	2,462,233	2,595,113	3,308,642	6,309,175	<b>3,392,564</b>
Shareholders' funds	943,832	1,425,621	1,906,239	2,577,250	<b>1,983,893</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Net assets per share attributable to ordinary equity holders of the parent	173	263	279	350	<b>269</b>
Earnings per share	114.9	115.5	78.3	86.2	<b>7.2</b>



## THE GROUP'S BUSINESSES



- The newly-completed Direct Reduced Iron (DRI) plant in Banting, Selangor to produce DRI (inset), a substitute raw material for scrap in the steel-making process.
- *Kilang Direct Reduced Iron (DRI) yang baru disiapkan di Banting, Selangor untuk mengeluarkan DRI (gambar kecil), bahan mentah gantian bagi besi lusuh untuk proses pembuatan besi.*



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



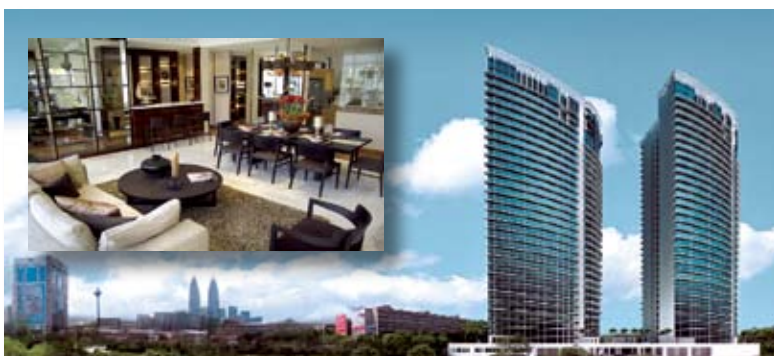
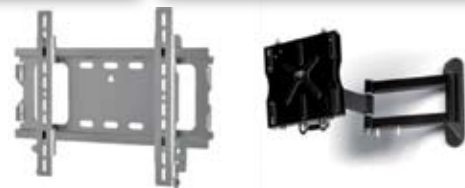
Likom, Melaka



Likom, Mexico



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



- An artist's impression of the Twins, and exclusive high-end condominium development in Damansara Heights, Kuala Lumpur.
- *Gambaran artis Twins, projek kondominium mewah eksklusif di Damansara Heights, Kuala Lumpur.*



## PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah ("Lembaga Pengarah"), saya dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad ("LDHB") bagi tahun kewangan berakhir 30 Jun 2008.

### PRESTASI KEWANGAN

Kumpulan sebelum ini terbabit terutamanya dalam perniagaan peruncitan di peringkat serantau. Setelah melaksanakan dengan jayanya langkah korporat untuk memindahkan perniagaan peruncitan kepada satu lagi syarikat senaraian awam, di mana para pemegang saham Syarikat turut menjadi pemegang saham syarikat senaraian awam tersebut, kegiatan utama Kumpulan kini tertumpu dalam perniagaan pembuatan besi bersama perniagaan yang dikekalkan iaitu komputer dan hartanah.

Berikutan penyempurnaan pemindahan perniagaan peruncitan pada awal tahun kewangan dan operasi besi hanya memulakan pengeluaran pada Jun 2008, Kumpulan merekodkan perolehan rendah ketara berjumlah RM1.6 bilion berbanding dengan RM5.2 bilion yang dilaporkan dalam tahun sebelumnya. Seiring dengan perolehan Kumpulan yang rendah, keuntungan daripada operasi juga menyusut kepada RM195 juta berbanding dengan RM511 juta tahun lalu.

### PERKEMBANGAN KORPORAT

Semasa dan berikutan berakhir tahun kewangan, Kumpulan telah melaksanakan langkah korporat utama berikut:

- Pada September 2007, Syarikat menyelesaikan langkah berikut:
  - (i) Pelupusan kepentingan ekuiti dalam Parkson China, Malaysia dan Vietnam kepada East Crest International Limited, anak syarikat milik penuh Parkson Holdings Berhad ("Parkson") yang diselesaikan dengan terbitan sejumlah 3,799.73 juta saham baru biasa bernilai RM1.00 setiap satu dalam Parkson pada harga terbitan RM1.00 sesaham dan RM500 juta nilai nominal 3-tahun 3.5% stok pinjaman boleh tebus boleh tukar berjamin;
  - (ii) Pengambilalihan oleh Excel Step Investments Limited ("Excel Step"), anak syarikat milik penuh Syarikat, sejumlah 42,318,772 saham biasa bernilai RM1.00 setiap satu, mewakili 56.64% daripada modal terbitan dan berbayar Parkson, daripada Lion Corporation Berhad ("LCB"), dan Limpahjaya Sdn Bhd ("Limpahjaya"), anak syarikat milik penuh LCB untuk pertimbangan tunai berjumlah RM35.12 juta.

- Pada Oktober 2007, Syarikat mengagihkan kira-kira 99% daripada kepentingan ekuiti dalam Parkson yang dimiliki oleh Excel Step kepada para pemegang saham Syarikat berdasarkan asas tiga belas (13) saham biasa dalam Parkson bagi setiap sepuluh (10) saham dalam Syarikat.
- Pada Februari 2008, Syarikat mengumumkan cadangan membina relau bagas untuk proses pembuatan besi yang merangkumi relau bagas, laman bahan mentah, ketuhar kok, loji until (pellet), loji 'sintering' dan kemudahan sokongan di Banting, Selangor dengan anggaran jumlah perbelanjaan modal kira-kira AS\$500 juta.
- Pada Mei 2008, Syarikat membuat pengumuman berikut:
  - (i) Cadangan pengambilalihan oleh Kumpulan sebanyak RM900 juta nilai nominal kupon-sifar boleh tebus berjamin bon Kelas B(b) dalam denominasi RM terbitan LCB dengan nilai semasa setakat 31 Oktober 2008 berjumlah kira-kira RM787.1 juta daripada Amsteel Corporation Berhad untuk pertimbangan tunai berjumlah RM400 juta;
  - (ii) Cadangan langganan 100 juta saham keutamaan boleh tebus kumulatif boleh tukar bernilai RM0.01 setiap satu yang akan diterbitkan pada premium RM0.99 setiap satu oleh Megasteel Sdn Bhd ("Megasteel") pada pertimbangan tunai RM100 juta;
  - (iii) Cadangan pengambilalihan oleh Syarikat sejumlah 66,666,667 saham biasa bernilai RM1.00 setiap satu dalam Megasteel, mewakili kira-kira 11.1% daripada modal terbitan dan berbayar Megasteel daripada Limpahjaya untuk pertimbangan tunai berjumlah RM100 juta; dan
  - (iv) Cadangan pelupusan projek pembangunan hartanah dikenali sebagai Projek Mahkota Cheras bersama-sama dengan empat (4) bidang tanah yang tidak dimajukan di Mukim Cheras, Daerah Hulu Langat, Selangor oleh LDH Management Sdn Bhd, anak syarikat milik penuh Syarikat, kepada Pancar Tulin Sdn Bhd, anak syarikat milik penuh LCB, pada pertimbangan kira-kira RM89.95 juta yang akan diselesaikan menerusi terbitan 89,948,000 saham baru bernilai RM1.00 setiap satu dalam LCB ("Saham LCB") pada harga terbitan RM1.00 bagi setiap Saham LCB.

- Pada Julai 2008, syarikat mengumumkan cadangan terbitan hak boleh lepas berjumlah sehingga RM591,895,302 nilai nominal 5-tahun 4% stok pinjaman tidak boleh tebus boleh tukar tidak berjamin ("ICULS") pada 100% daripada nilai nominal berdasarkan asas empat (4) ICULS dengan nilai nominal RM1.00 bagi setiap lima (5) saham biasa sedia ada bernilai RM0.50 setiap yang dipegang dalam LDHB.

Maklumat terperinci berhubung pelbagai cadangan korporat yang lain terdapat dalam muka surat 38 hingga 40 Laporan Tahunan ini.

## KAJIAN OPERASI

### Bahagian Besi

Susulan beroperasinya kilang baru 'direct reduced iron' ("DRI") Kumpulan pada Jun 2008, Kumpulan merekodkan keuntungan operasi berjumlah RM16 juta walaupun ia hanya beroperasi kurang daripada sebulan. Meskipun masih dalam tempoh permulaan, operasi DRI kita akan terus menggandakan usaha untuk meningkatkan kecekapan pengeluaran dalam usaha mengurangkan kos pengeluaran.

Dengan permintaan serta harga kedua-dua bahan mentah dan produk besi dijangka akan kekal kukuh dalam jangka masa sederhana, DRI (bahan gantian bagi besi lusuh untuk proses membuat besi) dijangka kekal sebagai penyumbang utama kepada keuntungan Kumpulan untuk tahun-tahun akan datang.

Perniagaan besi lain Kumpulan, menerusi syarikat bersekutu 23% LCB, adalah di bawah Megasteel, satu-satunya pengeluar gegelung gelek panas di Malaysia. Megasteel beroperasi dalam persekitaran yang lebih mencabar berikutan kenaikan harga besi lusuh di peringkat antarabangsa. Bagaimanapun, keputusan rendah daripada perniagaan besi rata ini telah diimbangi oleh prestasi memuaskan syarikat sekutunya yang menjalankan operasi besi panjang (long steel) dan menyumbangkan keuntungan berjumlah RM26 juta yang dikongsi oleh Kumpulan LDHB.

### Bahagian Komputer

Bahagian Komputer kita terbabit dalam penyediaan pusat sehenti bersepadu bagi perkhidmatan pembuatan peralatan tulen ("OEM") untuk pengeluaran perumah (casing) dan penutup (enclosure) komputer peribadi (PC), dan penyediaan perkhidmatan pembuatan khusus seperti OEM untuk pemasangan peranti komputer dan komponen elektronik. Ia juga telah mempelbagaikan barisan produk kepada segmen bukan PC seperti peralatan audio visual,

telekomunikasi, penggera keselamatan dan produk suis elektrik bagi mengurangkan pergantungannya terhadap pasaran PC. Kilang pengeluaran berkenaan terletak di Melaka, Malaysia dan Mexico dengan pejabat wakil jualan di Amerika Syarikat untuk menyediakan khidmat sokongan pelanggan.

Berikutan kenaikan mendadak harga bahan mentah bagi besi dan resin plastik secara tidak dijangka, berserta kelemahan Dolar AS berbanding Ringgit (mengakibatkan jualan dalam denominasi USD menjadi lebih rendah dalam tukaran RM), keputusan yang rendah telah dicatat bagi tahun kewangan dalam kajian. Bahagian ini akan meneruskan usaha pemasaran bagi mengukuhkan kedudukan dan mencapai bahagian pasaran yang lebih luas dalam usaha memastikan keseluruhan margin dapat dikekalkan.

### Bahagian Hartanah

Terletak di Batu 9 Jalan Cheras dan bersebelahan Kelab Golf Sungai Long, pembangunan pembandaran bersepadu lengkap kita yang dikenali sebagai **Projek Mahkota Cheras** mencatatkan prestasi kurang memberangsangkan berikutan isu berpanjangan berhubung jalan akses yang telah diselesaikan secara baik. Seperti dinyatakan di atas, projek ini akan menjadi sebahagian daripada cadangan korporat untuk mengukuhkan lagi pelaburan Kumpulan dalam perniagaan hiliran besi.

**Twins**, satu projek usaha sama 35% Kumpulan terletak di persekitaran kediaman berprestij di Damansara Heights, Kuala Lumpur. Pembangunan kondominium mewah eksklusif ini mengandungi dua (2) blok menara ikonik dengan kira-kira 300 unit kediaman telah mendapat sambutan memberangsangkan daripada pembeli-pembeli ketika pelancaran jualan yang diadakan dalam tahun kewangan dikaji.

### Pemberhentian Operasi - Bahagian Peruncitan

Berikutan langkah korporat yang dinyatakan sebelum ini, Kumpulan telah berjaya memindahkan perniagaan peruncitannya kepada satu lagi syarikat senaraian awam pada tahun kewangan dalam kajian. Cadangan berkenaan telah diselesaikan pada September 2007 dan sumbangan peruncitan bagi tahun kewangan dalam kajian mewakili prestasi 3 bulan sebelum penyelesaian itu.

## DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0 sen sesaham (2%), dikecualikan cukai, untuk diluluskan oleh pemegang-pemegang saham pada Mesyuarat Agung Tahunan ("AGM") akan datang. Dividen bersih boleh bayar akan berjumlah RM7.4 juta.

## TANGGUNGJAWAB SOSIAL KORPORAT

Kita mengiktiraf pentingnya Tanggungjawab Sosial Korporat ("CSR"), sebagai sebahagian daripada perniagaan dan telah bertindak menerapkan rangka kerja CSR dalam pelan perniagaan untuk meningkatkan keyakinan para pemegang kepentingan, akauntabiliti dan ketelusan. CSR menjadi komponen penting dalam amalan perniagaan baik yang bermatlamat memperbaiki masyarakat dan alam sekitar.

### Masyarakat

Dalam mengendalikan aktiviti perniagaannya, Kumpulan mengambil berat tanggungjawabnya sebagai warga korporat dalam mengembalikan semula kepada masyarakat selain menyumbang kepada keuntungan dan nilai para pemegang saham. Kumpulan memberi tumpuan terhadap usaha menambahbaik masyarakat menerusi pendidikan dan penjagaan perubatan melalui dua Yayasan yang diasaskan oleh syarikat-syarikat di bawah Kumpulan Lion di mana Kumpulan adalah ahlinya.

Yayasan Lion-Parkson (sebelum ini dikenali sebagai Yayasan Lion-ASM) menyalurkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik, dan setiap tahun, memberikan biasiswa dan pinjaman pendidikan kepada pelajar di universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan dan ubat-ubatan.

Kumpulan turut membantu masyarakat dengan menyumbang kepada usaha menjana dana dan mengutip derma serta menghulurkan bantuan kepada mangsa malapetaka di dalam dan di luar negara.

### Alam Sekitar

Sementara menumpukan aspek pembangunan teknologi dan industri, Kumpulan juga menyokong usaha memelihara alam sekitar. Operasi Kumpulan mematuhi undang-undang dan peraturan yang ditetapkan bagi industri di mana ia beroperasi.

Kumpulan menerima pakai peraturan keselamatan, kesihatan dan alam sekitar dengan mengamalkan pendekatan sistematik yang diperkukuhkan melalui dengan latihan dan pengawasan secara tetap untuk memastikan keselamatan dan kesejahteraan para pekerja kita.

Berikutan peningkatan permintaan terhadap tenaga dan penyusutan sumber semula jadi, kita juga mengenal pasti sumber alternatif seperti sumber gas asli dan beralih kepada teknologi baru yang mesra alam sekitar untuk operasi perniagaan kita.

## PROSPEK

Meskipun impak daripada krisis kewangan Amerika Syarikat dan kenaikan mendadak harga tenaga menyebabkan pertumbuhan perlahan dalam ekonomi dunia dan serantau, permintaan terhadap produk besi dijangka menunjukkan sedikit pertumbuhan. Menuju ke hadapan, operasi pengeluaran DRI merupakan permulaan baik bagi Kumpulan untuk mengekalkan prestasi keuntungannya.

Bagi bahagian hartanah dan komputer, tinjauan masa depan dijangka kekal mencabar untuk tahun akan datang. Langkah sewajarnya akan diambil dalam usaha untuk mencapai pertumbuhan pendapatan dan keuntungan yang memuaskan.

## LEMBAGA PENGARAH

Lembaga Pengarah ingin mengalu-alukan pelantikan Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat sebagai Pengarah Syarikat dalam tahun kewangan kajian.

Pada AGM yang akan datang, Encik Cheng Yong Kwang akan bersara dan tidak akan menawarkan diri untuk dipilih semula sebagai Pengarah. Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan atas sumbangan beliau sepanjang tempoh sebagai Pengarah Syarikat.

## PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada semua pelanggan yang kami hormati, pembiaya, rakan niaga, pihak berkuasa Kerajaan dan pemegang saham atas sokongan berterusan, kerjasama dan keyakinan terhadap Kumpulan.

Saya juga ingin merakamkan penghargaan ikhlas dan ucapan terima kasih kepada rakan Pengarah atas bimbingan serta sumbangan yang tidak ternilai sepanjang tahun, di samping merakamkan penghargaan saya terhadap semua peringkat kakitangan atas dedikasi, komitmen dan sumbangan mereka terhadap Kumpulan.

**TAN SRI WILLIAM H.J. CHENG**

Pengerusi

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad ("LDHB") for the financial year ended 30 June 2008.

### FINANCIAL PERFORMANCE

The Group had in the past been mainly involved in the regional retail business. Upon the successful implementation of the corporate exercises to spin-off its retail business to another listed company wherein the shareholders of the Company also became shareholders of this other listed company, the Group is now principally involved in the steel manufacturing business together with the remaining computer and property businesses.

As the divestment of the retail business was completed at the beginning of the financial year and the steel operation only started production in June 2008, a significantly lower revenue of RM1.6 billion was posted as against RM5.2 billion reported in the previous year. In tandem with the lower Group revenue, profit from operations was lower at RM195 million as compared to RM511 million last year.

### CORPORATE DEVELOPMENTS

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

- In September 2007, the Company completed the following:
  - (i) Disposals of its equity interests in Parkson China, Malaysia and Vietnam to East Crest International Limited, a wholly-owned subsidiary of Parkson Holdings Berhad ("Parkson") satisfied by the issuance of 3,799.73 million new ordinary shares of RM1.00 each in Parkson at the issue price of RM1.00 per share and RM500 million nominal value 3-year 3.5% redeemable convertible secured loan stocks; and
  - (ii) Acquisition by Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, of 42,318,772 ordinary shares of RM1.00 each, representing 56.64% of the issued and paid-up share capital of Parkson, from Lion Corporation Berhad ("LCB"), and Limpahjaya Sdn Bhd ("Limpahjaya"), a wholly-owned subsidiary of LCB for a cash consideration of RM35.12 million.
- In October 2007, the Company distributed approximately 99% of its equity interest in Parkson held by Excel Step to the shareholders of the Company on the basis of thirteen (13) ordinary shares in Parkson for every ten (10) ordinary shares held in the Company.
- In February 2008, the Company announced the proposed blast furnace iron-making facilities which consist of blast furnace, raw material yard, coke oven plant, pellet plant, sintering plant and auxiliary facilities in Banting, Selangor for a total estimated capital expenditure of approximately USD500 million.
- In May 2008, the Company announced the following:
  - (i) Proposed acquisition by the Group of RM900 million nominal value of zero-coupon redeemable secured Class B(b) RM denominated bonds issued by LCB with a present value as at 31 October 2008 of approximately RM787.1 million from Amsteel Corporation Berhad for a cash consideration of RM400 million;
  - (ii) Proposed subscription of 100 million redeemable cumulative convertible preference shares of RM0.01 each to be issued at a premium of RM0.99 each by Megasteel Sdn Bhd ("Megasteel") for a cash consideration of RM100 million;
  - (iii) Proposed acquisition by the Company of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing approximately 11.1% of the existing issued and paid-up capital of Megasteel from Limpahjaya for a cash consideration of RM100 million; and
  - (iv) Proposed disposal of a property development project known as Mahkota Cheras Project together with four (4) parcels of undeveloped land in the Mukim of Cheras, District of Hulu Langat, Selangor by LDH Management Sdn Bhd, a wholly-owned subsidiary of the Company, to Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of LCB, for a consideration of approximately RM89.95 million to be satisfied by the issuance of 89,948,000 new ordinary shares of RM1.00 each in LCB ("LCB Share") at an issue price of RM1.00 per LCB Share.

- In July 2008, the Company announced a proposed renounceable rights issue of up to RM591,895,302 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value on the basis of four (4) RM1.00 nominal value of ICULS for every five (5) existing ordinary shares of RM0.50 each held in LDHB.

Full details of the various other corporate proposals are contained in pages 38 to 40 of this Annual Report.

## REVIEW OF OPERATIONS

### Steel Division

Following the commissioning of the Group's new direct reduced iron ("DRI") plant in June 2008, a RM16 million operating profit was recorded despite being in operation for only less than one month. Still in its gestation period, our DRI operation will continue to double its efforts to increase production efficiencies in order to reduce production cost.

With the demand and prices for both raw materials and steel products anticipated to remain strong in the medium term, DRI (a substitute for scrap used in the steelmaking process) is expected to be the main contributor to the Group's profitability in the coming years.

The Group's other steel business, through its 23% associate, LCB, is under Megasteel, the only hot rolled coils producer in Malaysia. Megasteel is operating under a more challenging environment in the light of rising international scrap prices. However, the lower results from this flat steel business were offset by the better performance of its associate's long steel operations and resulted in a RM26 million profit shared by the LDHB Group.

### Computer Division

Our Computer Division is involved in the provision of integrated one-stop original equipment manufacturing ("OEM") services for the production of personal computer casings and enclosures, and the provision of manufacturing services especially as OEM for the assembly of computer peripherals and electronics components. It has also diversified its product range into other non-PC segments such as audio visual equipment, telecommunication, security-alarm and electrical switching products to reduce its dependence on the PC market. The production facilities are located in Melaka in Malaysia and Mexico, with a sales representative office in USA to provide customer support services.

Resulting from the unprecedented upsurge in raw material prices for steel and plastic resins, coupled with the weakening of the US Dollar against the Ringgit (which has resulted in sales denominated in USD being converted to lower revenue in RM), lower results were registered for the year under review. The Division will continue its marketing efforts to strengthen its position and achieve wider market coverage in order to ensure overall margins are sustained.

### Property Division

Located off 9th mile Jalan Cheras and adjoining the Sungai Long Golf Club, our self-contained integrated township development known as **Mahkota Cheras Project** has under-performed in view of the long drawn-out access road issue which was amicably resolved subsequently. As mentioned above, this project will form part of the corporate proposals to further consolidate the Group's investment in the downstream steel business.

**Twins**, a 35% joint venture of the Group, is located in the prestigious residential enclave of Damansara Heights, Kuala Lumpur. This exclusive high-end condominium development which comprises two (2) iconic tower blocks with about 300 residential units has received overwhelming response from buyers during sales launches carried out during the year.

### Discontinued Operations - Retail Division

Pursuant to the corporate exercises mentioned earlier, the Group had successfully spun-off its retail business to another listed company during the financial year. The proposals were completed in September 2007 and the retail contributions for the year under review represented 3-month performance prior to the completion.

## DIVIDEND

The Board is pleased to recommend a first and final dividend of 1.0 sen per share (2%), tax exempt, for the approval of shareholders at the forthcoming Annual General Meeting ("AGM"). Net dividend payable will amount to RM7.4 million.

## CORPORATE SOCIAL RESPONSIBILITY

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and incorporating a CSR framework into our business plan to enhance stakeholder confidence, accountability and transparency. 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 giving back to society while contributing to the bottom-line and shareholders' value. The Group is focused on improving the community through education and medical care via the two Foundations established by the Lion Group of Companies of which the Group is a member.

