LION INDUSTRIES CORPORATION BERHAD

2008

LION INDUSTRIES CORPORATION BERHAD

A Member of The Lion Group

(415-D)

Laporan Tahunan 2008 Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy-Eighth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 27 November 2008 at 2.30 pm 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. **Resolution 1**

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

3. To approve the payment of Directors' fees amounting to RM208,000 (2007 : RM208,000). **Resolution 3**

4. To re-elect Directors:

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

   Y. Bhg. Datuk Cheng Yong Kim **Resolution 4**
   Mr Cheng Yong Liang **Resolution 5**

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

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 7**

6. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 8**

7. Special Business

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

7.1.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 9**

7.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 5 November 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 **Resolution 10**

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."

7.1.3 Proposed 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 RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 11**

(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 that date 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 RM1.00 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

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

7.2 To consider and, if thought fit, pass the following resolution as a special resolution:

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 I of the Circular to Shareholders of the Company dated 5 November 2008 which has been despatched to the shareholders of the Company, be and are hereby approved and adopted." **Resolution 12**

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 28 November 2008 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 2 December 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 30 December 2008 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 2 December 2008.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
5 November 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 5 November 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 - Proposed Share Buy-Back

   (iii) Part C - Appendix I
   Proposed Amendments to the Articles of Association of the Company

3. *Resolution 9*

   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 10*

   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 11*

   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 12*

   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/re-appointment at the Seventy-Eighth Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2008 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. A. Bhg. Tun Musa Hitam *(Chairman)* Y. Bhg. Datuk Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Asmat bin Kamaludin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay Mr Chong Jee Min
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No.	:	415-D
Registered Office	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : http://www.lion.com.my
Share Registrar	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	AmBank (M) Berhad EON Bank Berhad Affin Investment Bank Berhad RHB Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No.	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Tun Musa Hitam
Independent Non-Executive Chairman

Y. A. Bhg. Tun Musa Hitam, a Malaysian, aged 74, was appointed a Director and Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee.

Tun Musa Hitam received his Bachelors of Arts degree from the University of Malaya and his Masters degree in International Relations from the University of Sussex, United Kingdom. He has since been awarded various honours, including Honorary Doctorates from the University of Sussex, United Kingdom, the University of Malaya and Universiti Sabah Malaysia, and fellowships from the Malaysian Institute of Management and the Centre for International Affairs, Harvard University, the United States of America.

Tun Musa Hitam had held various posts at international level at various times. Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs in 1981, Tun Musa Hitam was Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority, Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations. Tun Musa Hitam also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the Commission in 1995.

At national level, Tun Musa Hitam had served as the Chairman of the Malaysian National Commission on Human Rights from 2000 to 2002. He is a member of the United Malays National Organisation and had held various positions within the party up to Deputy President.

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

Tun Musa Hitam attended all seven (7) 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 16 January 1995. He is also a member of the Company's Remuneration Committee.

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

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

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

Datuk Cheng has a direct shareholding of 2,594,789 ordinary shares of RM1.00 each and an indirect shareholding of 336,841,465 ordinary shares of RM1.00 each in the Company. He also has an indirect interest of 700,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 700,000 shares 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 133 of this Annual Report. He also has interest 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 Cheng Heng Jem, a major shareholder of the Company, and his brother, Mr Cheng Yong Liang, is also a Director of the Company.

Datuk Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Tan Sri Asmat bin Kamaludin
Independent Non-Executive Director

Y. Bhg. Tan Sri Asmat bin Kamaludin, a Malaysian, aged 64, was appointed to the Board on 26 February 2001. He is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

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

At the international level, Tan Sri Asmat has also served in committees of various international organisations such as the Asian Pacific Economy Cooperation, the Association of South East Asian Nations and the World Trade Organisation.

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, SCOMI Group Berhad, Symphony House Berhad, Compugates Holdings Berhad and Trans-Asia Shipping Corporation Berhad
- Vice Chairman of YTL Cement Berhad
- Director of Carlsberg Brewery Malaysia Berhad, Malaysian Pacific Industries Berhad, Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad

Save for Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

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

Tan Sri Asmat attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 70, was appointed to the Board on 20 July 1994. He is also a member of the Company's Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee.

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

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

Dato' Kamaruddin has a direct shareholding of 68,800 ordinary shares of RM1.00 each and an indirect interest of 71,200 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 71,200 shares in the Company.

Dato' Kamaruddin attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 51, was appointed to the Board on 6 April 1994. He is also the Chairman of the Company's Executive Share Option Scheme Committee.

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

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

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

Mr Cheng attended all seven (7) 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 6 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 Diversified Holdings Berhad, a public listed company.

Mr Heah attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 49, was appointed to the Board on 5 May 2004. He is also a member of the Company's Audit Committee.

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

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

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

Mr Chong attended all seven (7) 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, seven (7) 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:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	808	828
Non-executive Directors	188	195	383
	208	1,003	1,211

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

Range of Remuneration (RM)			Number of Directors Executive	Number of Directors Non-executive
25,000	&	below	–	1
25,001	–	50,000	–	3
50,001	–	100,000	–	1
100,001	–	150,000	–	1
800,001	–	850,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

The Company's website at 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 three (3) 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 14 to 17 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 13 of this Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. The roles of both the external and internal auditors are further described in the Audit Committee Report.

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability
- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority
- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis
- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee
- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis
- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee
- 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. Tan Sri Asmat bin Kamaludin
  (Chairman, Independent Non-Executive Director)

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

  Mr Chong Jee Min
  (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 Industries Corporation Berhad, Ms Wong Phooi Lin and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

  The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The composition of the Audit Committee shall fulfill the requirements as prescribed 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:

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

- **Duties**

The duties of the Audit Committee are:

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

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

(iii) To review and assess the annual and quarterly financial statements prior to the approval of the Board, focusing on:

- going concern assumption
- compliance with accounting standards and regulatory requirements
- changes in accounting policies and practices
- significant issues arising from audit

(iv) To discuss problems and reservations arising from the interim and final 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, eight (8) Audit Committee Meetings were held at which full attendance were recorded for all the members.

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**

1. Reviewed the related party transactions entered into by the Group set out below:

   1.1 Proposed disposal by the Company of the following for purposes of meeting the redemption/repayment of the RM denominated bonds ("Bonds") and USD denominated consolidated and rescheduled debts ("Debts") of the Group due on 31 December 2007:

      a) two parcels of land with buildings erected thereon in Melaka to the Lion Diversified Holdings Berhad ("LDHB") Group; and

      b) up to 25 million ordinary shares of RM0.50 each in LDHB ("LDHB Shares") in the open market or via private placements.

   1.2 Proposed disposals by the Company of the following in the open market or via private placements for purposes of meeting the redemption/repayment of the Bonds and Debts due on 30 April 2008:

      a) up to 10 million ordinary shares of RM1.00 each in Parkson Holdings Berhad; and
      b) up to 6 million LDHB Shares.

   1.3 Proposed grant by Amsteel Mills Sdn Bhd ("AMSB"), a subsidiary of the Company, of a 20-year lease on part of a piece of land in Kuala Langat, Selangor to Lion DRI Sdn Bhd, a wholly-owned subsidiary of LDHB.

   1.4 Proposed participation by the Company and AMSB in the following proposals which formed part of the proposed corporate and debt restructuring exercise to be undertaken by the Amsteel Corporation Berhad ("ACB") Group:

      a) Proposed tender of their entire ACB Bonds via a cash tender ("Cash Tender");

      b) Proposed tender of the balance of the ACB Bonds after the Cash Tender, for the secured loan stocks to be issued by Lion Corporation Berhad to ACB; and

      c) put and call option arrangement with Tan Sri Cheng Heng Jem, a substantial shareholder of the Company.

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

- **Material Transactions**

Reviewed the material transactions entered into by the Group set out below:

1.1 Proposed disposals by AMSB of the following debts in Silverstone Corporation Berhad:

   a) its entire RM denominated bonds with an aggregate nominal value of RM117.63 million for a cash consideration of RM50.81 million to Gama Harta Sdn Bhd, a wholly-owned subsidiary of Lion Forest Industries Berhad ("LFIB") which is in turn a subsidiary of the Company; and

   b) its entire 6.70 million preference shares of RM0.01 each issued at a premium of RM0.99 ("RCCPS") for a cash consideration of RM0.34 million to Jadeford International Limited, a wholly-owned subsidiary of LFIB ("Proposed RCCPS Disposal").

   By mutual agreement of parties concerned, the Proposed RCCPS Disposal was subsequently excluded.

- **Allocation of Share Options**

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

INTERNAL AUDIT FUNCTION

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

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

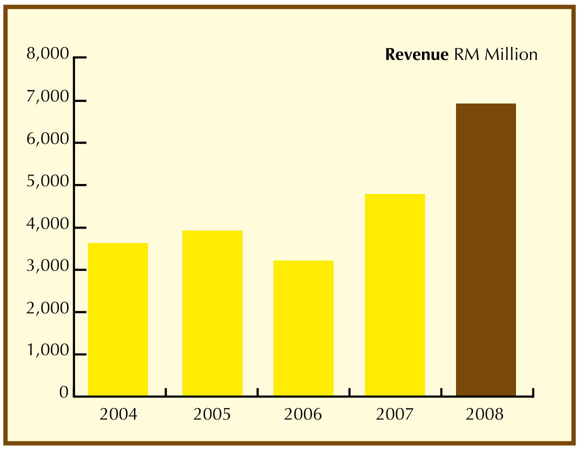
Chairman	:	Y. A. Bhg. Tun Musa Hitam *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Asmat bin Kamaludin *(Independent Non-Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

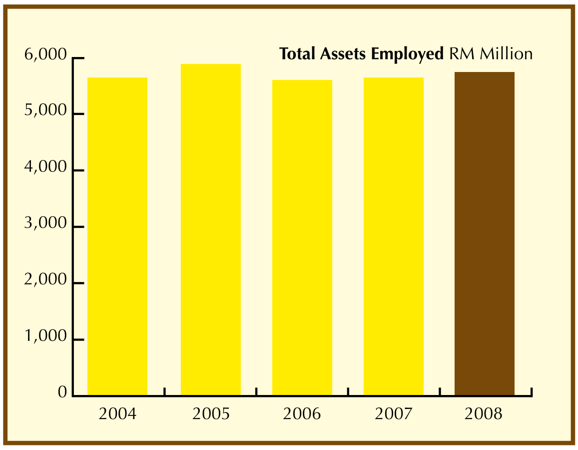
REMUNERATION COMMITTEE

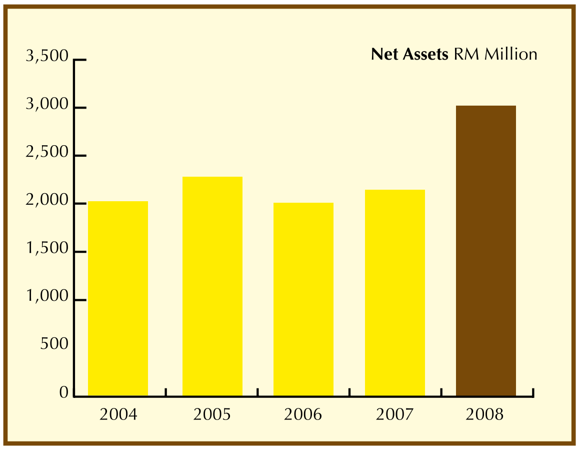
Chairman	:	Y. Bhg. Tan Sri Asmat bin Kamaludin *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Cheng Yong Kim *(Non-Independent Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

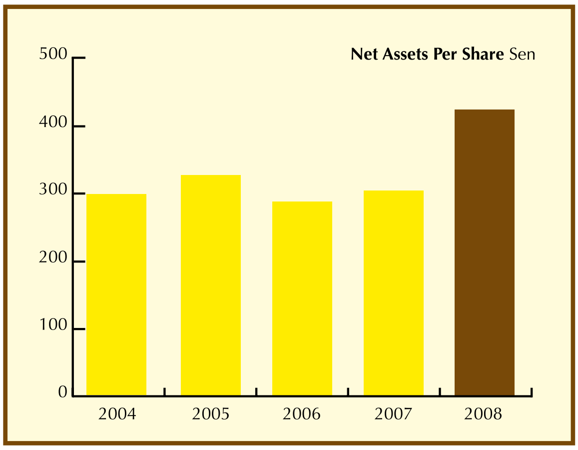
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Revenue	3,637,868	3,965,156	3,223,933	4,792,788	**6,940,157**
Profit/(Loss) before taxation	569,725	383,109	(146,462)	271,756	**893,550**
Profit/(Loss) after taxation	475,388	335,226	(33,265)	199,914	**842,093**
Dividends:					
Rate (%)	1.0	1.0	0.5	1.0	**1.0**
Amount (net of tax)	4,923	5,018	2,510	5,182	**5,345**
Total assets employed	5,654,551	5,894,143	5,604,075	5,652,863	**5,720,599**
Net assets	2,023,201	2,277,988	2,009,824	2,142,242	**3,019,623**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	298	327	288	304	**424**
Earnings/(Loss) per share	49.5	47.6	(1.5)	30.4	**119.0**









THE GROUP'S BUSINESSES

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

- Amsteel Mills Sdn Bhd, Banting produces high grade bars and wire rods for specialised applications.
- *Amsteel Mills Sdn Bhd, Banting menghasilkan bar dan rod wayar untuk aplikasi khusus.*

- Artist's impression of M-Walk@Pelangi Avenue at Jalan Meru, Klang (left) and the mixed integrated development project to be located at the site of the former St Mary's School in Kuala Lumpur (right).
- *Gambaran artis M-Walk@Pelangi Avenue di Jalan Meru, Klang (kiri) dan projek pembangunan bersepadu campuran bertempat di bekas tapak Sekolah St Mary di Kuala Lumpur (kanan).*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad ("LICB") bagi tahun kewangan berakhir 30 Jun 2008.

PRESTASI KEWANGAN

Kumpulan LICB telah menikmati satu tahun yang mantap. Kumpulan berjaya meraih faedah daripada permintaan pesat dan kukuh bagi produk besi di pasaran antarabangsa yang menyebabkan harga besi melonjak sehingga ke paras yang belum pernah berlaku sebelum ini dalam setengah kedua tahun kewangan.

Berikutan dengan jumlah jualan muatan tanan dan margin keuntungan yang lebih tinggi, Kumpulan melaporkan prestasi yang lebih baik dengan perolehan berjumlah RM6.94 bilion dan keuntungan operasi berjumlah RM899 juta, masing-masing merupakan peningkatan sebanyak 53% dan 172% berbanding tahun sebelumnya. Bersama-sama dengan keuntungan daripada pelupusan sebahagian saham syarikat bersekutu, kos kewangan yang lebih rendah dan sumbangan yang menggalakkan daripada syarikat-syarikat bersekutu, Kumpulan telah mencatat keuntungan sebelum cukai yang lebih tinggi berjumlah RM894 juta berbanding RM335 juta setahun lalu.

Selari dengan peningkatan harga besi antarabangsa, persekitaran operasi domestik bagi produk-produk besi Kumpulan juga bertambah baik. Permintaan kekal kukuh selepas Kerajaan mengumumkan penarikan balik harga siling bagi bilet dan bar besi serta membenarkan pengimportan secara terus.

PERKEMBANGAN KORPORAT

Peristiwa penting korporat Kumpulan adalah seperti berikut:

(i) Lion Forest Industries Berhad ("LFIB"), anak syarikat senaraian awam milik 80% kepentingan, telah mencadangkan pembelian hutang dalam Dolar Amerika Syarikat ("USD Debts") yang diterbitkan oleh AMB Harta (L) Limited, anak syarikat milik penuh Silverstone Corporation Berhad ("SCB"), dan bon dalam Ringgit Malaysia ("RM Bonds") serta saham keutamaan boleh ubah terkumpul boleh tebus bernilai RM0.01 setiap satu diterbitkan pada harga premium RM0.99 ("RCCPS") oleh SCB dengan jumlah agregat nominal dianggarkan kira-kira RM515.20 juta di mana hampir RM229.97 juta akan dibiayai melalui hasil pelupusan keseluruhan pegangan LFIB sebanyak 97.78% dalam Sabah Forest Industries Sdn Bhd, yang telah diluluskan oleh Suruhanjaya Sekuriti pada 14 Mac 2008.

(ii) Pada 28 Mei 2008, LFIB telah mengemukakan notis pengambilalihan bersyarat kepada Lembaga Pengarah SCB untuk membeli baki 339,878,875 saham biasa bernilai RM1.00 sesaham yang dibayar sepenuhnya dalam SCB dan baki sebanyak 28,627,764 RCCPS yang belum dimiliki oleh Kumpulan.

Butiran penuh cadangan di atas dinyatakan di muka surat 29 dan 30 Laporan tahunan ini.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan terakhir sebanyak 1.0% atau 1.0 sen sesaham (2007 : 1.0% atau 1.0 sen sesaham), ditolak 25% cukai pendapatan (2007 : 27%). Jumlah dividen bersih boleh bayar sekiranya diluluskan pada Mesyuarat Agung Tahunan akan berjumlah RM5.3 juta (2007 : RM5.2 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

Di peringkat antarabangsa, harga besi mulai jatuh secara ketara sejak bulan Jun 2008 disebabkan kurangnya permintaan daripada negara-negara Timur Tengah dalam bulan-bulan musim panas dan juga impak daripada masalah kewangan akibat krisis pasaran hartanah yang hangat di Amerika Syarikat (“AS”). Krisis kewangan yang melanda AS dan Eropah serta kejatuhan teruk bursa-bursa saham sejagat telah menambah kebimbangan akan kesan penularannya mungkin menjadi lebih buruk dan berlanjutan lebih lama daripada jangkaan.

Di peringkat domestik, permintaan produk besi dijangka lebih rendah seiring dengan pertumbuhan ekonomi yang perlahan. Dalam melangkah ke hadapan Kumpulan yakin bahawa ia mampu untuk menghadapi cabaran yang mendatang berdasarkan langkah-langkah yang telah diambil sebelum ini untuk meningkatkan daya saing dan akan berupaya mencatat keputusan hasil yang memuaskan untuk para pemegang sahamnya pada tahun depan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada para pemegang saham, pembiaya, sekutu perniagaan dan pihak berkuasa kerajaan atas sokongan dan keyakinan berterusan yang diberikan kepada Kumpulan.

Saya juga ingin merakamkan penghargaan tulus ikhlas dan ucapan ribuan terima kasih kepada para Pengarah di atas panduan dan sumbangan yang tidak ternilai sepanjang tahun kewangan.

Akhir sekali, saya ingin mengucapkan ribuan terima kasih kepada pihak pengurusan dan kakitangan di atas dedikasi dan komitmen mereka kepada Kumpulan.

TUN MUSA HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), it is my great pleasure to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB") for the financial year ended 30 June 2008.

FINANCIAL PERFORMANCE

It has been a good year for the LICB Group. The Group was able to benefit from the strong and robust demand for steel products in the international market, which led to steel prices moving up to an unprecedented level during the second half of the financial year.

On the back of higher sales tonnage and profit margins, the Group posted a vastly improved performance with revenue of RM6.94 billion and operating profit of RM899 million, representing an increase of 53% and 172% respectively over the previous year. Together with a gain on partial disposal of shares of its associated companies, lower finance costs and favourable contribution from associated companies, the Group registered a significantly higher profit before tax of RM894 million as compared to RM335 million a year ago.

In tandem with the surge in international steel prices, the local operating environment for the Group's steel products also improved. Demand remained firm after the Government announced the lifting of ceiling prices for billets and bars and allowed direct importations.

CORPORATE DEVELOPMENTS

The significant corporate events of the Group were as follows:

(i) Lion Forest Industries Berhad ("LFIB"), an 80% owned listed subsidiary company, has proposed to acquire the USD Debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of Silverstone Corporation Berhad ("SCB"), and the RM bonds and redeemable cumulative convertible preference shares of RM0.01 each issued at a premium of RM0.99 ("RCCPS") by SCB with an aggregate nominal amount of approximately RM515.20 million of which up to approximately RM229.97 million will be funded by the utilisation of the proceeds from the disposal by LFIB of its entire 97.78% shareholding in Sabah Forest Industries Sdn Bhd, the utilisation of which had been approved by the Securities Commission on 14 March 2008.

(ii) On 28 May 2008, LFIB served a notice of conditional take-over offer to the Board of Directors of SCB to acquire the remaining 339,878,875 ordinary shares of RM1.00 each fully paid in SCB and the remaining 28,627,764 RCCPS not already held by the Group.