The Lion-Parkson Foundation (formerly known as Lion-ASM Foundation) disburses funds for various needs such as education, charity and scientific research; and every year, gives out scholarships and education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment including surgery, purchase of equipment or medication.

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

## **Environment**

While emphasising on technology and industry development, the Group seeks to uphold environmental concerns. 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.

In the face of growing demand for energy and depleting natural resources, we are also identifying alternative sources of energy such as natural gas, and opting for new technologies that are environmentally friendly, for our business operations.

## **PROSPECTS**

Notwithstanding the impact of the financial crisis afflicting the USA and the upsurge in energy prices which have led to a slowdown in growth in the global and regional economies, demand for steel products is nevertheless expected to show a slight growth. Moving forward, the commencement of production of DRI augurs well for the Group to continue to maintain its profitable position.

As for the property and computer divisions, the outlook is expected to remain challenging in the coming year. Appropriate steps will be taken in order to achieve satisfactory revenue and profit growth.

## **BOARD OF DIRECTORS**

The Board would like to extend its warm welcome to Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat on his appointment as a Director of the Company during the financial year.

At the forthcoming AGM, Mr Cheng Yong Kwang will retire and will not seek re-election as Director. On behalf of the Board, I would like to express my sincere appreciation for his invaluable contributions during his tenure as Director of the Company.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to extend my heartfelt thanks to all our valued customers, financiers, business associates, Government authorities and shareholders for their continued support, co-operation and confidence in the Group.

I would also like to convey my sincere appreciation and gratitude to my fellow Directors for their invaluable guidance and contributions throughout the year as well as to record my appreciation to our employees at all levels for their dedication, commitment and contributions to the Group.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

## 主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司截至2008年6月30日止的会计年度之常年报告及经审核财务报告。

### 财务表现

本集团过去主要专注于区域零售业务。在成功完成脱售零售业给另一家上市公司的企业措施后，本公司的股东也成为另一家上市公司的股东。本集团目前主要专注钢铁制造以及其他剩余的电脑和产业业务。

由于本集团是在本会计年度初完成脱售零售业务，而钢铁制造业务则在2008年6月才开始投产，造成营业额显著减少，从去年的52亿令吉减至今年的16亿令吉。由于营业额减少，营业利润也从去年的5亿1千100万令吉减至1亿9千500万令吉。

### 企业发展

在本会计年度内及会计年度后，本集团采取下述重大的企业措施：

- 在2007年9月，本公司完成以下事项：
  - (i) 脱售在中国、马来西亚和越南所拥有的百盛股权给百盛控股有限公司（“百盛”）旗下的独资子公司East Crest International Limited，支付方式是百盛发行37亿9千973万股、每股1.00令吉，发行价每股1.00令吉的普通股及面值5亿令吉、为期3年、年利率3.5%的可赎回、可转换、有担保的债券；及
  - (ii) 本公司的独资子公司Excel Step Investment Limited（“Excel Step”），以现金3千512万令吉向金狮机构有限公司（“金狮机构”）和金狮机构的独资子公司Limpahjaya Sdn Bhd（“Limpahjaya”）收购它们所持有每股1.00令吉共4千231万8千772股的百盛普通股，相等于百盛56.64%的发行资本及缴足资本；
- 在2007年10月，本公司以持有本公司每10股普通股配13股百盛普通股的比例，将Excel Step所持有约99%的百盛股权分派给本公司的股东。
- 在2008年2月，本公司宣布建议在雪兰莪州的万津兴建综合高炉制铁设备，含有综合高炉、原料处理场、焦炉、铁矿球厂、烧结厂及辅助设备，预测总耗资将近5亿美元。

- 在2008年5月，本公司宣布下列事项：
  - (i) 本集团建议以现金4亿令吉向合钢实业有限公司收购由金狮机构发行的9亿令吉面值零利率、可赎回、有担保B(b)级截至2008年10月31日的现有价约7亿8千710万令吉并以令吉计价的债券；
  - (ii) 建议以现金1亿令吉，向美佳钢铁私人有限公司（“美佳钢铁”）认购1亿股、每股面值0.01令吉，每股溢价0.99令吉发行的可赎回、可转换累积优先股；
  - (iii) 本公司建议以现金1亿令吉，向Limpahjaya收购美佳钢铁的6千666万6千667股每股面值1.00令吉的普通股，相等于美佳钢铁约11.1%现有的发行及缴足资本；及
  - (iv) 本公司建议由独资子公司LDH Management Sdn Bhd以约8千995万令吉，脱售一项名为蕉赖皇冠城的产业发展计划，连同位于雪州乌鲁冷岳县蕉赖区的4块未发展土地给金狮机构的独资子公司Pancar Tulin Sdn Bhd，支付方式是通过发行面值8千994万8千股、每股1.00令吉、发行价每股1.00令吉的金狮机构新普通股。
- 在2008年7月，本公司宣布建议以100%面值发行可高达面值5亿9千189万5千302令吉的可分拆附加股，为期5年、年利率4%不可赎回、可转换、无担保债券（“ICULS”）。每持有金狮多元控股有限公司每5股每股面值0.50令吉现有的普通股，可认购4单位每单位面值1.00令吉的ICULS。

其他各项企业建议的详情，已列在本常年报告中的第38页至第40页。

### 业务检讨

#### 钢铁组

本集团全新的直接还原铁(direct reduced iron)工厂在2008年6月开始投入生产，尽管营业只少过一个月，却已取得1千600万令吉的营业利润。仍处于构思期的直接还原铁制造运作将继续加倍努力提高生产效益，以减低生产成本。

鉴于在中期内，原料和钢铁产品的需求和价格预测将保持强劲，因此直接还原铁(制钢过程使用废铁的替代品)预计可在未来数年内，成为本集团盈利的主要贡献来源。



本集团其他的钢铁业务是通过其23%联号公司金狮机构旗下的美佳钢铁负责，而且也是马来西亚唯一的热轧钢板制造商。由于国际市场的废铁价格走高，美佳钢铁必须在更具挑战性的环境中运作。然而，钢板业务较低的业绩表现，被其联号公司经营的长钢业务所获较佳业绩所抵销，为金狮多元控股集团带来2千600万令吉的盈利分享。

## 电脑组

我们的电脑组专注于提供综合性一站式原件加工的服务，生产个人电脑外壳及附件，尤其是提供装配电脑周边产品与电子部件的原件制造服务，它也将产品多元化，从事其他非个人电脑的领域，如视觉音响配备、电讯、警铃和电子开关产品，以减少对个人电脑市场的依赖。其生产设施设置在马来西亚的马六甲以及墨西哥，并在美国设有销售代表办事处，以提供客户支援服务。

由于钢铁与树脂的原料价格面对前所未见的上涨，加上美元对令吉的兑换率疲弱(造成以美元为计算单位的销售额在转换成令吉时变得较低)，导致电脑业务在检讨年度内取得较低的业绩表现。电脑组将继续加强行销策略，以提升市场地位并达到更广的市场覆盖范围，以确保总利润得以维持。

## 产业组

名为**皇冠城**，我们综合性完备发展的新镇，位于蕉赖路九英里并与双溪隆高尔夫球俱乐部邻接，因受到漫长的通道课题困扰而表现欠佳，惟这项课题随后获得良好解决。正如上述，这项发展计划将成为集团企业建议的一部分，以进一步巩固本集团在钢铁下游业务的投资。

**Twins**，是本集团拥有35%股权的联营计划，坐落在吉隆坡白沙罗高原享有盛名的住宅区。这项独特的高级公寓发展计划拥有两座塔楼，约有300个住宅单位，在这年度内推介后深受市场欢迎，获得买家的热烈反应。

## 终止的业务 — 零售业

根据较早前提及的企业计划，本集团已成功在会计年度内，脱售旗下零售业给另一家上市公司。这项企业措施在2007年9月完成，因此检讨年度内零售业的贡献，只代表计划完成前3个月的表现。

## 股息

董事部欣然建议派发一次过每股1.0仙免税(2巴仙)的终期股息，此项建议必须获得将召开的常年股东大会批准。应付净股息将是740万令吉。

## 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不可或缺的一部分，以加强利益相关者的信心，责任感和透明度。在这方面，企业社会责任是良好营商手法不可或缺的一部分，目的是要改善社会服务和环境发展。

## 社会

本公司在展开商业活动时，深切了解到作为企业公民的责任，在对股东在企业的价值贡献的同时，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。

Lion-Parkson基金(前称Lion-ASM基金)拨款作各种用途，诸如教育、慈善及科学研究；每年提供奖学金和贷学金给在本地大学深造的在籍大学本科生。金狮集团医药援助基金则为迫切需要援助包括手术，购置器材或药物医疗的马来西亚公民提供经济援助。

本集团也通过捐助筹款和捐款运动，以及为本地和其他地区的灾黎施予援手，来支持社会。

## 环境

在强调工艺和工业发展的同时，本集团亦寻求维护环境事务。所有的运作都遵照环境条例及工业运作的相关工业条例。

本集团为了遵守安全、卫生和环境条例，采取了有条理的措施，并通过不断的训练和监督来加强，以确保雇员们的安全和福利。

在面对能源需求的增加和枯竭的自然资源，我们也致力于用天然气代替能源资源以及选择环保的新技术，作为我们的商业运作的一部分。

## 展望

虽然美国面对金融危机的冲击、能源价格上涨，造成世界和区域经济体成长放缓，但钢铁产品的需求预料依然呈现微小的成长趋势。展望未来，直接还原铁投入预定的生产后，本集团将继续保持盈利地位。

产业和电脑业务预料继续在来年面对更大挑战，而本集团也将采取适当步骤，以达到令人满意的营业额和盈利成长。

## 董事部

董事部热烈欢迎Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat在本会计年内委任为本公司董事。

在行将召开的股东常年大会上，董事钟荣光先生将退休，不寻求重新被选为董事。我谨代表董事部，真诚感谢他担任公司董事期间的宝贵贡献。

我也要感谢董事部成员，感谢他们在全年期间所给予的珍贵指导和贡献，同时也感谢全体职员对集团尽忠职守和为工作献身的精神。

## 鸣谢

我谨代表董事部，衷心感谢我们所有珍贵的顾客、银行机构、商业伙伴、各政府机构及股东们对本集团的持续支持、合作及对本集团有信心。

主席  
丹斯里钟廷森

## FINANCIAL STATEMENTS

# 2008

For The Financial Year Ended 30 June 2008

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

### PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year other than the divestment of the retail business and the subsequent distribution of Parkson Holdings Berhad shares to the shareholders of the Company as disclosed in Note 15(c) to the financial statements.

### RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year:		
- from continuing operations	(19,908)	7,221,965
- from discontinued operations	109,497	–
	<u>89,589</u>	<u>7,221,965</u>
Attributable to:		
Equity holders of the Company	52,755	7,221,965
Minority interests	36,834	–
	<u>89,589</u>	<u>7,221,965</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from proposed disposal of a property development project resulting in a loss of RM37 million to the Group as disclosed in Note 26 to the financial statements.

### DIVIDENDS

The amount of dividends paid by the Company since 30 June 2007 were as follows:

	RM'Million
In respect of the financial year ended 30 June 2007 as reported in the Directors' Report of that year, a first and final dividend of 5% (2.5 sen per share), tax exempt was paid on 21 December 2007	<u>18.4</u>

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2008, of 2% (1.0 sen per share), tax exempt amounting to a dividend payable of RM7.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2009.

## DIRECTORS

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

Tan Sri William H.J. Cheng	
Datuk Cheng Yong Kim	
Tan Sri Dato' Seri Aseh bin Che Mat	(Appointed on 1.12.2007)
Dato' Ismail @ Mansor bin Said	
Heah Sieu Lay	
Cheng Yong Kwang	
George Leong Chee Fook	
Dato Murad Mohamed Hashim	(Retired on 30.11.2007)

In accordance with Article 98 of the Company's Articles of Association, Mr George Leong Chee Fook retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr Cheng Yong Kwang who is due to retire in accordance with Article 98 of the Company's Articles of Association at the forthcoming Annual General Meeting will not seek re-election at the forthcoming Annual General Meeting.

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat who was appointed during the financial year retires and, being eligible, offers himself for re-election.

## DIRECTORS' BENEFITS

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

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

## DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2007	Acquired	Disposed	30.6.2008
<b>Direct Interest</b>				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Datuk Cheng Yong Kim	7,596,837	244,500	–	7,841,337
Cheng Yong Kwang	2,272,173	–	–	2,272,173
Heah Sieu Lay	500,000	–	(500,000)	–
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	321,094,788	219,000	(11,768,100)	309,545,688
Datuk Cheng Yong Kim	279,644,035	–	(11,768,100)	267,875,935

**DIRECTORS' INTERESTS (Continued)**

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

**Indirect Interest**
**Tan Sri William H.J. Cheng**
**Datuk Cheng Yong Kim**

	Nominal Value Per Ordinary Share	1.7.2007	Number of Shares		30.6.2008
			Acquired	Disposed	
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	—	—	8,000,000
Hamba Research & Development Co Ltd (In liquidation - voluntary)	NT\$10.00	980,000	—	—	980,000
LDH Investment Pte Ltd	*	4,500,000	—	—	4,500,000
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	—	—	1,000,000

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

	Number of Preference Shares of RM0.01 Each			
	1.7.2007	Acquired	Disposed	30.6.2008
Lion Mahkota Parade Sdn Bhd	400,000	—	—	400,000

	Number of Ordinary Shares of HK\$0.10 Each			
	1.7.2007	Acquired	Disposed	17.10.2007 <sup>(1)</sup>
Parkson Retail Group Limited	306,360,000	—	—	306,360,000

	Number of Ordinary Shares of RM1.00 Each			
	14.9.2007 <sup>(2)</sup>	Acquired	Disposed	19.9.2007 <sup>(3)</sup>
Bright Steel Service Centre Sdn Bhd	11,420,000	—	—	11,420,000
Bright Enterprise (Sdn) Berhad	816,000	—	—	816,000
B.A.P. Industries Sdn Bhd	4,650,000	—	—	4,650,000

**DIRECTORS' INTERESTS (Continued)**
**Indirect Interest (Continued)**

**Tan Sri William H.J. Cheng**  
**Datuk Cheng Yong Kim**

**Investments in the People's Republic of China**

	Currency	1.7.2007	Acquired	Disposed	17.10.2007 <sup>(1)</sup>
Chongqing Wanyou Parkson Plaza Co Ltd	Rmb	21,000,000	–	–	21,000,000
Dalian Tianhe Parkson Shopping Centre Co Ltd	Rmb	60,000,000	–	–	60,000,000
Guizhou Shenqi Parkson Retail Development Co Ltd	Rmb	6,000,000	–	–	6,000,000
Mianyang Fulin Parkson Plaza Co Ltd	Rmb	30,000,000	–	–	30,000,000
Nanning Brilliant Parkson Commercial Co Ltd	Rmb	14,000,000	–	–	14,000,000
Qingdao No. 1 Parkson Co Ltd	Rmb	124,501,580	–	–	124,501,580
Wuxi Sanyang Parkson Plaza Co Ltd	Rmb	48,000,000	–	–	48,000,000
Xi'an Chang'an Parkson Store Co Ltd	Rmb	5,100,000	–	–	5,100,000
Xi'an Lucky King Parkson Plaza Co Ltd	Rmb	29,580,000	–	–	29,580,000
Xi'an Shidai Parkson Store Co Ltd	Rmb	7,650,000	–	–	7,650,000
Xinjiang Youhao Parkson Development Co Ltd	Rmb	10,200,000	–	–	10,200,000
Yangzhou Parkson Plaza Co Ltd	Rmb	35,553,700	–	–	35,553,700

**Number of Ordinary Shares of RM1.00 Each**

	1.7.2007	Acquired	Disposed	30.6.2008
Likom CMS Sdn Bhd				
Tan Sri William H.J. Cheng	10,000	–	–	10,000
Datuk Cheng Yong Kim	9,998	–	–	9,998

**Number of Ordinary Shares of RM1.00 Each**

	14.9.2007 <sup>(2)</sup>	Acquired	Disposed	17.10.2007 <sup>(1)</sup>
Parkson Holdings Berhad				
<b>Direct Interest</b>				
Tan Sri William H.J. Cheng	–	157,763,589	–	157,763,589
Datuk Cheng Yong Kim	–	9,875,888	–	9,875,888
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	10,579,693 <sup>(4)</sup>	1,367,655,420 <sup>(4)</sup>	(958,390,096)	419,845,017
Datuk Cheng Yong Kim	10,579,693 <sup>(4)</sup>	1,313,469,743 <sup>(4)</sup>	(958,390,096)	365,659,340

## DIRECTORS' INTERESTS (Continued)

In addition to the above, the following Directors are also deemed to have an interest in shares in Parkson Holdings Berhad ("Parkson") by virtue of the 3-year 3.5% redeemable convertible secured loan stocks ("RCSLS") of nominal value RM1.00 each convertible into new ordinary shares of RM1.00 each in Parkson at a conversion price of RM4.00 nominal amount of the RCSLS for every one (1) new ordinary share of RM1.00 in Parkson as follows:

	Number of RM1.00 Nominal Value of RCSLS			
	19.9.2007 <sup>(5)</sup>	Acquired	Converted	17.10.2007 <sup>(1)</sup>
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	500,000,000	—	—	500,000,000
Datuk Cheng Yong Kim	500,000,000	—	—	500,000,000

Notes:

- (1) Ceased to be related corporations on 17 October 2007.
- (2) Became related corporations on 14 September 2007.
- (3) Ceased to be related corporations on 19 September 2007.
- (4) Capital reduction of RM0.75 for every ordinary share of RM1.00 in Parkson on 25 September 2007 and thereafter a share consolidation on the basis of every four (4) ordinary shares of RM0.25 each into one (1) ordinary share of RM1.00 each in Parkson on 9 October 2007.
- (5) RCSLS allotted on 19 September 2007.

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

## ISSUE OF SHARES

During the financial year, the Company:

- (a) increased its authorised share capital from RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each to RM4,500,000,000 divided into 9,000,000,000 ordinary shares of RM0.50 each by the creation of 8,000,000,000 new ordinary shares of RM0.50 each; and
- (b) implemented a capital reduction in accordance with Section 64 of the Companies Act, 1965 to cancel the 7,652,755,824 new ordinary shares of RM0.50 each issued pursuant to the bonus issue undertaken by the Company. After the capital reduction, the issued and paid-up share capital of the Company remained at RM368,611,613.50.



## EXECUTIVE SHARE OPTION SCHEME (“ESOS”)

The ESOS of the Company became effective on 1 September 2005 and the main features of the ESOS are as follows:

- (a) Executive directors and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.
- (b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS subject to the following being complied with:
  - (i) not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive directors and senior management; and
  - (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), 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 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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.

During the financial year, the Company granted 2,645,900 options to eligible executive employees and executive directors of the Group at a subscription price of RM1.23 per share.

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

Granted on	Subscription price per share	1 July 2007	Number of Option			30 June 2008
			Granted	Exercised	Lapsed	
29 May 2008	RM1.23	–	2,645,900	–	–	2,645,900

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

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 85,000 options. The eligible employees who were granted 85,000 options or more during the financial year are as follows:

Name of employees	Number of options granted at the subscription price of RM1.23 per share on 29 May 2008
1. Tan Cheng Yong	87,500
2. Chai Voon Choy	87,500
3. Cheng Toek Waa	87,500

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made, except as disclosed under Subsequent Events.

## SIGNIFICANT EVENTS

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

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

- (i) 100% of the equity interest in PRG Corporation Limited which owns 55.5% equity interest in Parkson Retail Group Limited for a consideration of RM4,025.94 million;
- (ii) 100% of the equity interest in Parkson Corporation Sdn Bhd for a consideration of RM180.21 million;
- (iii) 100% each of the equity interest in Parkson Venture Pte Ltd and Serbadagang Holdings Sdn Bhd for a total consideration of RM93.58 million; and
- (iv) 100% of the equity interest in Sea Coral Limited for a consideration of RM1.00,

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

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

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

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

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

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

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

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

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

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

The entitlement date for the Capital Distribution was 11 October 2007 and the Capital Distribution has been completed on 17 October 2007.

## SIGNIFICANT EVENTS (Continued)

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

- (i) a conditional Subscription Agreement with Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of LCB, for the subscription of 200,000,000 5-year redeemable cumulative convertible preference shares of RM0.01 each to be issued at a premium of RM0.99 each by Megasteel for cash of RM200,000,000 ("Proposed Subscription of RCCPS"); and
- (ii) a conditional Share Sale Agreement with Khazanah Nasional Berhad ("Khazanah") for the acquisition of 60,000,000 ordinary shares of RM1.00 each in Megasteel representing 10% of the existing issued and paid-up share capital of Megasteel from Khazanah for a cash consideration of RM138,000,000 ("Proposed Megasteel Acquisition").

The Proposed Subscription of RCCPS was varied to the Proposed 100 million RCCPS Subscription as set out in item (f)(ii) below whilst the Proposed Megasteel Acquisition is pending completion. As at 30 June 2008, a total of RM69 million was paid to Khazanah and the balance consideration of RM69 million is classified as payable in the financial statements of the Company.

- (c) On 31 October 2007, the Company announced the issuance by Excel Step of USD132,110,000 nominal value 5-year 2.5% secured guaranteed exchangeable bonds which are exchangeable into approximately 40 million new ordinary shares of Parkson ("Parkson Share(s)") to be issued by way of conversion of RM160 million redeemable convertible secured loan stocks of Parkson held by Excel Step, at an initial exchange price of RM11.0361 per Parkson Share ("Proposed Exchangeable Bonds Issue").

The Proposed Exchangeable Bonds Issue has been completed on 16 November 2007.

- (d) On 4 February 2008, the Company announced the proposed setting-up of a blast furnace iron-making facility which consist of blast furnace, raw material yard, coke oven plant, pellet plant, sintering plant and auxiliary facilities in Banting, Selangor.
- (e) On 31 March 2008, the Company announced the proposed acquisitions of four (4) pieces of land measuring a total of 200,610 squares metres by Changshu Lion Enterprise Co Ltd ("Changshu Lion"), a wholly-owned subsidiary of Well Morning Limited which in turn is a wholly-owned subsidiary of the Company, located at Changshu City, Jiangsu Province, the People's Republic of China ("Changshu Lands") for a total cash consideration of approximately Rmb330 million (equivalent to approximately RM151.68 million) ("Proposed Acquisition of Changshu Lands").

In relation thereto, Changshu Lion had entered into the respective conditional sale and purchase agreements with the Land Department of Changshu City, Jiangsu Province on 4 January 2008 and 28 March 2008 pursuant to the Proposed Acquisition of Changshu Lands.