Full details of the above proposals are set out on pages 29 and 30 of this Annual Report.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 1.0% or 1.0 sen per share (2007: 1.0% or 1.0 sen per share), less 25% income tax (2007: 27%). Total net dividend payable, if approved at the Annual General Meeting, will amount to RM5.3 million (2007: RM5.2 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

On the international front, steel prices began to rapidly soften after June 2008 due to weaker demand from the Middle Eastern countries during the summer months and also the impact of the growing financial problems arising from the overheated property market in the United States of America ("US"). The subsequent financial turmoil affecting US and Europe and the steep plunge in global bourses have heightened fears that the contagion-like effect may be more severe and prolonged than expected.

Domestically, demand for steel products is expected to be lower in line with the slowdown in economic growth. Moving forward, the Group is confident that it will be able to meet the challenges ahead due to measures undertaken previously to improve its competitiveness, and will be able to post a set of satisfactory results for its shareholders next year.

ACKNOWLEDGEMENT

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

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

TUN MUSA HITAM
Chairman

主席报告

我谨代表董事部，欣然提呈截至2008年6月30日的会计年度，金狮工业机构有限公司的常年报告及经审核财务报告。

业绩

对金狮工业机构有限公司而言，这是大唱丰收的一年。本集团从国际市场对钢铁产品的强劲需求中受惠良多，钢铁价格在本会计年度下半年内走高至前所未有的水平。

更高的销售额及利润，促成本集团取得更佳表现，营业额与营运盈利分别达 69亿4千万令吉和 8亿9千900万令吉，比前期增加 53% 和 172%。连同脱售联号公司部分股权的收益、较低的融资成本及联号公司的有利贡献，本集团取得显著更高的税前盈利，达8亿9千400万令吉，一年前为3亿3千500万令吉。

在国际钢铁价格上涨的同时，本集团在本地的营运环境也同样获得改善。尽管政府撤销钢坯和钢条顶价及允许直接进口，本地市场需求仍然维持稳定。

企业发展

本集团重要的企业发展如下：

(i) 金狮森林工业有限公司(Lion Forest Industries Berhad)，一间本集团持有80%股权的挂牌子公司建议收购银石盾机构有限公司（“银石盾”）独资子公司 AMB Harta (L) Limited 发行的美元债务，以及由银石盾发行的令吉债券和可赎回累积变换优先股。此优先股每股0.01令吉，发行股溢价 0.99令吉，票面价总计约5亿1千520万令吉，其中的 2亿2千997万令吉，将由脱售所持有 97.78% 沙巴森林工业的股票所得当作资金注入。证券委员会已于2008年3月14日批准了上述的资金利用。

(ii) 2008年5月28日，金狮森林工业有限公司向银石盾董事部，发出一分有条件接管通知书，以购进银石盾其余每股1令吉已缴足的 339,878,875普通股，以及其余本集团还没持有的28,627,764可赎回累积变换优先股。

以上建议的充分详情已列在本常年报告中的第29页及第30页。

股息

董事部欣然建议，发出第一次兼最终股息 1.0%或每股1.0分的股息(2007年:1.0%或每股1.0分)必须扣除25%所得税(2007年: 27%)。如果在即将召开的常年股东大会上获得批准，净股息总额为530万令吉(2007年:520万令吉)。

企业社会责任

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

社会

本集团在展开商业活动时，也深切了解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。身为金狮集团成立的两项基金成员，本集团着重于通过两项基金，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生。金狮集团医药援助基金则为迫切需要医疗的马来西亚人提供财务援助，包括手术、购买配备或药物。

本集团也通过筹款及捐款活动为社会做出贡献，同时也为本地及其他地区的灾黎施于援手。

环境

在强调科技和工业发展之际，本集团同时也关心环境保护，业务运作完全遵守管制其所在领域的环境法律及相关条例。

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

面对能源需求日增及天然资源日益消耗，我们已为我们的业务运作鉴定能源的替代来源，包括天然气，并且选择具环保作用的新技术。

展望

在国际市场方面，钢铁价格在2008年6月之后迅速下跌，主要是因为夏季时来自中东国家的需求转弱，而美国过热的房地产市场造成的金融风暴日益恶化也带来不利的影响。较后席卷美国和欧洲的金融风暴及全球股市的大跌，恐怕会引发比预期中更严重及延长金融风暴的连锁反应。

本地市场方面，钢铁产品的需求料会随着经济成长的放缓而走低。不过，鉴于之前已采取措施提升竞争力，本集团有信心应付这些挑战，在明年为股东们取得令人满意的业绩表现。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东、银行机构、商业伙伴、政府和执法机构对本集团的持续支持和信心。

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。

最后，我真诚地感谢管理层和全体职员对集团尽忠职守和为工作贡献的精神。

主席
TUN MUSA HITAM

REVIEW OF OPERATIONS

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

Steel

	2008 RM'Million	2007 RM'Million
Revenue	**6,532**	4,210
Profit	**971**	350

Product	Annual Rated Capacity (Million Metric Tons)
HBI	0.9
Billets	2.7
Steel Bars and Wire Rods	2.0

The Steel Division recorded a commendable performance with both revenue and operating profit significantly higher at RM6.53 billion and RM971 million, respectively. The robust demand for steel products in the Middle East and other emerging markets coupled with a curb on exports by the Chinese Government had pushed international steel prices to a record high. Together with a favourable local operating environment, the Division was able to record an impressive set of results.

Labuan Plant (Product : HBI)

Our Labuan plant was able to benefit from the steep increase in selling prices for Hot Briquetted Iron ("HBI") as it moved upwards in tandem with scrap prices. Margins were higher as production cost increases were well capped. Accordingly, our HBI operations recorded a revenue of RM1.11 billion and an operating profit of RM419 million (2007: RM915 million and RM264 million respectively).

Klang, Banting & Johor Plants (Products : Billets, Steel Bars & Wire Rods)

All our three long product plants recorded significantly improved performances with a combined revenue of RM5.42 billion and profit of RM552 million (2007: RM3.29 billion and RM86 million respectively).

The excellent performance was mainly attributable to the rapid upward surge in international steel prices which had moved up at a much faster pace than the increase in scrap cost, the main raw material cost in the production of steel bars and wire rods. The better local operating environment and the liberalisation of the steel bars and billets sector by the Government in May 2008 had also enabled the long product operations to achieve higher sales tonnage and profit margins for the financial year.

To enhance efficiency and profitability, the Steel Division is constantly reviewing the need to upgrade its steel plants. During the financial year, the Group has upgraded its production capacity for steel bars and wire rods to 2 million metric tons ("MT") per annum from 1.9 million MT in the previous financial year. The upgrading exercise continued subsequent to the financial year. With the completion of the exercise in the first quarter of financial year 2009, the Group now has a capacity to produce 3.05 million MT of billets per annum and 2.35 million MT for steel bars and wire rods per annum.

Tyre

	2008 RM'Million	2007 RM'Million
Revenue	**103**	80
Loss	**(26)**	(9)

Product	Annual Rated Capacity
Steel radial truck tyre	300,000 pieces

The Tyre Division posted a higher revenue of RM103 million as compared to RM80 million last year. However, the Division recorded a higher loss of RM26 million for the year under review caused by the escalating raw material prices and stiff competition. The Division will continue to improve on productivity and expand its distribution network to gain wider market share in view of the booming automotive industry in China.

Property Development

	2008 RM'Million	2007 RM'Million
Revenue	**16**	21
Profit	**9**	1

The main revenue contributor to the current year results was from the property management and development of its relatively small residential development projects namely Taman Malim Jaya in Melaka, Taman Soga in Batu Pahat and Pelangi Promenade in Klang.

In April 2008, the Division successfully launched its latest development project, known as M-Walk@Pelangi Avenue, located at Jalan Meru, Klang. Comprising 58 strata retail units with a total gross development value of RM45 million, M-Walk@Pelangi Avenue was conceived as a purpose-designed shopping and eateries haven which enjoys dual business exposure. Being the first of its kind in Klang, this development has received very good response and has recorded an 86% take-up rate.

The joint-venture with the Eastern & Oriental Group, comprising a mixed integrated development project which includes three (3) blocks of 28-storey serviced apartments, and retail, food and beverage theme outlets located at the site of the former St Mary's School in Kuala Lumpur, is targeted for launching by end of this year. The project is expected to contribute positively to the Group's earnings next year.

Building Materials

	2008 RM'Million	2007 RM'Million
Revenue	**223**	157
Profit	**4.1**	0.1

This Division is involved in the trading and distribution of building and construction materials for the domestic property and construction industries. Performance for the financial year improved on the back of positive growth in the construction sector and the surge in building material prices.

Automotive Lubricants

	2008 RM'Million	2007 RM'Million
Revenue	**64**	57
Profit	**10**	6

During the year, we improved our sales cycle and initiated web ordering capabilities for our sales team. By enabling on-line registration of customers' orders, our sales personnel can access the latest stock prices and availability, and monitor customers' accounts in an efficient manner whilst at the back-office, the delivery team is able to shorten the distribution time to serve our customers better.

We expect the recent petrol and diesel price trends to be the catalyst for a change in driving habits of the motoring public. While cheaper alternative fuels are not readily available now and discerning private motorists appreciate the need to service their car engines on a more regular basis, we anticipate an increase in the low-to-medium engine capacity private vehicles on the road. In this respect, our network of independent workshops across the nation is well-placed to support the expected increase in lubricant demand in this market segment. During the year, we have introduced functional tools for our workshop customers, namely "Autoboss" scanner and "Kabo" tools, both of which are aimed at enhancing their operations. By encouraging and facilitating improvements to these workshops' operations, we expect to reinforce and drive our business forward. In the pipeline are plans to further explore into natural gas vehicle ("NGV") related products as we foresee a trend in customers switching to NGVs as a means to reduce energy cost.

FINANCIAL STATEMENTS
2008
For The Financial Year Ended 30 June 2008

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 49 to the Financial Statements.

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

SIGNIFICANT CORPORATE EVENTS

1. In relation to the proposed acquisition by the Lion Forest Industries Berhad ("LFIB") Group (LFIB is an 80% owned subsidiary company of the Company) of the USD debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary company of Silverstone Corporation Berhad ("SCB") ("SPV Debts"), and the RM bonds ("SCB Bonds") and redeemable cumulative convertible preference shares of RM0.01 each issued at a premium of RM0.99 by SCB ("RCCPS") with an aggregate nominal amount of approximately RM515.20 million of which up to approximately RM229.97 million will be funded by the proceeds from the disposal by LFIB of its entire 97.78% shareholding in Sabah Forest Industries Sdn Bhd, the utilisation of which had been approved by the Securities Commission on 14 March 2008:

   (i) Jadeford International Limited ("Jadeford"), a wholly-owned subsidiary company of LFIB, had during the financial year completed the acquisitions of the following debt securities:

      (a) SPV Debts of an aggregate nominal value of approximately USD64.55 million (approximately RM214.73 million) for a cash consideration of approximately USD31.01 million (approximately RM100.34 million); and

      (b) 1,947,280 RCCPS for a cash consideration of RM97,364.

   (ii) The following wholly-owned subsidiary companies of LFIB had on the respective dates entered into agreements with the respective sellers:

      (a) Gama Harta Sdn Bhd and Jadeford, on 30 November 2007 - a conditional sale and purchase agreement with Amsteel Mills Sdn Bhd ("AMSB") (a 99% owned subsidiary company of the Company), for the acquisition from AMSB, of SCB Bonds with an aggregate nominal value of approximately RM117.63 million and 6,699,994 RCCPS for an aggregate cash consideration of up to approximately RM51.15 million ("Proposed AMSB Debt Acquisition").

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

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

   The Proposed AMSB Debt Acquisition and the Proposed RZB Debt Acquisition are pending completion.

2. LFIB had on 28 May 2008 served a notice of conditional take-over offer ("Offer") on the Board of Directors of SCB to acquire:

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

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

   The offer document in relation to the Offer had been despatched to the holders of the SCB Shares and the RCCPS on 19 September 2008.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	893,550	8,416
Tax expense	(51,457)	(1,362)
Profit for the year	842,093	7,054
Attributable to:		
Equity holders of the Company	844,205	
Minority interests	(2,112)	
	842,093	

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

DIVIDENDS

A first and final dividend of 1%, less 27% tax, amounting to RM5.2 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors propose a first and final dividend of 1%, less 25% tax, amounting to RM5.3 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM705,554,965 divided into 705,554,965 ordinary shares of RM1.00 each to RM712,699,965 divided into 712,699,965 ordinary shares of RM1.00 each by the issuance of 1,048,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 6,096,700 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme of the Company.

The resulting share premium of RM2,051,000 arising from the issue of shares has been credited to the share premium account.

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

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company became effective on 1 September 2005 and the main features of the ESOS are set out in Note 33 to the Financial Statements.

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

During the financial year, the Company granted 7,081,500 options to eligible executive employees and executive directors of the Group at a subscription price of RM1.330 per share. 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 90,000 options. The eligible employees (excluding the executive Directors) who were granted 90,000 options or more during the financial year are as follows:

Name of employees	Number of options granted at the subscription price of RM1.330 per share on 23 August 2007
1. Pang Fook Fah	105,000
2. Loh Fook Guan	94,500
3. Anthony Julian Chin Yoke Sheng	94,500
4. Liew Choon Yick	90,000

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

		Number of options				
Grant date	Subscription price per share RM	Balance as of 1.7.2007	Granted	Exercised	Lapsed	Balance as of 30.6.2008
9.5.2006	1.037	2,125,200	–	(1,048,300)	(300)	1,076,600
26.2.2007	1.330	4,756,300	–	(2,310,400)	(62,600)	2,383,300
23.8.2007	1.330	–	7,081,500	(3,786,300)	(175,700)	3,119,500
		6,881,500	7,081,500	(7,145,000)	(238,600)	6,579,400

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

OTHER FINANCIAL INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables, and had satisfied themselves that no known bad receivables needs to be written off and that adequate allowance had been made for doubtful receivables; and

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

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

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

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

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

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

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

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

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

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

DIRECTORS

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

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

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.7.2007	**Additions**	**Disposals**	**Balance as of 30.6.2008**
Direct interest				
Datuk Cheng Yong Kim	1,784,789	410,000	–	2,194,789
Dato' Kamaruddin @ Abas bin Nordin	40,000	108,800	(60,000)	88,800
Cheng Yong Liang	47,880	–	–	47,880
Indirect interest				
Datuk Cheng Yong Kim	299,998,443	36,843,022	–	336,841,465

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

	Number of options			
	Balance as of 1.7.2007	**Granted**	**Exercised**	**Balance as of 30.6.2008**
Datuk Cheng Yong Kim	490,000	210,000	–	700,000
Dato' Kamaruddin @ Abas bin Nordin	105,000	75,000	(108,800)	71,200

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

	Nominal value per ordinary share	Number of shares			
		Balance as of 1.7.2007	**Additions**	**Disposals**	**Balance as of 30.6.2008**
Datuk Cheng Yong Kim					
Indirect interest					
Lion Forest Industries Berhad	RM1.00	167,988,512	–	–	167,988,512
Lion-Kimtrans Logistics Sdn Bhd	RM1.00	75	3,749,925	–	3,750,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
LLB Strategic Holdings Berhad	RM1.00	4,050,000	450,000	–	4,500,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	800,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	4,750,000
Soga Sdn Bhd	RM1.00	4,332,078	–	–	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	Currency	Balance as of 1.7.2007	Additions	Disposals	Balance as of 30.6.2008
Datuk Cheng Yong Kim					
Indirect interest					
Beijing Trostel Property Development Co Ltd	USD	6,650,000	–	–	6,650,000
Shandong Silverstone LuHe Rubber & Tyre Co Ltd	USD	30,000,000	–	–	30,000,000
Shanghai Lion Plastic Industrial Co Ltd	USD	3,690,000	–	(3,690,000)^	–
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (in voluntary liquidation)	USD	10,878,944	–	–	10,878,944

* *Shares in companies incorporated in Singapore do not have a par value.*
^ *Ceased to be a related company on 24 August 2007.*

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 44 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted pursuant to the Company's ESOS as disclosed under Directors' Interests and Note 44 to the Financial Statements.

AUDITORS

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

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

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
29 September 2008

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

Report on the Financial Statements

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the balance sheets as of 30 June 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 37 to 124.

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 the applicable Malaysian Accounting Standards Board approved accounting standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of their financial performance and cash flows 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 49 to the Financial Statements;

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

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEE YOON CHONG
Partner - 1829/07/09 (J)
Chartered Accountant

Petaling Jaya
29 September 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Note	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Continuing Operations:					
Revenue	6	**6,940,157**	4,546,341	**10,423**	13,313
Other income		**143,818**	77,316	**89,876**	44,319
Net change in inventories		**(32,509)**	106,445	**–**	–
Raw materials and consumables used		**(5,241,794)**	(3,658,331)	**–**	–
Purchase of trading merchandise		**(149,393)**	(145,794)	**–**	–
Property development expenditure	18(b)	**(4,226)**	(6,570)	**–**	–
Staff costs	7	**(171,576)**	(138,637)	**(6,585)**	(5,938)
Directors' remuneration	8	**(1,211)**	(1,104)	**(1,040)**	(939)
Depreciation of property, plant and equipment	14	**(98,318)**	(87,431)	**(516)**	(518)
Amortisation of:					
Prepaid land lease payments	16	**(2,049)**	(2,196)	**–**	–
Intangible assets	24	**(50)**	(71)	**–**	–
Other expenses		**(483,982)**	(358,958)	**(81,439)**	(30,018)
Profit from operations	7	**898,867**	331,010	**10,719**	20,219
Finance costs	9	**(122,037)**	(162,260)	**(12,669)**	(26,491)
Share in results of jointly controlled entity	21	**(125)**	–	**–**	–
Share in results of associated companies		**82,563**	131,289	**–**	–
Investment income	10	**34,282**	34,918	**10,366**	13,976
Profit before tax		**893,550**	334,957	**8,416**	7,704
Tax expense	11	**(51,457)**	(71,842)	**(1,362)**	(615)
Profit for the year from continuing operations		**842,093**	263,115	**7,054**	7,089
Discontinued Operations:					
Loss for the year from discontinued operations	12	**–**	(63,201)	**–**	–
Profit for the year		**842,093**	199,914	**7,054**	7,089
Attributable to:					
Equity holders of the Company		**844,205**	212,707		
Minority interests		**(2,112)**	(12,793)		
		842,093	199,914		

(Forward)

	Note	The Group 2008	2007
Earnings per ordinary share attributable to equity holders of the Company (sen):			
Basic, for profit from continuing operations	13	**119.01**	37.65
Basic, for loss from discontinued operations	13	**–**	(7.21)
Basic, for profit for the year	13	**119.01**	30.44
Diluted, for profit from continuing operations	13	**118.54**	37.65
Diluted, for loss from discontinued operations	13	**–**	(7.21)
Diluted, for profit for the year	13	**118.54**	30.44

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

BALANCE SHEETS

AS OF 30 JUNE 2008

	Note	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	14	**1,450,732**	1,382,352	**1,630**	1,661
Investment properties	15	**69,151**	101,047	**62,742**	95,300
Prepaid land lease payments	16	**102,134**	103,591	**–**	–
Forest concessions	17(a)	**–**	–	**–**	–
Plantation development expenditure	17(b)	**–**	–	**–**	–
Land held for property development	18(a)	**35,559**	52,079	**310**	116
Investment in subsidiary companies	19	**–**	–	**175,014**	166,135
Investment in associated companies	20	**627,737**	582,135	**20,141**	24,341
Investment in jointly controlled entity	21	**–**	125	**–**	–
Long-term investments	22	**146,323**	100,127	**1,403**	21,295
Deferred tax assets	23	**76,297**	76,364	**–**	–
Intangible assets	24	**354**	404	**–**	–
Goodwill	25	**130,443**	130,634	**–**	–
Deferred consideration	29(b)	**–**	124,272	**–**	–
Total Non-current Assets		**2,638,730**	2,653,130	**261,240**	308,848
Current Assets					
Property development costs	18(b)	**56,719**	39,799	**–**	–
Inventories	26	**1,329,993**	1,070,355	**43**	43
Amount due by contract customers	27	**–**	571	**–**	–
Short-term investments	28	**60,063**	107,844	**26,290**	25,380
Trade receivables	29(a)	**539,654**	430,271	**9**	9
Other receivables, deposits and prepayments	29(b)	**444,996**	592,629	**50,865**	65,445
Accrued billings for property development projects		**93**	448	**–**	–
Amount owing by jointly controlled entity	21	**13,220**	1,626	**–**	–
Amount owing by subsidiary companies	30(a)	**–**	–	**1,121,596**	1,166,769
Amount owing by an associated company	30(b)	**–**	25,891	**–**	–
Deposits, cash and bank balances	31	**636,709**	711,437	**27,178**	122,264
		3,081,447	2,980,871	**1,225,981**	1,379,910
Assets classified as held for sale	32	**422**	18,862	**–**	–
Total Current Assets		**3,081,869**	2,999,733	**1,225,981**	1,379,910
Total Assets		**5,720,599**	5,652,863	**1,487,221**	1,688,758