(f) On 21 May 2008, the Company announced the following:

- (i) proposed acquisition by the Company and Teraju Varia Sdn Bhd, a wholly-owned subsidiary of Excel Step, of RM900 million nominal value of zero-coupon redeemable secured Class B(b) RM denominated bonds issued by LCB with a present value as at 31 October 2008 of approximately RM787.1 million from Amsteel Corporation Berhad for a cash consideration of RM400 million;
- (ii) proposed subscription of 100 million redeemable cumulative convertible preference shares of RM0.01 each to be issued at a premium of RM0.99 each by Megasteel for cash of RM100 million ("Proposed 100 million RCCPS Subscription");
- (iii) proposed acquisition by the Company of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing approximately 11.1% of the existing issued and paid-up capital of Megasteel from Limpahjaya Sdn Bhd for a cash consideration of RM100 million; and
- (iv) proposed disposal by LDH Management Sdn Bhd, a wholly-owned subsidiary of the Company, of part of an on-going property development project known as Bandar Mahkota Cheras together with four (4) parcels of undeveloped land in the Mukim of Cheras, District of Hulu Langat, Selangor to Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of LCB Harta (L) Limited which in turn is a wholly-owned subsidiary of LCB, for a disposal consideration of approximately RM89.95 million to be satisfied by the issuance of 89,948,000 new ordinary shares of RM1.00 each in LCB ("LCB Shares") at an issue price of RM1.00 per LCB Share.

As at 30 June 2008, the aforesaid proposals have not been completed.

## **SUBSEQUENT EVENTS**

On 30 July 2008, the Company announced the following:

- (a) a proposed renounceable rights issue of up to RM591,895,302 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value on the basis of four (4) RM1.00 nominal value of ICULS for every five (5) existing ordinary shares of RM0.50 each held in the Company ("Proposed Rights Issue of ICULS"); and
- (b) the advances of RM95 million extended by Tan Sri William H.J. Cheng to the Company for the payment of the setting-up of the blast furnace iron-making facility and/or working capital requirements, repayment of bank borrowings and related investments of the Company and its subsidiaries prior to the completion of the Proposed Rights Issue of ICULS ("Advances by TSWC").

The Proposed Rights Issue of ICULS has not been completed whilst the Advances by TSWC was completed on 18 August 2008.

## **AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 September 2008.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

**DATUK CHENG YONG KIM**  
Managing Director

Kuala Lumpur, Malaysia

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **DATUK CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 43 to 131 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 September 2008.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

**DATUK CHENG YONG KIM**  
Managing Director

Kuala Lumpur, Malaysia

## STATUTORY DECLARATION

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

I, **DATUK CHENG YONG KIM**, being the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 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.

Subscribed and solemnly declared by the  
abovenamed **DATUK CHENG YONG KIM**  
at Kuala Lumpur in the Federal Territory  
on 25 September 2008

**DATUK CHENG YONG KIM**

Before me,

**W259**  
**AHMAD B. LAYA**  
Commissioner for Oaths  
Kuala Lumpur

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Lion Diversified Holdings Berhad, which comprise the balance sheets as at 30 June 2008 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 43 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. 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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 the 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 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 at 30 June 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

### **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 subsidiaries 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 all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

### **OTHER MATTERS**

This report is made solely to the members of the Company, 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 content of this report.

**ERNST & YOUNG**  
**AF: 0039**  
**Chartered Accountants**

Kuala Lumpur, Malaysia  
25 September 2008

**Lee Seng Huat**  
**No. 2518/12/09(J)**  
**Chartered Accountant**





## INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group						Company	
		2008			2007			2008	2007
		Continuing operations RM'000	Discontinued operations RM'000 (Note 15(c))	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000 (Note 15(c))	Total RM'000	RM'000	RM'000
Revenue	3	327,217	1,289,619	1,616,836	389,130	4,782,552	5,171,682	74,317	709,469
Other income	4	65,808	104,762	170,570	24,675	340,625	365,300	2,454	12,863
Changes in inventories		(13,550)	(8,193)	(21,743)	1,546	15,331	16,877	-	-
Raw materials and consumables used		(172,523)	-	(172,523)	(214,335)	-	(214,335)	-	-
Purchase of trading merchandise		-	(1,007,065)	(1,007,065)	-	(3,773,276)	(3,773,276)	-	-
Property development expenditure		(28,617)	-	(28,617)	(60,040)	-	(60,040)	-	-
Employee benefits expense	5	(36,867)	(46,421)	(83,288)	(43,304)	(180,345)	(223,649)	(2,280)	(1,363)
Depreciation and amortisation		(8,598)	(20,937)	(29,535)	(6,594)	(72,959)	(79,553)	(242)	(138)
Promotional and advertising expenses		(6,466)	(44,584)	(51,050)	(10,079)	(169,628)	(179,707)	-	-
Rental expenses		(4,289)	(75,341)	(79,630)	(6,679)	(282,761)	(289,440)	-	-
Other expenses		(70,881)	(48,349)	(119,230)	(41,653)	(181,648)	(223,301)	(94,163)	(42,417)
Profit/(Loss) from operations	6	51,234	143,491	194,725	32,667	477,891	510,558	(19,914)	678,414
Finance costs	7	(30,700)	(41,011)	(71,711)	(5,343)	(95,301)	(100,644)	(7,966)	(1,921)
Impairment loss of intangible assets		-	-	-	-	(2,547)	(2,547)	-	-
Property development project and property held for sale:									
- impairment loss	14(a)	(16,193)	-	(16,193)	-	-	-	-	-
- write down of inventories		(6,726)	-	(6,726)	-	-	-	-	-
- provision for loss	26	(37,189)	-	(37,189)	-	-	-	-	-
Impairment loss and compensation due to cessation of operation of a subsidiary	15	-	-	-	-	(46,406)	(46,406)	(1,898)	-
Gain on disposal of subsidiaries	15	-	27,344	27,344	-	499,261	499,261	7,255,064	-
Share of results of associates		26,478	-	26,478	(11,138)	151	(10,987)	-	-
Share of results of jointly controlled entities		(806)	2,012	1,206	(1,269)	9,021	7,752	-	-
(Loss)/Profit before taxation		(13,902)	131,836	117,934	14,917	842,070	856,987	7,225,286	676,493
Income tax expense	8	(6,006)	(22,339)	(28,345)	(7,838)	(111,109)	(118,947)	(3,321)	(1,192)
(Loss)/Profit for the year		(19,908)	109,497	89,589	7,079	730,961	738,040	7,221,965	675,301
Attributable to:									
Equity holders of the Company		(19,908)	72,663	52,755	7,079	597,539	604,618	7,221,965	675,301
Minority interests		-	36,834	36,834	-	133,422	133,422	-	-
		(19,908)	109,497	89,589	7,079	730,961	738,040	7,221,965	675,301
(Loss)/Earnings per share (sen):									
Basic	9(a)	(2.7)	9.9	7.2	1.0	85.2	86.2		
Diluted	9(b)	(2.7)	9.9	7.2	1.1	81.1	82.2		
Gross dividends per ordinary share in respect of the year (sen)	10			1.0			2.5	1.0	2.5

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

## BALANCE SHEETS

AS AT 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	1,180,331	1,117,028	1,103	368,235
Investment properties	12	33,971	112,899	–	–
Prepaid land lease payments	13	3,226	218,895	–	–
Land held for property development	14	95,428	106,721	–	–
Investments in subsidiaries	15	–	–	370,503	685,007
Investments in associates	16	182,163	154,677	–	–
Investments in jointly controlled entities	17	7,988	41,059	–	–
Other investments	18	743,176	768,694	321,440	78,075
Other assets	19	–	99,858	–	–
Intangible assets	20	33,476	938,855	–	–
Deferred tax assets	21	1,155	34,831	–	–
		<b>2,280,914</b>	<b>3,593,517</b>	<b>693,046</b>	<b>1,131,317</b>
<b>Current assets</b>					
Property development costs	14	–	28,008	–	–
Inventories	22	232,045	274,843	–	–
Other investments	18	1,064	18,657	1,064	18,136
Trade receivables	23	390,977	246,959	–	–
Other receivables	24	103,001	358,206	1,349,688	798,164
Tax recoverable		12,028	12,163	2,983	5,087
Deposits, cash and bank balances	25	207,313	1,774,573	80,873	195,707
		<b>946,428</b>	<b>2,713,409</b>	<b>1,434,608</b>	<b>1,017,094</b>
Assets classified as held for sale	26	165,222	2,249	–	–
		<b>1,111,650</b>	<b>2,715,658</b>	<b>1,434,608</b>	<b>1,017,094</b>
<b>TOTAL ASSETS</b>		<b>3,392,564</b>	<b>6,309,175</b>	<b>2,127,654</b>	<b>2,148,411</b>

## BALANCE SHEETS

AS AT 30 JUNE 2008 (Continued)

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	35	368,612	368,612	368,612	368,612
Share premium		330,967	330,967	330,967	330,967
Other reserves	36	1,693	74,117	1,231	–
Retained profits	38	1,282,621	1,803,554	660,676	695,779
		<b>1,983,893</b>	2,577,250	<b>1,361,486</b>	1,395,358
<b>Minority interests</b>		<b>293</b>	558,140	–	–
<b>Total equity</b>		<b>1,984,186</b>	3,135,390	<b>1,361,486</b>	1,395,358
<b>Non-current liabilities</b>					
Borrowings	27	567,987	665,162	458	165
Long term payables	31	34,500	42,211	34,500	–
Notes	32	–	1,098,589	–	–
Deferred tax liabilities	21	1,668	93,526	–	–
Non-current liabilities		<b>604,155</b>	1,899,488	<b>34,958</b>	165
<b>Current liabilities</b>					
Trade payables	33	74,685	636,445	–	–
Other payables	34	355,035	493,679	560,967	752,771
Borrowings	27	295,972	108,231	170,243	117
Tax payable		3,257	35,942	–	–
		<b>728,949</b>	1,274,297	<b>731,210</b>	752,888
Liabilities associated with assets classified as held for sale	26	75,274	–	–	–
		<b>804,223</b>	1,274,297	<b>731,210</b>	752,888
<b>Total liabilities</b>		<b>1,408,378</b>	3,173,785	<b>766,168</b>	753,053
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,392,564</b>	6,309,175	<b>2,127,654</b>	2,148,411
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>					
		<b>2.69</b>	3.50		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

← Attributable to Equity Holders of the Company →							
← Non-Distributable →							
Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 36)	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2006	339,788	305,114	19,573	1,241,764	1,906,239	363,034	2,269,273
Translation difference:							
On net equity of foreign subsidiaries	—	—	(9,719)	—	(9,719)	—	(9,719)
Conversion of ICULS <sup>a</sup>	*	*	*	—	—	—	—
Conversion of RCULS <sup>b</sup>	28,824	25,853	(10,163)	—	44,514	—	44,514
Appropriation of profit to capital reserves	—	—	8,202	(8,202)	—	—	—
Post acquisition reserve of jointly controlled entity	—	—	56,544	—	56,544	45,152	101,696
Effect of change in deferred tax rate	—	—	6,829	—	6,829	5,491	12,320
Net profit for the year, representing total recognised income and expense for the year	—	—	—	604,618	604,618	133,422	738,040
Equity-settled share option arrangements	—	—	3,191	—	3,191	2,565	5,756
Employee share options exercised	—	—	(340)	—	(340)	(273)	(613)
Dilution of retail operation	—	—	—	—	—	77,781	77,781
Dividends/Dividends to minority interests 10	—	—	—	(34,626)	(34,626)	(69,032)	(103,658)
At 30 June 2007	<b>368,612</b>	<b>330,967</b>	<b>74,117</b>	<b>1,803,554</b>	<b>2,577,250</b>	<b>558,140</b>	<b>3,135,390</b>
Translation difference:							
On net equity of foreign subsidiaries	—	—	1,506	—	1,506	—	1,506
Capital Distribution:							
- Bonus issue	<b>3,826,378</b>	—	—	(3,826,378)	—	—	—
- Effect arising from reorganisation 15(c)	—	—	(75,161)	6,683,380	6,608,219	—	6,608,219
- Capital Distribution 15(c)	<b>(3,826,378)</b>	—	—	(3,412,259)	(7,238,637)	(628,961)	(7,867,598)
	—	—	(75,161)	(555,257)	(630,418)	(628,961)	(1,259,379)
Net profit for the year, representing total recognised income and expense for the year	—	—	—	52,755	52,755	36,834	89,589
Equity-settled share option arrangements	—	—	1,231	—	1,231	—	1,231
Acquisition and dilution of retail operation	—	—	—	—	—	47,289	47,289
Dividends 10	—	—	—	(18,431)	(18,431)	(13,009)	(31,440)
At 30 June 2008	<b>368,612</b>	<b>330,967</b>	<b>1,693</b>	<b>1,282,621</b>	<b>1,983,893</b>	<b>293</b>	<b>1,984,186</b>

<sup>a</sup> ICULS - Irredeemable convertible unsecured loan stocks.

<sup>b</sup> RCULS - Redeemable convertible unsecured loan stocks.

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

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

		◀ Non-Distributable ▶				
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 36)	Retained Profits RM'000	Total RM'000
At 1 July 2006		339,788	305,114	10,163	55,104	710,169
Conversion of ICULS <sup>a</sup>		*	*	*	–	–
Conversion of RCULS <sup>b</sup>		28,824	25,853	(10,163)	–	44,514
Net profit for the year, representing total recognised income and expense for the year		–	–	–	675,301	675,301
Dividends	10	–	–	–	(34,626)	(34,626)
At 30 June 2007		<b>368,612</b>	<b>330,967</b>	<b>–</b>	<b>695,779</b>	<b>1,395,358</b>
Bonus issue		<b>3,826,378</b>	–	–	<b>(3,826,378)</b>	–
Capital Distribution	15(c)	<b>(3,826,378)</b>	–	–	<b>(3,412,259)</b>	<b>(7,238,637)</b>
Net profit for the year, representing total recognised income and expense for the year		–	–	–	<b>7,221,965</b>	<b>7,221,965</b>
Equity-settled share option arrangements		–	–	<b>1,231</b>	–	<b>1,231</b>
Dividends	10	–	–	–	<b>(18,431)</b>	<b>(18,431)</b>
At 30 June 2008		<b>368,612</b>	<b>330,967</b>	<b>1,231</b>	<b>660,676</b>	<b>1,361,486</b>

<sup>a</sup> ICULS - Irredeemable convertible unsecured loan stocks.

<sup>b</sup> RCULS - Redeemable convertible unsecured loan stocks.

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

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

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before taxation from:				
Continuing operations	(13,902)	14,917	7,225,286	676,493
Discontinued operations	131,836	842,070	–	–
	<b>117,934</b>	<b>856,987</b>	<b>7,225,286</b>	<b>676,493</b>
Adjustments for:				
Depreciation and amortisation	29,535	79,553	242	138
Employee share-based payment	3,576	5,756	1,231	–
Property, plant and equipment written off	299	3,906	–	–
Gain on disposal of subsidiaries	(27,344)	(499,261)	(7,255,064)	–
Loss/(Gain) on disposal of property, plant and equipment	2	(116)	9	–
Gain on disposal of other investments	–	(5)	–	–
Impairment loss of intangible assets	–	2,547	–	–
Impairment loss and provision for loss	53,382	46,406	1,898	–
Impairment loss in value of investments	10,000	10,334	10,000	365
(Reversal of)/Provision for doubtful debts	(32)	3,913	76,741	38,568
Bad debts recovered - net	(21)	(68)	–	(8)
Write down/(Reversal) of inventories	6,832	(1,055)	–	–
Unrealised exchange (gain)/loss	(3,730)	3,166	–	(966)
Interest expense	71,711	100,644	7,966	1,921
Interest income	(64,250)	(99,711)	(1,563)	(11,681)
Dividend income	(7,359)	(119)	(74,317)	(709,469)
Share of results of associates	(26,478)	10,987	–	–
Share of results of jointly controlled entities	(1,206)	(7,752)	–	–
Operating profit/(loss) before working capital changes	<b>162,851</b>	<b>516,112</b>	<b>(7,571)</b>	<b>(4,639)</b>
Changes in working capital:				
Inventories	(203,126)	19,134	–	–
Receivables	(214,384)	(250,825)	(2,091)	(34,214)
Payables	397,252	(47,605)	17,796	(25,451)
Property development costs	(82,407)	14,719	–	–
Cash generated from/(used in) operations	<b>60,186</b>	<b>251,535</b>	<b>8,134</b>	<b>(64,304)</b>
Interest received	52,185	97,163	1,266	10,441
Interest paid	(71,711)	(99,454)	(7,966)	(716)
Taxes (paid)/refund	(28,626)	(127,130)	3,745	(980)
Net cash generated from/(used in) operating activities	<b>12,034</b>	<b>122,114</b>	<b>5,179</b>	<b>(55,559)</b>

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	Group		Company	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of subsidiaries	–	624,923	–	–
Proceeds from disposal of property, plant and equipment	1,221	570	55	–
Proceeds from disposal of other investments	11,975	1,977	11,975	1,977
Purchase of property, plant and equipment	(499,301)	(357,474)	(216)	(129,710)
Purchase of investment properties	(29,400)	–	–	–
Advances to subsidiaries	–	–	(197,515)	(397,995)
Acquisition of subsidiaries (net cash acquired) (Note i)	(96,845)	(479,445)	–	–
Acquisition of jointly controlled entities	–	(11,947)	–	–
Purchase of other investments	(55,135)	(724,198)	(153,355)	(33,472)
Dividend received	7,359	119	67,685	708,774
Net cash (used in)/generated from investing activities	(660,126)	(945,475)	(271,371)	149,574
<b>Cash flows from financing activities</b>				
Dividends paid	(18,431)	(34,626)	(18,431)	(34,626)
Contribution from minority interests	40,096	11,189	–	–
Capital Distribution	(1,687,833)	–	–	–
Repayment of bank borrowings	(10,475)	(138,220)	–	–
Proceeds from bank borrowings and notes	769,132	1,762,966	170,000	–
Repayment of hire purchase	(1,114)	(1,136)	(211)	(133)
Net cash (used in)/generated from financing activities	(908,625)	1,600,173	151,358	(34,759)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,556,717)	776,812	(114,834)	59,256
Effects of changes in foreign exchange rates	2,280	(18,284)	–	–
<b>Cash and cash equivalents at beginning of year</b>	1,774,573	1,016,045	195,707	136,451
<b>Cash and cash equivalents at end of year (Note 25)</b>	220,136	1,774,573	80,873	195,707

	Group	
	2008	2007
	RM'000	RM'000
Note (i)		
Purchase consideration paid in cash	(99,527)	(645,121)
Cash and cash equivalent of subsidiaries acquired	2,682	165,676
Net cash outflow of the Group	(96,845)	(479,445)

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

## 1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities during the financial year other than the divestment of the retail business and the subsequent distribution of Parkson Holdings Berhad shares to the shareholders of the Company.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 September 2008.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. During the financial year ended 30 June 2008, the Group and the Company had adopted new and revised FRSs as described in Note 2.3.

The financial statements have also been prepared on a historical basis, except that the assets and liabilities attributable to Parkson Retail Development Co Ltd, a then 56% owned jointly controlled entity of the Group, were recognised at their fair value at the date of control upon the Group's acquisition of the remaining 44% equity interests on 1 July 2006.

The financial statements are presented in Ringgit Malaysia (RM). All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of significant accounting policies

#### (a) Subsidiaries and basis of consolidation

##### (i) Subsidiaries

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

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

##### (ii) Basis of consolidation

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (a) Subsidiaries and basis of consolidation (Continued)

##### (ii) Basis of consolidation (Continued)

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

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

#### (b) Associates

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

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (c) Jointly controlled entities

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

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

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

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

#### (d) Intangible assets

##### (i) Goodwill

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

##### (ii) Intangible assets (other than goodwill)

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

#### (e) Property, plant and equipment, and depreciation

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (e) Property, plant and equipment, and depreciation (Continued)

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

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

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

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

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

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

#### (f) Investment properties

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

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

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

#### (g) Land held for property development and property development costs

##### (i) Land held for property development

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (g) Land held for property development and property development costs (Continued)

##### (ii) Property development costs

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

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

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

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

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

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

##### (h) Impairment of assets

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (h) Impairment of assets (Continued)

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

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

#### (i) Inventories

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

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

#### (j) Financial instruments

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

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

#### (i) Cash and cash equivalents

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (j) Financial instruments (Continued)

##### (ii) Other non-current investments

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

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

##### (iii) Marketable securities

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

##### (iv) Receivables

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

##### (v) Payables

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

##### (vi) Interest-bearing borrowings

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (j) Financial instruments (Continued)

##### (vii) Irredeemable and redeemable convertible unsecured loan stocks

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

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

##### (viii) Equity instruments

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

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

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

##### (ix) Derivative financial instruments and hedging

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

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

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (j) Financial instruments (Continued)

##### (ix) Derivative financial instruments and hedging (Continued)

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

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

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

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

##### Fair value hedges

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (j) Financial instruments (Continued)

##### (ix) Derivative financial instruments and hedging (Continued)

###### Cash flow hedges

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

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

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

#### (k) Leases

##### (i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(f)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (ii) Finance leases – The Group as lessee

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (k) Leases (Continued)

##### (iii) Operating leases – The Group as lessee

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

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

#### (l) Income tax

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

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

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

#### (m) Provisions for liabilities

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

#### (n) Employee benefits

##### (i) Short term benefits

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (n) Employee benefits (Continued)

##### (ii) Defined contribution plans

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

##### (iii) Equity compensation benefits

Lion Diversified Holdings Berhad and its then subsidiary, Parkson Retail Group Limited ("Parkson Retail") have in place their respective employee share option scheme. The employee share option scheme of an equity-settled, share-based compensation plan, allows the employees of the Company and Parkson Retail to acquire ordinary shares in the respective companies. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date.

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

When a share option of the Company is awarded to an employee of a subsidiary, the Company's separate financial statements would record an increase in its investment in the subsidiary equivalent to the FRS 2 charge in the subsidiary, with a corresponding credit to equity. When the share option of the Company is exercised, it will be transferred to share premium, or when the option expires, it will be transferred directly to retained earnings.

#### (o) Government grants

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (p) Revenue recognition

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

##### (i) Sale of goods and revenue from department stores operations

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

##### (ii) Sale of industrial land and completed properties

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

##### (iii) Interest income

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

##### (iv) Rental income and sales commission

Rental and sales commission are recognised on the accrual basis.

##### (v) Dividend income

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

##### (vi) Development properties

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

#### (q) Foreign currencies

##### (i) Functional and presentation currency

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

##### (ii) Foreign currency transactions

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (q) Foreign currencies (Continued)

##### (ii) Foreign currency transactions (Continued)

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

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

##### (iii) Foreign operations

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

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

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

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

		<b>2008</b>	<b>2007</b>
		<b>RM</b>	<b>RM</b>
United States Dollar	("US\$")	<b>3.26</b>	3.45
Singapore Dollar	("SGD")	<b>2.40</b>	2.25
Chinese Renminbi	("Rmb")	<b>0.48</b>	0.45
Hong Kong Dollar	("HK\$")	<b>0.42</b>	0.44

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Summary of significant accounting policies (Continued)

#### (r) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally 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 (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets and financial assets) are measured in accordance with FRS 5 that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

### 2.3 Changes in accounting policies, effects and changes in comparatives arising from adoption of new and revised FRSs

On 1 July 2007, the Group and the Company adopted the following revised FRSs and amendment to FRSs:

FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Tax
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 124	:	Related Party Disclosures
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provision, Contingent Liabilities and Contingent Assets
Amendment to FRS 119 <sub>2004</sub>	:	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The Malaysian Accounting Standards Board had also issued FRS 6: Exploration for and Evaluation of Mineral Resources which was effected for annual periods beginning on or after 1 January 2007. This FRS is, however, not applicable to the Group or the Company.

The adoption of revised FRSs 107, 111, 112, 118, 120, 134 and 137 do not result in significant changes in accounting policies of the Group.

The adoption of the revised FRS 124 and Amendment to FRS 119<sub>2004</sub> give rise to additional disclosures but did not result in significant changes in accounting policies of the Group.

The adoption of Amendment to FRS 121 does not have a significant financial impact on the Group.

### 2.4 Financial Reporting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, FRS 139: Financial Instruments – Recognition and Measurement was issued but not yet effective and has not been applied by the Group and the Company. FRS 139 is effective for financial periods beginning on or after 1 January 2010.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Significant accounting estimates and judgements

#### (a) Critical judgements made in applying accounting policies

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

##### (i) Operating lease commitments – The Group as lessor

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

##### (ii) Allowances for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on management's judgement and the evaluation of collectability and ageing analysis of the receivables inclusive of long term receivable, other receivables, retention sum and advances to sub-contractors. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, additional allowances may be required.

#### (b) Key sources of estimation uncertainty

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

##### (i) Property development

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

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

Details of property development cost are disclosed in Note 14.

##### (ii) Income tax

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

##### (iii) Coupon liabilities

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Significant accounting estimates and judgements (Continued)

#### (b) Key sources of estimation uncertainty (Continued)

##### (iv) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 30 June 2008 were RM33,476,000 (2007: RM937,917,000). Further details are disclosed in Note 20(b).

##### (v) Dismantlement, removal or restoration of property, plant and equipment

Certain subsidiaries of the Group have entered into lease/tenancy agreements of premise for its retail business. In accordance to the agreements, the subsidiaries are required to restore the premises to its original state at end of each lease term. The management based on their past experience, represented that the possibility of outflow for restoring the premise to be remote and not significant. As at balance sheet date, no provision has been made in relation to the dismantlement, removal or restoration of property, plant and equipment.

##### (vi) Share-based payment

The Group measures the cost of equity-settled transactions with employees by reference to fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of option, volatility and dividend yield and making assumptions about them. The assumptions and valuation model used are disclosed in Note 37.

##### (vii) Due from subsidiaries

The Company determines the recoverability of the amounts due from certain subsidiaries when these debts exceeded their capital investments. The Directors are of the opinion that no further provision for doubtful debts needs to be made for the debts due from these subsidiaries as the Company is able to realise these debts through internal group restructuring including possible offsets against debts owed by the Company to certain other subsidiaries, should such need arises.

##### (viii) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

During the current financial year, the Group has recognised impairment losses resulting from the write down of the value of various parcels of land to the value based on future cash flow projections after taking into consideration of the significant decline in sales over the years. The total impairment losses recognised in the income statement for the financial year were RM16,193,000.

### 3. REVENUE

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

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>				
Sale of goods	269,125	298,559	–	–
Property development	38,936	86,230	–	–
Sale of industrial land and completed properties	3,301	1,239	–	–
Sales commission	7,632	2,983	–	–
Rental income	864	–	–	–
Gross dividend from other investments	7,359	119	2,037	119
Gross dividend from subsidiaries	–	–	72,280	709,350
	<b>327,217</b>	<b>389,130</b>	<b>74,317</b>	<b>709,469</b>
<b>Discontinued operations</b>				
Department stores operations	1,285,571	4,778,357	–	–
Sale of industrial land and completed properties	4,048	4,195	–	–
	<b>1,289,619</b>	<b>4,782,552</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,616,836</b>	<b>5,171,682</b>	<b>74,317</b>	<b>709,469</b>

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

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross revenue from concessionaire sales	<b>1,049,407</b>	<b>3,918,708</b>
Commission on concessionaire sales	<b>221,798</b>	<b>827,039</b>

#### 4. OTHER INCOME

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Interest income from:				
Unquoted investment in bonds	12,065	1,242	297	1,242
Short term deposits and others	22,231	18,376	1,266	10,439
	<b>34,296</b>	19,618	<b>1,563</b>	11,681
Rental income	116	285	–	–
Other income	31,396	4,772	891	1,182
	<b>65,808</b>	24,675	<b>2,454</b>	12,863
<b>Discontinued operations</b>				
Interest income from:				
Credit linked notes	16,618	44,878	–	–
Short term deposits and others	13,336	35,215	–	–
	<b>29,954</b>	80,093	–	–
Rental income	21,093	85,542	–	–
Promotion income	9,093	43,420	–	–
Credit card handling fees	12,961	40,339	–	–
PRC tax compensations	–	13,363	–	–
Other income	31,661	77,868	–	–
	<b>104,762</b>	340,625	–	–
Total	<b>170,570</b>	365,300	<b>2,454</b>	12,863

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

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

#### 5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Wages, salaries and bonuses	29,213	34,138	871	1,105
Pension costs - defined contribution plans	2,592	2,813	121	151
Employee share-based payment	1,231	–	1,231	–
Other staff related expenses	3,831	6,353	57	107
	<b>36,867</b>	43,304	<b>2,280</b>	1,363

## 5. EMPLOYEE BENEFITS EXPENSE (Continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Discontinued operations</b>				
Wages, salaries and bonuses	34,080	133,001	–	–
Pension costs - defined contribution plans	2,436	11,679	–	–
Employee share-based payment	2,345	5,756	–	–
Other staff related expenses	7,560	29,909	–	–
	<b>46,421</b>	<b>180,345</b>	<b>–</b>	<b>–</b>
Total	<b>83,288</b>	<b>223,649</b>	<b>2,280</b>	<b>1,363</b>

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

## 6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is stated after charging/(crediting):

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Auditors' remuneration:				
- Company	25	21	25	21
- Subsidiaries	407	279	–	–
Directors' remuneration (Note a)	580	852	580	852
Depreciation and amortisation:				
- Property, plant and equipment	8,462	6,458	242	138
- Investment properties	136	136	–	–
Property, plant and equipment written off	36	13	–	–
Provision for/(Reversal of) doubtful debts:				
- Subsidiaries	–	–	76,741	38,223
- Others	(61)	827	–	345
Impairment loss in value of quoted investment	–	365	–	365
Impairment loss in value of unquoted investment	10,000	9,969	10,000	–
Bad debts recovered	(21)	(75)	–	(8)
Write down/(Reversal) of inventories	94	(1,142)	–	–
Exchange (gain)/loss:				
- Realised	(990)	(846)	–	(205)
- Unrealised	(3,486)	2,215	–	(966)
Loss/(Gain) on disposal of property, plant and equipment	19	(11)	9	–
Gain on disposal of other investments	–	(5)	–	–

## 6. PROFIT/(LOSS) FROM OPERATIONS (Continued)

Profit/(Loss) from operations is stated after charging/(crediting) (Continued) :

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Discontinued operations</b>				
Auditors' remuneration	15	1,017	—	726
Directors' remuneration (Note a)	83	335	—	—
Depreciation and amortisation:				
- Property, plant and equipment	18,589	63,577	—	—
- Investment properties	620	2,476	—	—
- Prepaid land lease payments	1,632	6,522	—	—
- Intangible assets	96	384	—	—
Property, plant and equipment written off	263	3,893	—	—
Bad debts written off	—	7	—	—
Provision for doubtful debts:				
- Others	29	3,086	—	—
Write down of inventories	12	87	—	—
Exchange (gain)/loss:				
- Realised	302	4,673	—	—
- Unrealised	(244)	951	—	—
Gain on disposal of property, plant and equipment	(17)	(105)	—	—

### (a) Directors' remuneration

#### Directors of the Company

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Executive *:				
Fees	20	44	20	44
Salary and other emoluments	320	586	320	586
Pension costs - defined contribution plans	44	69	44	69
	384	699	384	699
Non-executive #:				
Fees	196	153	196	153
	580	852	580	852
<b>Discontinued operations</b>				
Non-executive:				
Fees	16	66	—	—
Salary and other emoluments	60	240	—	—
Pension costs - defined contribution plans	7	29	—	—
	83	335	—	—
<b>Total</b>	<b>663</b>	<b>1,187</b>	<b>580</b>	<b>852</b>

## 6. PROFIT/(LOSS) FROM OPERATIONS (Continued)

### (a) Directors' remuneration (Continued)

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

	Number of Directors	
	2008	2007
Executive Directors *:		
RM150,001 - RM200,000	–	1
RM350,001 - RM400,000	1	–
RM500,001 - RM550,000	–	1
Non-executive Directors #:		
RM50,000 and below	6	4
RM100,001 - RM150,000	1	–
RM350,001 - RM400,000	–	1

\* 2007 : Including a Director who has resigned from an executive position and remained a non-executive Director, and an executive Director who was appointed during the financial year.

# 2008 : Including a Director who has retired at the previous Annual General Meeting and a Director who was appointed during the financial year.

## 7. FINANCE COSTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Continuing operations</b>				
Interest expense on:				
Exchangeable Bonds (Note 27)	16,134	–	–	–
Borrowings and notes	14,459	3,400	7,922	–
Amounts owing to related parties	23	32	18	16
RCULS	–	1,889	–	1,889
Hire purchase	84	22	26	16
	<b>30,700</b>	<b>5,343</b>	<b>7,966</b>	<b>1,921</b>
<b>Discontinued operations</b>				
Interest expense on:				
Borrowings and notes	40,976	95,177	–	–
Hire purchase	35	124	–	–
	<b>41,011</b>	<b>95,301</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>71,711</b>	<b>100,644</b>	<b>7,966</b>	<b>1,921</b>

## 8. INCOME TAX EXPENSE

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>				
Income tax:				
Malaysian tax	<b>7,508</b>	10,694	<b>2,963</b>	2,459
Foreign tax	–	–	–	–
	<b>7,508</b>	10,694	<b>2,963</b>	2,459
(Over)/Under provision in prior years:				
Malaysian income tax	<b>(1,502)</b>	(2,659)	<b>358</b>	(1,267)
	<b>6,006</b>	8,035	<b>3,321</b>	1,192
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	–	(197)	–	–
Relating to changes in tax rate	–	–	–	–
	–	(197)	–	–
Total income tax expense from continuing operations	<b>6,006</b>	7,838	<b>3,321</b>	1,192
<b>Discontinued operations</b>				
Income tax:				
Malaysian tax	<b>3,163</b>	4,704	–	–
Foreign tax	<b>19,271</b>	108,606	–	–
	<b>22,434</b>	113,310	–	–
Under provision in prior years:				
Malaysian income tax	–	1,334	–	–
	<b>22,434</b>	114,644	–	–
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	<b>(95)</b>	1,249	–	–
Relating to changes in tax rate	–	(4,784)	–	–
	<b>(95)</b>	(3,535)	–	–
Total income tax expense from discontinued operations	<b>22,339</b>	111,109	–	–
Total income tax expense	<b>28,345</b>	118,947	<b>3,321</b>	1,192

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operates.

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% effective year of assessment 2009.

Under the relevant PRC income tax law, except for certain preferential treatment available to certain PRC subsidiaries and jointly-controlled entities of the Group, the PRC companies of the Group are subject to corporate income tax at a rate of 25% (2007: 33%) on their respective taxable income.

## 8. INCOME TAX EXPENSE (Continued)

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

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(Loss)/Profit before taxation from:</b>				
Continuing operations	(13,902)	14,917	7,225,286	676,493
Discontinued operations	131,836	842,070	–	–
	<b>117,934</b>	<b>856,987</b>	<b>7,225,286</b>	<b>676,493</b>
Tax calculated at a tax rate of 26% (2007: 27%)	<b>30,663</b>	231,386	<b>1,878,574</b>	182,653
The effects of:				
Different tax rates in other countries	(563)	827	–	–
Tax assessed at a lower tax rate of 20%	(118)	26	–	–
Expenses not deductible for tax purposes	<b>12,307</b>	36,910	<b>24,846</b>	11,346
Income not subject to tax	(27,427)	(145,011)	(1,900,457)	(191,540)
Effect of change in tax rate on deferred tax	–	(4,784)	–	–
Utilisation of previously unrecognised tax losses	(653)	(777)	–	–
(Over)/Under provision of tax expense in prior years	(1,502)	(1,325)	358	(1,267)
Deferred tax assets not recognised in current/prior year	<b>15,638</b>	1,695	–	–
Tax expense for the year	<b>28,345</b>	<b>118,947</b>	<b>3,321</b>	<b>1,192</b>

Tax savings during the financial year arising from:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Utilisation of previously unrecognised tax losses	<b>653</b>	<b>777</b>



## 9. (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

	2008	Group 2007
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000):		
- from continuing operations	(19,908)	7,079
- from discontinued operations	72,663	597,539
	<u>52,755</u>	<u>604,618</u>
Weighted average number of ordinary shares in issue ('000)	<u>737,223</u>	<u>701,316</u>
Basic (loss)/earnings per share (sen):		
- from continuing operations	(2.7)	1.0
- from discontinued operations	9.9	85.2
	<u>7.2</u>	<u>86.2</u>

### (b) Diluted

For the purpose of calculating diluted (loss)/earnings per share, the net (loss)/profit for the year (attributable to equity holders of the Company) and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Redeemable Convertible Unsecured Loan Stocks ("RCULS") and share options granted to employees.

	2008 RM'000	Group 2007 RM'000
(Loss)/Profit from continuing operations attributable to ordinary equity holders of the Company	(19,908)	7,079
After-tax effect of interest on RCULS	-	1,379
Adjusted (loss)/profit from continuing operations attributable to ordinary equity holders of the Company	(19,908)	8,458
Profit from discontinued operations attributable to ordinary equity holders of the Company	72,663	597,539
Adjusted profit attributable to ordinary equity holders of the Company	<u>52,755</u>	<u>605,997</u>
	2008 '000	Group 2007 '000
Weighted average number of ordinary shares in issue	737,223	701,316
Effect of dilution:		
RCULS and share options	-	35,907
Adjusted weighted average number of ordinary shares in issue and issuable	<u>737,223</u>	<u>737,223</u>
	2008 Sen	Group 2007 Sen
Diluted (loss)/earnings per share:		
- from continuing operations	(2.7)	1.1
- from discontinued operations	9.9	81.1
	<u>7.2</u>	<u>82.2</u>

## 10. DIVIDENDS

	Dividends in respect of year			Dividends recognised in year	
	2008 RM'000	2007 RM'000	2006 RM'000	2008 RM'000	2007 RM'000
<b>Recognised during the year:</b>					
Interim dividend for 2006, less 28% taxation (4.0 sen per ordinary share)	–	–	19,256	–	–
Final dividend for 2006, tax exempt (5.0 sen per ordinary share)	–	–	34,626	–	34,626
First and final dividend for 2007, tax exempt (2.5 sen per ordinary share)	–	18,431	–	<b>18,431</b>	–
<b>Proposed for approval at Annual General Meeting (not recognised as at 30 June):</b>					
First and final dividend for 2008, tax exempt (1.0 sen per ordinary share)	<b>7,372</b>	–	–	–	–
	<b>7,372</b>	18,431	53,882	<b>18,431</b>	34,626

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2008, of 2% (1.0 sen per share), tax exempt amounting to a dividend payable of RM7.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the financial year ending 30 June 2009.

## 11. PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
<b>At 30 June 2008</b>							
<b>Cost</b>							
At 1 July 2007	347,680	86,873	11,696	261,909	246,341	585,262	1,539,761
Additions	24,406	44,180	843	555	301	431,119	501,404
Disposals	(892)	(532)	(153)	(383)	(10)	–	(1,970)
Write off	–	(1,376)	–	(1,037)	–	–	(2,413)
Acquisition of subsidiaries (Note 15(a))	100,466	–	–	–	–	–	100,466
Capital Distribution (Note 15(c))	(343,780)	(19,616)	(8,895)	(256,327)	(245,186)	(28,026)	(901,830)
Reclassified as held for sale (Note 26)	–	–	–	(156)	–	–	(156)
Reclassification	113,852	640,720	(1)	–	–	(754,571)	–
Exchange differences	264	(2,143)	(22)	174	114	(33)	(1,646)
<b>At 30 June 2008</b>	<b>241,996</b>	<b>748,106</b>	<b>3,468</b>	<b>4,735</b>	<b>1,560</b>	<b>233,751</b>	<b>1,233,616</b>

**11. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group	Land and Buildings RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000	Total RM'000
<b>At 30 June 2008</b>							
<b>Accumulated depreciation</b>							
At 1 July 2007	100,582	56,070	6,148	144,958	114,975	–	422,733
Charge for the year	4,348	7,274	740	7,081	7,608	–	27,051
Disposals	(88)	(419)	(75)	(161)	(4)	–	(747)
Write off	–	(1,268)	–	(846)	–	–	(2,114)
Capital Distribution (Note 15(c))	(104,107)	(14,407)	(5,097)	(147,342)	(121,497)	–	(392,450)
Reclassified as held for sale (Note 26)	–	–	–	(79)	–	–	(79)
Reclassification	–	1	(1)	(89)	89	–	–
Exchange differences	87	(1,341)	81	19	45	–	(1,109)
At 30 June 2008	822	45,910	1,796	3,541	1,216	–	53,285
<b>Net carrying amount</b>							
At 30 June 2008	241,174	702,196	1,672	1,194	344	233,751	1,180,331
<b>At 30 June 2007</b>							
<b>Cost</b>							
At 1 July 2006	359,403	128,902	9,413	204,796	35,055	282,228	1,019,797
Additions	–	6,960	1,386	17,554	12,589	319,249	357,738
Disposals	–	(715)	(218)	(7,321)	(8)	–	(8,262)
Write off	–	(1,968)	(383)	(35,879)	(7,678)	–	(45,908)
Acquisition of subsidiaries	50,617	284	1,562	77,442	91,494	3,899	225,298
Asset revaluation (Note a)	8,382	–	–	–	–	–	8,382
Transfer to inventory	(4,028)	–	–	–	–	–	(4,028)
Reclassified as held for sale (Note 26)	(3,110)	–	–	–	–	–	(3,110)
Reclassification	(58,266)	(43,371)	–	6,175	115,508	(20,046)	–
Exchange differences	(5,318)	(3,219)	(64)	(858)	(619)	(68)	(10,146)
At 30 June 2007	347,680	86,873	11,696	261,909	246,341	585,262	1,539,761
<b>Accumulated depreciation</b>							
At 1 July 2006	120,770	77,106	4,395	121,116	19,719	–	343,106
Charge for the year	10,316	7,347	1,837	28,428	22,107	–	70,035
Disposals	–	(378)	(168)	(7,262)	–	–	(7,808)
Write off	(31)	(1,807)	(307)	(33,549)	(6,308)	–	(42,002)
Acquisition of subsidiaries	–	–	439	36,791	27,292	–	64,522
Reclassified as held for sale (Note 26)	(861)	–	–	–	–	–	(861)
Reclassification	(27,805)	(24,405)	–	(178)	52,388	–	–
Exchange differences	(1,807)	(1,793)	(48)	(388)	(223)	–	(4,259)
At 30 June 2007	100,582	56,070	6,148	144,958	114,975	–	422,733
<b>Net Book Value</b>							
At 30 June 2007	247,098	30,803	5,548	116,951	131,366	585,262	1,117,028

**11. PROPERTY, PLANT AND EQUIPMENT (Continued)**

<b>Company</b>	<b>Motor Vehicles RM'000</b>	<b>Office Equipment, Furniture and Fittings RM'000</b>	<b>Construction In Progress RM'000</b>	<b>Total RM'000</b>
<b>At 30 June 2008</b>				
<b>Cost</b>				
At 1 July 2007	917	4	367,672	368,593
Additions	843	3	–	846
Disposals	(139)	–	–	(139)
Transfer to a subsidiary (Note b)	–	–	(367,672)	(367,672)
At 30 June 2008	1,621	7	–	1,628
<b>Accumulated depreciation</b>				
At 1 July 2007	358	–	–	358
Charge for the year	240	2	–	242
Disposals	(75)	–	–	(75)
At 30 June 2008	523	2	–	525
<b>Net carrying amount</b>				
At 30 June 2008	1,098	5	–	1,103
<b>At 30 June 2007</b>				
<b>Cost</b>				
At 1 July 2006	917	4	237,962	238,883
Additions	–	–	129,710	129,710
At 30 June 2007	917	4	367,672	368,593
<b>Accumulated depreciation</b>				
At 1 July 2006	220	–	–	220
Charge for the year	138	–	–	138
At 30 June 2007	358	–	–	358
<b>Net carrying amount</b>				
At 30 June 2007	559	4	367,672	368,235

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

(b) In 2005, the Company embarked on the setting-up of a hot direct reduced iron plant ("DRI Project"). Thereafter, the Company nominated Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary of the Company, to undertake the DRI Project.

For the purpose of the DRI Project, the Company has entered into several contracts ("Contracts") and incurred expenditures on behalf of Lion DRI. During the financial year, the Company and Lion DRI entered into a Deed of Novation cum Assignment to assign all rights, titles, benefits and interests in respect under the Contracts.

(c) As at 30 June 2008, the buildings of the Group with a net book value of RM122.86 million (2007: RM39.06 million) was pledged for bank borrowings.

## 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (d) As at 30 June 2008, the property, plant and equipment of a subsidiary of RM683.70 million (2007: RM3.40 million) was pledged for bank borrowings.
- (e) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM501,404,000 (2007: RM357,738,000) and RM846,000 (2007: RM129,710,000) respectively of which RM2,103,000 (2007: RM264,000) and RM630,000 (2007: RM Nil) respectively were acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under hire purchase and finance lease arrangements as at the balance sheet date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Plant and machinery	<b>1,434</b>	—	—	—
Motor vehicles	<b>1,010</b>	1,273	<b>1,010</b>	477
Office equipment, furniture and fittings	—	3,529	—	—
	<b>2,444</b>	<b>4,802</b>	<b>1,010</b>	<b>477</b>

## 12. INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 July	<b>120,140</b>	15,957
Additions	<b>29,400</b>	—
Business combination	—	53,480
Asset revaluation (Note i)	—	50,825
Capital Distribution (Note 15(c))	<b>(113,417)</b>	—
Exchange differences	<b>100</b>	(122)
At 30 June	<b>36,223</b>	120,140
<b>Accumulated depreciation</b>		
At 1 July	<b>7,241</b>	4,665
Charge for the year	<b>756</b>	2,612
Capital Distribution (Note 15(c))	<b>(5,750)</b>	—
Exchange differences	<b>5</b>	(36)
At 30 June	<b>2,252</b>	7,241
<b>Net carrying amount</b>		
At 30 June	<b>33,971</b>	112,899
<b>Fair value of investment properties at 30 June</b>		
Buildings (Note ii)	—	107,117
Office premises and factory (Note iii)	<b>35,421</b>	30,461
	<b>35,421</b>	137,578

## 12. INVESTMENT PROPERTIES (Continued)

- (i) During the previous financial year, the fair value adjustment relating to the Group's acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd (Note 15(a)(i)).
- (ii) The fair value of the buildings were determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers, on a direct comparison approach and where appropriate on an income capitalisation approach. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.
- (iii) Fair value for office premises and factory were arrived at by reference to market evidence of transaction prices for similar properties.