(Forward)

	Note	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	33	**712,700**	705,555	**712,700**	705,555
Reserves	34	**2,306,923**	1,436,687	**400,414**	391,837
Equity attributable to equity holders of the Company		**3,019,623**	2,142,242	**1,113,114**	1,097,392
Minority interests		**195,199**	195,995	**–**	–
Total Equity		**3,214,822**	2,338,237	**1,113,114**	1,097,392
Non-current and Deferred Liabilities					
LICB Bonds and USD Debts	35	**62,535**	67,156	**72,916**	80,008
BaIDS	36	**330,000**	400,000	**–**	–
Long-term borrowings	37	**535,981**	904,742	**–**	–
Finance lease payables	38	**30**	34	**–**	–
Hire-purchase payables	39	**744**	483	**371**	263
Deferred tax liabilities	23	**146,459**	132,250	**465**	2,031
Total Non-current and Deferred Liabilities		**1,075,749**	1,504,665	**73,752**	82,302
Current Liabilities					
Trade payables	40(a)	**393,884**	392,666	**426**	1,256
Other payables, deposits and accrued expenses	40(b)	**549,000**	596,033	**9,881**	10,521
Advance billings of property development projects		**3,865**	1,762	**–**	–
Amount due to contract customers	27	**–**	1,091	**–**	–
Amount owing to subsidiary companies	30(a)	**–**	–	**274,131**	220,055
Finance lease payables	38	**50**	39	**–**	–
Hire-purchase payables	39	**631**	916	**217**	165
Short-term borrowings	41	**389,812**	497,032	**–**	–
LICB Bonds and USD Debts	35	**13,750**	248,382	**15,700**	277,067
BaIDS	36	**70,000**	60,000	**–**	–
Tax liabilities		**9,036**	2,399	**–**	–
		1,430,028	1,800,320	**300,355**	509,064
Liabilities directly associated with assets classified as held for sale	32	**–**	9,641	**–**	–
Total Current Liabilities		**1,430,028**	1,809,961	**300,355**	509,064
Total Liabilities		**2,505,777**	3,314,626	**374,107**	591,366
Total Equity and Liabilities		**5,720,599**	5,652,863	**1,487,221**	1,688,758

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

The Group			← Non-Distributable Reserves				→	Distributable			
	Note	Issued capital RM'000	Share premium RM'000	Translation adjustment account RM'000	Negative goodwill RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	reserve - Retained earnings RM'000	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total equity RM'000
Balance as of 1 July 2006		697,102	515,192	30,046	605,122	714	543	162,544	2,011,263	424,364	2,435,627
Disposal of subsidiary companies	12 & 19	–	–	–	(76,314)	–	(753)	–	(77,067)	(144,429)	(221,496)
Effect of adoption of FRS 3		–	–	–	(528,808)	–	–	540,708	11,900	–	11,900
Issue of shares	33	8,453	1,242	–	–	–	–	–	9,695	–	9,695
Currency translation differences		–	–	(19,581)	–	–	–	–	(19,581)	–	(19,581)
Profit for the year		–	–	–	–	–	–	212,707	212,707	(12,793)	199,914
Share-based payments		–	2,493	–	–	2,396	754	–	5,643	16	5,659
Effect of dilution on equity interest in an associated company		–	–	–	–	–	–	(23,532)	(23,532)	–	(23,532)
Equity accounting for share of net assets of an associated company		–	–	–	–	–	13,298	–	13,298	–	13,298
Effect of dilution on equity interest in a subsidiary company		–	–	–	–	–	–	–	–	14,155	14,155
Capital distribution by a subsidiary company	19	–	–	–	–	–	–	–	–	(85,354)	(85,354)
Share of subsidiary company's other reserves		–	–	–	–	–	426	–	426	36	462
Dividend	42	–	–	–	–	–	–	(2,510)	(2,510)	–	(2,510)
Balance as of 30 June 2007		705,555	518,927	10,465	–	3,110	14,268	889,917	2,142,242	195,995	2,338,237
Balance as of 1 July 2007		705,555	518,927	10,465	–	3,110	14,268	889,917	2,142,242	195,995	2,338,237
Disposal of subsidiary company	19	–	–	1,150	–	–	–	–	1,150	(685)	465
Issue of shares	33	7,145	2,051	–	–	–	–	–	9,196	–	9,196
Currency translation differences		–	–	(3,105)	–	–	–	–	(3,105)	1,648	(1,457)
Profit for the year		–	–	–	–	–	–	844,205	844,205	(2,112)	842,093
Share-based payments		–	4,474	–	–	109	1,061	–	5,644	353	5,997
Effect of accretion on equity interest in an associated company		–	–	–	–	–	–	25,473	25,473	–	25,473
Dividend	42	–	–	–	–	–	–	(5,182)	(5,182)	–	(5,182)
Balance as of 30 June 2008		**712,700**	**525,452**	**8,510**	**–**	**3,219**	**15,329**	**1,754,413**	**3,019,623**	**195,199**	**3,214,822**

(Forward)

The Company

	Note	Issued capital RM'000	← Non-Distributable Reserves → Share premium RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated loss RM'000	Total equity RM'000
Balance as of 1 July 2006		697,102	515,192	714	–	(134,861)	1,078,147
Issue of shares	33	8,453	1,242	–	–	–	9,695
Profit for the year		–	–	–	–	7,089	7,089
Share-based payments		–	2,493	2,396	82	–	4,971
Dividend	42	–	–	–	–	(2,510)	(2,510)
Balance as of 30 June 2007		705,555	518,927	3,110	82	(130,282)	1,097,392
Balance as of 1 July 2007		705,555	518,927	3,110	82	(130,282)	1,097,392
Issue of shares	33	7,145	2,051	–	–	–	9,196
Profit for the year		–	–	–	–	7,054	7,054
Share-based payments		–	4,474	109	71	–	4,654
Dividend	42	–	–	–	–	(5,182)	(5,182)
Balance as of 30 June 2008		**712,700**	**525,452**	**3,219**	**153**	**(128,410)**	**1,113,114**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

The Group	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year from:			
Continuing operations		**842,093**	263,115
Discontinued operations		**–**	(63,201)
		842,093	199,914
Adjustments for:			
Finance costs		**122,037**	162,663
Depreciation of property, plant and equipment		**98,318**	119,833
Tax expense recognised in income statements		**51,457**	71,842
Impairment loss on:			
Long-term investments		**103,317**	3,566
Goodwill		**641**	–
Property, plant and equipment		**–**	3,183
Land held for property development		**–**	1,319
Loss on disposal of SFI	12	**–**	42,220
Allowance for:			
Obsolescence of inventories		**37,413**	48,372
Doubtful amount owing by an associated company		**24,465**	–
Doubtful trade and other receivables		**22,167**	5,247
Inventories written off		**18,285**	–
Share-based payments		**5,644**	5,643
Property, plant and equipment written off		**2,726**	1,625
Amortisation of:			
Prepaid land lease payments		**2,049**	2,196
Intangible assets		**50**	71
Forest concessions		**–**	7,647
Loss on partial disposal of shares in a subsidiary company		**–**	7,134
Intangible assets written off		**–**	225
Gain on disposal/partial disposal of:			
Associated companies		**(102,808)**	–
Subsidiary companies (ii)		**(6,362)**	(3,386)
Assets classified as held for sale		**(2,504)**	–
Investment property		**(2,142)**	–
Property, plant and equipment		**(970)**	(13)
Long-term investments		**–**	(14,658)
Share in results of:			
Associated companies		**(82,563)**	(131,289)
Jointly controlled entity		**125**	–
Interest income		**(34,818)**	(35,511)
Unrealised gain on foreign exchange		**(9,399)**	(33,973)
Allowance no longer required for:			
Doubtful trade and other receivables		**(1,822)**	(734)
Cost to completion for property development projects		**(636)**	(1,479)
Change in fair value adjustments on investment property		**(150)**	(156)
Operating Profit Before Working Capital Changes		**1,086,613**	461,501

(Forward)

The Group	Note	2008 RM'000	2007 RM'000
Movements in working capital:			
(Increase)/Decrease in:			
Property development costs		**975**	897
Inventories (Net of depreciation of property, plant and equipment of RM Nil (2007: RM31,000) and amortisation of plantation development expenditure of RM Nil (2007: RM3,662,000))		**(314,000)**	(361,226)
Amount due by contract customers		**571**	96
Trade receivables		**(128,557)**	49,863
Other receivables, deposits and prepayments		**(27,242)**	(10,856)
Amount owing by jointly controlled entity		**(11,594)**	(1,626)
Increase/(Decrease) in:			
Trade payables		**(3,027)**	186,377
Other payables, deposits and accrued expenses		**(80,516)**	133,183
Amount due to contract customers		**2,774**	(294)
Movements in translation adjustment account		**197**	592
Cash Generated From Operations		**526,194**	458,507
Tax paid		**(24,122)**	(8,179)
Net Cash From Operating Activities		**502,072**	450,328
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flow on disposal of subsidiary companies (ii)		**7,374**	(1,653)
Net cash inflow from acquisition of a subsidiary company	19	**441**	–
Deferred consideration received from disposal of a subsidiary company in prior year		**294,526**	–
Proceeds from disposal/redemption of investments		**1,912**	34,291
Proceeds from disposal/partial disposal of:			
Property, plant and equipment		**46,479**	2,623
Investment in associated companies		**156,101**	–
Investment property		**34,700**	–
Assets classified as held for sale		**4,257**	–
Interest received		**32,486**	25,258
Dividends received from an associated company		**4,137**	8,273
Cash flow from disposal of SFI	12	**–**	423,074
Proceeds from partial disposal of shares in a subsidiary company		**–**	6,900
Purchase of property, plant and equipment (i)		**(202,656)**	(151,715)
Purchase of other investments		**(101,312)**	(94)
Increase in:			
Land held for property development		**(739)**	(90)
Plantation development expenditure (Net of depreciation of property, plant and equipment of RM Nil (2007: RM322,000)		**–**	(5,073)
Purchase of prepaid land lease payment		**–**	(29,270)
Purchase of investment in jointly controlled entity		**–**	(125)
Net Cash From Investing Activities		**277,706**	312,399

(Forward)

The Group	Note	**2008 RM'000**	2007 RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issue of shares		**9,196**	9,695
Issue of shares by a subsidiary company		**186**	363
Interest and profit element of BaIDS paid		**(77,626)**	(128,037)
Repayment of short-term borrowings		**(455,826)**	(13,097)
Repayment of BaIDS		**(60,000)**	(40,000)
Redemption/Repayment of LICB Bonds and USD Debts		**(244,335)**	(37,764)
Capital distribution by a subsidiary company to minority shareholders		**–**	(85,354)
Dividend paid to equity holders of the Company		**(5,182)**	(2,510)
Repayment of finance lease liabilities		**(67)**	(30)
Repayment of hire-purchase liabilities		**(784)**	(1,581)
Decrease/(Increase) in cash and cash equivalents – restricted		**159,038**	(365,505)
Net Cash Used In Financing Activities		**(675,400)**	(663,820)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**104,378**	98,907
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**233,178**	134,035
Effects of changes in exchange rates		**(2,384)**	236
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**335,172**	233,178

(i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM203,582,000 (2007: RM152,000,000), of which RM926,000 (2007: RM285,000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM202,656,000 (2007: RM151,715,000).

(ii) **ANALYSIS OF DISPOSAL OF SUBSIDIARY COMPANIES**

	2008 RM'000	2007 RM'000
Property, plant and equipment	**10,382**	821
Intangible assets	**770**	–
Inventories	**3,947**	–
Trade receivables	**–**	1,168
Other receivables, deposits and prepayments	**1,089**	1,556
Deposits, cash and bank balances	**296**	3,153
Trade payables	**(3,792)**	–
Other payables, deposits and accrued expenses	**(11,849)**	(9,046)
Hire-purchase payables	**–**	(38)
Minority interests	**(685)**	500
Translation adjustment account	**1,150**	–
Carrying value of net assets/(liabilities)	**1,308**	(1,886)
Gain on disposal recognised in income statement	**6,362**	3,386
Total cash consideration	**7,670**	1,500
Less: Cash and cash equivalents disposed of	**(296)**	(3,153)
Cash flow on disposal	**7,374**	(1,653)

(Forward)

The Company	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**7,054**	7,089
Adjustments for:			
Allowance for:			
Doubtful amount owing by subsidiary companies		**59,009**	12,429
Doubtful other receivables		**600**	–
Impairment loss on:			
Long-term investments		**18,982**	1,727
Investment in subsidiary companies		**1,274**	13,867
Finance costs		**12,669**	26,491
Share-based payments		**1,532**	939
Tax expense recognised in income statements		**1,362**	615
Depreciation of property, plant and equipment		**516**	518
Loss on partial disposal of shares in a subsidiary company		**–**	450
Intangible assets written off		**–**	140
Change in fair value adjustments on investment property		**–**	(156)
(Gain)/Loss (net) on disposal/partial disposal of:			
Associated companies		**(71,700)**	–
Investment property		**(2,142)**	–
Long-term investments		**–**	(267)
Property, plant and equipment		**4**	24
Interest income		**(10,556)**	(14,187)
Unrealised gain on foreign exchange		**(8,502)**	(12,583)
Impairment loss on investment in subsidiary companies no longer required		**(6,581)**	–
Dividend income		**(5,992)**	(7,258)
Allowance no longer required for:			
Doubtful trade and other receivables		**(450)**	–
Doubtful amount owing by subsidiary companies		**(224)**	(31,102)
Operating Loss Before Working Capital Changes		**(3,145)**	(1,264)
Movement in working capital:			
(Increase)/Decrease in:			
Land held for property development		**(194)**	(5)
Trade receivables		**–**	51
Other receivables, deposits and prepayments		**14,785**	12,229
(Decrease)/Increase in:			
Trade payables		**(830)**	92
Other payables, deposits and accrued expenses		**(640)**	(907)
Cash Generated From Operations		**9,976**	10,196
Interest paid		**(110)**	(12)
Tax refunded		**1,726**	–
Net Cash From Operating Activities		**11,592**	10,184

(Forward)

The Company	Note	2008 RM'000	2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		**(187)**	(44)
Acquisition of remaining equity interest in a subsidiary company		**(450)**	–
Proceeds from disposal/partial disposal of:			
Investment property		**34,700**	–
Associated companies		**75,900**	–
Investment in a subsidiary company		**–**	6,900
Proceeds from disposal/redemption of investment		**–**	2,789
Dividend received		**4,711**	5,872
(Increase)/Decrease in amount owing by subsidiary companies		**(6,519)**	28,534
Interest received		**640**	763
Proceeds from disposal of property, plant and equipment		**93**	69
Capital distribution from a subsidiary company		**–**	90,255
Net Cash From Investing Activities		**108,888**	135,138
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issue of shares		**9,196**	9,695
Dividend paid to equity holders of the Company		**(5,182)**	(2,510)
Redemption/Repayment of LICB Bonds and USD Debts		**(272,858)**	(41,989)
Repayment of hire-purchase liabilities		**(235)**	(224)
Hire-purchase interest paid		**(19)**	(27)
Decrease/(Increase) in cash and cash equivalents - restricted		**88,699**	(95,570)
Increase/(Decrease) in amount owing to subsidiary companies		**53,532**	(14,975)
Net Cash Used In Financing Activities		**(126,867)**	(145,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,387)**	(278)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**28,916**	29,194
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**22,529**	28,916

Note: During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM582,000 (2007: RM44,000), of which RM395,000 (2007: RM Nil) was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM187,000 (2007: RM44,000).

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiary companies are disclosed in Note 49.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 2.

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

The principal place of business of the Company is located at Level 13-14, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 29 September 2008.

2. SIGNIFICANT CORPORATE EVENTS

Significant corporate events are as disclosed in the Directors' Report.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards and the provisions of the Companies Act, 1965 in Malaysia.

Changes in Accounting Policies

On 1 July 2007, the Group and the Company adopted all the revised Financial Reporting Standards ("FRSs"), amendments to FRS and IC Interpretations issued by MASB that are relevant to their operations as follows:

FRS 107	Cash Flow Statements (effective on 1 July 2007)
FRS 111	Construction Contracts (effective on 1 July 2007)
FRS 112	Income Taxes (effective on 1 July 2007)
FRS 118	Revenue (effective on 1 July 2007)
FRS 124	Related Party Disclosures (effective on 1 October 2006)
FRS 134	Interim Financial Reporting (effective on 1 July 2007)
FRS 137	Provisions, Contingent Liabilities and Contingent Assets (effective on 1 July 2007)
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 8	Scope of FRS 2 Share-based Payments

The adoption of these revised FRSs, amendment to FRS and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and have no significant financial effect on the financial statements of the Group and of the Company for the current and prior financial years.

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

Accounting Standards Issued But Not Yet Effective

At the date of authorisation of issue of the financial statements of the Group and of the Company, accounting standard which has been issued but not yet effective for the Group and the Company is FRS 139: Financial Instruments: Recognition and Measurement. FRS 139 is effective for accounting periods beginning on or after 1 January 2010. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company will apply this standard from financial year ending 30 June 2011.

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

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiary companies) as mentioned in Note 49 made up to the balance sheet date. The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

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

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

Business Combinations

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

Revenue and Revenue Recognition

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

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

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

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

(i) Steel Division

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

(ii) Property Development Division

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

Sales of land under development and completed property units - when the sale and purchase agreements are executed.

Construction contracts - when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity.

Rental income - on accrual basis.

(iii) Timber Extraction and Pulp and Paper Division

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

(iv) Tyre Division

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

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

Revenue and Revenue Recognition (continued)

(v) Building Materials Division

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

(vi) Other Divisions

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

Tuition fees and other related fees receivable net of scholarship - when services are performed.

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

Foreign Currency

(i) Functional and Presentation Currencies

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity, are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(ii) Foreign Currency Transactions

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

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

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rate prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in the income statements in the year in which the foreign operation is disposed of.

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

Employee Benefits

(i) Short-term Employee Benefits

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

(ii) Defined Contribution Plan

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

(iii) Equity Compensation Benefits

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

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

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

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

Income Tax

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

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 5%
Pulp and paper mills	2% - 4%
Plant, machinery and equipment	2% - 20%
Housing colony and infrastructures	2% - 10%
Jetty and access roads	2% - 4%
Floating cranes	5%
Tug boats and barges	10%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Renovations	2% - 10%

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

Property, Plant and Equipment (continued)

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

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 46 to 83 years (2007: 47 to 84 years).

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

Leases

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

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

Property, Plant and Equipment under Hire-Purchase

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

Forest Concessions

Forest concessions, which consist of two forest areas of 158,623 hectares and 118,000 hectares, are stated at cost less accumulated amortisation and any impairment losses. The said concessions are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plantation Development Expenditure

Plantation development and planting expenditure incurred in the cultivation and reforestation of tree plantations, including a proportion of the Group's forestry division general charges incurred in relation to the planting of trees, are deferred and charged to plantation development expenditure. This expenditure is charged to the income statements when the trees are harvested upon maturity based of the volume of timber produced.

Land Held for Property Development

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

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

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

Subsidiary Companies

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

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

Associated Companies

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

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

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

The associated companies are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated companies. Unrealised profits and losses arising from transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the associated companies except where unrealised losses provide evidence of an impairment of the asset transferred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Controlled Entity

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

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

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

Investments

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

Intangible Assets

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

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

Goodwill on Consolidation

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

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

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

Property Development Activities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Development Activities (continued)

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

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

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

Inventories

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

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

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

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

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

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as an allowance for foreseeable loss.

Amount due by contract customers represents the excess of cost incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount due to contract customers represents the excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

Receivables

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

Payables

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The LICB Bonds and USD Debts are recorded at the net present value of debts to be settled, net of borrowing costs, if any, adjusted for accretion of interest over the period of the debts. Borrowing costs are amortised, using the straight-line method, over the period of the debts.

Provisions

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

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

Assets Classified As Held For Sale

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

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

Financial Assets

The principal financial assets of the Group are deposits and bank balances, trade and other receivables, and other investments.

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

Financial Liabilities

The significant financial liabilities of the Group include trade and other payables, bank borrowings, BaIDS, LICB Bonds and USD Debts.