As at balance sheet date, strata titles to certain office premises with carrying value of RM4.6 million (2007: RM4.7 million) have yet to be obtained.

As at balance sheet date, the net book value of the buildings pledged for bank borrowings was RM Nil (2007: RM6.3 million).

## 13. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	218,895	36,209
Business combination	3,226	96,015
Asset revaluation (Note i)	–	93,311
Charge for the year	(1,632)	(6,522)
Capital Distribution (Note 15(c))	(217,456)	–
Exchange difference	193	(118)
At 30 June	<b>3,226</b>	<b>218,895</b>

- (i) During the previous financial year, the fair value adjustment relating to the Group's acquisition of the remaining 44% equity interest in Parkson Retail Development Co Ltd (Note 15(a)(i)).

The prepaid land lease payments represented land use rights paid to the PRC government authorities and leasehold land payments. The lands are amortised on the straight-line basis over their respective lease periods.

## 14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land held for property development

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost</b>		
At 1 July	106,721	110,364
Transfer to property development cost	(2,140)	(6,189)
Additions	96,888	2,546
Impairment loss	(16,193)	–
Reclassified as held for sale (Note 26)	(89,848)	–
At 30 June	<b>95,428</b>	<b>106,721</b>

**14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)**
**(b) Property development costs**

	<b>Group</b>	
	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Property development costs at 1 July:		
Freehold land	<b>22,873</b>	28,622
Development costs	<b>98,969</b>	65,456
	<b>121,842</b>	94,078
Costs incurred during the year:		
Development costs	<b>30,093</b>	43,091
	<b>30,093</b>	43,091
Reversal of completed projects	<b>(106,791)</b>	(16,200)
Costs recognised in income statement:		
At 1 July	<b>(93,834)</b>	(49,994)
Recognised during the year	<b>(28,617)</b>	(60,040)
Reversal of completed projects	<b>106,791</b>	16,200
At 30 June	<b>(15,660)</b>	(93,834)
Transferred from land held for property development	<b>2,140</b>	6,189
Transferred to inventories	<b>(15,956)</b>	(5,316)
Reclassified as held for sale (Note 26)	<b>(15,668)</b>	–
Property development costs at 30 June	<b>–</b>	28,008

**15. INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2008 RM'000</b>	<b>2007 RM'000</b>
Unquoted shares, at cost	<b>391,923</b>	704,529
Less: Accumulated impairment losses	<b>(21,420)</b>	(19,522)
	<b>370,503</b>	685,007

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	<b>100</b>	100
LDH Trading Sdn Bhd	Malaysia	Property holding	<b>100</b>	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100
Le Chocolatier Boutique (M) Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
Urban Resources Sdn Bhd	Malaysia	Property development	<b>100</b>	100
Megavest Sdn Bhd	Malaysia	Property development and management	<b>100</b>	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	<b>99.99</b>	99.99
Likom CMS Sdn Bhd *	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	<b>99.98</b>	99.98
Likom Caseworks Sdn Bhd *	Malaysia	Manufacturing of computer casings	<b>100</b>	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	<b>100</b>	100
Parkson Glomart Pte Ltd *	Singapore	Investment holding	<b>100</b>	100
Parkson Management Pte Ltd *	Singapore	Investment holding	<b>100</b>	100
Parkson Venture Pte Ltd * <i>b</i>	Singapore	Investment holding	–	100
Serbadagang Holdings Sdn Bhd * <i>b</i>	Malaysia	Investment holding	–	100
Parkson Corporation Sdn Bhd * <i>b</i>	Malaysia	Operations of department stores	–	100
Qingdao No.1 Parkson Co Ltd * <i>b</i>	People's Republic of China	Property development and operations of department stores	–	*1 52.6



**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
CP Properties Sdn Bhd	Malaysia	Investment holding	<b>100</b>	100
LDH (S) Pte Ltd *	Singapore	Investment holding	<b>100</b>	100
LDH Investment Pte Ltd *	Singapore	Investment holding	*2 <b>60</b>	*2 60
Hamba Research & Development Co Ltd * (In liquidation - voluntary)	Taiwan	Ceased operations	<b>98</b>	98
Lion DRI Sdn Bhd	Malaysia	Manufacturing of direct reduced iron products	<b>100</b>	100
Sea Coral Limited * <i>b</i>	Hong Kong SAR	Investment holding	–	100
Well Morning Limited *	Hong Kong SAR	Investment holding	<b>100</b>	100
PRG Corporation Limited * <i>b</i>	British Virgin Islands	Investment holding	–	100
Excel Step Investments Limited	British Virgin Islands	Investment holding	<b>100</b>	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	<b>100</b>	100
Lion Blast Furnace Sdn Bhd (formerly known as Apex Gem Sdn Bhd)	Malaysia	Manufacturing and trading in steel products	<b>100</b>	–
<b>Subsidiaries of LDH Manufacturing Sdn Bhd</b>				
CPB Enterprise Sdn Bhd	Malaysia	Property management	<b>100</b>	100
CPB Investment AG *	Switzerland	Investment holding	<b>100</b>	100
<b>Subsidiary of CPB Enterprise Sdn Bhd</b>				
United Brands Trading Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
<b>Subsidiaries of Graimpi Sdn Bhd</b>				
Pavlova Investment Pte Ltd *	Singapore	Dormant	<b>100</b>	100
Gemmo Pte Ltd *	Singapore	Investment holding	<b>100</b>	100

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Subsidiary of Gemmo Pte Ltd				
Gesto Pte Ltd *	Singapore	Dormant	100	100
Subsidiary of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd *	Malaysia	Property investment	100	–
Subsidiaries of Lion Subang Parade Sdn Bhd				
Bingkisan Jaya Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
Hypervest Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
Jatitrade Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
Pattervest Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
Indobaru Sdn Bhd * (Dissolved on 25.10.2007)	Malaysia	Dormant	–	100
LDH Management Sdn Bhd	Malaysia	Investment holding and property development	100	100
Subsidiaries of LDH Management Sdn Bhd				
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	100	100
Shanghai DEbier Management Consulting Co Ltd *	People’s Republic of China	Management consulting services	100	100
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	100	100
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Wholesaling of computer products	100	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Assembling of electronic components used in computers	100	100

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Subsidiaries of Exonbury Limited				
Shanghai Nine Sea Parkson Plaza Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores, food and beverage and entertainment business	—	100
Wuxi Sanyang Parkson Plaza Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	60
Shanghai Lion Parkson Investment Consultant Co Ltd * <i>b</i>	People's Republic of China	Provision of investment and consultancy services	—	100
Hong Kong Fen Chai Investment Limited * <i>b</i>	Hong Kong SAR	Investment holding	—	100
Xi'an Lucky King Parkson Plaza Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	— —	51 *3 40
Parkson Investment Holdings Co Ltd * <i>b</i>	People's Republic of China	Investment holding	— —	70 *4 30
Subsidiaries of Parkson Investment Pte Ltd				
Rosenblum Investments Pte Ltd * <i>b</i>	Singapore	Investment holding	—	100
Parkson Retail Development Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	— —	*5 56 *6 44
Subsidiary of Parkson Management Pte Ltd				
Sichuan Parkson Retail Development Co Ltd *	People's Republic of China	Ceased operations	100	100
Subsidiaries of Parkson Supplies Pte Ltd				
Chongqing Wanyou Parkson Plaza Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	70
Mianyang Fulin Parkson Plaza Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	60
Sichuan Shishang Parkson Retail Development Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	100

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Subsidiary of Serbadagang Holdings Sdn Bhd				
Dalian Tianhe Parkson Shopping Centre Co Ltd # * <i>b</i>	People's Republic of China	Operations of department stores	–	60
Subsidiary of Shanghai Lion Parkson Investment Consultant Co Ltd				
Beijing Century Parkson E-business Co Ltd * <i>b</i>	People's Republic of China	Research and development of computer software	– –	99 1
Subsidiaries of Parkson Corporation Sdn Bhd				
Parkson Vietnam Co Ltd + <i>b</i>	Vietnam	Operations of department stores	–	100
Park Avenue Fashion Sdn Bhd <i>b</i>	Malaysia	Retailing business	–	100
Parkson Haiphong Co Ltd + <i>b</i>	Vietnam	Operations of department stores	–	100
Subsidiary of CP Properties Sdn Bhd				
Aktif Lifestyle Stores Sdn Bhd	Malaysia	Ceased operations	100	100
Subsidiaries of Aktif Lifestyle Stores Sdn Bhd				
Aktif-Sunway Sdn Bhd	Malaysia	Ceased operations	80	80
Octon Electronics Sdn Bhd	Malaysia	Ceased operations	100	100
Sunbeam Bakeries Sdn Bhd * (In liquidation - voluntary)	Malaysia	Ceased operations	100	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd *	Malaysia	Provision of chartering services	100	–
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	100	–
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd *	Malaysia	Investment holding	100	–

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Subsidiaries of Step Summit Limited				
Guizhou Shenqi Parkson Retail Development Co Ltd * b	People’s Republic of China	Operations of department stores	–	60
Shanghai Hongqiao Parkson Development Co Ltd * b	People’s Republic of China	Operations of department stores	–	100
Hefei Parkson Xiaoyao Plaza Co Ltd * b	People’s Republic of China	Operations of department stores	–	100
Subsidiary of Hefei Parkson Xiaoyao Plaza Co Ltd				
Anshan Tianxing Parkson Shopping Centre Co Ltd * b	People’s Republic of China	Operations of department stores	–	51
			–	*8 49
Subsidiaries of Sea Coral Limited				
Dalian Parkson Retail Development Co Ltd * b	People’s Republic of China	Operations of department stores	–	100
Nanning Brilliant Parkson Commercial Co Ltd * b	People’s Republic of China	Operations of department stores	–	70
Tianjin Parkson Retail Development Co Ltd * b	People’s Republic of China	Operations of department stores	–	100
Changchun Parkson Retail Development Co Ltd * b c	People’s Republic of China	Ceased operations	–	100
Subsidiary of PRG Corporation Limited				
Parkson Retail Group Limited + a b	Cayman Islands	Investment holding	–	55.4
Subsidiary of Parkson Retail Group Limited				
Grand Parkson Retail Group Limited * b	British Virgin Islands	Investment holding	–	100

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Subsidiaries of Grand Parkson Retail Group Limited				
Exonbury Limited * <i>b</i>	Hong Kong SAR	Investment holding	—	100
Parkson Supplies Pte Ltd * <i>b</i>	Singapore	Investment holding	—	100
Parkson Investment Pte Ltd * <i>b</i>	Singapore	Investment holding	—	100
Step Summit Limited * <i>b</i>	Hong Kong SAR	Investment holding	—	100
Global Heights Investment Limited * <i>b</i>	British Virgin Islands	Investment holding	—	100
Golden Village Group Limited * <i>b</i>	British Virgin Islands	Investment holding	—	100
Creation International Investment & Development Limited * <i>b</i>	British Virgin Islands	Investment holding	—	100
Subsidiary of Global Heights Investment Limited				
Asia Victory International Limited * <i>b</i>	British Virgin Islands	Investment holding	—	100
Subsidiary of Asia Victory International Limited				
Shunhe International Investment Limited * <i>b</i>	Hong Kong SAR	Investment holding	—	100
Subsidiary of Shunhe International Investment Limited				
Kunming Yun Shun He Retail Development Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	100
Subsidiary of Golden Village Group Limited				
Jiangxi Kaimei Retail Co Ltd * <i>b</i>	People's Republic of China	Operations of department stores	—	100
Subsidiary of Creation International Investment & Development Limited				
Creation (Hong Kong) Investment & Development Limited * <i>b</i>	Hong Kong SAR	Investment holding	—	100

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

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

- \*1 50% held by Parkson Venture Pte Ltd and 2.6% held by Serbadagang Holdings Sdn Bhd
- \*2 30% held by the Company and 30% held by CPB Investment AG
- \*3 Holding in equity by Hong Kong Fen Chai Investment Limited
- \*4 Holding in equity by Parkson Investment Pte Ltd
- \*5 42% held by Parkson Investment Pte Ltd and 14% held by Rosenblum Investments Pte Ltd
- \*6 Holding in equity by Parkson Investment Holdings Co Ltd
- \*7 Holding in equity by Shanghai Nine Sea Parkson Plaza Co Ltd
- \*8 Holding in equity by Creation (Hong Kong) Investment & Development Limited
- # In financial year 2005, the Group ceased to have management control over Dalian Tianhe Parkson Shopping Centre Co Ltd. Accordingly, the investment had been accounted as Other Investments (Note 18)
- a Listed on The Stock Exchange of Hong Kong Limited
- b Disposed of to Parkson Holdings Berhad Group ("Parkson Group")
- c During the previous financial year, the management has decided to cease the operation of Changchun Parkson Retail Development Co Ltd ("Changchun Parkson"). Currently, the liquidation process of Changchun Parkson is in progress

The Company continue to consolidate Changchun Parkson's results after it was disposed of to Parkson Group as the financial and operating control over Changchun Parkson is still with the Company

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

	<b>2007 RM'000</b>
Impairment of goodwill (Note 20)	(37,534)
Impairment of non-current and current assets, include compensation to creditors	(8,872)
	<hr style="border-top: 1px solid black; border-bottom: 3px double black;"/>
	(46,406)

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Acquisition of subsidiaries

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

- (i) the acquisition of the 56.64% equity interest in Parkson Holdings Berhad for a total cash consideration of RM35.12 million;
- (ii) the acquisition of the 100% equity interest in Banting Resources Sdn Bhd for a total cash consideration of RM64.4 million; and
- (iii) the acquisitions of the 100% equity interest each in Lion Blast Furnace Sdn Bhd, Limbungan Makmur Sdn Bhd and Teraju Varia Sdn Bhd for a total consideration of RM6.

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

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	100,466	69,450
Prepaid land lease payments	3,226	3,226
Other investments	28	28
Deferred tax assets	137	137
Other receivables	51,993	51,993
Cash and cash equivalents	2,682	2,682
	<u>158,532</u>	<u>127,516</u>
Other payables	(1,039)	(1,039)
Borrowings	(43,430)	(43,430)
Tax payable	(7)	(7)
Minority interests	(21,528)	(21,528)
	<u>(66,004)</u>	<u>(66,004)</u>
Fair value of net assets	92,528	61,512
Goodwill arising on the acquisitions	6,999	
Consideration	<u>99,527</u>	

The cash outflow on the acquisitions are as follows:

Net cash acquired	2,682
Cash paid	(99,527)
Net cash outflow	<u>(96,845)</u>

The effects of the above acquisitions on the financial results have not been disclosed as they are not material to the Group.



## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Acquisition of subsidiaries (Continued)

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

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

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

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

- (1) recognised goodwill, being the difference between the cost of the transaction and the fair value of Beijing Parkson's identifiable net assets at the date control is obtained, for the newly acquired 44% interest;
- (2) recognised the identifiable assets and liabilities of Beijing Parkson at 100% of their fair values; and
- (3) deemed any adjustment to those fair values relating to the previously held interests as a revaluation.

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

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

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	152,028	137,059
Investment properties	104,305	13,546
Prepaid land lease payments	189,326	22,701
Other assets	47,446	47,446
Deferred tax assets	9,696	9,696
Inventories	15,084	15,084
Trade receivables	348	348
Other receivables	27,516	27,516
Cash and cash equivalents	133,532	133,532
	<u>679,281</u>	<u>406,928</u>
Borrowings	(103,644)	(103,644)
Trade payables	(106,863)	(106,863)
Tax payable	(13,982)	(13,982)
Other payables	(117,223)	(117,226)
Long term payables	(7,416)	(7,416)
Deferred tax liabilities	(90,754)	–
	<u>(439,882)</u>	<u>(349,131)</u>

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Acquisition of subsidiaries (Continued)

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

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Fair value of net assets	239,399	57,797
Post reserve account under jointly controlled entity previously	(30,253)	
Asset revaluation reserve	(101,696)	
Fair value of net assets acquired	107,450	
Goodwill arising on the acquisition	132,787	
Consideration	240,237	
The cash outflow on the acquisition is as follows:		
Net cash acquired	133,532	
Cash paid	(240,237)*	
Net cash outflow	(106,705)	

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

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

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

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

### (a) Acquisition of subsidiaries (Continued)

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

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

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Property, plant and equipment	6,337	6,337
Inventories	5,198	5,198
Other receivables	26,766	26,766
Cash and cash equivalents	2,728	2,728
	<u>41,029</u>	<u>41,029</u>
Other payables	<u>(40,855)</u>	<u>(40,855)</u>
Fair value of net assets	174	<u>174</u>
Goodwill arising on the acquisition	<u>142,955</u>	
Consideration	<u>143,129</u>	
The cash outflow on the acquisition is as follows:		
Net cash acquired	2,728	
Cash paid	<u>(143,129)</u>	
Net cash outflow	<u>(140,401)</u>	

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

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

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

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

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**
**(a) Acquisition of subsidiaries (Continued)**
**(iii) Acquisition of the 100% equity interest in Golden Village Group Limited ("Golden Village") (Continued)**

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

The above acquired subsidiaries have contributed the following results to the Group in the previous financial year:

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

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

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

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

### (b) Disposal of subsidiaries

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gain on disposal of retail assets (Note 15(c))	–	–	7,255,064	–
Gain on disposal/dilution of retail operations (Note i)	27,344	499,261	–	–
	<b>27,344</b>	<b>499,261</b>	<b>7,255,064</b>	<b>–</b>

- (i) The gain in 2008 was in relation to the effects of share options exercised in a subsidiary.

For the gain in 2007, the Group entered into a placing agreement with the placing agents for the placement of 44,160,000 shares, with an option to sell an additional up to 11,040,000 shares of Parkson Retail Group Limited ("Parkson Retail") to independent third parties at the price of HK\$24.20 ("Placing").

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

### (c) Capital Distribution

As disclosed in Note 42 Significant Events, the Company and its wholly-owned subsidiary, Excel Step Investments Limited ("Excel Step") had on 19 September 2007 completed the disposal of its retail assets to Parkson Holdings Berhad ("Parkson") and East Crest International Limited, a wholly-owned subsidiary of Parkson.

The disposals were satisfied by the issuance of 3,799.73 million new ordinary shares of RM1.00 each in Parkson. Together with the acquisition of 56.64% of the issued and paid-up share capital of Parkson, Parkson became a 99% owned subsidiary of the Company.

Subsequently, the Company undertook a capital distribution of up to its entire equity interest in Parkson held by Excel Step to the shareholders of the Company ("Capital Distribution") and resulted in the deconsolidation of the relevant retail assets.

For the financial year ended 30 June 2008, the results from the retail division are presented separately on the consolidated income statements as discontinued operations. The analysis of the results of the discontinued operations have been included in the income statements and respective notes to the financial statements.