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

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

Equity Instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period except for the following:

Impairment of Assets

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

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Investment	**103,317**	3,566	**18,982**	1,727
Goodwill	**641**	–	**–**	–
Property, plant and equipment	**–**	3,183	**–**	–
Land held for property development	**–**	1,319	**–**	–
Investment in subsidiary companies	**–**	–	**1,274**	13,867

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

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the balance sheet date, pertaining to the steel operations of the Group, was RM130,443,000 (2007: RM130,634,000) and no impairment loss has been recognised in the income statements during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 25.

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

(ii) Key sources of estimation uncertainty (continued)

Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowances to the extent that it is probable that future chargeable income will be available against which the unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future chargeable income together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group amounted to RM76,297,000 (2007: RM76,364,000) and the unrecognised tax losses and capital allowances of the Group amounted to RM29,630,000 (2007: RM121,282,000).

Allowances for Doubtful Receivables

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

Depreciation of Property, Plant and Equipment

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

6. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Continuing Operations				
Sales of goods	**6,924,784**	4,516,402	**–**	–
Gross rental income	**4,431**	6,055	**4,431**	6,055
Revenue from:				
Property development	**5,548**	10,897	**–**	–
Sales of land under development and completed property units	**5,394**	2,329	**–**	–
Tuition and other related fees	**–**	10,658	**–**	–
Gross dividend income from:				
Subsidiary companies	**–**	–	**4,929**	5,132
Associated company (quoted in Malaysia)	**–**	–	**1,063**	2,126
	6,940,157	4,546,341	**10,423**	13,313
Discontinued Operations				
Sales of goods	**–**	246,447	**–**	–
	6,940,157	4,792,788	**10,423**	13,313

7. PROFIT/(LOSS) FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS

The following amounts have been included in arriving at profit/(loss) from continuing operations and discontinued operations:

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Impairment loss on:				
Long-term investments	**(103,317)**	(3,566)	**(18,982)**	(1,727)
Goodwill	**(641)**	–	–	–
Property, plant and equipment	–	(3,183)	–	–
Land held for property development	–	(1,319)	–	–
Investment in subsidiary companies	–	–	**(1,274)**	(13,867)
Allowance for:				
Obsolescence of inventories	**(37,413)**	(48,372)	–	–
Doubtful amount owing by an associated company	**(24,465)**	–	–	–
Doubtful trade and other receivables	**(22,167)**	(5,247)	**(600)**	–
Doubtful amount owing by subsidiary companies	–	–	**(59,009)**	(12,429)
Inventories written off	**(18,285)**	–	–	–
Rental expense of:				
Plant, machinery and equipment	**(6,509)**	(6,074)	–	–
Jetties and leasehold land	**(4,029)**	(3,642)	–	–
Premises payable to related parties	**(1,178)**	(896)	–	–
Premises	**(702)**	(3,974)	**(52)**	(25)
Property, plant and equipment written off	**(2,726)**	(1,625)	–	–
Loss on partial disposal of shares in a subsidiary company	–	(7,134)	–	(450)
Intangible assets written off	–	(225)	–	(140)
Audit fees:				
Current year	**(565)**	(533)	**(70)**	(60)
Underprovision in prior years	**(29)**	(12)	**(21)**	(1)
Loss on disposal of property, plant and equipment	–	–	**(4)**	(24)
Gain on disposal/partial disposal of:				
Associated companies	**102,808**	–	**71,700**	–
Subsidiary companies (Note 19)	**6,362**	3,386	–	–
Assets classified as held for sale	**2,504**	–	–	–
Investment property (Note 15)	**2,142**	–	**2,142**	–
Property, plant and equipment	**970**	13	–	–
Long-term investments (Note 22)	–	14,658	–	267
Gain on foreign exchange (net):				
Realised	**13,216**	18,514	–	–
Unrealised	**9,399**	33,973	**8,502**	12,583
Rental income from premises	**2,813**	3,069	–	–
Allowance no longer required for:				
Doubtful trade and other receivables	**1,822**	734	**450**	–
Cost to completion for property development projects	**636**	1,479	–	–
Doubtful amount owing by subsidiary companies	–	–	**224**	31,102
Interest income from Housing Development Accounts	**536**	473	**190**	211
Bad receivables recovered	**460**	861	–	–
Change in fair value adjustments on investment property (Note 15)	**150**	156	–	156
Impairment loss on investment in subsidiary company no longer required	–	–	**6,581**	–

7. PROFIT/(LOSS) FROM CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS (continued)

Analysis of staff costs is as follows:

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing Operations				
Salaries, bonuses and allowances	**149,185**	118,208	**4,063**	4,518
Defined contribution plans	**16,945**	15,396	**1,132**	592
Share-based payments	**5,446**	5,033	**1,390**	828
	171,576	138,637	**6,585**	5,938
Discontinued Operations				
Salaries, bonuses and allowances	**–**	26,140	**–**	–
Defined contribution plans	**–**	2,840	**–**	–
Share-based payments	**–**	459	**–**	–
	–	29,439	–	–
	171,576	168,076	**6,585**	5,938

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries, bonuses and allowances	**2,109**	1,969	**–**	–
Defined contribution plans	**251**	233	**–**	–
Share-based payments	**86**	151	**–**	–
	2,446	2,353	**–**	–

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the directors of the Group and of the Company as disclosed in Note 8, otherwise than in cash from the Group and the Company amounted to RM191,570 (2007: RM150,943) and RM Nil (2007: RM Nil) respectively.

8. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive Director:				
Fee	**20**	20	**20**	20
Salary and other emoluments	**587**	525	**587**	525
Defined contribution plans	**79**	71	**79**	71
Share-based payments	**142**	111	**142**	111
	828	727	**828**	727
Non-executive Directors:				
Fees	**188**	188	**188**	188
Salary and other emoluments	**127**	127	**24**	24
Defined contribution plans	**12**	12	**–**	–
Share-based payments	**56**	50	**–**	–
	383	377	**212**	212
Total	**1,211**	1,104	**1,040**	939

The estimated monetary value of benefits-in-kind received and receivable by the executive Director otherwise than in cash from the Group and the Company amounted to RM111,454 (2007: RM100,915).

9. FINANCE COSTS

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing Operations				
Profit element on BaIDS	**33,530**	37,407	**–**	–
Interest expense on:				
Term loans	**63,942**	84,930	**–**	–
Bills payable	**11,039**	10,594	**–**	–
LICB Bonds and USD Debts	**8,637**	19,728	**8,413**	22,363
Bank overdrafts	**726**	2,333	**–**	–
Finance lease and hire-purchase	**98**	184	**19**	27
Other payables	**–**	3,592	**–**	–
Advances from a corporate shareholder of a subsidiary company (Note 40(b))	**–**	3	**–**	–
Advances from subsidiary companies	**–**	–	**2,252**	2,214
Others	**2,190**	1,614	**110**	12
Borrowing costs (Note 35)	**1,875**	1,875	**1,875**	1,875
	122,037	162,260	**12,669**	26,491
Discontinued Operations				
Interest expense on bank overdrafts and other borrowings	**–**	403	**–**	–
	122,037	162,663	**12,669**	26,491

10. INVESTMENT INCOME

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing Operations				
Interest income from:				
Fixed deposits	**15,028**	5,866	**450**	552
Investment in unquoted bonds	**2,332**	10,253	**–**	2,929
Related parties	**5,683**	15,334	**3,728**	4,495
Accretion of notional interest on deferred consideration (Note 29(b))	**9,030**	2,666	**–**	–
Subsidiary companies	**–**	–	**6,188**	6,000
Others	**2,209**	799	**–**	–
	34,282	34,918	**10,366**	13,976
Discontinued Operations				
Interest income from fixed deposits	**–**	120	**–**	–
	34,282	35,038	**10,366**	13,976

11. TAX EXPENSE

Tax expense for the Group and the Company consists of:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing Operations				
Current estimated tax payable:				
Malaysian	**(36,516)**	(8,690)	**(2,961)**	(213)
Tax deducted at source on dividend received	**–**	4,125	**–**	–
(Under)/Overprovision in prior years	**(723)**	(3,893)	**33**	–
	(37,239)	(8,458)	**(2,928)**	(213)
Deferred taxation (Note 23):				
Current year:				
Malaysian	**(14,218)**	(62,725)	**1,566**	124
Underprovision in prior years	**–**	(659)	**–**	(526)
	(14,218)	(63,384)	**1,566**	(402)
	(51,457)	(71,842)	**(1,362)**	(615)
Discontinued Operations				
Current estimated tax payable	**–**	–	**–**	–
	(51,457)	(71,842)	**(1,362)**	(615)

11. TAX EXPENSE (continued)

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit before tax from:				
Continuing operations	**893,550**	334,957	**8,416**	7,704
Discontinued operations	**–**	(63,201)	**–**	–
	893,550	271,756	**8,416**	7,704
Taxation at statutory tax rate of 26% (2007: 27%)	**(232,323)**	(73,374)	**(2,188)**	(2,080)
Effect of different tax rates in other countries	**119**	(1,299)	**–**	–
Tax effects of:				
Income not subject to tax	**38,726**	24,265	**23,397**	13,657
Expenses not deductible for tax purposes	**(85,136)**	(58,613)	**(22,604)**	(11,741)
Double deduction of expenses	**10,023**	6,541	**–**	–
Effect on deferred tax due to change in income tax rate	**(6,792)**	(5,477)	**–**	75
Tax effect on share in results of associated companies	**21,466**	35,448	**–**	–
Realisation of deferred tax asset not previously recognised	**121,807**	5,219	**–**	–
Utilisation of reinvestment allowances	**81,376**	–	**–**	–
(Under)/Overprovision in prior years:				
Tax payable	**(723)**	(3,893)	**33**	–
Deferred taxation	**–**	(659)	**–**	(526)
Tax expense	**(51,457)**	(71,842)	**(1,362)**	(615)

The Company has the following tax-exempt accounts:

	The Company	
	2008 RM'000	2007 RM'000
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**21,170**	21,170
Tax-exempt dividends received	**8,428**	8,428
Total	**29,598**	29,598

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to the same amounts. As of 30 June 2008, the Company has not distributed any of its tax-exempt accounts as tax-exempt dividends.

12. DISCONTINUED OPERATIONS

On 16 March 2007, Lion Forest Industries Berhad announced that the disposal of its entire 97.78% shareholding in Sabah Forest Industries Sdn Bhd ("SFI") has been completed. Following this disposal, the Group ceased the timber extraction and pulp and paper operations as SFI was previously the sole contributor to this business segment.

The loss for the previous financial year from the discontinued operations is analysed as follows:

	The Group 2007 RM'000
Loss from timber extraction, pulp and paper operations for the year	(20,981)
Loss on disposal of SFI	(42,220)
	(63,201)

The results of the timber extraction, pulp and paper operations were as follows:

	Note	The Group Period ended 15 March 2007 (8 ½ Months) RM'000
Revenue	6	246,447
Other income		740
Changes in inventories		1,583
Raw materials and consumables used		(145,736)
Staff costs	7	(29,439)
Depreciation of property, plant and equipment	14	(32,402)
Amortisation of forest concessions	17(a)	(7,647)
Other expenses		(54,244)
Loss from operations	7	(20,698)
Finance costs	9	(403)
Investment income	10	120
Loss before tax		(20,981)
Tax expense	11	–
Loss for the period		(20,981)

12. DISCONTINUED OPERATIONS (continued)

The effects of the disposal of SFI in 2007 on the financial position of the Group are as follows:

	(At the date of disposal) 15 March 2007 RM'000
Property, plant and equipment	617,308
Prepaid land lease payments	34,931
Forest concessions	282,489
Plantation development expenditure	153,872
Inventories	69,408
Receivables	24,298
Bank balances	5,441
Payables	(68,497)
Borrowings	(900)
Capital reserve	(753)
Minority interests	(144,929)
	972,668
Notional interest on deferred consideration	13,738
Direct costs attributable to the disposal	1,500
Realisation of negative goodwill	(76,314)
Loss on disposal	(42,220)
Total consideration	869,372
Satisfied by:	
Cash	428,515
Deferred consideration (Note 29(b))	422,568
Notional interest on deferred consideration to be accreted	11,072
Unrealised loss on foreign exchange	7,217
	869,372
Represented by:	
Purchase consideration per share purchase agreement	944,820
Due diligence and other adjustments to purchase consideration	(75,448)
	869,372
Net cash inflows arising on the disposal:	
Cash consideration received	428,515
Cash and cash equivalents disposed of	(5,441)
	423,074

12. DISCONTINUED OPERATIONS (continued)

The cash flows for the timber extraction, pulp and paper operations were as follows:

	The Group Period ended 15 March 2007 (8 ½ Months) RM'000
Cash flows from/(used in):	
Operating activities	46,971
Investing activities	(39,286)
Financing activities	(6,551)
Net cash flows	1,134

13. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008 RM'000	**2007 RM'000**
Profit/(Loss) attributable to ordinary equity holders of the Company:		
From continuing operations	**844,205**	263,078
From discontinued operations	**–**	(50,371)
	844,205	212,707

	2008 '000	**2007 '000**
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**705,555**	697,102
Effect of the exercise of ESOS	**3,831**	1,567
	709,386	698,669

	2008	**2007**
Basic earnings per share (sen) for:		
Profit from continuing operations	**119.01**	37.65
Loss from discontinued operations	**–**	(7.21)
Profit for the year	**119.01**	30.44

13. EARNINGS PER ORDINARY SHARE (continued)

(b) Diluted earnings per share

	2008 RM'000	2007 RM'000
Profit/(Loss) attributable to ordinary equity holders of the Company:		
From continuing operations	**844,205**	263,078
From discontinued operations	**–**	(50,371)
	844,205	212,707

	2008 '000	2007 '000
Weighted average number of ordinary shares in issue	**709,386**	698,669
Effect of dilution:		
Share options	**2,769**	67
Adjusted weighted average number of ordinary shares in issue and issuable	**712,155**	698,736
Diluted earnings per share (sen) for:		
Profit from continuing operations	**118.54**	37.65
Loss from discontinued operations	**–**	(7.21)
Profit for the year	**118.54**	30.44

The main features of the ESOS are set out in Note 33.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

COST

	As of 1 July 2006 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Effects of disposal of a subsidiary companies RM'000	Write-offs RM'000	Reclassified to assets held for sale RM'000	Reclassification RM'000	As of 30 June 2007 RM'000
Freehold land	73,946	–	–	–	–	–	–	2,715	76,661
Freehold buildings	267,901	1,522	–	–	–	–	–	4,229	273,652
Buildings under long lease	161,434	8,870	(2,168)	–	(2,957)	(734)	(428)	(6,942)	157,075
Buildings under short lease	87,389	2,952	(158)	–	(71,058)	–	(11,768)	–	7,357
Pulp and paper mills	768,464	–	–	–	(768,464)	–	–	–	–
Plant, machinery and equipment	1,690,513	21,075	(2,737)	(5,258)	(292,547)	(9,353)	(13,358)	6,133	1,394,468
Housing colony and infrastructures	116,474	252	–	–	(116,726)	–	–	–	–
Jetty and access roads	101,116	–	–	–	(101,116)	–	–	–	–
Motor vehicles	17,798	979	(16)	(1,271)	(6,306)	–	(267)	–	10,917
Furniture and office equipment	72,476	2,964	(8)	(697)	(28,227)	(117)	(93)	814	47,112
Computer equipment	4,687	657	(38)	(5)	–	(690)	–	–	4,611
Tug boats and barges	–	19,237	–	–	–	–	–	–	19,237
Renovations	4,744	–	–	–	(1)	–	–	–	4,743
Construction work-in-progress	46,730	93,492	–	–	(1)	–	–	(6,949)	133,272
Total	3,413,672	152,000	(5,125)	(7,231)	(1,387,403)	(10,894)	(25,914)	–	2,129,105

COST

	As of 1 July 2007 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Adjustments* RM'000	Effects of acquisition of a subsidiary company RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassi -fication RM'000	As of 30 June 2008 RM'000
Freehold land	76,661	308	–	–	–	–	–	–	–	**76,969**
Freehold buildings	273,652	25,230	–	–	–	–	–	–	–	**298,882**
Buildings under long lease	157,075	1,164	2,909	–	(45,280)	–	(1,261)	(4)	(2,407)	**112,196**
Buildings under short lease	7,357	–	–	–	–	–	–	–	–	**7,357**
Pulp and paper mills	–	–	–	–	–	–	–	–	–	**–**
Plant, machinery and equipment	1,394,468	17,402	6,581	(3,656)	–	–	–	(9,420)	13,111	**1,418,486**
Housing colony and infrastructures	–	–	–	–	–	–	–	–	–	**–**
Jetty and access roads	–	–	–	–	–	–	–	–	–	**–**
Prime movers and trailers	–	762	–	–	–	14,136	–	–	–	**14,898**
Motor vehicles	10,917	1,650	39	(69)	–	96	–	(140)	–	**12,493**
Furniture and office equipment	47,112	4,827	23	(55)	–	202	–	(694)	(265)	**51,150**
Computer equipment	4,611	429	119	(30)	–	71	–	–	1,667	**6,867**
Floating cranes	–	32,911	–	–	–	–	–	–	–	**32,911**
Tug boats and barges	19,237	17,624	–	–	–	–	–	–	–	**36,861**
Renovations	4,743	11	–	–	–	–	–	–	–	**4,754**
Construction work-in-progress	133,272	101,264	–	–	–	–	–	(1,000)	(12,106)	**221,430**
Total	2,129,105	203,582	9,671	(3,810)	(45,280)	14,505	(1,261)	(11,258)	–	**2,295,254**

* The adjustments are in respect of long leasehold building over taken up in prior year.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION

	As of 1 July 2006 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effects of disposal of subsidiary companies RM'000	Write-offs RM'000	Reclassified to assets held for sale RM'000	Reclassification RM'000	As of 30 June 2007 RM'000
Freehold land	–	–	–	–	–	–	–	–	–
Freehold buildings	26,938	14,811	–	–	–	–	–	(1,731)	40,018
Buildings under long lease	68,823	5,396	(9)	–	(2,957)	(734)	(150)	1,731	72,100
Buildings under short lease	35,823	2,416	(46)	–	(33,907)	–	(3,820)	–	466
Pulp and paper mills	419,066	4,602	–	–	(423,668)	–	–	–	–
Plant, machinery and equipment	657,478	79,487	(314)	(3,115)	(134,368)	(7,728)	(5,232)	–	586,208
Housing colony and infrastructures	65,136	755	–	–	(65,891)	–	–	–	–
Jetty and access roads	62,901	6,890	–	–	(69,791)	–	–	–	–
Motor vehicles	12,529	1,709	(4)	(829)	(5,821)	–	(103)	–	7,481
Furniture and office equipment	55,766	2,991	(5)	(672)	(25,151)	(117)	(76)	–	32,736
Computer equipment	2,789	535	(8)	(5)	–	(690)	–	–	2,621
Tug boats and barges	–	280	–	–	–	–	–	–	280
Renovations	4,051	314	–	–	–	–	–	–	4,365
Total	1,411,300	120,186	(386)	(4,621)	(761,554)	(9,269)	(9,381)	–	746,275

ACCUMULATED DEPRECIATION

	As of 1 July 2007 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effects of acquisition of a subsidiary company RM'000	Transfer to investment properties RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2008 RM'000
Freehold land	–	–	–	–	–	–	–	–	**–**
Freehold buildings	40,018	14,859	–	–	–	–	–	–	**54,877**
Buildings under long lease	72,100	4,594	140	–	–	(629)	(1)	–	**76,204**
Buildings under short lease	466	–	–	–	–	–	–	–	**466**
Pulp and paper mills	–	–	–	–	–	–	–	–	**–**
Plant, machinery and equipment	586,208	70,349	1,081	(3,441)	–	–	(7,847)	261	**646,611**
Housing colony and infrastructures	–	–	–	–	–	–	–	–	**–**
Jetty and access roads	–	–	–	–	–	–	–	–	**–**
Prime movers and trailers	–	20	–	–	10,676	–	–	–	**10,696**
Motor vehicles	7,481	1,385	11	(69)	66	–	(41)	–	**8,833**
Furniture and office equipment	32,736	2,934	16	(43)	104	–	(643)	11	**35,115**
Computer equipment	2,621	376	36	(28)	63	–	–	(272)	**2,796**
Floating crane	–	391	–	–	–	–	–	–	**391**
Tug boats and barges	280	3,101	–	–	–	–	–	–	**3,381**
Renovations	4,365	309	–	–	–	–	–	–	**4,674**
Total	746,275	98,318	1,284	(3,581)	10,909	(629)	(8,532)	–	**844,044**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					
	As of 1 July 2006 RM'000	**Charge for the year RM'000**	**Effects of disposal of a subsidiary company RM'000**	**Exchange differences RM'000**	**Reclassified to assets held for sale RM'000**	**As of 30 June 2007 RM'000**
Freehold land	–	–	–	–	–	–
Freehold buildings	–	–	–	–	–	–
Buildings under long lease	–	–	–	–	–	–
Buildings under short lease	–	–	–	–	–	–
Pulp and paper mills	4,537	3,183	(7,720)	–	–	–
Plant, machinery and equipment	6,430	–	–	(79)	(5,873)	478
Housing colony and infrastructures	–	–	–	–	–	–
Jetty and access roads	–	–	–	–	–	–
Motor vehicles	–	–	–	–	–	–
Furniture and office equipment	–	–	–	–	–	–
Computer equipment	–	–	–	–	–	–
Tug boats and barges	–	–	–	–	–	–
Renovations	–	–	–	–	–	–
Construction work-in-progress	–	–	–	–	–	–
Total	10,967	3,183	(7,720)	(79)	(5,873)	478

	ACCUMULATED IMPAIRMENT LOSSES			**NET BOOK VALUE**	
	As of 1 July 2007 RM'000	**Charge for the year RM'000**	**As of 30 June 2008 RM'000**	**As of 30 June 2007 RM'000**	**As of 30 June 2008 RM'000**
Freehold land	–	–	**–**	76,661	**76,969**
Freehold buildings	–	–	**–**	233,634	**244,005**
Buildings under long lease	–	–	**–**	84,975	**35,992**
Buildings under short lease	–	–	**–**	6,891	**6,891**
Pulp and paper mills	–	–	**–**	–	**–**
Plant, machinery and equipment	478	–	**478**	807,782	**771,397**
Housing colony and infrastructures	–	–	**–**	–	**–**
Jetty and access roads	–	–	**–**	–	**–**
Prime movers and trailers	–	–	**–**	–	**4,202**
Motor vehicles	–	–	**–**	3,436	**3,660**
Furniture and office equipment	–	–	**–**	14,376	**16,035**
Computer equipment	–	–	**–**	1,990	**4,071**
Floating cranes	–	–	**–**	–	**32,520**
Tug boats and barges	–	–	**–**	18,957	**33,480**
Renovations	–	–	**–**	378	**80**
Construction work-in-progress	–	–	**–**	133,272	**221,430**
Total	478	–	**478**	1,382,352	**1,450,732**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST			
	As of 1 July 2006 RM'000	**Additions RM'000**	**Disposals RM'000**	**As of 30 June 2007 RM'000**
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	1,495	4	(103)	1,396
Furniture and office equipment	1,312	3	–	1,315
Computer equipment	1,161	37	–	1,198
Renovations	3,826	–	–	3,826
Total	9,899	44	(103)	9,840

	COST			
	As of 1 July 2007 RM'000	**Additions RM'000**	**Disposals RM'000**	**As of 30 June 2008 RM'000**
Plant, machinery and equipment	2,105	–	–	**2,105**
Motor vehicles	1,396	542	(138)	**1,800**
Furniture and office equipment	1,315	2	–	**1,317**
Computer equipment	1,198	27	–	**1,225**
Renovations	3,826	11	–	**3,837**
Total	9,840	582	(138)	**10,284**

	ACCUMULATED DEPRECIATION			
	As of 1 July 2006 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**As of 30 June 2007 RM'000**
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	315	134	(10)	439
Furniture and office equipment	1,188	23	–	1,211
Computer equipment	780	88	–	868
Renovations	3,283	273	–	3,556
Total	7,671	518	(10)	8,179

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As of 1 July 2007 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**As of 30 June 2008 RM'000**	**As of 30 June 2007 RM'000**	**As of 30 June 2008 RM'000**
Plant, machinery and equipment	2,105	–	–	**2,105**	–	**–**
Motor vehicles	439	145	(41)	**543**	957	**1,257**
Furniture and office equipment	1,211	21	–	**1,232**	104	**85**
Computer equipment	868	79	–	**947**	330	**278**
Renovations	3,556	271	–	**3,827**	270	**10**
Total	8,179	516	(41)	**8,654**	1,661	**1,630**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge is allocated as follows:

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Income statements:				
Continuing operations	**98,318**	87,431	**516**	518
Discontinued operations (Note 12)	**–**	32,402	**–**	–
	98,318	119,833	**516**	518
Inventories (Note 26)	**–**	31	**–**	–
Plantation development expenditure (Note 17(b))	**–**	322	**–**	–
	98,318	120,186	**516**	518

As of 30 June 2008, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,182.9 million (2007: RM1,272.8 million) have been pledged as collaterals to certain financial institutions for LICB Bonds, USD Debts, BaIDS and borrowings granted to the Group (Notes 35, 36, 37 and 41).

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease and hire-purchase arrangements with net book values of RM2,924,000 (2007: RM2,448,000) and RM1,256,000 (2007: RM874,000) respectively.

During the previous financial year, the directors of certain subsidiary companies reviewed the carrying amount of certain plant and equipment and determined that there was an indication of impairment as the carrying amount exceeded the recoverable amount. The recoverable amount was estimated based on the expected net selling price that could be obtained from the disposal of the said plant and equipment. Consequently, an impairment loss of RM3,183,000 (Note 7) had been charged to the income statements of the Group.

15. INVESTMENT PROPERTIES

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
At beginning of year	**101,047**	100,891	**95,300**	95,144
Fair value adjustments during the year	**150**	156	**–**	156
Transfer from property, plant and equipment (Note 14)	**632**	–	**–**	–
Reclassified as held for sale (Note 32)	**(120)**	–	**–**	–
Disposed of	**(32,558)**	–	**(32,558)**	–
At end of year	**69,151**	101,047	**62,742**	95,300

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

The rental income earned by the Group and the Company from their investment properties amounted to RM4,822,000 (2007: RM6,346,000) and RM4,431,000 (2007: RM6,055,000) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM571,000 (2007: RM701,000) and RM549,500 (2007: RM679,500) respectively.

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM31,800 (2007: RM23,632).

15. INVESTMENT PROPERTIES (continued)

As of 30 June 2008, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM69,096,000 (2007: RM101,047,000) have been pledged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Group (Notes 35, 36, 37 and 41).

During the current financial year, the Company disposed of certain investment properties to related parties for a total cash consideration of RM34,700,000. This transaction gave rise to a gain on disposal of RM2,142,000 (Note 7).

As of 30 June 2008, the titles to all parcels of leasehold land and buildings of the Company included as investment properties with carrying values totalling RM62,742,000 (2007: RM95,300,000) have not been registered in the name of the Company.

Investment properties amounting to RM67,245,000 (2007: RM99,103,000) and RM62,742,000 (2007: RM95,300,000) for the Group and the Company respectively are held under leasehold interest.

16. PREPAID LAND LEASE PAYMENTS

	The Group	
	2008 RM'000	**2007 RM'000**
Cost:		
At beginning of year	**128,153**	138,457
Exchange differences	**592**	(128)
Addition during the year	**–**	29,270
Effects of disposal of a subsidiary company	**–**	(37,074)
Reclassified to assets held for sale	**–**	(2,372)
At end of year	**128,745**	128,153
Cumulative amortisation:		
At beginning of year	**24,562**	24,920
Current amortisation	**2,049**	2,196
Effects of disposal of a subsidiary company	**–**	(2,143)
Reclassified to assets held for sale	**–**	(411)
At end of year	**26,611**	24,562
Unamortised portion:		
At beginning of year	**103,591**	113,537
At end of year	**102,134**	103,591

Prepaid land lease payments relate to:

(a) Lease of land for the Group's factory buildings, office complexes and warehouses located in Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor, and the lease will expire between the years 2025 and 2091. The Group does not have an option to purchase the leased land upon the expiry of the lease period; and

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

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

As of 30 June 2008, the prepaid land lease payments of the Group with carrying values totalling RM102.1 million (2007: RM103.6 million) have been pledged as collaterals to certain financial institutions for LICB Bonds, USD Debts, BaIDS and borrowings granted to the Group (Notes 35, 36, 37 and 41).

17. FOREST CONCESSIONS AND PLANTATION DEVELOPMENT EXPENDITURE

(a) Forest Concessions

	The Group 2008 RM'000	The Group 2007 RM'000
At cost:		
Forest concessions	–	388,200
Effects of disposal of a subsidiary company	–	(388,200)
At end of year	–	–
Cumulative amortisation:		
At beginning of year	–	(98,064)
Amortisation for the year	–	(7,647)
Effects of disposal of a subsidiary company	–	105,711
At end of year	–	–
Net	–	–

The forest concessions consisted of two forest areas with a total area of 276,623 hectares. The values attributable to the concessions of 158,623 hectares and 118,000 hectares were RM131,200,000 and RM257,000,000 respectively. The 158,623 hectares and 118,000 hectares of concession were amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

(b) Plantation Development Expenditure

	The Group 2008 RM'000	The Group 2007 RM'000
At cost:		
At beginning of year	–	157,634
Additions for the year	–	5,395
Effects of disposal of a subsidiary company	–	(163,029)
At end of year	–	–
Cumulative amortisation:		
At beginning of year	–	(5,495)
Amortisation for the year	–	(3,662)
Effects of disposal of a subsidiary company	–	9,157
At end of year	–	–
Net	–	–

Additions to plantation development expenditure in 2007 included depreciation of property, plant and equipment amounting to RM322,000.

Amortisation of RM3,662,000 in 2007 had been charged to inventories.

18. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
At beginning of year:				
Land costs	**59,813**	60,719	**53**	53
Development costs	**10,596**	10,557	**63**	58
	70,409	71,276	**116**	111
Costs incurred during the year:				
Development costs	**1,200**	105	**194**	5
Disposed of during the year:				
Land cost	**(892)**	(906)	**–**	–
Development costs	**–**	(66)	**–**	–
	(892)	(972)	**–**	–
Cost transferred from/(to) property development costs - net	**(16,700)**	–	**–**	–
Accumulated impairment losses:				
At beginning of year	**(18,330)**	(17,968)	**–**	–
Addition	**–**	(1,319)	**–**	–
Disposal	**431**	957	**–**	–
Transfer to/(from) property development costs - net	**(559)**	–	**–**	–
	(18,458)	(18,330)	**–**	–
	35,559	52,079	**310**	116

(b) Property Development Costs

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Property development costs at beginning of year:				
Land costs	**16,074**	16,074	**–**	–
Development costs	**35,427**	42,100	**–**	–
	51,501	58,174	**–**	–
Costs incurred during the year:				
Development costs	**4,067**	6,318	**–**	–
Transfer from/(to) land held for property development - net	**16,700**	–	**–**	–
	72,268	64,492	**–**	–

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

(b) Property Development Costs (continued)

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Costs recognised as expenses in income statement:				
Previous years	**(7,819)**	(8,302)	**–**	–
Current year	**(4,226)**	(6,570)	**–**	–
Closed out due to completion of projects	**–**	7,053	**–**	–
	(12,045)	(7,819)	**–**	–
Costs closed out during the year due to completion of projects	**–**	(9,581)	**–**	–
Cost transferred to completed units	**(180)**	(3,410)	**–**	–
Accumulated impairment losses:				
At beginning of year	**(3,883)**	(7,901)	**–**	–
Transfer to/(from) land held for property development - net	**559**	–	**–**	–
Transfer to completed units	**–**	656	**–**	–
Closed out due to completion of projects	**–**	3,362	**–**	–
	(3,324)	(3,883)	**–**	–
Net	**56,719**	39,799	**–**	–

As of 30 June 2008, certain parcels of land of the Group with carrying values totalling RM39.5 million (2007: RM39.5 million) have been pledged as security for LICB Bonds and USD Debts (Note 35).

As of 30 June 2008, the titles to certain parcels of land held for property development of the Group with carrying values totalling RM4.0 million (2007: RM3.7 million) have yet to be registered in the name of the subsidiary companies.

During the previous financial year, the directors of certain subsidiary companies reviewed the carrying amounts of certain land held for property development and property development costs for indication of impairment and concluded that the carrying value of a parcel of land held for property development is in excess of its recoverable amount. Accordingly, the directors have made an impairment loss amounting to RM1,319,000 (Note 7) in respect of the land held for property development.

19. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2008 RM'000	2007 RM'000
Shares quoted in Malaysia:		
At beginning of year	**42,232**	139,837
Disposal during the year	**–**	(7,350)
Capital distribution from LFIB	**–**	(90,255)
At end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost:		
At beginning of year	**292,234**	292,234
Addition	**450**	–
At end of year	**292,684**	292,234
Deemed capital contribution	**7,702**	4,580
	300,386	296,814
Accumulated impairment losses	**(167,604)**	(172,911)
	132,782	123,903
Total	**175,014**	166,135
Market value of quoted shares	**37,456**	55,958

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the recoverable amounts of certain subsidiary companies are in excess of their carrying values. Accordingly, the Directors made a reversal of impairment loss amounting to RM5,307,000 (2007: impairment loss of RM13,867,000) in respect of the investment in these subsidiary companies.

During the current financial year, the following transactions occurred:

(i) On 24 August 2007, Holdsworth Investment Pte Ltd, a 70% owned subsidiary company of the Company, completed the disposal of its entire 90% investment in Shanghai Lion Plastic Industrial Co Ltd ("Shanghai Lion Plastic") for a cash consideration of Rmb16 million (approximately RM7.67 million). The transaction resulted in a gain of approximately RM6,362,000 for the Group (Note 7); and

(ii) On 27 March 2008, Lion Forest Industries Berhad entered into a conditional share sale agreement with Amsteel Corporation Berhad ("Amsteel"), a company in which a Director and certain substantial shareholders of the Company have substantial financial interest, to acquire from Amsteel its entire equity interest in Singa Logistics Sdn Bhd ("Singa Logistics") for a cash consideration of RM2,727,000. Singa Logistics is principally engaged in the provision of transportation services.

The effects of the abovementioned disposal of Shanghai Lion Plastic on the financial results of the Group for the financial year are as follows:

	(Up to the date of disposal) 2008 RM'000	2007 RM'000
Revenue	**–**	10,648
Operating expenses	**–**	(13,992)
Loss from operations/Loss attributable to equity holders of the Company	**–**	(3,344)

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The effects of the abovementioned disposal of Shanghai Lion Plastic on the financial position of the Group as of 30 June 2008 are as follows:

	(At the date of disposal) 2008 RM'000	2007 RM'000
Property, plant and equipment	**10,382**	10,382
Intangible assets	**770**	770
Inventories	**3,947**	3,947
Other receivables, deposits and prepayments	**1,089**	1,089
Deposits, cash and bank balances	**296**	296
Trade payables	**(3,792)**	(3,792)
Other payables, deposits and accrued expenses	**(11,849)**	(11,849)
Minority interests	**(685)**	(685)
Translation adjustment account	**1,150**	1,150
Net assets	**1,308**	1,308

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

	The Group 2008 RM'000
Revenue	**2,100**
Other income	**2**
Staff costs	**(643)**
Depreciation of property, plant and equipment	**(28)**
Other expenses	**(1,225)**
Profit before tax	**206**
Tax expense	**(135)**
Increase in Group's profit attributable to shareholders of the Company	**71**

The effects of the abovementioned acquisition of Singa Logistics on the financial position of the Group as of 30 June 2008 are as follows:

	The Group 2008 RM'000
Property, plant and equipment	**4,334**
Inventories	**5**
Trade receivables	**2,332**
Other receivables, deposits and prepayments	**2,393**
Deposits, cash and bank balances	**3,542**
Trade payables	**(365)**
Other payables, deposits and accrued expenses	**(1,822)**
Hire-purchase payables	**(8)**
Tax liabilities	**(137)**
Deferred tax liabilities	**(58)**
Net assets	**10,216**

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The fair value of the assets acquired and liabilities assumed from the acquisition of Singa Logistics are as follows:

	At acquisition date RM'000
Net assets acquired:	
Property, plant and equipment	**3,596**
Inventories	**8**
Trade receivables	**385**
Deposits, cash and bank balances	**3,168**
Trade payables	**(531)**
Other payables, deposits and accrued expenses	**(3,811)**
Hire-purchase payables	**(28)**
Tax liabilities	**(2)**
Deferred tax liabilities	**(58)**
Net assets acquired	**2,727**
Deposits, cash and bank balances of subsidiary company acquired	**3,168**
Less: Purchase consideration	**(2,727)**
Cash flows on acquisition, net of cash and cash equivalents acquired	**441**

During the previous financial year, the following transactions occurred:

(i) Lion Forest Industries Berhad ("LFIB") acquired the entire equity interest in Intra Inspirasi Sdn Bhd ("IISB"), Gama Harta Sdn Bhd and Jadeford International Limited.

IISB was incorporated primarily to take over certain assets of Sabah Forest Industries Sdn Bhd ("SFI") which are excluded from the disposal of SFI as specified in the conditional share purchase agreement and Deed of Adherence entered into by LFIB;

(ii) As mentioned under Note 12, the disposal of SFI was completed on 16 March 2007. The transaction resulted in a loss on disposal of RM42,220,000 for the Group; and

(iii) On 12 June 2007, LLB Strategic Holdings Berhad, a subsidiary company of the Company, disposed of its entire equity interest in its subsidiary company, Sepang Education Centre Sdn Bhd ("Sepang"), for a cash consideration of RM1,500,000. The transaction resulted in a gain on disposal of approximately RM3,386,000 for the Group (Note 7).

Except for items (ii) and (iii) above, the other transaction did not have a material effect on the financial results of the Group for the previous financial year and the financial position of the Group as of 30 June 2007.

The effects of the abovementioned disposal of SFI on the financial results of the Group for the previous financial year and the financial position of the Group as of 30 June 2007 are set out in Note 12.

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The effects of the abovementioned disposal of Sepang on the financial results of the Group for the previous financial year are as follows:

	(Up to the date of disposal) 2007 RM'000
Revenue	10,658
Operating expenses	(13,133)
Loss from operations/Loss attributable to equity holders of the Company	(2,475)

The effects of the abovementioned disposal of Sepang on the financial position of the Group as of 30 June 2007 are as follows:

	(At the date of disposal) 2007 RM'000
Property, plant and equipment	821
Trade receivables	1,168
Other receivables, deposits and prepayments	1,556
Deposits, cash and bank balances	3,153
Other payables, deposits and accrued expenses	(9,046)
Hire-purchase payables	(38)
Minority interests	500
Net liabilities	(1,886)

As of 30 June 2008, the investment in a quoted subsidiary company of the Company with carrying value of RM42,232,000 (2007: RM42,232,000) has been pledged as collateral to certain financial institutions for LICB Bonds and USD Debts (Note 35).

On 29 June 2007, LFIB distributed a total cash payment of RM420,548,742 to all entitled shareholders of LFIB pursuant to the capital distribution of RM2.00 for every ordinary share of RM1.00 each in LFIB which involved a reduction of the share premium reserve of LFIB.

20. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
At cost:				
Quoted investments	**275,203**	283,278	**20,141**	24,341
Unquoted investments	**100,565**	80,094	**–**	–
	375,768	363,372	**20,141**	24,341
Share in post-acquisition results less dividends received	**251,969**	218,763	**–**	–
	627,737	582,135	**20,141**	24,341
Market value of quoted investments	**1,185,023**	1,373,381	**275,908**	352,505

20. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**4,253,792**	2,791,699
Non-current assets	**4,591,342**	3,782,221
Total Assets	**8,845,134**	6,573,920
Current liabilities	**2,339,334**	1,573,617
Non-current liabilities	**2,632,573**	1,933,917
Total Liabilities	**4,971,907**	3,507,534
Results		
Revenue	**3,644,413**	2,146,904
Profit for the year	**415,717**	686,359

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

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Share of net assets (excluding goodwill)	**428,584**	371,635
Share of goodwill of associated companies	**199,153**	210,500
	627,737	582,135

The details of negative goodwill included within the Group's carrying amount of investment in associated companies as of 30 June 2007 are as follows:

	The Group
	2007
	RM'000
Costs	
At beginning of year	11,900
Effect of adoption of FRS 3	(11,900)
At end of year	–

Included in the investment in associated companies is cumulative exchange gain of RM3.0 million (2007: RM8.0 million) arising from year end translation of investment in foreign incorporated associated companies.

The Group's share in losses of certain associated companies has been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM39.2 million (2007: RM36.2 million) and RM3.0 million (2007: RM2.1 million) respectively.

20. INVESTMENT IN ASSOCIATED COMPANIES (continued)

During the current financial year, the Group and the Company disposed of certain equity interest with carrying value amounting to RM53,293,000 and RM4,200,000 in associated companies for considerations of RM156,101,000 and RM75,900,000 respecitvely. This disposal gave rise to a gain on disposal of RM102,808,000 and RM71,700,000 to the Group and the Company respectively (Note 7).