The cash flows attributable to the discontinued operations are as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Operating cash flows	192,522	356,670
Investing cash flows	(10,043)	(1,354,634)
Financing cash flows	7,798	1,537,484
Total cash flows	<b>190,277</b>	<b>539,520</b>

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**
**(c) Capital Distribution (Continued)**

The Capital Distribution had the following effects on the Group's financial position for the financial year:

	<b>Group 2008 RM'000</b>
Property, plant and equipment	509,380
Investment properties	107,667
Prepaid land lease payments	217,456
Investments in associates	855
Investments in jointly controlled entities	31,995
Other investments	682,131
Intangible assets	912,894
Deferred tax assets	34,387
Inventories	217,651
Receivables	420,573
Deposits, cash and bank balances	1,687,833
Asset classified as held for sale	2,249
	<hr/> <b>4,825,071</b> <hr/>
Payables	(1,122,427)
Borrowings	(1,801,924)
Tax payable	(32,856)
Deferred tax liabilities	(92,457)
	<hr/> <b>(3,049,664)</b> <hr/>
Net assets	1,775,407
Minority interests	(628,961)
Other reserves	(75,161)
Transfer to other investments:	
- Loan stocks	(500,000)
- Quoted shares	(16,028)
	<hr/> <b>555,257</b> <hr/>
Effect arising from reorganisation	6,683,380
Capital Distribution	<hr/> <b>7,238,637</b> <hr/>

## 16. INVESTMENTS IN ASSOCIATES

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted shares in Malaysia, at cost	<b>226,858</b>	224,730
Unquoted shares, at cost	<b>5,078</b>	6,198
	<b>231,936</b>	230,928
Share of post acquisition reserves	<b>(49,773)</b>	(76,251)
	<b>182,163</b>	154,677
Market value of quoted shares	<b>127,203</b>	193,076

<b>Name of associates</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Proportion of ownership interest</b>		<b>Proportion of voting power</b>	
			<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
			<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Lion Corporation Berhad #	Malaysia	Investment holding	<b>22.6</b>	22.6	<b>22.6</b>	22.6
Inner Mongolia Leadar Parkson Plaza Co Ltd	People's Republic of China	Ceased operations	<b>25</b>	25	<b>25</b>	25
Shanghai Nine Sea Lion Properties Management Co Ltd	People's Republic of China	Property management	–	35	–	35

# Listed on the Main Board of Bursa Securities

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

The summarised financial information of the associates are as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Current assets	<b>2,375,162</b>	1,855,390
Non-current assets	<b>5,411,498</b>	4,994,060
Total assets	<b>7,786,660</b>	6,849,450
Current liabilities	<b>(5,706,623)</b>	(3,954,534)
Non-current liabilities	<b>(1,179,780)</b>	(2,059,166)
Total liabilities	<b>(6,886,403)</b>	(6,013,700)
<b>Results</b>		
Revenue	<b>5,220,106</b>	4,619,893
Profit/(Loss) for the year	<b>15,633</b>	(213,407)

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

## 17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted ordinary shares, at cost	<b>180</b>	22,288
Unquoted preference shares, at cost	<b>11,947</b>	11,947
Share of post-acquisition reserves	<b>(4,139)</b>	6,824
	<b>7,988</b>	41,059

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

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Current assets	<b>37,943</b>	66,991
Non-current assets	<b>51,732</b>	45,212
Total assets	<b>89,675</b>	112,203
Current liabilities	<b>(46,939)</b>	(59,809)
Non-current liabilities	<b>(34,748)</b>	(11,335)
Total liabilities	<b>(81,687)</b>	(71,144)
<b>Results</b>		
Revenue	<b>62,261</b>	213,736
Expenses, including finance costs and income tax	<b>(61,055)</b>	(205,984)

Details of the jointly controlled entities are as follows:

<b>Name of jointly controlled entities</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>Equity interest</b>	
			<b>2008</b>	<b>2007</b>
			<b>%</b>	<b>%</b>
Yangzhou Parkson Plaza Co Ltd * # b	People's Republic of China	Operations of department stores	–	55
Xinjiang Youhao Parkson Development Co Ltd * # b	People's Republic of China	Operations of department stores	–	51
Xi'an Shidai Parkson Store Co Ltd * # b	People's Republic of China	Operations of department stores	–	51
Xi'an Chang'an Parkson Store Co Ltd * # b	People's Republic of China	Operations of department stores	–	51



## 17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the jointly controlled entities are as follows: (Continued)

Name of jointly controlled entities	Country of incorporation	Principal activities	Equity interest	
			2008 %	2007 %
Panareno Sdn Bhd	Malaysia	Property development and property investment	35	35
Kairong Developments (S) Pte Ltd	Singapore	Investment holding	40	40
North Plaza Sdn Bhd	Malaysia	Property development	42.5	50

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

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

b Disposed of to Parkson Group

## 18. OTHER INVESTMENTS

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Long Term Investments</b>					
<b>Unquoted</b>					
Credit linked notes, at amortised cost	(a)	–	690,726	–	–
Loan stocks	(b)	235,053	–	–	–
Bonds	(c)	9,133	13,739	9,133	13,739
Shares in Malaysia	(d)	124,515	325	124,463	–
<b>Quoted</b>					
Shares, at cost:					
In Malaysia		334,412	46,846	147,781	47,278
Outside Malaysia		40,063	17,058	40,063	17,058
		374,475	63,904	187,844	64,336
		<b>743,176</b>	<b>768,694</b>	<b>321,440</b>	<b>78,075</b>

**18. OTHER INVESTMENTS (Continued)**

		<b>Group</b>		<b>Company</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term Investments</b>					
<b>Unquoted</b>					
Bonds	(c)	<b>832</b>	17,904	<b>832</b>	17,904
Shares in Malaysia	(e)	<b>232</b>	–	<b>232</b>	–
<b>Quoted</b>					
Shares:					
In Malaysia		–	232	–	232
Outside Malaysia		–	521	–	–
	(f)	–	753	–	232
		<b>1,064</b>	18,657	<b>1,064</b>	18,136
<b>Total Investments</b>					
<b>Unquoted</b>					
Credit linked notes, at amortised cost		–	690,726	–	–
Loan stocks		<b>235,053</b>	–	–	–
Bonds		<b>9,965</b>	31,643	<b>9,965</b>	31,643
Shares in Malaysia		<b>124,747</b>	325	<b>124,695</b>	–
<b>Quoted</b>					
Shares:					
In Malaysia		<b>334,412</b>	47,078	<b>147,781</b>	47,510
Outside Malaysia		<b>40,063</b>	17,579	<b>40,063</b>	17,058
		<b>374,475</b>	64,657	<b>187,844</b>	64,568
		<b>744,240</b>	787,351	<b>322,504</b>	96,211
Market value of quoted shares:					
In Malaysia		<b>451,013</b>	65,503	<b>182,484</b>	65,870
Outside Malaysia		<b>43,378</b>	23,277	<b>43,378</b>	22,763

Certain of the Group's investments with carrying value amounting to RM527.0 million (2007: RM26.7 million) have been pledged as security for banking facilities extended to the Group.

**(a) Credit linked notes**

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

The investment was deconsolidated from the Group upon the capital distribution to the shareholders of the Company (Note 15(c)).

## 18. OTHER INVESTMENTS (Continued)

### (b) Loan stocks

The loan stocks represent the 3-year 3.5% redeemable convertible secured loan stocks ("RCSLS") issued by Parkson as part settlement of the disposal of retail assets as disclosed in Note 15(c).

During the financial year, the Group has converted RM271.2 million nominal value RCSLS into 67.8 million new ordinary shares of RM1.00 each of Parkson shares.

### (c) Unquoted bonds

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted bonds, at cost	36,451	36,451	36,451	36,451
Accrued interests	10,069	9,772	10,069	9,772
	<b>46,520</b>	46,223	<b>46,520</b>	46,223
Less: Redeemed	(26,555)	(14,580)	(26,555)	(14,580)
Less: Impairment losses	(10,000)	–	(10,000)	–
	<b>9,965</b>	31,643	<b>9,965</b>	31,643
Less: Bonds redeemable within one year	(832)	(17,904)	(832)	(17,904)
	<b>9,133</b>	13,739	<b>9,133</b>	13,739

The unquoted bonds, issued by the former holding companies of the Company, bear a yield to maturity which ranges from 4.75% to 5.75% (2007: 4.75% to 5.75%) per annum.

### (d) Unquoted shares - long term

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost:				
In Malaysia	124,515	325	124,463	–
Outside Malaysia	–	23,096	–	–
	<b>124,515</b>	23,421	<b>124,463</b>	–
Less: Accumulated impairment losses	–	(23,096)	–	–
	<b>124,515</b>	325	<b>124,463</b>	–

As at 30 June 2008, the unquoted shares comprise the 10% equity interest in Megasteel Sdn Bhd, a 90% owned subsidiary of Lion Corporation Berhad. The shares have not been registered in the name of the Company as the outstanding balance of the purchase consideration has yet to be settled, as disclosed in Note 31 and Note 34(i).

**18. OTHER INVESTMENTS (Continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(e) Unquoted shares - short term</b>				
Unquoted shares, at cost:				
In Malaysia	2,549	–	2,549	–
Less: Accumulated impairment losses	(2,317)	–	(2,317)	–
	<u>232</u>	<u>–</u>	<u>232</u>	<u>–</u>
<b>(f) Quoted shares - short term</b>				
Quoted shares, at cost:				
In Malaysia	–	2,549	–	2,549
Outside Malaysia	–	521	–	–
	<u>–</u>	<u>3,070</u>	<u>–</u>	<u>2,549</u>
Less: Accumulated impairment losses	–	(2,317)	–	(2,317)
	<u>–</u>	<u>753</u>	<u>–</u>	<u>232</u>

**19. OTHER ASSETS**

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Guarantee deposits	(Note i)	–	4,535
Deferred rental expenses	(Note ii)	–	40,903
Entrusted loan	(Note iii)	–	54,420
		<u>–</u>	<u>99,858</u>

- (i) These represent deposits paid to a third party property developer to secure certain retail space to be leased to the Group for setting up new department stores on or after 2010. The guarantee deposits are interest free and could be converted into rental deposits upon the completion of the property development projects.
- (ii) These represent the long term portion of rental expenses paid to China Arts & Crafts (Group) Company, a former joint venture partner, in respect of the lease of certain properties in Beijing for a period of nine years from August 2005.
- (iii) The entrusted loan is secured by a cash deposit of an equivalent amount in an escrow bank account, bears interest at 6.5% per annum and is repayable on or before 27 December 2009.

## 20. INTANGIBLE ASSETS

Group	Computer Software * RM'000	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
<b>Cost</b>				
<b>At 1 July 2006</b>	1,962	355,345	35,205	392,512
Effects of adopting FRS 3	–	(10,201)	(2,406)	(12,607)
Acquisition of subsidiaries	–	506,532	–	506,532
Acquisition of minority interest (#)	–	127,748	–	127,748
Realisation upon disposal/dilution of retail operations	–	(34,165)	–	(34,165)
Exchange differences	–	–	(63)	(63)
<b>At 30 June 2007 and 1 July 2007</b>	<b>1,962</b>	<b>945,259</b>	<b>32,736</b>	<b>979,957</b>
Acquisition of subsidiaries	–	6,999	–	6,999
Capital Distribution (Note 15(c))	(1,962)	(938,199)	(13,931)	(954,092)
Exchange differences	–	603	9	612
<b>At 30 June 2008</b>	<b>–</b>	<b>14,662</b>	<b>18,814</b>	<b>33,476</b>
<b>Accumulated amortisation and impairment</b>				
<b>At 1 July 2006</b>	(640)	(10,201)	(2,406)	(13,247)
Effects of adopting FRS 3	–	10,201	2,406	12,607
Amortisation (Note 6)	(384)	–	–	(384)
Impairment loss recognised in income statement	–	–	(2,547)	(2,547)
Impairment loss recognised due to cessation of operation of a subsidiary (Note 15)	–	(37,534)	–	(37,534)
Exchange differences	–	–	3	3
<b>At 30 June 2007 and 1 July 2007</b>	<b>(1,024)</b>	<b>(37,534)</b>	<b>(2,544)</b>	<b>(41,102)</b>
Amortisation (Note 6)	(96)	–	–	(96)
Capital Distribution (Note 15(c))	1,120	37,534	2,544	41,198
<b>At 30 June 2008</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net carrying amount</b>				
<b>At 30 June 2008</b>	<b>–</b>	<b>14,662</b>	<b>18,814</b>	<b>33,476</b>
<b>At 30 June 2007</b>	<b>938</b>	<b>907,725</b>	<b>30,192</b>	<b>938,855</b>

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

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

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

## 20. INTANGIBLE ASSETS (Continued)

### (a) Impairment loss recognised

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

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

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

### (b) Impairment tests for goodwill

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

	Malaysia RM'000	People's Republic of China RM'000	Total RM'000
<b>At 30 June 2008</b>			
Computer	<u>33,476</u>	<u>–</u>	<u>33,476</u>
<b>At 30 June 2007</b>			
Retailing	32,499	871,942	904,441
Computer	<u>33,476</u>	<u>–</u>	<u>33,476</u>
	<u>65,975</u>	<u>871,942</u>	<u>937,917</u>

### Key assumptions used in value-in-use calculations

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

- Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the relevant industry.
- Gross margins : gross margins are based on the average gross margin achieved in the past two years.
- Operating expenses : the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.
- Discount rates : discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable borrowing rates for each unit.

### Sensitivity to changes in assumptions

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

## 21. DEFERRED TAX

	<b>Group</b>	
	<b>2008 RM'000</b>	<b>2007 RM'000</b>
At 1 July	(58,695)	6,825
Acquisition of subsidiaries	137	(30,236)
Recognised in income statement	95	(1,052)
Recognised in equity	–	(50,822)
Change of tax rate	–	17,104
Capital Distribution (Note 15(c))	58,070	–
Exchange difference	(120)	(514)
	<hr/>	<hr/>
At 30 June	(513)	(58,695)
	<hr/>	<hr/>

### Presented after appropriate offsetting as follows:

Deferred tax assets	1,155	34,831
Deferred tax liabilities	(1,668)	(93,526)
	<hr/>	<hr/>
	(513)	(58,695)
	<hr/>	<hr/>

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

### Deferred tax assets of the Group:

	<b>Provisions RM'000</b>	<b>Depreciation RM'000</b>	<b>Total RM'000</b>
At 1 July 2007	32,494	2,337	34,831
Recognised in income statement	615	–	615
Acquisition of subsidiaries	137	–	137
Capital Distribution (Note 15(c))	(32,048)	(2,339)	(34,387)
Exchange difference	(43)	2	(41)
	<hr/>	<hr/>	<hr/>
At 30 June 2008	1,155	–	1,155
	<hr/>	<hr/>	<hr/>
At 1 July 2006	31,643	1,791	33,434
Recognised in income statement	(2,376)	(70)	(2,446)
Change in tax rate	(4,292)	(748)	(5,040)
Acquisition of subsidiaries	8,289	1,407	9,696
Exchange difference	(770)	(43)	(813)
	<hr/>	<hr/>	<hr/>
At 30 June 2007	32,494	2,337	34,831
	<hr/>	<hr/>	<hr/>

## 21. DEFERRED TAX (Continued)

### Deferred tax liabilities of the Group:

	Property, Plant and Equipment RM'000	Asset Revaluation RM'000	Total RM'000
At 1 July 2007	(55,024)	(38,502)	(93,526)
Recognised in income statement	(520)	–	(520)
Capital Distribution (Note 15(c))	53,921	38,536	92,457
Exchange difference	(45)	(34)	(79)
At 30 June 2008	<u>(1,668)</u>	<u>–</u>	<u>(1,668)</u>
At 1 July 2006	(26,609)	–	(26,609)
Recognised in income statement	1,394	–	1,394
Recognised in equity	–	(50,822)	(50,822)
Change in tax rate	9,824	12,320	22,144
Acquisition of subsidiaries	(39,932)	–	(39,932)
Exchange difference	299	–	299
At 30 June 2007	<u>(55,024)</u>	<u>(38,502)</u>	<u>(93,526)</u>

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

	Group	
	2008 RM'000	2007 RM'000
Unabsorbed capital allowances	17,000	24,000
Unused tax losses	<u>152,000</u>	<u>143,000</u>

The unabsorbed capital allowances and unused tax losses of the Group are available indefinitely for offsetting against future taxable profits of the respective subsidiaries, subject to no substantial changes in shareholdings of the respective subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

## 22. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
<b>Cost</b>		
Merchandise inventories	–	183,655
Industrial land	1,782	3,245
Properties held for sale	–	39,951
Raw materials	205,803	3
Work-in-progress	294	122
Finished goods	11,107	23,767
Consumable stores	36	5,128
	<u>219,022</u>	<u>255,871</u>



## 22. INVENTORIES (Continued)

	Group	
	2008 RM'000	2007 RM'000
<b>Net realisable value</b>		
Properties held for sale	21,441	–
Work-in-progress	2,342	765
Raw materials	10,681	18,207
Reclassified as held for sale (Note 26)	(21,441)	–
	<hr/>	<hr/>
	13,023	18,972
	<hr/>	<hr/>
Total	232,045	274,843

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

	Group	
	2008 RM'000	2007 RM'000
Properties held for sale	28,167	–
Work-in-progress	2,384	831
Raw materials	12,316	19,766

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

The title to the industrial land has yet to be transferred to a subsidiary as at 30 June 2008.

As disclosed in Note 27(ii), inventories of a subsidiary of RM205.0 million (2007: RM121.2 million) were pledged for bank borrowings.

## 23. TRADE RECEIVABLES

	Group	
	2008 RM'000	2007 RM'000
Trade receivables:		
- Third parties	39,705	60,125
- Related parties	353,665	187,767
Accrued billings in respect of property development costs	—	2,620
	<hr/>	<hr/>
	393,370	250,512
	(2,393)	(3,553)
	<hr/>	<hr/>
	390,977	246,959

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

The Group has a significant concentration of credit risk that may arise from exposures to a related party constituting approximately 86% of the total trade receivables balances. Other than the amount owing by a related party, the Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors. RM242.3 million (2007: RM150.3 million) of the amount owing by related parties are secured against certain inventories of the related parties.

As disclosed in Note 27(ii), trade receivables of a subsidiary of RM38.3 million (2007: RM Nil) were pledged for bank borrowings.

## 24. OTHER RECEIVABLES

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amounts owing by subsidiaries	(a)	–	–	1,345,760	763,620
Sundry receivables	(b)	41,171	116,478	1,670	–
Deposits	(c)	6,545	91,436	2,103	34,503
Investment deposit	(d)	–	4,532	–	–
Prepayment		18,327	49,823	22	18
Amounts owing by related parties	(e)	823	390	133	23
Designated loans	(f)	–	6,653	–	–
Entrusted loan to Anshan Tianxing International Properties Development Co Ltd ("Anshan Tianxing")	(g)	–	57,096	–	–
Amount owing by jointly controlled entities	(h)	36,135	31,798	–	–
		<b>103,001</b>	<b>358,206</b>	<b>1,349,688</b>	<b>798,164</b>

(a) Amounts owing by subsidiaries

		Company	
		2008 RM'000	2007 RM'000
Amounts outstanding		1,538,653	897,467
Less: Provision for doubtful debts		(192,893)	(133,847)
		<b>1,345,760</b>	<b>763,620</b>

The amounts owing by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) Sundry receivables

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amounts outstanding		41,171	117,821	1,670	–
Less: Provision for doubtful debts		–	(1,343)	–	–
		<b>41,171</b>	<b>116,478</b>	<b>1,670</b>	<b>–</b>

(c) The RM34.5 million deposits in 2007 of the Group and of the Company was paid to Khazanah Nasional Berhad in relation to the proposed acquisition of 10% equity interest of Megasteel Sdn Bhd.

(d) The RM4.532 million investment deposit in 2007 was paid to Sichuan Fulin Industrial Group Co Ltd for the proposed acquisition of the remaining 40% equity interest in Mianyang Fulin Parkson Plaza Co Ltd, a subsidiary of the Group, details of which are set out in Note 39(c). The acquisition of the said company was completed in October 2007.

## 24. OTHER RECEIVABLES (Continued)

(e) Amounts owing by related parties

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amounts outstanding	<b>1,168</b>	735	<b>478</b>	368
Less: Provision for doubtful debts	<b>(345)</b>	(345)	<b>(345)</b>	(345)
	<b>823</b>	390	<b>133</b>	23

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

The amounts owing by related parties are unsecured, have no fixed terms of repayment and bear interest at the rate of 8.0% (2007: 8.0%) per annum.

- (f) These designated loans in 2007 bear interest at rates from 6.1% to 7.3% per annum and have a term of one year. The Group has the right to offset the outstanding designated loan against future rental payments to the borrowers.
- (g) As part of the arrangements to acquire the remaining 49% equity interest in Anshan Tianxing Parkson Shopping Centre Co Ltd in April 2007, the Group agreed to grant an entrusted loan of Rmb125.9 million (equivalent to approximately RM57.1 million) to Anshan Tianxing for the purpose of the repayment of the overdue entrusted loans of approximately Rmb72 million (equivalent to approximately RM32.6 million) to the Group and the repayment of the bank loans of approximately Rmb60 million (equivalent to approximately RM27.2 million) in order to discharge the mortgage over the 5th and 6th floors of the Anshan Properties. The entrusted loan was interest free and subsequently settled in July 2007.
- (h) The amounts owing by jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

As disclosed in Note 27(ii), other receivables of a subsidiary of RM12.3 million (2007: RM40.2 million) were pledged for bank borrowings.

## 25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits, cash and bank balances:				
Cash on hand and at banks	<b>59,546</b>	678,516	<b>12,325</b>	25,426
Deposits with:				
Licensed banks	<b>159,531</b>	1,026,647	<b>68,548</b>	170,281
Licensed finance companies	<b>1,059</b>	69,410	–	–
Cash and cash equivalents	<b>220,136</b>	1,774,573	<b>80,873</b>	195,707
Reclassified as held for sale (Note 26)	<b>(12,823)</b>	–	–	–
	<b>207,313</b>	1,774,573	<b>80,873</b>	195,707

## 25. CASH AND CASH EQUIVALENTS (Continued)

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China which amounted to RM8.3 million (2007: RM1,076.3 million) at balance sheet date are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

Deposits, cash and bank balances amounting to RM76.5 million (2007: RM87.5 million) are pledged with financial institutions for banking facilities extended to the Group.

An Escrow Account of RM230,720 (2007: RM79,380) was maintained by a subsidiary that is pledged to the Murabahah Islamic Instrument as detailed in Note 27(iii).

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

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits with licensed banks	<b>20,232</b>	46,652
Bank balances	<b>11,025</b>	25,004
	<b>31,257</b>	71,656

Included in bank balances of a subsidiary is an amount of RM9.9 million (2007: RM24.35 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use for other operations.

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

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Licensed banks	<b>3.5</b>	3.5	<b>3.2</b>	3.2
Licensed finance companies	<b>3.0</b>	3.0	—	—

Deposits of the Group and of the Company have an average maturity of 60 days (2007: 60 days). Bank balances are deposits held at call with licensed banks.

## 26. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Reclassified from:		
Property, plant and equipment (Note 11)	77	2,249
Land held for property development (Note 14)	<b>89,848</b>	—
Property development costs (Note 14)	<b>15,668</b>	—
Inventories (Note 22)	<b>21,441</b>	—
Receivables	<b>25,365</b>	—
Cash and cash equivalents (Note 25)	<b>12,823</b>	—
	<b>165,222</b>	2,249
Payables	<b>(38,085)</b>	—
	<b>127,137</b>	2,249
Provision for loss on proposed disposal	<b>(37,189)</b>	—
	<b>89,948</b>	2,249

## 26. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The assets held for sale in the financial year 2008 is in relation to the proposed disposal of a property development project known as Bandar Mahkota Cheras together with four parcels of undeveloped land in the Mukim of Cheras, District of Hulu Langat, Selangor held by LDH Management Sdn Bhd, a wholly-owned subsidiary of the Company, for a consideration of approximately RM89.95 million. Further details of the transaction are disclosed in Note 42, Significant Events item (f).

For the financial year 2007, a subsidiary of the Company entered into a sale and purchase agreement to dispose of its building for a cash consideration of RM6,030,900 in July 2007. The asset was deconsolidated from the Group upon the capital distribution to the shareholders of the Company (Note 15(c)).

## 27. BORROWINGS

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Short term borrowings</b>					
Secured:					
Hire purchase payables (Note 28)		772	1,306	243	117
Exchangeable Bonds	(i)	10,773	–	–	–
Short term loans	(ii)	240,312	54,768	170,000	–
Letter of Credit-i Facility	(iii)	34,999	31,725	–	–
		<b>286,856</b>	<b>87,799</b>	<b>170,243</b>	<b>117</b>
Unsecured:					
Bankers' acceptances		200	6,184	–	–
Revolving credit	(iv)	8,916	14,248	–	–
		<b>9,116</b>	<b>20,432</b>	<b>–</b>	<b>–</b>
		<b>295,972</b>	<b>108,231</b>	<b>170,243</b>	<b>117</b>
<b>Long term borrowings</b>					
Secured:					
Hire purchase payables (Note 28)		905	785	458	165
Exchangeable Bonds	(i)	431,000	–	–	–
Term loans	(v)	136,082	–	–	–
		<b>567,987</b>	<b>785</b>	<b>458</b>	<b>165</b>
Unsecured:					
PRC bank loans	(vi)	–	664,377	–	–
		<b>567,987</b>	<b>665,162</b>	<b>458</b>	<b>165</b>
<b>Total borrowings</b>					
Hire purchase payables (Note 28)		1,677	2,091	701	282
Other borrowings		862,282	771,302	170,000	–
		<b>863,959</b>	<b>773,393</b>	<b>170,701</b>	<b>282</b>

## 27. BORROWINGS (Continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Maturity of other borrowings (excluding hire purchase payables):				
Within one year	295,200	106,925	170,000	—
More than one year and less than two years	48,884	—	—	—
More than two years and less than five years	518,198	664,377	—	—
	<b>862,282</b>	<b>771,302</b>	<b>170,000</b>	<b>—</b>

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

		Group		Company	
		2008 %	2007 %	2008 %	2007 %
Exchangeable Bonds	(i)	6.0	—	—	—
Short term loans	(ii)	4.6 to 11.0	4.6 to 8.3	8.0 to 11.0	—
Letter of Credit-i Facility	(iii)	6.4 to 6.7	6.4 to 6.7	—	—
Bankers' acceptances		4.0 to 6.0	4.0 to 6.0	—	—
Revolving credit	(iv)	8.5	8.5	—	—
Term loans	(v)	5.8 to 8.5	—	—	—
PRC bank loans	(vi)	—	10.3	—	—

- (i) During the financial year, a subsidiary of the Company has issued USD132,110,000 nominal value 5-year 2.50% secured guaranteed exchangeable bonds ("Exchangeable Bonds") which are exchangeable into approximately 40 million new ordinary shares of Parkson Holdings Berhad ("Parkson") to be issued by way of conversion of RM160 million redeemable convertible secured loan stocks of Parkson.