As of 30 June 2008, the investment in quoted associated companies of the Company with carrying value of RM20,141,000 (2007: RM24,341,000) has been pledged as collateral to certain financial institutions for LICB Bonds and USD Debts (Note 35).

21. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results	**(125)**	–
	–	125

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

Name of Jointly Controlled Entity	Financial Year End	Effective Percentage Ownership		Principal Activities
		2008	**2007**	
		%	**%**	
Mergexcel Property Development Sdn Bhd	31 March	**49**	50	Property development

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

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

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**25,023**	8,549
Non-current assets	**162,791**	10,202
Total Assets	**187,814**	18,751
Current liabilities	**188,002**	18,512
Non-current liabilities	**–**	–
Total Liabilities	**188,002**	18,512
Results		
Revenue	**–**	–
Loss for the year	**(484)**	(8)

Amount owing by jointly controlled entity arose mainly from advances granted and payments made on behalf of the jointly controlled entity. The said amount is interest-free (2007: interest free) and has no fixed terms of repayment.

22. LONG-TERM INVESTMENTS

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Shares quoted in Malaysia:				
At cost	**3,086**	59,276	**1,737**	39,039
Accumulated impairment losses	**(1,482)**	(52,825)	**(763)**	(34,852)
	1,604	6,451	**974**	4,187
Shares quoted outside Malaysia:				
At cost	**56**	56	**56**	56
Accumulated impairment losses	**(27)**	(35)	**(27)**	(35)
	29	21	**29**	21
Unquoted investments:				
At cost				
Ordinary shares	**63,515**	7,325	**37,702**	400
RCCPS*	**6,799**	6,700	**–**	–
	70,314	14,025	**37,702**	400
Accumulated impairment losses	**(62,380)**	(6,190)	**(37,302)**	–
	7,934	7,835	**400**	400
Unquoted bonds (at cost, adjusted for accretion of interest)	**295,297**	193,664	**42,067**	42,067
Accumulated impairment losses	**(98,478)**	–	**(15,777)**	–
	196,819	193,664	**26,290**	42,067
Redeemable within one year (Note 28)	**(60,063)**	(107,844)	**(26,290)**	(25,380)
	136,756	85,820	**–**	16,687
Total	**146,323**	100,127	**1,403**	21,295
Market value of quoted shares	**1,641**	6,507	**1,010**	4,246

* Represents redeemable cumulative convertible preference shares issued by Silverstone Corporation Berhad.

During the financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM103,317,000 (2007: RM3,566,000) and RM18,982,000 (2007: RM1,727,000) in the income statements of the Group and of the Company respectively.

On 30 September 2006, the Group disposed of its entire 25% interest in Tianjin Huali Motor Co Ltd (classified as long-term investment) for a cash consideration of Rmb65,000,000 (approximately RM29,000,000). The said disposal gave rise to a gain on disposal of RM14,391,000 for the Group (Note 7).

22. LONG-TERM INVESTMENTS (continued)

On 7 December 2006, the Group and the Company disposed of the investment in redeemable convertible unsecured loan stocks issued by Lion Diversified Holdings Berhad for a consideration of RM1,987,000. The said disposal gave rise to a gain on disposal of RM267,000 (Note 7).

Certain of the Group's investments with carrying values totalling RM102.2 million (2007: RM207.5 million) have been pledged as collaterals to certain financial institutions for LICB Bonds, USD Debts and borrowings (Notes 35, 37 and 41).

The investment in unquoted bonds of the Company and of certain subsidiary companies bear a yield to maturity of 7.75% and 4.75% (2007: 7.75% and 4.75%) per annum respectively.

23. DEFERRED TAX ASSETS/LIABILITIES

Deferred Tax Assets

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At beginning of year	**76,364**	143,319	**–**	–
Transfer to income statement (Note 11)	**(67)**	(66,955)	**–**	–
At end of year	**76,297**	76,364	**–**	–

Deferred Tax Liabilities

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At beginning of year	**132,250**	135,821	**2,031**	1,629
Transfer to/(from) income statement (Note 11)	**14,151**	(3,571)	**(1,566)**	402
Acquisition of a subsidiary company (Note 19)	**58**	–	**–**	–
At end of year	**146,459**	132,250	**465**	2,031

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Temporary differences arising from:				
Property, plant and equipment	**(13,019)**	(8,681)	**–**	–
Property development activities	**6,090**	6,324	**–**	–
Others	**(946)**	5,458	**–**	–
Unused tax losses	**101,471**	145,321	**–**	–
Unabsorbed capital allowances	**4,456**	52,325	**–**	–
	98,052	200,747	**–**	–
Less: Deferred tax assets not recognised	**(21,755)**	(124,383)	**–**	–
Deferred tax assets recognised	**76,297**	76,364	**–**	–

23. DEFERRED TAX ASSETS/LIABILITIES (continued)

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Temporary differences arising from:				
Property, plant and equipment	**140,808**	126,519	**745**	3,141
Property development activities	**2,953**	2,953	**–**	–
Others	**3,808**	3,888	**–**	–
Unused tax losses and unabsorbed capital allowances	**(1,110)**	(1,110)	**(280)**	(1,110)
	146,459	132,250	**465**	2,031

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

24. INTANGIBLE ASSETS

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At cost:				
At beginning of year	**2,051**	3,333	**–**	140
Exchange difference	**–**	(14)	**–**	–
Reclassified to assets held for sale	**–**	(1,043)	**–**	–
Write-offs	**–**	(225)	**–**	(140)
At end of year	**2,051**	2,051	**–**	–
Cumulative amortisation:				
At beginning of year	**(1,647)**	(1,852)	**–**	–
Amortisation for the year	**(50)**	(71)	**–**	–
Exchange difference	**–**	3	**–**	–
Reclassified to assets held for sale	**–**	273	**–**	–
At end of year	**(1,697)**	(1,647)	**–**	–
Net	**354**	404	**–**	–

25. GOODWILL

	The Group 2008 RM'000	2007 RM'000
Goodwill on consolidation:		
At beginning of year	**131,194**	499,394
Addition during the year	**450**	–
Elimination of cumulative amortisation on adoption of FRS 3	**–**	(207,124)
Effects of disposal of a subsidiary company	**–**	(161,076)
At end of year	**131,644**	131,194
Cumulative amortisation:		
At beginning of year	**–**	(207,124)
Elimination of cumulative amortisation on adoption of FRS 3	**–**	207,124
At end of year	**–**	–
Cumulative impairment loss:		
At beginning of year	**(560)**	(161,636)
Charge for the year	**(641)**	–
Effects of disposal of a subsidiary company	**–**	161,076
At end of year	**(1,201)**	(560)
Net	**130,443**	130,634

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 6% (2007: 6%) per annum. The discount rate used is 8% (2007: 8%) per annum.

26. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Property:				
Completed units for sale (net of provision for write down of RM2,371,000 (2007: RM4,626,000) for the Group)	**10,693**	12,097	**43**	43
Products at cost:				
Raw materials	**811,074**	622,175	**–**	–
Work-in-progress	**3,554**	9,807	**–**	–
Finished goods	**305,002**	317,976	**–**	–
General and consumable stores	**167,462**	143,868	**–**	–
Trading merchandise	**10,104**	9,538	**–**	–
Goods-in-transit	**59,806**	27,914	**–**	–
	1,357,002	1,131,278	**–**	–
Less: Allowance for inventory obsolescence	**(37,702)**	(73,020)	**–**	–
	1,319,300	1,058,258	**–**	–
Net	**1,329,993**	1,070,355	**43**	43

Certain of the Group's inventories with carrying values totalling RM1,282.5 million (2007: RM1,027.3 million) have been pledged as collaterals to certain financial institutions for BaIDS and borrowings (Notes 36, 37 and 41) granted to the Group.

In 2007, additions to inventories included depreciation of property, plant and equipment of RM31,000 and amortisation of plantation development expenditure of RM3,662,000.

27. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS

Amount due by/(to) contract customers (denominated in Ringgit Malaysia), pertaining to a subsidiary company, consist of the following:

	The Group	
	2008 RM'000	**2007 RM'000**
Contract cost	**2,872**	88,004
Profit attributable to work performed to date	**(710)**	5,538
Total	**2,162**	93,542
Progress billings	**(2,162)**	(92,971)
Amount due by contract customers	**–**	571
Contract cost	**–**	571,963
Profit attributable to work performed to date	**–**	16,571
Total	**–**	588,534
Progress billings	**–**	(589,625)
Amount due to contract customers	**–**	(1,091)

As of 30 June 2008, retentions held by customers for contract works amounted to RM1,512,000 (2007: RM3,721,000).

28. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Unquoted bonds: Redeemable within one year (Note 22)	**60,063**	107,844	**26,290**	25,380

29. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Trade receivables	**549,686**	430,911	**9**	9
Less: Allowance for doubtful receivables	**(11,544)**	(4,361)	**–**	–
	538,142	426,550	**9**	9
Retention monies	**1,512**	3,721	**–**	–
	539,654	430,271	**9**	9

The credit period granted to customers ranges from 30 to 90 days (2007: 30 to 90 days).

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

(a) Trade receivables (continued)

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**443,372**	394,237	**9**	9
United States Dollar	**75,543**	33,027	**–**	–
Singapore Dollar	**17,950**	1,104	**–**	–
Renminbi	**2,789**	1,903	**–**	–
	539,654	430,271	**9**	9

As of 30 June 2008, the trade receivables of the Group amounting to RM262.6 million (2007: RM240.7 million) have been pledged as collaterals to certain financial institutions, by way of floating charge, for borrowings obtained by the Group (Notes 37 and 41).

The Group has no significant concentration of credit risks that may arise from exposure to a single customer or to a group of customers.

(b) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist of:

	The Group		The Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Deferred consideration	**119,577**	422,568	**–**	–
Other receivables	**145,624**	117,243	**45,911**	57,002
Less: Allowance for doubtful receivables	**(22,083)**	(10,322)	**(1,540)**	(1,390)
	123,541	106,921	**44,371**	55,612
Tax recoverable	**13,353**	25,985	**3,823**	7,196
Refundable deposits	**23,027**	4,516	**620**	634
Prepayments	**165,498**	156,911	**2,051**	2,003
	444,996	716,901	**50,865**	65,445
Less: Non-current portion of deferred consideration	**–**	(124,272)	**–**	–
	444,996	592,629	**50,865**	65,445

The deferred consideration represents the fair value of the outstanding consideration receivable from the purchasers in relation to the disposal of Sabah Forest Industries Sdn Bhd ("SFI") as disclosed in Note 12. The non-current portion of deferred consideration of RM124,272,000 in 2007 is receivable by September 2008.

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

(b) Other receivables, deposits and prepayments (continued)

Included in deferred consideration is an amount of RM116,777,000 (2007: RM276,228,000), which has been set aside to indemnify SFI and purchasers of SFI for the litigation suits as mentioned in Note 46(b).

Included in refundable deposits of the Group in 2008 are amounts paid by subsidiary companies for the following:

(a) deposits paid for the purchases of inventories and property, plant and equipment amounting to RM6,523,000 and RM3,112,000 respectively; and

(b) deposits amounting to RM7,382,000 paid for the purchases of SPV Debts, SCB Bonds and RCCPS issued by SCB as mentioned under "Significant Corporate Events".

As of 30 June 2008, other receivables, deposits and prepayments of the Group with carrying value of RM281.8 million (2007: RM163.8 million) have been pledged as collaterals for the borrowings obtained by the Group (Notes 37 and 41).

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
United States Dollar:				
Deferred consideration	**116,777**	298,296	**–**	–
Others	**1,280**	–	**–**	–
	118,057	298,296	**–**	–
Ringgit Malaysia:				
Deferred consideration	**2,800**	124,272	**–**	–
Others	**322,986**	283,856	**50,865**	65,445
	325,786	408,128	**50,865**	65,445
Renminbi	**205**	10,301	**–**	–
Others	**948**	176	**–**	–
	444,996	716,901	**50,865**	65,445

30. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2008 RM'000	2007 RM'000
Amount owing by subsidiary companies	**1,271,796**	1,258,184
Less: Allowance for doubtful receivables	**(150,200)**	(91,415)
	1,121,596	1,166,769
Amount owing to subsidiary companies	**274,131**	220,055

30. RELATED COMPANY TRANSACTIONS (continued)

(a) Amount owing by/to subsidiary companies (continued)

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

The amount owing by subsidiary companies is either interest-free or bears interest at 1% or 8% (2007: either interest-free or bears interest at 1% or 8%) per annum and has no fixed repayment terms.

The amount owing to subsidiary companies is either interest-free or bears interest at 1% or 8% (2007: either interest-free or bears interest at 1% or 8%) per annum and has no fixed repayment terms.

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

	The Company	
	2008	**2007**
	RM'000	**RM'000**
Ringgit Malaysia	**1,120,122**	1,160,032
Singapore Dollar	**1,448**	6,717
Renminbi	**26**	20
	1,121,596	1,166,769

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

	The Company	
	2008	**2007**
	RM'000	**RM'000**
Ringgit Malaysia	**207,565**	168,536
United States Dollar	**48,672**	51,519
Singapore Dollar	**9,470**	–
Renminbi	**8,424**	–
	274,131	220,055

(b) Amount owing by an associated company

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Amount owing by an associated company	**24,465**	25,891
Less: Allowance for doubtful receivables	**(24,465)**	–
	–	25,891

The amount owing by an associated company, which arose from advances, is denominated in United States Dollar, interest-free (2007: interest-free) and has no fixed repayment terms.

30. RELATED COMPANY TRANSACTIONS (continued)

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

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

The amount receivable from AMSB and amount payable to LFIB and the interest income and expense amounting to RM5.2 million (2007: RM8.4 million) arising therefrom have been offset in the financial statements as the Company has a legal enforceable right to offset these amounts and also has the intention to realise the receivable and settle the liability simultaneously. The said amount bears interest at an average effective rate of 12% (2007: 12%) per annum. On the disposal of SFI during the previous financial year as disclosed in Note 12, the amount receivable from AMSB by SFI which forms part of certain excluded assets of SFI in the disposal transaction, has been transferred to Intra Inspirasi Sdn Bhd, a wholly-owned subsidiary company of LFIB.

31. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed deposits with:				
licensed banks:				
Restricted	**266,628**	430,518	**4,438**	93,038
Unrestricted	**182,966**	164,593	**9,800**	12,200
	449,594	595,111	**14,238**	105,238
Housing Development Accounts	**29,007**	24,465	**9,496**	10,162
Cash and bank balances:				
Restricted	**12,201**	7,349	**211**	310
Unrestricted	**145,907**	84,512	**3,233**	6,554
	636,709	711,437	**27,178**	122,264

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

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

(a) amounts totalling RM94.1 million (2007: RM435.3 million) and RM4.6 million (2007: RM93.3 million) for the Group and the Company, respectively, which have been earmarked for the purposes of repayment of LICB Bonds, USD Debts, BaIDS and borrowings (Notes 35, 36, 37 and 41) and pledged as collaterals for bank guarantees granted.

(b) an amount of RM184.7 million (2007: RM2.6 million) held under Escrow Account for the purpose of indemnity to SFI and purchasers of SFI for the legal claims as mentioned in Note 46(b).

31. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
Fixed deposits with licensed banks	**3.0%**	2.7%	**3.0%**	2.7%

Deposits of the Group and of the Company have an average maturity of 37 days (2007: 27 days).

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**620,331**	680,720	**27,178**	122,264
Renminbi	**9,602**	21,721	**–**	–
United States Dollar	**4,510**	8,566	**–**	–
Indonesia Rupiah	**2,234**	407	**–**	–
Singapore Dollar	**32**	23	**–**	–
	636,709	711,437	**27,178**	122,264

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

32. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

During the current financial year, Antara Steel Mill Sdn Bhd ("Antara") entered into conditional sale and purchase agreements to dispose of land and buildings for a total cash consideration of RM546,000.

During the previous financial year, the following transactions occurred:

(i) Antara entered into a conditional sale and purchase agreement to dispose of land and buildings for a total cash consideration of RM179,000. The said transaction was completed during the current financial year.

(ii) On 24 July 2007, Amsteel Mills Sdn Bhd ("AMSB") disposed of a piece of land reclassified from prepaid land lease payments by way of a compulsory land acquisition by the Government for a cash consideration of RM4,078,000. The said transaction was completed during the current financial year.

(iii) On 24 August 2007, Holdsworth Investment Pte Ltd, a subsidiary company of the Company, disposed of its entire equity interest in its subsidiary company, Shanghai Lion Plastic Industrial Co Ltd ("Shanghai Lion Plastic") to a third party for a cash consideration of Rmb16,000,000 (equivalent to approximately RM7,670,000). The said transaction was completed during the current financial year.

32. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The classes of certain assets of AMSB and Antara and assets and liabilities of Shanghai Lion Plastic classified as held for sale on the consolidated balance sheet are as follows:

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Assets		
Property, plant and equipment	**302**	10,660
Prepaid land lease payments	**–**	1,961
Investment property	**120**	–
Intangible assets	**–**	770
Inventories	**–**	3,947
Other receivables, deposits and prepayments	**–**	1,228
Deposits, cash and bank balances	**–**	296
Assets classified as held for sale	**422**	18,862
Liabilities		
Trade payables	**–**	3,792
Other payables and accrued expenses	**–**	5,849
Liabilities directly associated with assets classified as held for sale	**–**	9,641

An analysis of the results of Shanghai Lion Plastic for the year ended 30 June 2007 is as follows:

	RM'000
Revenue	10,648
Operating expenses	(13,992)
Loss before tax	(3,344)
Tax expense	–
Loss for the year	(3,344)

33. SHARE CAPITAL

	The Group and The Company	
	2008	**2007**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
At beginning of year: 705,554,965 as of 1 July 2007; 697,102,765 as of 1 July 2006	**705,555**	697,102
Issued during the year: 7,145,000 in 2008; 8,452,200 in 2007	**7,145**	8,453
At end of year: 712,699,965 as of 30 June 2008; 705,554,965 as of 30 June 2007	**712,700**	705,555

33. SHARE CAPITAL (continued)

During the current financial year, the issued and paid-up share capital of the Company was increased from RM705,554,965 divided into 705,554,965 ordinary shares of RM1.00 each to RM712,699,965 divided into 712,699,965 ordinary shares of RM1.00 each by the issuance of 1,048,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 6,096,700 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company.

The resulting share premium of RM2,051,000 arising from the issue of shares has been credited to the share premium account.

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

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM697,102,765 divided into 697,102,765 ordinary shares of RM1.00 each to RM705,554,965 divided into 705,554,965 ordinary shares of RM1.00 each by the issuance of 5,279,700 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 3,172,500 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the ESOS of the Company.

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

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

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

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

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

    (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the 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 five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further five years, without further approval of the relevant authorities.

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

33. SHARE CAPITAL (continued)

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

	Number of options over ordinary shares of RM1 each					
Grant date	**Balance as of 1.7.2007**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2008**	**Exercisable as of 30.6.2008**
9.5.2006	2,125,200	–	(1,048,300)	(300)	**1,076,600**	**879,600**
26.2.2007	4,756,300	–	(2,310,400)	(62,600)	**2,383,300**	**1,359,400**
23.8.2007	–	7,081,500	(3,786,300)	(175,700)	**3,119,500**	**1,263,100**
	6,881,500	7,081,500	(7,145,000)	(238,600)	**6,579,400**	**3,502,100**
WAEP	1.240	1.330	1.287	1.330	**1.282**	**1.256**

	Number of options over ordinary shares of RM1 each					
Grant date	**Balance as of 1.7.2006**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2007**	**Exercisable as of 30.6.2007**
9.5.2006	7,989,400	–	(5,279,700)	(584,500)	2,125,200	1,134,500
26.2.2007	–	8,521,300	(3,172,500)	(592,500)	4,756,300	2,509,600
	7,989,400	8,521,300	(8,452,200)	(1,177,000)	6,881,500	3,644,100
WAEP	1.037	1.330	1.147	1.184	1.240	1.239

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

The related weighted average share price at the date of exercise for share options exercised during the year was RM2.25 (2007: RM1.80). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.16 years (2007: 3.16 years).