The Exchangeable Bonds are secured by a first priority fixed charge on an equivalent of 57.2 million Parkson shares, including any future dividends and any other cash receivables attributable to these shares.

The Company guarantees the Exchangeable Bonds issued by the subsidiary.

- (ii) The short term loans of RM240.31 million (2007: RM44.51 million) are secured against certain investments, land and buildings, floating and fixed assets of the subsidiaries.

As at 30 June 2007, short term loans of a subsidiary of RM10.25 million are secured by:

- a fixed and floating charge over all present and future assets of the subsidiary, except for an unquoted investment of the subsidiary;
- a deed of assignment over insurance policies taken up by the subsidiary on or relating to its assets and payments received thereunder; and
- a deed of assignment over insurance policies taken up by related parties, Benecorp Sdn Bhd and WGD Retail Consultancy Sdn Bhd, on or relating to their assets and payment received thereunder.

## 27. BORROWINGS (Continued)

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

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

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

- (a) All issued and paid-up shares of the subsidiary;
  - (b) 20.8 million quoted shares owned by the Company;
  - (c) Corporate guarantee by the Company; and
  - (d) Assignment over a designated escrow account identified to the Kuwait Finance House with a power of attorney in relation thereto.
- (iv) A subsidiary of the Company entered into revolving credit agreements with a financial institution. The agreement provides a credit line of RM20.71 million subject to an 8.50% interest rate per annum on outstanding balance.
- The Company guarantees the credit agreement of the subsidiary.
- (v) The term loans of RM136.08 million (2007: RM Nil) are secured against certain land and buildings, floating and fixed assets of the subsidiaries.
- (vi) The PRC bank loans from JPMorgan Chase Bank, N.A., Shanghai Branch, have a maturity date on 13 November 2011 and an interest rate equals to the five-year bank loan rate as pronounced by the People's Bank of China plus a spread of 2.35% per annum.

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

## 28. HIRE PURCHASE PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Minimum lease payments:</b>				
Not later than one year	865	1,423	278	132
Later than one year and not later than five years	995	858	502	188
	<u>1,860</u>	<u>2,281</u>	<u>780</u>	<u>320</u>
Less: Future finance charges	(183)	(190)	(79)	(38)
Present value of finance lease liabilities	<u>1,677</u>	<u>2,091</u>	<u>701</u>	<u>282</u>
<b>Present value of finance lease liabilities:</b>				
Not later than one year	772	1,306	243	117
Later than one year and not later than five years	905	785	458	165
	<u>1,677</u>	<u>2,091</u>	<u>701</u>	<u>282</u>

**28. HIRE PURCHASE PAYABLES (Continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Analysed as:</b>				
Due within one year (Note 27)	772	1,306	243	117
Due after one year (Note 27)	905	785	458	165
	<u>1,677</u>	<u>2,091</u>	<u>701</u>	<u>282</u>

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 3.1% to 7.7% (2007: 3.1% to 7.7%) per annum.

**29. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**

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

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

**30. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**

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

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

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

	<b>Group/Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Nominal value:		
At 1 July	–	49,576
Redeemed during the year	–	(49,576)
	<u>–</u>	<u>–</u>
Nominal value	–	–
Less: Unamortised portion	–	–
	<u>–</u>	<u>–</u>
Net amount	<u>–</u>	<u>–</u>

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

**31. LONG TERM PAYABLES**

As at 30 June 2008, the long term payables represented the long term portion of amount payable in relation to the acquisition of 10% equity interest of Megasteel Sdn Bhd. The amount as at 30 June 2007 represented the long term portion of accrued rental expenses.



### 32. NOTES

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Senior guaranteed notes ("SGN1"), listed	(Note i)	–	677,215
Senior guaranteed notes ("SGN2"), listed	(Note ii)	–	421,374
		<u>–</u>	<u>1,098,589</u>
Maturity of notes:			
Maturity more than two years and less than five years		<u>–</u>	<u>1,098,589</u>

SGN1 and SGN2 were deconsolidated from the Group upon the capital distribution to the shareholders of the Company (Note 15(c)).

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

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

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

- (1) redeemable up to 35% of the SGN2 from the proceeds of certain equity offerings at any time and from time to time prior to the third year from the date of issue;
- (2) redeemable up to 100% of the SGN2 at any time and from time to time after the third year from the date of issue at redemption prices set forth in the indentures governing the notes; and
- (3) subject to certain conditions, redeemable in whole, but not in part, at a redemption price equal to 100% of the principal amount of the SGN2, plus the applicable premium.

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

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

### 33. TRADE PAYABLES

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Trade payables		<u>74,685</u>	<u>636,445</u>

The normal trade credit terms granted to the Group ranges from 30 to 60 days.

### 34. OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sundry payables	<b>187,292</b>	230,326	–	–
Deposit	<b>412</b>	100,676	–	–
Accruals (Note i)	<b>120,657</b>	119,346	<b>44,961</b>	1,306
Amounts owing to subsidiaries	–	–	<b>515,610</b>	750,949
Amounts owing to related parties	<b>46,674</b>	1,214	<b>396</b>	516
Provision for coupon liabilities (Note ii)	–	42,117	–	–
	<b>355,035</b>	<b>493,679</b>	<b>560,967</b>	<b>752,771</b>

- (i) As at 30 June 2008, the accruals of the Group and of the Company comprise RM34.5 million outstanding balance of the purchase consideration in relation to the 10% equity interest of Megasteel Sdn Bhd.
- (ii) A reconciliation of the provision for coupon liabilities is as follow:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	<b>42,117</b>	25,201
Business combinations	–	7,473
Arising during the year	–	41,387
Utilised	–	(21,383)
Unused amounts reversed	–	(10,226)
Capital Distribution (Note 15(c))	<b>(42,154)</b>	–
Exchange differences	<b>37</b>	(335)
At 30 June	<b>–</b>	<b>42,117</b>

A provision for coupon liabilities is recognised for the expected amount of redemptions of coupons granted during the last two years, based on past experience of the level of redemptions. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years from the balance sheet date. Assumptions used to calculate the provision for coupon liabilities were based on the amount of bonus points outstanding and the current information available about the level of redemptions based on the two-year redemption period.

The amounts owing to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amounts owing to related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2007: 8.0%) per annum.

### 35. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
<b>Authorised:</b>				
At 1 July	1,000,000	1,000,000	500,000	500,000
Increased during the year	8,000,000	–	4,000,000	–
At 30 June	<u>9,000,000</u>	<u>1,000,000</u>	<u>4,500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>				
At 1 July	737,223	679,577	368,612	339,788
Movements during the year pursuant to:				
Bonus issue	7,652,756	–	3,826,378	–
Capital Distribution	(7,652,756)	–	(3,826,378)	–
Conversion of ICULS	–	*	–	*
Conversion of RCULS	–	57,646	–	28,824
At 30 June	<u>737,223</u>	<u>737,223</u>	<u>368,612</u>	<u>368,612</u>

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

#### (a) Issue of ordinary shares

During the financial year, the Company implemented a capital reduction in accordance with Section 64 of the Companies Act, 1965 to cancel the 7,652,755,824 new ordinary shares of RM0.50 each issued pursuant to the bonus issue undertaken by the Company. After the capital reduction, the issued and paid-up share capital of the Company remained at RM368,611,613.50.

#### (b) Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") of the Company established for the benefit of eligible executive directors and executive employees of the Group, was implemented on 1 September 2005. The movements in the number of options, main features of the ESOS are as disclosed in the Note 37.

### 36. OTHER RESERVES

Group	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000 (a)	Asset Revaluation Reserve RM'000 (b)	Capital Reserves RM'000 (c)	Equity Components RM'000	Total RM'000
<b>At 1 July 2006</b>	(466)	–	–	9,876	10,163	19,573
Translation difference:						
On net equity of foreign subsidiaries	(9,719)	–	–	–	–	(9,719)
Conversion of ICULS	–	–	–	–	*	*
Conversion of RCULS	–	–	–	–	(10,163)	(10,163)
Appropriation of profit to capital reserves	–	–	–	8,202	–	8,202
Post acquisition reserve of jointly controlled entity	–	–	56,544	–	–	56,544
Effect of change in deferred tax rate	–	–	6,829	–	–	6,829
Equity-settled share option arrangements	–	3,191	–	–	–	3,191
Employee share options exercised	–	(340)	–	–	–	(340)
<b>At 30 June 2007</b>	<b>(10,185)</b>	<b>2,851</b>	<b>63,373</b>	<b>18,078</b>	<b>–</b>	<b>74,117</b>
<b>At 1 July 2007</b>	<b>(10,185)</b>	<b>2,851</b>	<b>63,373</b>	<b>18,078</b>	<b>–</b>	<b>74,117</b>
Translation difference:						
On net equity of foreign subsidiaries	1,506	–	–	–	–	1,506
Effect arising from reorganisation	9,141	(2,851)	(63,373)	(18,078)	–	(75,161)
Equity-settled share option arrangements	–	1,231	–	–	–	1,231
<b>At 30 June 2008</b>	<b>462</b>	<b>1,231</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,693</b>
<b>Company</b>						
<b>At 1 July 2006</b>	–	–	–	–	10,613	10,613
Conversion of ICULS	–	–	–	–	*	*
Conversion of RCULS	–	–	–	–	(10,613)	(10,613)
<b>At 30 June 2007</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 1 July 2007</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Equity-settled share option arrangements	–	1,231	–	–	–	1,231
<b>At 30 June 2008</b>	<b>–</b>	<b>1,231</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,231</b>

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

### 36. OTHER RESERVES (Continued)

#### (a) Share option reserve

The share option reserve represents the equity-settled share options granted to employees by the Company and Parkson Retail Group Limited, a then subsidiary of the Company as set out in Note 37.

#### (b) Asset revaluation reserve

Movement in asset revaluation reserve represents the fair value adjustments to the property, plant and equipment, investment properties and lease prepayments which were owned by the Group before the acquisition of the remaining 44% equity interest in Beijing Parkson.

#### (c) Capital reserves

The capital reserves are maintained by the Group's subsidiaries in the People's Republic of China in accordance with the accounting regulations in that country and are not available for payment of dividend.

### 37 EMPLOYEE SHARE-BASED PAYMENT

#### Lion Diversified Holdings Berhad

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 Listing Requirements of Bursa Malaysia Securities Berhad), 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 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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.

### 37. EMPLOYEE SHARE-BASED PAYMENT (Continued)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year.

Grant date	Balance as at 1 July 2007	Number of Options			Balance as at 30 June 2008	Exercisable as at 30 June 2008
		Granted	Exercised	Lapsed		
29.5.2008	–	2,645,900	–	–	2,645,900	2,159,000
WAEP (RM)	–	1.23	–	–	1.23	1.23

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

The fair value of the options granted is estimated at the date of grant using a Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Fair value at grant date 29 May 2008 (RM)	1.26
Dividend yield (%)	1.0
Expected volatility (%)	50.0
Risk-free interest rate (%)	3.0
Expected life (years)	2.2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

#### **Parkson Retail Group Limited**

On 10 January 2007, a total of 8,188,950 share options were granted by Parkson Retail Group Limited ("Parkson Retail"), a then subsidiary of the Company, to 482 eligible employees at an exercise price of HK\$36.75 per share pursuant to an employee share option scheme. The Employee Share Option Scheme ("Parkson ESOS") ("Scheme") of Parkson Retail was approved by the shareholders of Parkson Retail on 9 November 2005 and is valid and effective for a period of 10 years up to 8 November 2015, after which no further share options will be granted.

The salient features of the Parkson ESOS are as follows:

- (i) Parkson Retail may from time to time grant options to Group employees, directors, consultants, business associates or advisers of Parkson Retail to subscribe for ordinary shares of Parkson Retail. No consideration is payable upon acceptance of the option by the grantee;
- (ii) The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 55,200,000, being 10% of the issued share capital of Parkson Retail on 9 November 2005, the date on which the Scheme was adopted. Unless with the approval from Parkson Retail's shareholders at general meetings, the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months period is not permitted to exceed 1% of the shares of Parkson Retail in issue at any point in time. In addition, options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of Parkson Retail) in excess of 0.1% of Parkson Retail share capital or with a value in excess of HK\$5,000,000 must be approved in advance by Parkson Retail's shareholders in general meeting;

### 37. EMPLOYEE SHARE-BASED PAYMENT (Continued)

The salient features of the ESOS are as follows: (Continued)

- (iii) The exercise price is determined by the directors of Parkson Retail and will not be less than (a) the closing price of the Parkson Retail's shares on the date of grant; (b) the average closing of the shares for the 5 business days immediately preceding the date of grant; and (c) the nominal value of Parkson Retail's share;
- (iv) The options may be exercised at any time during a period commencing on or after the date to be notified to each grantee which period shall commence not less than 1 year and not to exceed 10 years from the date of grant of the relevant option; and
- (v) Shares issued or transferred upon exercise of the options granted under the Parkson ESOS will rank *pari passu* in all respects with the existing ordinary shares of Parkson Retail.

The exercise prices of the outstanding share options at the end of the previous year was HK\$36.75 per share.

#### (i) Share options exercised during the previous year

Options exercised during the previous financial year resulted in the issuance of 644,600 ordinary shares at HK\$36.75 per share. The related average share price of Parkson Retail from the grant date to 30 June 2007 was HK\$50.10.

#### (ii) Fair value of share options granted during the year

The fair value of the options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions. The 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.

The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Fair value of share options (HK\$)	2.13
Dividend yield (%)	0.77 – 1.56
Expected volatility (%)	25.79 – 35.94
Risk-free interest rate (%)	3.638 – 3.648
Expected life (years)	0.5 – 1.5
Share price (HK\$)	44.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

### 38. RETAINED PROFITS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2008, the Company has sufficient tax credit in the 108 balance to frank the payment of dividends amounting to RM29,147,000 (2007: RM11,056,000) out of its retained profits. Tax exempt profits available for distribution as at balance sheet date is approximately RM809,438,000 (2007: RM774,291,000), subject to the agreement of the Inland Revenue Board.

### 39. COMMITMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>(a) Capital commitments</b>				
Capital expenditure for property, plant and equipment:				
Approved and contracted for	<b>1,374,963</b>	156,320	–	121,587
Approved but not contracted for	<b>163,788</b>	90,045	–	82,588
	<b>1,538,751</b>	246,365	–	204,175
<b>(b) Non-cancellable operating lease commitments</b>				
Future minimum rentals payable:				
Not later than one year	<b>4,162</b>	271,360	–	–
Later than one year and not later than five years	<b>8,082</b>	872,874	–	–
Later than five years	<b>27,310</b>	1,618,320	–	–
	<b>39,554</b>	2,762,554	–	–

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

#### (c) Acquisition commitments

As at 30 June 2008, the Group had the following acquisition commitments:

		2008 RM'000	2007 RM'000
Acquisition of investments	(Note i)	<b>600,000</b>	–
Acquisition of the minority interest of Mianyang Parkson	(Note ii)	–	40,786
Acquisition of Anshan Properties	(Note ii)	–	204,075
		<b>600,000</b>	244,861

- (i) In May 2008, the Group has entered into several agreements to acquire and subscribe for RM denominated bonds issued by LCB and investments in Megasteel for a total consideration of RM600 million. Further details of the transactions are disclosed in Note 42, Significant Events item (f).
- (ii) The proposed acquisition of 40% equity interest in Mianyang Parkson at a consideration of Rmb99,928,800 (equivalent to approximately RM45,318,000) as disclosed in Note 24(d) and the proposed acquisition of the Anshan Properties as stated in Note 20 were deconsolidated from the Group upon the Capital Distribution to the shareholders of the Company (Note 15(c)).



#### 40. CONTINGENT LIABILITIES

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Secured</b>				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	–	–	<b>641,831</b>	37,817

On 16 January 2004, Graimpi Sdn Bhd and LDH Management Sdn Bhd (collectively referred to as “Brewery Vendors”) and Horsinvest Holding Co Ltd entered into a supplemental agreement (“Supplemental Agreement”), pursuant to which they agreed to the following:

- (a) a United States Dollar equivalent of the amount of Rmb30 million (equivalent to approximately RM13.77 million) is to be held in escrow for the use by Hunan DEBier Brewery Co Ltd to satisfy all the relevant employee severance payments. As at 30 June 2008, the relevant employee severance payments have been settled and the Group has received the Rmb30 million; and
- (b) the Brewery Vendors agreed to jointly and severally indemnify Horsinvest Holding Co Ltd and each of their respective successors, assigns, and directors and officers and the directors of the brewery companies (namely Consitrade (M) Sdn Bhd, DEBier Sdn Bhd or their subsidiaries or associates except for Shanghai DEBier Management Consulting Co Ltd, Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd) (“Brewery Companies”) designated by Horsinvest Holding Co Ltd (collectively, the “Indemnified Persons”) and shall reimburse the Indemnified Persons for any and all liabilities incurred directly or indirectly by any of the Indemnified Persons or any of the Brewery Companies arising out of, resulting from, relating to or in connection with the Brewery Companies’ employee benefits liabilities and any taxation liabilities arising on or before the completion date, i.e. 16 January 2004; provided that:
  - (i) the obligation of the Brewery Vendors to indemnify the Indemnified Persons shall be limited in amount to the percentage of the liabilities that is equivalent to the aggregate percentage interest held directly or indirectly by Consitrade (M) Sdn Bhd or DEBier Sdn Bhd in such Brewery Companies immediately prior to the completion date, i.e. 16 January 2004; and
  - (ii) claims for indemnification shall be brought by the Indemnified Persons with notice in writing to the Brewery Vendors no later than:
    - 3 years from 16 January 2004 with respect to a claim or claims in connection with employee benefits liabilities; and
    - 7 years from 16 January 2004 with respect to a claim or claims in connection with any taxation liabilities.

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS

##### (i) Transactions with other related parties

<b>Related Parties</b>	<b>Nature</b>	<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Lion Industries Corporation Berhad	Rental of premises	<b>1,842</b>	2,399
Amsteel Mills Sdn Bhd	Sale of steel products	<b>11,786</b>	–
Amsteel Mills Sdn Bhd	Purchase of steel products	<b>13,086</b>	6,735
Antara Steel Mills Sdn Bhd	Purchase of steel products	<b>77,752</b>	31,926
Megasteel Sdn Bhd	Sale of steel products	<b>49,407</b>	–
Megasteel Sdn Bhd	Commission, management and finance income from trading of steel products *	<b>26,228</b>	8,765
Bright Steel Service Centre Sdn Bhd	Purchase of steel products	<b>1,487</b>	2,384
Likom Plastic Industries Sdn Bhd	Purchase of raw materials	<b>11,572</b>	22,124

\* The income is in relation to the financing facilities provided for trading of steel products amounting to RM853.0 million (2007: RM337.8 million).

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

##### (i) Transactions with other related parties (Continued)

Lion Industries Corporation Berhad ("LICB") is a substantial shareholder of the Company.

Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd are subsidiaries of LICB.

Lion Corporation Berhad ("LCB") is a substantial shareholder of the Company.

Megasteel Sdn Bhd and Bright Steel Service Centre Sdn Bhd are subsidiaries of LCB.

Likom Plastic Industries Sdn Bhd is a company in which certain Directors of the Company are also substantial shareholders of its holding company.

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

##### (ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Wages, salaries and bonuses	1,578	3,326	340	630
Pension costs - defined contribution plans	98	229	44	69
Employee share-based payment	–	1,980	–	–
	<b>1,676</b>	<b>5,535</b>	<b>384</b>	<b>699</b>

#### 42. SIGNIFICANT EVENTS

Significant events are as disclosed in the Directors' Report.

#### 43. SUBSEQUENT EVENTS

Subsequent events are as disclosed in the Directors' Report.

#### 44. FINANCIAL INSTRUMENTS

##### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. It is the Group's policy not to engage in speculative transactions.

##### (b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rates debts. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### 44. FINANCIAL INSTRUMENTS (Continued)

##### (b) Interest rate risk (Continued)

The following financial instruments of the Group and the Company are exposed to interest rate risk:

	Note	Within 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Total RM'000
<b>At 30 June 2008</b>							
<b>Group</b>							
<b>Fixed rate</b>							
Term loans	27	(240,312)	(38,111)	(38,111)	(38,111)	(21,749)	(376,394)
Letter of Credit-i Facility	27	(34,999)	–	–	–	–	(34,999)
Revolving credit	27	(8,916)	–	–	–	–	(8,916)
Hire purchase	28	(772)	(621)	(126)	(126)	(32)	(1,677)
Exchangeable Bonds	27	(10,773)	(10,773)	(10,773)	(10,773)	(398,681)	(441,773)
<b>Floating rate</b>							
Cash assets	25	220,136	–	–	–	–	220,136
Bankers' acceptances	27	(200)	–	–	–	–	(200)
<b>At 30 June 2007</b>							
<b>Group</b>							
<b>Fixed rate</b>							
Credit linked notes	18	–	–	–	–	690,726	690,726
Term loans	27	(54,768)	–	–	–	–	(54,768)
Letter of Credit-i Facility	27	(31,725)	–	–	–	–	(31,725)
Revolving credit	27	(14,248)	–	–	–	–	(14,248)
PRC bank loans	27	–	–	–	–	(664,377)	(664,377)
Hire purchase	28	(1,306)	(586)	(150)	(49)	–	(2,091)
Notes	32	–	–	–	–	(1,098,589)	(1,098,589)
Interest rate swap contracts *		–	–	–	–	–	–
<b>Floating rate</b>							
Cash assets	25	1,774,573	–	–	–	–	1,774,573
Bankers' acceptances	27	(6,184)	–	–	–	–	(6,184)

\* the effect of the interest rate swap is disclosed in Note 27(vi)

##### **At 30 June 2008**

##### **Company**

##### **Fixed rate**

Term loans	27	(170,000)	–	–	–	–	(170,000)
Hire purchase	28	(243)	(174)	(126)	(126)	(32)	(701)

##### **Floating rate**

Cash assets	25	80,873	–	–	–	–	80,873
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##### **At 30 June 2007**

##### **Company**

##### **Fixed rate**

Hire purchase	28	(117)	(117)	(48)	–	–	(282)
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##### **Floating rate**

Cash assets	25	195,707	–	–	–	–	195,707
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#### 44. FINANCIAL INSTRUMENTS (Continued)

##### (c) Foreign exchange risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in US Dollars, the Group's foreign currency exchange risk is primarily due to US Dollars. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

##### At 30 June 2008

Functional Currency	Net Financial Assets/Liabilities Held Non-Functional Currencies		
	Hong Kong Dollar RM'000	Others RM'000	Total RM'000
<b>Receivables</b>			
Ringgit Malaysia	–	26,660	26,660
<b>Deposits, cash and bank balances</b>			
Chinese Renminbi	–	22	22
Hong Kong Dollar	–	4,449	4,449
Others	733	2,041	2,774
	733	6,512	7,245
<b>Payables</b>			
Ringgit Malaysia	–	6,534	6,534
Others	8	–	8
	8	6,534	6,542

##### At 30 June 2007

<b>Functional Currency</b>			
<b>Receivables</b>			
Ringgit Malaysia	–	40,123	40,123
<b>Deposits, cash and bank balances</b>			
Hong Kong Dollar	–	27,099	27,099
<b>Payables</b>			
Ringgit Malaysia	–	20,145	20,145
Others	83	–	83
	83	20,145	20,228

#### 44. FINANCIAL INSTRUMENTS (Continued)

##### (d) Hedging activities

For the previous financial year, the Group held four interest rate swap contracts which are synthetic financial instruments and designated as hedges of the expected interest payments attributable to the PRC bank loans in a total amount of RM664.4 million (Note 27(vi)).