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

	2008	**2007**
Estimated average fair value of share options at the following grant date (RM):		
26 February 2007	**–**	1.58
23 August 2007	**1.71**	–
Expected life (years)	**2.16**	3.16
Expected volatility (%)	**47.00**	47.00
Risk-free interest rate (%)	**3.00**	3.00
Expected dividend yield (%)	**1.00**	1.00

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

34. RESERVES

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable reserves:				
Share premium	**525,452**	518,927	**525,452**	518,927
Equity compensation reserve	**3,219**	3,110	**3,219**	3,110
Capital reserve	**15,329**	14,268	**153**	82
Translation adjustment account	**8,510**	10,465	**–**	–
	552,510	546,770	**528,824**	522,119
Retained earnings/(Accumulated loss)	**1,754,413**	889,917	**(128,410)**	(130,282)
	2,306,923	1,436,687	**400,414**	391,837

Share premium

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

Equity compensation reserve

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

Capital reserve

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

Translation adjustment account

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

Retained earnings/(Accumulated loss)

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax-exempt accounts mentioned in Note 11, the Company has sufficient tax credits to frank the payment of dividends of approximately RM116 million (2007: RM86 million) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 25% (2007: 26%) on the gross amount of the additional dividend paid.

The Malaysian Budget 2008 introduced a single tier dividend system with effect from year of assessment 2008. As such, the Company is given an irrevocable option to disregard the balance of dividend franking credit that is available in order to switch to the new single tier dividend system from the year of assessment 2008. Upon such election, the Company will only be allowed to distribute single tier exempt dividend (without tax credit attached) to shareholders and the recipient of the dividend will not be able to claim tax credit as in the previous imputation system. As of the date of this report, the Company has not opted to elect for a switch to the single tier dividend system.

35. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
LICB Bonds issued to Scheme Creditors:				
At beginning of year	**187,796**	196,474	**187,796**	196,474
Accreted interest	**5,862**	11,441	**5,862**	11,441
Redeemed during the year	**(135,957)**	(20,119)	**(135,957)**	(20,119)
At end of year	**57,701**	187,796	**57,701**	187,796
LICB Bonds issued to subsidiary/associated companies:				
At beginning of year	**16,543**	17,306	**56,285**	58,993
Accreted interest	**462**	1,007	**1,852**	3,436
Redeemed during the year	**(11,924)**	(1,770)	**(40,814)**	(6,144)
At end of year	**5,081**	16,543	**17,323**	56,285
USD Debts issued to Scheme Creditors:				
At beginning of year	**118,703**	134,718	**–**	–
Accreted interest	**2,313**	7,280	**–**	–
Paid during the year	**(96,454)**	(15,875)	**–**	–
Unrealised gain on foreign exchange	**(5,430)**	(7,420)	**–**	–
At end of year	**19,132**	118,703	**–**	–
USD Debts issued to a subsidiary company, LLB Harta (L) Limited ("LICB Debts"):				
At beginning of year	**–**	–	**120,498**	136,327
Accreted interest	**–**	–	**699**	7,486
Paid during the year	**–**	–	**(96,087)**	(15,726)
Unrealised gain on foreign exchange	**–**	–	**(5,889)**	(7,589)
At end of year	**–**	–	**19,221**	120,498
	81,914	323,042	**94,245**	364,579
Portion payable within one year:				
LICB Bonds issued to:				
Scheme Creditors	**(9,192)**	(135,186)	**(9,192)**	(135,186)
Subsidiary/Associated companies	**(810)**	(11,907)	**(2,760)**	(40,592)
USD Debts issued to:				
Scheme Creditors	**(3,748)**	(101,289)	**–**	–
A subsidiary company	**–**	–	**(3,748)**	(101,289)
	(13,750)	(248,382)	**(15,700)**	(277,067)
Non-current portion	**68,164**	74,660	**78,545**	87,512
Borrowing costs (net of annual amortisation of RM1.9 million for the Group and the Company for 9 years)*	**(5,629)**	(7,504)	**(5,629)**	(7,504)
Net	**62,535**	67,156	**72,916**	80,008

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

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Financial years ending 30 June:				
2009	–	9,837	–	11,468
2010	**9,996**	7,153	**11,432**	8,332
2011 and thereafter	**58,168**	57,670	**67,113**	67,712
	68,164	74,660	**78,545**	87,512

* Borrowing costs represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	**62,782**	204,339	**75,024**	244,081
United States Dollar	**19,132**	118,703	**19,221**	120,498
	81,914	323,042	**94,245**	364,579

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

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

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

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

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

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

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

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

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

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

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

(b) The Amsteel Corporation Berhad ("Amsteel") Bonds and Amsteel shares attached to the Amsteel Bonds received by the Company (Note 22).

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

Dedicated Cash Flows means cash flows from the following sources:

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

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

iii. proceeds from the redemption of the Amsteel Bonds;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the indulgence and approval granted by the holders of the LICB Bonds and USD Debts to vary the redemption date and the repayment date of the LICB Bonds and USD Debts in December 2003, additional securities were charged in favour of the Security Trustee. The additional securities as of 30 June 2008 are as follows:

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

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

(iii) 45,274,238 ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson") representing 4.39% of the issued and paid-up capital of Parkson;

(iv) 45,127,236 ordinary shares of RM1.00 each in Lion Forest Industries Berhad ("LFIB") representing 21.44% of the issued and paid-up capital of LFIB; and

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

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

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Secured:		
BaIDS	**400,000**	460,000
Portion due within 12 months (shown under current liabilities)	**(70,000)**	(60,000)
Non-current portion	**330,000**	400,000

The non-current portion is repayable as follows:

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Financial years ending 30 June:		
2009	**–**	70,000
2010	**90,000**	90,000
2011	**110,000**	110,000
2012	**130,000**	130,000
	330,000	400,000

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

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

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

(iii) for working capital purposes.

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

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

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

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

The BaIDS are secured by the following:

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

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

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

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

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

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

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

37. LONG-TERM BORROWINGS

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Outstanding loans (secured):		
Principal	**779,220**	1,222,271
Portion due within one year (Note 41)	**(243,239)**	(317,529)
Non-current portion	**535,981**	904,742

The non-current portion is repayable as follows:

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Financial years ending 30 June:		
2009	**–**	298,575
2010	**216,769**	232,467
2011	**319,212**	373,700
	535,981	904,742

37. LONG-TERM BORROWINGS (continued)

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 14), investment properties (Note 15), prepaid land lease payments (Note 16), fixed and floating charge over the other assets of the said subsidiary companies and corporate guarantee by a corporate shareholder of a subsidiary company.

The long-term borrowings bear interest at rates ranging from 5.8% to 7.0% (2007: 5.8% to 7.0%) per annum.

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

	The Group	
	2008 RM'000	2007 RM'000
Ringgit Malaysia	**311,785**	365,544
United States Dollar	**224,196**	514,293
Renminbi	**–**	24,905
Total	**535,981**	904,742

38. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amounts payable under finance lease:				
Within one year	**58**	44	**50**	39
In the second to third year inclusive	**39**	37	**30**	34
	97	81	**80**	73
Less: Future finance charges	**(17)**	(8)	**NA**	NA
Present value of lease payables	**80**	73	**80**	73
Less: Amount due within the next 12 months (shown under current liabilities)			**(50)**	(39)
Non-current portion			**30**	34

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

	The Group	
	2008 RM'000	2007 RM'000
Financial years ending 30 June:		
2009	**–**	25
2010	**30**	9
	30	34

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rate of 8.58% (2007: 6.76%) per annum.

39. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Total outstanding	**1,493**	1,556	**608**	456
Less: Interest-in-suspense	**(118)**	(157)	**(20)**	(28)
Principal outstanding	**1,375**	1,399	**588**	428
Less: Portion due within one year (shown under current liabilities)	**(631)**	(916)	**(217)**	(165)
Non-current portion	**744**	483	**371**	263

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Financial years ending 30 June:				
2009	**–**	305	**–**	173
2010	**471**	108	**98**	20
2011 and thereafter	**273**	70	**273**	70
	744	483	**371**	263

Hire-purchase obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.8% to 6.8% (2007: 2.8% to 6.8%) per annum.

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

(a) Trade payables

Trade payables consist of the following:

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	**389,913**	388,368	**176**	941
Retention monies	**3,971**	4,298	**250**	315
	393,884	392,666	**426**	1,256

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2007: 30 to 60 days).

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

(a) Trade payables (continued)

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	**292,143**	275,633	**426**	1,256
United States Dollar	**66,441**	102,464	**–**	–
Renminbi	**16,440**	13,251	**–**	–
Singapore Dollar	**18,268**	454	**–**	–
Euro	**560**	439	**–**	–
Others	**32**	425	**–**	–
	393,884	392,666	**426**	1,256

(b) Other payables, deposits and accrued expenses

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other payables and deposits	**156,143**	329,810	**7,920**	8,479
Accrued expenses	**392,857**	266,223	**1,961**	2,042
Total	**549,000**	596,033	**9,881**	10,521

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	**548,362**	591,710	**9,881**	10,521
Renminbi	**559**	4,294	**–**	–
Others	**79**	29	**–**	–
	549,000	596,033	**9,881**	10,521

Included in other payables of the Group is an amount of RM33,000 (2007: RM282,000) owing to Shandong LuHe Group Co Ltd, a corporate shareholder of Shandong Silverstone LuHe Rubber & Tyre Co Ltd, a subsidiary company. The said amount, which is denominated in Renminbi, arose from payments made on behalf of the subsidiary company and is interest free (2007: bore interest at rates ranging from 5% to 7% per annum) and has no fixed repayment terms.

41. SHORT-TERM BORROWINGS

	The Group 2008 RM'000	The Group 2007 RM'000
Short-term loans from financial institutions:		
Secured	**26,542**	1,063
Bank overdrafts:		
Secured	**21,022**	40,688
Unsecured	**1,686**	–
	22,708	40,688
Bills payable	**97,323**	137,752
Portion of long-term loans due within one year (Note 37):		
Secured	**243,239**	317,529
	389,812	497,032

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 14), investment properties (Note 15), prepaid land lease payments (Note 16) and other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 4.3% to 7.9% (2007: 4.3% to 7.9%) per annum.

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

	The Group 2008 RM'000	The Group 2007 RM'000
Ringgit Malaysia	**253,427**	380,896
United States Dollar	**109,843**	99,607
Renminbi	**26,542**	16,529
	389,812	497,032

42. DIVIDENDS

A first and final dividend of 1%, less 27% tax, amounting to RM5.2 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors propose a first and final dividend of 1%, less 25% tax, amounting to RM5.3 million in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the financial statements.

Gross proposed first and final dividend per share during the financial year is 1 sen (2007: 1 sen).

43. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances (unrestricted) (Note 31)	**145,907**	84,512	**3,233**	6,554
Fixed deposits with licensed banks (unrestricted) (Note 31)	**182,966**	164,593	**9,800**	12,200
Housing Development Accounts (Note 31)	**29,007**	24,465	**9,496**	10,162
Bank overdrafts (Note 41)	**(22,708)**	(40,688)	**–**	–
	335,172	232,882	**22,529**	28,916
Cash and bank balances classified as held for sale (Note 32)	**–**	296	**–**	–
Total cash and cash equivalents	**335,172**	233,178	**22,529**	28,916

44. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected to such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 19, 20, 21 and 30.

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

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

		The Group		The Company	
Name of Company	Nature	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Megasteel Sdn Bhd	Sales of goods	**2,047,738**	1,437,751	**–**	–
	Purchase of goods, raw materials and consumables	**1,666,103**	1,256,211	**–**	–
	Provision of transportation services	**11,284**	–	**–**	–
	Rental income	**910**	910	**–**	–
	Interest income	**–**	10,340	**–**	–

44. RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Nature	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Angkasa Hong Leong Pte Ltd	Sales of goods	**181,182**	38,859	**–**	–
	Purchase of raw materials	**52,191**	2,482	**–**	–
Graimpi Sdn Bhd	Sales of goods	**35,929**	31,926	**–**	–
Lion DRI Sdn Bhd	Purchase of raw material	**26,442**	–	**–**	–
	Sales of goods	**–**	6,735	**–**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gases	**17,632**	13,719	**–**	–
Bright Steel Sdn Bhd	Sales of goods	**16,199**	12,565	**–**	–
Silverstone Polymer Industries Sdn Bhd	Purchase of goods	**9,308**	–	**–**	–
Lion Tooling Sdn Bhd	Purchase of toolings	**6,172**	3,423	**–**	–
Likom Computer System Sdn Bhd	Interest income	**3,117**	3,156	**3,117**	3,156
Singa Logistics Sdn Bhd (became a subsidiary company during the financial year)	Transportation charges	**2,885**	3,526	**–**	–
	Rental income	**2**	20	**–**	–
Likom Plastic Industries Sdn Bhd	Rental income	**2,504**	3,485	**2,504**	3,485
	Interest income	**184**	288	**184**	288
Likom CMS Sdn Bhd	Rental income	**1,283**	1,283	**1,283**	1,283
Parkson Corporation Sdn Bhd	Sale of goods	**1,125**	992	**–**	–

44. RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Nature	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Silverstone Berhad	Sales of goods	**689**	572	**–**	–
Likom Caseworks Sdn Bhd	Rental income	**557**	1,114	**557**	1,114
Zhucheng Xin An Thermo Electric Power Co Ltd	Purchase of steam energy	**386**	2,819	**–**	–
Che Kiang Realty Sdn Bhd	Interest income	**155**	157	**155**	157
Vitarite Pharmaceutical Sdn Bhd	Rental income	**87**	173	**87**	173
Lion Holdings Sdn Bhd	Interest income	**–**	689	**–**	689

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

	The Group 2008 RM'000	The Group 2007 RM'000	The Company 2008 RM'000	The Company 2007 RM'000
Receivables:				
Included in trade receivables	**137,490**	202,587	**–**	–
Included in other receivables	**80,611**	78,952	**38,788**	40,446
Payables:				
Included in trade payables	**45,155**	28,052	**–**	–
Included in other payables	**23,860**	95,779	**–**	–

The outstanding balances with related parties are either interest-free or bear interest at 8% (2007: either interest-free or bore interest at 8%) per annum and have no fixed terms of repayment.

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

44. RELATED PARTY TRANSACTIONS (continued)

(b) Share options granted and remuneration payable to Directors

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

	Unexercised options	
	2008	**2007**
	'000	**'000**
Datuk Cheng Yong Kim	**700**	490
Dato' Kamaruddin @ Abas bin Nordin*	**71**	105

* Executive Director of a subsidiary company

The share options were granted to the Directors on the same terms and conditions as those offered to other eligible executives of the Group (Note 33).

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

45. SEGMENTAL INFORMATION

(a) Business Segments:

The Group's activities are classified into six (6) major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products;
- Property development - property development and management and construction works;
- Timber extraction and pulp and paper - integrated wood-based activities and pulp and paper mill operations;
- Tyre - manufacture and sale of tyres;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs, plastic components, industrial chemical products and automotive components and education services, none of which is of a sufficient size to be reported separately.

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

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

As disclosed in Notes 12 and 19, the Group completed the disposal of subsidiary companies which carries out the timber extraction and pulp and paper operations and education services of the Group during the previous financial year.

45. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2008

	Steel RM'000	Property development RM'000	Tyre RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue							
External revenue	6,531,712	15,530	102,802	222,996	67,117	–	6,940,157
Inter-segment revenue	77,193	–	–	–	–	(77,193)	–
Total revenue	6,608,905	15,530	102,802	222,996	67,117	(77,193)	6,940,157
Results							
Segment results	970,590	9,196	(25,503)	4,113	(53,357)	–	905,039
Unallocated costs							(6,172)
Profit from operations							898,867
Finance costs							(122,037)
Share in results of associated companies	–	–	–	–	82,563	–	82,563
Share in results of jointly controlled entity	–	(125)	–	–	–	–	(125)
Investment income							34,282
Profit before tax							893,550
Tax expense							(51,457)
Profit for the year							842,093
Assets							
Segment assets	3,877,918	340,930	173,700	126,255	180,132	–	4,698,935
Investment in associated companies	–	–	–	–	627,737	–	627,737
Unallocated corporate assets	–	–	–	–	–	–	393,927
Consolidated total assets							5,720,599
Liabilities							
Segment liabilities	2,083,252	103,682	69,415	34,368	59,565	–	2,350,282
Unallocated liabilities							155,495
Consolidated total liabilities							2,505,777
Other Information							
Capital additions	194,298	799	5,978	136	2,371	–	203,582
Depreciation and amortisation	84,528	635	12,911	174	2,169	–	100,417
Other non-cash expenses/(income)	28,055	(17,139)	7,547	741	(49,086)	–	(29,882)

45. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2007

	Steel RM'000	Property development RM'000	Timber extraction and pulp and paper - Discontinued operations RM'000	Tyre RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External revenue	4,209,953	19,282	246,447	79,644	157,055	80,407	–	4,792,788
Inter-segment revenue	19,112	2,126	–	–	–	24	(21,262)	–
Total revenue	4,229,065	21,408	246,447	79,644	157,055	80,431	(21,262)	4,792,788
Results								
Segment results	350,250	684	(20,578)	(8,922)	136	(5,570)	–	316,000
Unallocated costs								(5,688)
Profit from operations								310,312
Loss on disposal of SFI								(42,220)
Finance costs								(162,663)
Share in results of associated companies	–	–	–	–	–	131,289	–	131,289
Investment income								35,038
Profit before tax								271,756
Tax expense								(71,842)
Profit for the year								199,914
Assets								
Segment assets	3,576,460	592,176	–	223,099	68,024	83,327	–	4,543,086
Investment in associated companies	–	–	–	–	–	582,135	–	582,135
Investment in jointly controlled entity	–	125	–	–	–	–	–	125
Unallocated corporate assets								527,517
Consolidated total assets								5,652,863
Liabilities								
Segment liabilities	2,648,681	246,237	–	72,068	32,177	180,814	–	3,179,977
Unallocated liabilities								134,649
Consolidated total liabilities								3,314,626
Other Information								
Capital additions	121,838	53	43,273	19,339	44	2,118	–	186,665
Depreciation and amortisation	81,033	638	33,623	10,533	212	7,723	–	133,762
Other non-cash expenses/(income)	(22,033)	(4,825)	15,664	7,181	3,488	8,385	–	7,860

45. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

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

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, property development and management, construction works, building materials and consumables, manufacture and trading of lubricants, spark plugs (2007: included timber extraction and pulp and paper and education services);
- People's Republic of China - manufacture and sale of tyres, plastic components, industrial chemical products and automotive parts; and
- Others countries which are not sizable to be reported separately.

	Revenue		**Total Assets**		**Capital Additions**	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Malaysia	**5,486,891**	3,740,367	**5,541,516**	5,376,566	**197,152**	166,874
People's Republic of China	**57,893**	121,392	**179,051**	258,948	**6,430**	19,791
Other countries	**1,395,373**	931,029	**32**	17,349	**–**	–
	6,940,157	4,792,788	**5,720,599**	5,652,863	**203,582**	186,665

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

46. CONTINGENT LIABILITIES

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

	The Company	
	2008 RM'000	**2007 RM'000**
Unsecured:		
Subsidiary company	**400,000**	460,000

(b) Contingent liabilities of a former subsidiary company, Sabah Forest Industries Sdn Bhd ("SFI"), are as follows:

	The Group	
	2008 RM'000	**2007 RM'000**
Secured:		
Legal claims in respect of the termination of contracts for the extraction and sale of timber	**313,300**	313,300

Indemnity contracts have been signed between Lion Forest Industries Berhad ("LFIB"), the immediate holding company of SFI and Avenel Sdn Bhd ("Avenel"), the former immediate holding company of LFIB, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000 (2007: RM313,300,000) and any other claims brought by third parties against SFI wherein the cause of action arises prior to the completion of the corporate exercise.

46. CONTINGENT LIABILITIES (continued)

As part of the disposal of SFI, the Group agreed to indemnify SFI and the purchasers in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation suits where the cause of action arises prior to the completion of the disposal of SFI.

Included in the legal claims is an amount of RM128,874,435 (2007: RM128,874,435) representing claim made by UNP Plywood Sdn Bhd ("UNP Plywood") against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. On 23 February 2007, the High Court dismissed the claim by UNP Plywood. UNP Plywood appealed to the Court of Appeal in Malaysia on 20 March 2007 against the decision of the High Court. On 26 March 2008, the Court of Appeal allowed UNP Plywood's appeal and entered judgement against SFI for damages to be assessed. SFI had filed an application to the Federal Court for leave against the decision of the Court of Appeal and, on 26 August 2008, the Federal Court granted SFI leave to appeal.

The directors of the Group, after consultation with the legal counsel, are of the opinion that it is unlikely that there will be any liability arising from this matter.