The interest rate swap contracts have been drafted to match the principal amounts and terms of the relevant bank loan agreements and these synthetic financial instruments will together generate a fixed interest rate bank loan with an effective interest rate of 10.3%.

The Group and JPMorgan Chase Bank, N.A. agreed that the execution of the interest rate swap contracts is non-separable from the performance of the PRC bank loans and the parties have the right and intention to realise the assets and settle the liabilities attributable to the PRC bank loans and the interest rate swap contracts simultaneously and on a net basis.

The cash flow hedges of the expected future interest payments on 13 May and 13 November of each year, commencing on 13 May 2007, were assessed to be highly effective and as at 30 June 2007, there is no unrealised gain or loss in respect of these contracts.

##### (e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

##### (f) Credit risk

Credit risk arises when sales made were on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

As at the balance sheet date, included in the trade receivables is an amount due from a related party constituting approximately 86% (2007: 76%) of the total trade receivables and such the Group is subject to significant concentration of credit risk.

##### (g) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets					
At 30 June 2008					
Quoted investments	18	374,475	494,391	187,844	225,862
Unquoted investments	18	369,765	+	134,660	+
Amounts owing by subsidiaries	24	–	–	1,345,760	#
Amounts owing by related parties	24	823	#	133	#

#### 44. FINANCIAL INSTRUMENTS (Continued)

##### (g) Fair values (Continued)

			Group		Company
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial Assets</b>					
<b>At 30 June 2007</b>					
Quoted investments	18	64,657	88,780	64,568	88,633
Unquoted investments	18	722,694	+	31,643	+
Amounts owing by subsidiaries	24	—	—	763,620	#
Amounts owing by related parties	24	390	#	23	#
<b>Financial Liabilities</b>					
<b>At 30 June 2008</b>					
Amounts owing to subsidiaries	34	—	—	515,610	#
Amounts owing to related parties	34	46,674	#	396	#
<b>At 30 June 2007</b>					
Amounts owing to subsidiaries	34	—	—	750,949	#
Amounts owing to related parties	34	1,214	#	516	#

+ It is not practical to estimate the fair value of the Group's unquoted investments due to the lack of quoted market prices.

# It is not practicable to estimate the fair values of the amounts owing by/to subsidiaries and related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

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

**(i) Cash and cash equivalents, trade and other receivables/payables and short term borrowings**

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

**(ii) Quoted investments**

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

**(iii) Long term borrowings**

The fair value of long term borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

#### 45. SEGMENT INFORMATION

##### (a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

##### (b) Business segments

The Group is organised on a worldwide basis into five major business segments:

- |                |   |
|----------------|---|
| (i) Steel      | - Manufacturing and sale of steel products                |
| (ii) Retailing | - Department stores operations                            |
| (iii) Property | - Property development and management                     |
| (iv) Computer  | - Manufacturing and sale of computer and related products |
| (v) Others     | - Investment holding, trading and others                  |

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

2008

	← Continuing operations →					Discontinued operations		
	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000	Retailing RM'000	Total RM'000
<b>Revenue</b>								
External sales	61,193	43,101	207,928	14,995	-	327,217	1,289,619	1,616,836
Inter-segment sales	-	557	-	-	(557)	-	-	-
Total revenue	<u>61,193</u>	<u>43,658</u>	<u>207,928</u>	<u>14,995</u>	<u>(557)</u>	<u>327,217</u>	<u>1,289,619</u>	<u>1,616,836</u>
<b>Results</b>								
Segment results	16,272	12,323	5,345	17,294	-	51,234	143,491	194,725
Unallocated corporate expenses						-	-	-
Profit from operations						51,234	143,491	194,725
Finance costs						(30,700)	(41,011)	(71,711)
Impairment loss, write down and provision for loss						(60,108)	-	(60,108)
Gain on disposal of subsidiaries						-	27,344	27,344
Share of results of associates						26,478	-	26,478
Share of results of jointly controlled entities						(806)	2,012	1,206
Income tax expense						(6,006)	(22,339)	(28,345)
(Loss)/Profit after taxation						<u>(19,908)</u>	<u>109,497</u>	<u>89,589</u>
Minority interests						-	(36,834)	(36,834)
(Loss)/Profit for the year						<u>(19,908)</u>	<u>72,663</u>	<u>52,755</u>

**45. SEGMENT INFORMATION (Continued)**
**(b) Business segments (Continued)**
**2008**

	← Continuing operations →					Discontinued operations		
	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000	Retailing RM'000	Total RM'000
<b>Assets</b>								
Segment assets	1,327,646	266,260	160,820	1,269,282	-	3,024,008	-	3,024,008
Investments in associates						182,163	-	182,163
Investments in jointly controlled entities						7,988	-	7,988
Assets classified as assets held for sale						165,222	-	165,222
Unallocated corporate assets						13,183	-	13,183
Consolidated total assets						<u>3,392,564</u>	<u>-</u>	<u>3,392,564</u>
<b>Liabilities</b>								
Segment liabilities	459,291	45,684	37,168	786,036	-	1,328,179	-	1,328,179
Liabilities associated with assets held for sale						75,274	-	75,274
Unallocated corporate liabilities						4,925	-	4,925
Consolidated total liabilities						<u>1,408,378</u>	<u>-</u>	<u>1,408,378</u>
<b>Other Information</b>								
Capital expenditure	473,900	54	1,548	15,109	-	490,611	10,793	501,404
Depreciation	2,296	159	5,748	395	-	8,598	20,841	29,439
Amortisation	-	-	-	-	-	-	96	96
Impairment losses	-	60,108	-	10,000	-	70,108	-	70,108
Non-cash items other than depreciation, amortisation and impairment losses	-	-	31	84	-	115	85	200



**45. SEGMENT INFORMATION (Continued)**
**(b) Business segments (Continued)**
**2007**

	← Continuing operations →				Discontinued operations	
	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000	Total RM'000
<b>Revenue</b>						
External sales	87,469	298,559	3,102	–	389,130	4,782,552
Inter-segment sales	–	–	–	–	–	–
Total revenue	87,469	298,559	3,102	–	389,130	4,782,552
<b>Results</b>						
Segment results	19,793	7,257	5,617	–	32,667	477,891
Unallocated corporate expenses					–	–
Profit from operations					32,667	477,891
Finance costs					(5,343)	(95,301)
Impairment loss of intangible assets					–	(2,547)
Impairment loss and compensation due to cessation of operation					–	(46,406)
Gain on disposal of subsidiaries					–	499,261
Share of results of associates					(11,138)	151
Share of results of jointly controlled entities					(1,269)	9,021
Income tax expense					(7,838)	(111,109)
Profit after taxation					7,079	730,961
Minority interests					–	(133,422)
Profit for the year					7,079	597,539
<b>Assets</b>						
Segment assets	254,637	182,194	1,160,483	–	1,597,314	4,466,882
Investments in associates					153,648	1,029
Investments in jointly controlled entities					10,733	30,326
Non-current asset held for sale					–	2,249
Unallocated corporate assets					12,856	34,138
Consolidated total assets					1,774,551	4,534,624
<b>Liabilities</b>						
Segment liabilities	57,458	57,292	71,387	–	186,137	2,858,180
Unallocated corporate liabilities					3,304	126,164
Consolidated total liabilities					189,441	2,984,344
<b>Other Information</b>						
Capital expenditure	3	6,942	287,698	–	294,643	63,095
Depreciation	156	5,957	481	–	6,594	72,575
Amortisation	–	–	–	–	–	384
Impairment losses	–	–	10,334	–	10,334	48,953
Non-cash items other than depreciation, amortisation and impairment losses	–	2,606	(1,046)	–	1,560	13,937

#### 45. SEGMENT INFORMATION (Continued)

##### (c) Geographical segments

The Group's five business segments are operated in four main geographical areas:

- (i) Malaysia - Steel, retailing, property, computer and others
- (ii) People's Republic of China - Retailing, property and others
- (iii) Cayman Islands - Retailing and others
- (iv) Others - Retailing, computer and others

An analysis of the Group's revenue by geographical segment is as follows:

	Revenue by Geographical Segments					
	Continuing operations		Discontinued operations		Total	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	126,093	96,178	274,301	1,010,528	400,394	1,106,706
People's Republic of China	291	2,284	972,706	3,684,054	972,997	3,686,338
Others	200,833	290,668	42,612	87,970	243,445	378,638
Total	327,217	389,130	1,289,619	4,782,552	1,616,836	5,171,682

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysis by geographical segment:

	Segment Assets		Capital Expenditure	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	2,348,636	1,652,918	490,284	310,191
People's Republic of China	137,863	3,247,595	10,824	45,726
Cayman Islands	—	960,796	—	—
Others	537,509	202,887	296	1,821
Total	3,024,008	6,064,196	501,404	357,738

## LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2008

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1. Menara Jubili Kota Kinabalu Sabah	Leasehold 31.12.2088	1,698.0 sq metres (Ground floor to 2nd floor)	Commercial building	Office (16)	4.6	1992
2. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (10)	2.7	June 2004
3. Melaka Technology Park PN 20575 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	19.8 acres	Buildings	Factory (16)	29.4	December 2007
4. Geran 64183, Lot 32889 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	63.4 hectares	Land	Vacant	15.1	December 2007
5. GRN 39954, Lot 2324 HS(D) 5379, PT 6341 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	100.5	June 2008
6. PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.2	June 2008

## ANALYSIS OF SHAREHOLDINGS

### Share Capital as at 30 September 2008

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM368,611,613.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

### Distribution of Shareholdings as at 30 September 2008

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	132	1.35	4,271	0.00
100 to 1,000	3,012	30.71	2,676,035	0.36
1,001 to 10,000	5,051	51.50	22,784,276	3.09
10,001 to 100,000	1,354	13.81	40,580,940	5.50
100,001 to less than 5% of issued shares	254	2.59	285,812,614	38.77
5% and above of issued shares	5	0.04	385,365,091	52.28
	<b>9,808</b>	<b>100.00</b>	<b>737,223,227</b>	<b>100.00</b>

### Substantial Shareholders as at 30 September 2008

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri William H.J. Cheng	121,356,607	16.46	309,326,688	41.96
2. Datuk Cheng Yong Kim	7,841,337	1.06	267,875,935	36.34
3. Lion Realty Pte Ltd	–	–	267,791,135	36.32
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.14	266,729,246	36.18
5. Narajaya Sdn Bhd	112,127,601	15.21	–	–
6. Horizon Towers Sdn Bhd	–	–	154,601,645	20.97
7. Lion Corporation Berhad	838,700	0.11	153,762,945	20.86
8. Amsteel Mills Sdn Bhd	116,180,800	15.76	–	–
9. Lion Industries Corporation Berhad	37,518,645	5.09	116,244,300	15.77
10. LLB Steel Industries Sdn Bhd	–	–	116,180,800	15.76
11. Steelcorp Sdn Bhd	–	–	116,180,800	15.76

**Thirty Largest Registered Shareholders as at 30 September 2008**

<b>Registered Shareholders</b>	<b>No. of Shares</b>	<b>% of Shares</b>
1. Cheng Heng Jem	121,356,607	16.46
2. AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	116,180,800	15.76
3. Narajaya Sdn Bhd	73,309,039	9.94
4. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	37,518,645	5.09
5. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	37,000,000	5.02
6. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund KG67 for AIM International Emerging Growth Fund	25,132,200	3.41
7. Deluxe Venture International Limited	17,400,000	2.36
8. Scotia Nominees (Tempatan) Sdn Bhd Custodial Account for Ributasi Holdings Sdn Bhd	9,570,000	1.30
9. Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	8,695,000	1.18
10. Mayban Nominees (Asing) Sdn Bhd G.K. Goh Strategic Holdings Pte Ltd (260551)	8,100,000	1.10
11. Cheng Yong Kim	7,841,337	1.06
12. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges Bank)	7,079,716	0.96
13. Citigroup Nominees (Asing) Sdn Bhd UBS AG	7,048,800	0.96
14. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London	6,931,000	0.94
15. Employees Provident Fund Board	6,303,500	0.86
16. Cartaban Nominees (Asing) Sdn Bhd Exempt AN for RBC Dexia Investor Services Trust (Clients Account)	5,930,700	0.80
17. Citigroup Nominees (Asing) Sdn Bhd GSCO for Mac Cassons 7B, Ltd	5,809,459	0.79
18. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ributasi Holdings Sdn Bhd	5,789,474	0.79
19. Valuecap Sdn Bhd	5,167,300	0.70
20. HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	5,026,000	0.68
21. Lion Holdings Private Limited	4,714,258	0.64
22. CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)	4,366,100	0.59
23. Mayban Nominees (Asing) Sdn Bhd Future Equity Investments Limited (270832)	4,250,000	0.58
24. Gan Seong Liam	3,810,000	0.52
25. Citigroup Nominees (Asing) Sdn Bhd GSCO for Rockbay Capital Si Master, Ltd	3,674,190	0.50
26. Citigroup Nominees (Asing) Sdn Bhd GSCO for Rockbay Capital Commitment Offshore Fund, Ltd	3,535,343	0.48
27. HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong And Shanghai Banking Corporation Limited (HBFS-B CLT 500)	3,170,000	0.43
28. Universal Trustee (Malaysia) Berhad CIMB-Principal Small Cap Fund 2	3,150,000	0.43
29. Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	3,103,700	0.42
30. Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Merrill Lynch International (Prime Broker)	2,792,800	0.38

### Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2008

The Directors' interests in shares in the Company and its related companies as at 30 September 2008 are as follows:

#### The Company

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
Tan Sri William H.J. Cheng	RM0.50	121,356,607	16.46	309,545,688	41.99
Datuk Cheng Yong Kim	RM0.50	7,841,337	1.06	267,875,935	36.34
Cheng Yong Kwang	RM0.50	2,272,173	0.31	–	–

#### Related Companies

##### Tan Sri William H.J. Cheng Datuk Cheng Yong Kim

	Nominal Value per Ordinary Share	Indirect Interest	
		No. of Shares	% of Shares
Aktif-Sunway Sdn Bhd	RM1.00	8,000,000	80.00
Hamba Research & Development Co Ltd (In liquidation - voluntary)	NT\$10.00	980,000	98.00
LDH Investment Pte Ltd	*	4,500,000	100.00
Lion Mahkota Parade Sdn Bhd	RM1.00	1,000,000	100.00

	Nominal Value per Preference Share	Indirect Interest	
		No. of Shares	% of Shares
Lion Mahkota Parade Sdn Bhd	RM0.01	400,000	100.00

#### Note:

\* 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 companies as at 30 September 2008.

## **MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

1. Conditional Share Sale Agreement dated 26 February 2007 entered into between Khazanah Nasional Berhad and the Company for the acquisition of 60,000,000 ordinary shares of RM1.00 each in Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of Lion Corporation Berhad ("LCB"), a major shareholder of the Company and a company wherein certain Directors and certain major shareholders of the Company have interests, representing 10% of the existing issued and paid-up capital of Megasteel for a cash consideration of RM138 million.
2. Conditional Sale and Purchase Agreement dated 19 December 2007 entered into between CPB Enterprise Sdn Bhd ("CPB"), a wholly-owned subsidiary of LDH Manufacturing Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, with Narajaya Sdn Bhd ("Narajaya"), the registered owner of the MTP Land defined herein, and Lion Industries Corporation Berhad ("LICB") for the acquisition by CPB of an industrial property measuring approximately 19.82 acres forming part of the land known as Melaka Technology Park situated in Melaka ("MTP Land") for a cash consideration of RM29.4 million. Narajaya and LICB are major shareholders of the Company wherein certain Directors and certain major shareholders of the Company have interests.
3. Sale and Purchase Agreement dated 19 December 2007 entered into between Urban Resources Sdn Bhd ("URSB"), a wholly-owned subsidiary of the Company, with Narajaya and LICB for the acquisition by URSB of a development property measuring approximately 20.43 acres forming part of the MTP Land for a cash consideration of RM5.3 million.
4. Conditional Sale and Purchase Agreement dated 21 May 2008 and Supplemental Agreement dated 18 June 2008 entered into between the Company, Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of Excel Step Investments Limited which in turn is a wholly-owned subsidiary of the Company, and Amsteel Corporation Berhad ("Amsteel"), a company wherein certain Directors and certain major shareholders of the Company have interests, for the acquisition by the Company and Teraju Varia from Amsteel of RM900 million nominal value zero-coupon Class B(b) RM denominated bonds issued by LCB with a present value as at 31 October 2008 of approximately RM787.1 million for a cash consideration of RM400 million.
5. Conditional Share Sale Agreement dated 21 May 2008 entered into between the Company and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB, for the acquisition by the Company of approximately 11.1% of the existing issued and paid-up capital of Megasteel comprising 66,666,667 ordinary shares of RM1.00 each for a cash consideration of RM100 million.
6. Conditional Sale and Purchase Agreement dated 21 May 2008 entered into between LDH Management Sdn Bhd ("LDHM"), a wholly-owned subsidiary of Lion Subang Parade Sdn Bhd which in turn is a wholly-owned subsidiary of the Company, Narajaya, the registered owner of the Bandar Mahkota Cheras Properties defined herein, and Pancar Tulin Sdn Bhd ("Pancar Tulin"), a wholly-owned subsidiary of LCB Harta (L) Limited which in turn is a wholly-owned subsidiary of LCB, for the disposal by LDHM of an on-going property development project known as Bandar Mahkota Cheras together with four (4) parcels of undeveloped land ("Bandar Mahkota Cheras Properties") to Pancar Tulin for a disposal consideration of approximately RM89.95 million to be satisfied by the issuance of 89,948,000 new ordinary shares of RM1.00 each in LCB ("LCB Shares") at an issue price of RM1.00 per LCB Share.
7. Conditional Subscription Agreement dated 26 February 2007 and Supplemental Agreement dated 21 May 2008 entered into between the Company and Megasteel for the Company to subscribe for 100,000,000 5-year redeemable cumulative convertible preference shares of RM0.01 each in Megasteel for cash of RM100 million.

8. Loan Agreement dated 18 August 2008 entered into between the Company and Tan Sri William H.J. Cheng ("TSWC"), the Chairman and a major shareholder of the Company, in relation to the advances of RM95 million extended by TSWC to the Company for payment due in respect of the setting-up of the blast furnace iron-making facility and/or working capital requirements, repayment of bank borrowings and related investments of the Company and its subsidiaries ("Advances by TSWC") prior to the completion of the proposed renounceable rights issue of up to RM591,895,302 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value on the basis of four (4) RM1.00 nominal value of ICULS for every five (5) existing ordinary shares of RM0.50 each held in the Company ("Proposed Rights Issue of ICULS").

The principal terms of the Advances by TSWC are as follows:

- (i) An upfront fee equivalent to 2.0% of the Advances by TSWC shall be payable to a designated account at the direction of TSWC.
- (ii) The Advances by TSWC will be on an interest-free basis for a period of four (4) months from the date of the drawdown of the Advances by TSWC.
- (iii) The Advances by TSWC shall be repaid upon the earlier of:
  - (a) the completion of the Proposed Rights Issue of ICULS, where the Advances by TSWC shall be used to set off against part of the consideration payable by TSWC for the subscription of TSWC's entitlement under the Proposed Rights Issue of ICULS;
  - (b) in the event the Proposed Rights Issue of ICULS is aborted or otherwise not proceeding for any reason whatsoever, the Company shall repay the Advances by TSWC in full to TSWC within one (1) month from the date of announcement by the Company of the Proposed Rights Issue of ICULS being aborted; or
  - (c) four (4) months from the date of the drawdown of the Advances by TSWC or such other date as the parties might mutually agree upon.



## OTHER INFORMATION

### NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM65,000 (2007: RM4.4 million).

### RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2008 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
<b>(a) Steel related</b>		
(i) Sale of direct reduced iron, scrap iron and other steel related products and services	Lion Corporation Berhad Group ("LCB Group") <sup>(1)</sup> Lion Industries Corporation Berhad Group ("LICB Group") <sup>(1)</sup>	834,856 11,786
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group <sup>(1)</sup> LICB Group <sup>(1)</sup>	763,114 90,838
<b>(b) Computer related</b>		
(i) Purchase of computer, component parts and other related products and services	Ributasi Holdings Sdn Bhd Group <sup>(2)</sup> LCB Group <sup>(1)</sup>	11,572 1,487
(ii) Rental of storage space, factory and warehouse for manufacturing of computer and related products	LICB Group <sup>(1)</sup>	1,842

#### Note:

"Group" includes subsidiary and associated companies

<sup>(1)</sup> Companies in which certain Directors and certain major shareholders of the Company have interests.

<sup>(2)</sup> Companies in which a Director and certain major shareholders of the Company have interests.

### SHARE BUY-BACK

There was no share buy-back during the financial year.



CDS ACCOUNT NUMBER

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## FORM OF PROXY

I/We .....

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

of .....

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

I.C. No. ....

of .....

or failing whom, .....

I.C. No. ....

of .....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 20 November 2008 at 11.00 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr George Leong Chee Fook		
5. To re-elect as Director, Y. Bhg. Tan Sri Dato' Seri Aseh bin Che Mat		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Renewal of Authority for Share Buy-Back		
10. Proposed Amendments to the Memorandum of Association of the Company		
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 ..... 2008

Signed: .....

No. of shares: .....

In the presence of: .....

### Representation at Meeting:

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