47. CAPITAL COMMITMENTS

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

	The Group	
	2008	**2007**
	RM'000	**RM'000**
Approved and contracted for:		
Acquisition of plant and machinery	**26,788**	138,893
Additions of investment	**–**	21,108
	26,788	160,001
Approved but not contracted for:		
Acquisition of plant and machinery	**131,432**	58
Share of capital commitments of jointly controlled entity	**–**	50,108
Total	**158,220**	210,167

48. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

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

(i) Foreign currency risk

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

48. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(ii) Interest rate risk

The Group's significant interest-bearing financial assets and financial liabilities are mainly its deposits placements and also its obligations comprising LICB Bonds, USD Debts, BaIDS and borrowings.

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

The LICB Bonds, USD Debts, BaIDS and borrowings of the Group as of 30 June 2008 are fixed and floating rate financial liabilities as disclosed in Notes 35, 36, 37 and 41.

(iii) Credit risk

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

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers and other receivables fail to perform their obligations as of 30 June 2008, is the carrying amounts of these receivables as disclosed in the balance sheet.

(iv) Liquidity risk

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

(v) Cash flow risk

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

Fair Values

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

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

	The Group		The Company	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
2008				
Long-term investments (quoted)	**1,633**	**1,641**	**1,003**	**1,010**
Investment in subsidiary company (quoted)	**–**	**–**	**42,232**	**37,456**
2007				
Long-term investments (quoted)	6,472	6,507	4,208	4,246
Investment in subsidiary company (quoted)	–	–	42,232	55,958

48. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

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

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances have no fixed terms of repayment.

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

49. SUBSIDIARY COMPANIES

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

Name of Company	Effective Percentage Ownership 2008 %	2007 %	Principal Activities
Property Division			
* Amble Legacy Sdn Bhd	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	**94**	94	Dormant
* Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development
Berkat Timor Sdn Bhd	**100**	100	Dormant
Citibaru Sendirian Berhad	**100**	100	Dormant
* Crest Wonder Sdn Bhd	**100**	100	Investment holding
JOPP Builders Sdn Bhd	**100**	100	Contractor for construction and civil engineering works
Kisan Agency Sdn Bhd	**100**	100	Property development
LLB Bina Sdn Bhd	**100**	100	Contractor for construction works
LLB Damai Holdings Sdn Bhd	**100**	100	Investment holding and management company
LLB Indah Permai Sdn Bhd	**100**	100	Property development
Lion Courts Sdn Bhd	**100**	100	Property development
Malim Courts Property Development Sdn Bhd	**100**	100	Property development and investment holding

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2008 %	2007 %	Principal Activities
Property Division			
Malim Jaya (Melaka) Sdn Bhd	**100**	100	Property development
* Matrix Control Sdn Bhd	**100**	100	Investment holding
Mcken Sdn Bhd	**100**	100	Ceased operations
PM Holdings Sdn Bhd	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	**100**	100	Ceased operations
Soga Sdn Bhd	**94**	94	Property development
Sucorp Enterprise Sdn Bhd	**100**	100	Investment holding
Sumber Realty Sdn Bhd	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	**100**	100	Property development
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development
* Trial Jubilant Sdn Bhd	**100**	100	Investment holding
Steel Division			
Amsteel Mills Sdn Bhd	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	**99**	99	Investment holding
Antara Steel Mills Sdn Bhd	**99**	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2008 %	2007 %	Principal Activities
Steel Division			
Lion-Kimtrans Logistics Sdn Bhd	**74**	74	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2008)
* LLB Steel Industries Sdn Bhd	**100**	100	Investment holding
* Steelcorp Sdn Bhd	**99**	99	Investment holding
Others			
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	**76**	76	Investment holding
LLB Enterprise Sdn Bhd	**69**	69	Dormant
LLB Harta (M) Sdn Bhd	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Harta (L) Limited	**100**	100	Treasury business
LLB Nominees Sdn Bhd	**100**	100	Investment holding
LLB Strategic Holdings Berhad	**100**	90	Dormant
LLB Suria Sdn Bhd	**100**	100	Investment holding
* LLB Venture Sdn Bhd	**100**	100	Dormant
* Zhongsin Biotech Pte Ltd (incorporated in Singapore)	**61**	61	Investment holding
* Lion Motor Venture Sdn Bhd	**100**	100	Investment holding
Marvenel Sdn Bhd	**70**	70	Investment holding
Worldwide Unilink Education and Consultancy Sdn Bhd	**100**	100	Ceased operations
* Shanghai Lion Plastic Industrial Co Ltd (incorporated in the People's Republic of China)	**–**	68	Manufacture and marketing of plastic components and related products
* Slag Aggregate Sdn Bhd	**100**	100	Investment holding

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2008 %	2007 %	Principal Activities
Others			
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) (in liquidation - voluntary)	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Lion Forest Industries Berhad	**80**	80	Investment holding, trading and distribution of building materials, and trading of steel products
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
Lion Rubber Industries Sdn Bhd	**80**	80	Investment holding
Ototek Sdn Bhd	**56**	56	Trading and distribution of lubricants, spark plugs and automotive components
Posim EMS Sdn Bhd	**64**	64	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	**80**	80	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn Bhd	**80**	80	Trading and distribution of petroleum products
Lion Petroleum Products Sdn Bhd	**80**	80	Manufacturing of petroleum products
LFIB Plantations Sdn Bhd	**80**	80	Investment holding
^ Stoller Chemical Company (M) Sdn Bhd (in voluntary liquidation)	**80**	80	Dormant
^ Silverstone (Hubei) Rubber And Tyre Co Ltd (incorporated in the People's Republic of China)	**80**	80	Dormant
^ Quay Class Ltd (incorporated in British Virgin Islands)	**80**	80	Dormant
Gama Harta Sdn Bhd	**80**	80	Investment holding
Intra Inspirasi Sdn Bhd	**80**	80	Investment holding

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2008 %	2007 %	Principal Activities
Others			
^ Jadeford International Limited (incorporated in British Virgin Islands)	**80**	80	Investment holding
* Shandong Silverstone LuHe Rubber & Tyre Co Ltd (incorporated in the People's Republic of China)	**60**	60	Manufacturing and distribution of tyres
* P.T. Lion Intimung Malinau (incorporated in the Republic of Indonesia)	**76**	76	Dormant
* Singa Logistics Sdn Bhd	**80**	–	Provision of transportation services

* The financial statements of these companies were examined by auditors other than the auditors of the Company.

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

50. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2008 %	2007 %	Principal Activities
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**49**	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2008)
Changchun Fawer-Lion Auto Electromechanical Co Ltd	31 December	People's Republic of China	**50**	50	Manufacture of carburettors
Kamiya Corporation Sdn Bhd	30 June	Malaysia	**19**	19	Property development (yet to commence operations as of 30 June 2008)
Lion Asia Investment Pte Ltd	30 June	Singapore	**20**	20	Investment holding

50. ASSOCIATED COMPANIES (continued)

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2008 %	2007 %	Principal Activities
Lion Diversified Holdings Berhad	30 June	Malaysia	**21**	22	Investment holding
* Lion Insurance Company Limited	30 June	Malaysia	**41**	41	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	**19**	–	Investment holding
Teck Chiang Investment Pte Ltd	30 June	Singapore	**50**	50	Property development and investment holding (yet to commence operations as of 30 June 2008)
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**50**	50	Mixed commercial property development cum cash and carry retail business
Associated Company of Lion Forest Industries Berhad					
Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	**17**	17	Assembly and sale of private and commercial vehicles

* Includes 14% effective equity interest held by Posim Petroleum Marketing Sdn Bhd, a wholly-owned subsidiary company of Lion Forest Industries Berhad.

^ The equity interest in Parkson Holdings Berhad is obtained during the financial year through capital distribution of the equity interest in Parkson Holdings Berhad by Lion Diversified Holdings Berhad, an existing associated company of the Company.

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

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

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the financial statements of the Group and of the Company, which comprise the balance sheets as of 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 124, are drawn up in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2008 and of the results of their business and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
29 September 2008

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

I, **DATUK CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company, which comprise the balance sheets as of 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 124 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.

DATUK CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **DATUK CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 29th day of September, 2008.

Before me,

W259
AHMAD B. LAYA
COMMISSIONER FOR OATHS
Kuala Lumpur

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

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

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

As at 30 September 2008, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

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

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

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

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

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

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

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

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

4. Sale and Purchase Agreement dated 19 December 2007 entered into between the Company, Narajaya Sdn Bhd ("Narajaya"), the registered owner of the MTP Land defined herein, and CPB Enterprise Sdn Bhd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad ("LDHB"), for the disposal by the Company of an industrial property measuring approximately 19.82 acres forming part of the land known as the Melaka Technology Park situated in Melaka ("MTP Land"), for a cash consideration of RM29.4 million. LDHB and Narajaya are major shareholders of the Company wherein a Director and certain major shareholders of the Company have interests.

5. Sale and Purchase Agreement dated 19 December 2007 entered into between the Company and Urban Resources Sdn Bhd, a wholly-owned subsidiary of LDHB, for the disposal by the Company of a development property measuring approximately 20.43 acres forming part of the MTP Land, for a cash consideration of RM5.3 million.

6. Share Sale Agreement dated 27 March 2008 entered into between LFIB and Amsteel Corporation Berhad, a company wherein a Director and certain major shareholders of the Company have interests, for the acquisition by LFIB of the entire equity interest comprising 1,000,000 ordinary shares of RM1.00 each fully paid in Singa Logistics Sdn Bhd, for a cash consideration of RM2.727 million.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2008

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1.	Melaka Technology Park PN 20575 Lot 4926 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	21.2 hectares	Factory buildings	Rental (16)	62.7	28 August 2007
2.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.1 hectares	Land	For future development	0.3	30 October 1992
3.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land	For future development	7.4	June 1991
4.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.6 hectares	Land	Property under development	4.1	June 1991
5.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	1.6	June 1991
6.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
7.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.1	June 1991
8.	HS(D) 129663, PT3737 Seksyen 24 Daerah Klang Bandar Klang Negeri Selangor	Freehold	0.8 hectares	Land	Property under development	3.2	September 1993
9.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	Office and factory (31)	32.6	22 October 1994
10.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land & buildings	Office and factory (31)	0.7	22 October 1994
11.	PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor	Leasehold 29.3.2087	10.4 hectares	Industrial land	–	6.7	22 October 1994

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
12.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	Office and factory (13)	8.5	22 October 1994
13.	Lot No 273 Mukim of Teluk Panglima Garang Kuala Langat, Selangor	Freehold	1.53 hectares	Land	–	0.9	June 2005
14.	Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	Office and factory (3-8)	311.4	1996
15.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	 6.3) 4.5) 6.5) hectares	Industrial land & buildings	Office and factory (17) (13) (30)	11.2) 12.7) 12.4)	September 2002
16.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land & buildings	Warehouse (13)	7.4	September 2002
17.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	1,287.6 sq metres	Single & double storey houses	Rental (22)	0.6	June 2008
18.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	1,099.2 sq metres	Apartments/ flats	Rental (16)	0.5	June 2008
19.	Blok 2-4, 17& 18 Taman Cendana 81700, Pasir Gudang, Johor	Leasehold 28.4.2093	19,599.2 sq metres	Apartments/ flats	Rental (11-13)	7.4	June 2008
20.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (14)	1.2	June 2008
21.	PT 4004/HS(D) KK123/85 Taman Sri Guchil Kuala Krai, Kelantan	Freehold	148.65 sq metres	Double storey shophouse	Rental (8)	0.1	June 2008
22.	3, Jalan SS 13/3B 47500 Petaling Jaya Selangor Darul Ehsan	Freehold	929.5 sq metres	Industrial land & building	Factory (19)	0.9	March 2003

	Address	Tenure/ Expiry Date for for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
23.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land & building	Factory (14)	9.3	March 2003
24.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land & building	2-storey shop office (23)	0.1	March 2003
25.	Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (10)	0.4	March 2003
26.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land & building	2-storey shop office (10)	0.2	March 2003
27.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	208.1 sq metres	Land & building	3-storey shop office (9)	0.6	March 2003
28.	B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (6)	0.1	16 July 2004
29.	LuHe Industrial Zone Zhucheng City Shandong Province People's Republic of China	Leasehold 20.12.2054	157,049 sq metres	Land & building	Office and plant (4)	44.8	21 December 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2008

Authorised Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM712,920,465
Class of Shares	:	Ordinary shares of RM1.00 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	2,930	14.33	135,688	0.02
100 to 1,000	7,438	36.38	4,391,457	0.62
1,001 to 10,000	8,316	40.68	29,226,586	4.10
10,001 to 100,000	1,441	7.05	45,018,110	6.31
100,001 to less than 5% of issued shares	317	1.55	376,501,323	52.81
5% and above of issued shares	2	0.01	257,647,301	36.14
	20,444	100.00	712,920,465	100.00

Substantial Shareholders as at 30 September 2008

	Substantial Shareholders	Direct Interest		Indirect Interest		
		No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Options#
1.	Tan Sri Cheng Heng Jem	–	–	336,938,625	47.26	–
2.	Datuk Cheng Yong Kim	2,594,789	0.36	336,718,443	47.23	700,000
3.	Lion Realty Pte Ltd	–	–	336,638,055	47.22	–
4.	Lion Development (Penang) Sdn Bhd	225,257	0.03	336,412,798	47.19	–
5.	Horizon Towers Sdn Bhd	122,290	0.02	292,245,635	40.99	–
6.	Lion Corporation Berhad	180,576,909	25.33	111,668,726	15.66	–
7.	LDH (S) Pte Ltd	–	–	292,245,635	40.99	–
8.	Lion Diversified Holdings Berhad	36,720,000	5.15	292,245,635	40.99	–
9.	Limpahjaya Sdn Bhd	–	–	102,000,000	14.31	–
10.	Megasteel Sdn Bhd	102,000,000	14.31	–	–	–
11.	Narajaya Sdn Bhd	–	–	328,965,635	46.14	–

Note:

\# *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

Thirty Largest Registered Shareholders as at 30 September 2008

	Registered Shareholders	No. of Shares	% of Shares
1.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Corporation Berhad	155,647,301	21.83
2.	AMSEC Nominees (Tempatan) Sdn Bhd AmInternational (L) Ltd for Megasteel Sdn Bhd	102,000,000	14.31
3.	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset MGMT Malaysia for Employees Provident Fund	27,000,000	3.79
4.	Lion Corporation Berhad	24,929,608	3.50
5.	Mayban Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.92
6.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. International Plc (IPB Client ACCT)	20,000,000	2.81
7.	Mayban Nominees (Asing) Sdn Bhd G. K. Goh Strategic Holdings Pte Ltd (260551)	18,911,500	2.65
8.	HSBC Nominees (Asing) Sdn Bhd PICTET and CIE for Long Term Investment Fund (SIA)	15,906,000	2.23
9.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Bhd	15,900,000	2.23
10.	HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	8,818,000	1.24
11.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Mellon Bank (Mellon)	8,691,000	1.22
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. Incorporated	7,930,433	1.11
13.	Lion Construction & Engineering Sdn Bhd	7,387,530	1.04
14.	Mayban Nominees (Asing) Sdn Bhd Future Equity Investments Limited (270832)	7,000,000	0.98
15.	Mayang Jati (M) Sdn Bhd	6,723,472	0.94
16.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for the Blackhorse Emerging Enterprises Master Fund	5,340,200	0.75
17.	Mayban Nominees (Asing) Sdn Bhd Alpha Securities Pte Ltd (260550)	5,087,600	0.71
18.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	4,734,381	0.66
19.	Citigroup Nominees (Asing) Sdn Bhd Scottish Equitable (MF) Ltd for Series B Pacific Fund (CB LDN)	3,964,100	0.56
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	3,912,300	0.55
21.	HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	3,390,200	0.48
22.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	3,347,000	0.47
23.	Amanvest (M) Sdn Bhd	3,292,226	0.46
24.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Specialforeningen Bankpension Emerging Markets Aktier (PAL)	3,135,000	0.44
25.	Mayang Jati (M) Sdn Bhd	3,100,000	0.43
26.	Pacific & Orient Insurance Co Berhad	3,000,000	0.42
27.	Malaysian Trustees Berhad LLB Scheme	2,966,311	0.42
28.	Cheng Yong Kim	2,576,039	0.36
29.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)	2,341,750	0.33
30.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Singular Asia Flexible Fund (5758-401)	2,293,600	0.32

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:

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares	No. of Options^
The Company						
Datuk Cheng Yong Kim	RM1.00	2,594,789	0.36	336,841,465	47.25	700,000
Dato' Kamaruddin @ Abas bin Nordin	RM1.00	68,800	0.01	–	–	71,200
Cheng Yong Liang	RM1.00	47,880	0.007	–	–	–
Related Companies						
Datuk Cheng Yong Kim						
Lion Forest Industries Berhad	RM1.00	–	–	167,988,512	79.83	–
Lion-Kimtrans Logistics Sdn Bhd	RM1.00	–	–	3,750,000	75.00	–
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00	–
Marvenel Sdn Bhd	RM1.00	–	–	100	100.00	–
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00	–
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00	–
P.T. Lion Intimung Malinau	USD1.00	–	–	4,750,000	95.00	–
Soga Sdn Bhd	RM1.00	–	–	4,332,078	93.93	–
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75	–
Holdsworth Investment Pte Ltd	*	–	–	4,500,000	100.00	–
Zhongsin Biotech Pte Ltd	*	–	–	1,000,000	100.00	–

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

Notes:

^ *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

* *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.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM13,000.

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2008, a total of 7,145,000 options were exercised by eligible executive employees of the Group at an exercise price of RM1.037 per share (1,048,300 shares) and RM1.330 per share (6,096,700 shares) pursuant to the Executive Share Option Scheme of the Company.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2008 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")[1]	2,060,947
	Amsteel Corporation Berhad Group ("Amsteel Group")[1]	68,349
	Lion Diversified Holdings Berhad Group ("LDHB Group")[1]	35,929
	Lion Teck Chiang Limited Group ("LTC Group")[1]	18,182
		2,183,407
(ii) The purchase of scrap iron, gases and other related products and services	LCB Group[1]	1,685,629
	LTC Group[1]	52,191
	LDHB Group[1]	26,442
	Lion Asiapac Limited Group[1]	4,107
	Amsteel Group[1]	504
		1,768,873
(iii) The purchase of tools, dies and spare parts	Amsteel Group[1]	6,172
(iv) The provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group[1]	1,270
(v) The obtaining of storage, leasing and rental of properties, management and support, and other related services	Amsteel Group[1]	734
(vi) The obtaining of transportation and forwarding services	Amsteel Group[1]	2,885
(vii) The provision of transportation and other related services	LCB Group[1]	11,284

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Property-based		
(i) The provision of storage, leasing, rental of properties and related services	Ributasi Holdings Sdn Bhd Group[2]	2,504
	LDHB Group[1]	1,840
	Lion Holdings Sdn Bhd Group[2]	87
		4,431
(c) Others		
(i) The obtaining of security services and equipment	Amsteel Group[1]	1,013
(ii) The purchase of motor vehicles, component parts and other related products and services	Silverstone Corporation Berhad Group[1]	11

Notes:

"Group" includes subsidiary and associated companies.

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

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

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

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Industries Corporation Berhad ("LICB") Management Structure

The LICB management structure is headed by a well-balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director ("MD") who is accountable for the financial performance and profitability of LICB as well as the implementation of various strategic business plans and objectives of the LICB Group. Together with the Financial Controller, they are responsible for overseeing the divestment plans of the LICB Group. The Chief Executive Officer ("CEO") and General Managers of the various KOCs also report directly to the MD. The Board is also supported by the Audit Committee which comprises a majority of independent Directors. The Audit Committee is assisted by the internal audit function.

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

(b) Status of Proposed Divestment Programme ("PDP")

(i) Status of the assets to be divested

Assets to be Divested	PDP (Per GWRS)	Completed Up to December 2007	Subsequent to December 2007: Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 2008): Actual Jan-Jun 2008	Projected Jul-Dec 2008	Total Jan-Dec 2008
	RM'million	RM'million	RM'million	RM'million (a)	RM'million (b)	RM'million (a) + (b)
By December 2002						
Unlisted shares in pharmaceutical company	2.0	2.0	–	–	–	–
Unlisted shares in automotive company	29.4	29.4	–	–	–	–
Listed shares in financial services company	2.5	2.5	–	–	–	–
	33.9					
By December 2003						
Shares in unlisted companies, industrial land, office block, factories and shoplots in Parade and shopping centre	174.3	174.3	–	–	–	–
By December 2004						
Shares in unlisted companies and shoplots in Parade and shopping centre	45.4	13.1	–	7.3	–	7.3
By December 2005						
Shares in unlisted company, factories and apartment	9.7	–	–	–	–	–
By December 2006						
Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre	278.0	74.0	–	–	–	–
Total	**541.3**	**295.3**	**–**	**7.3**	**–**	**7.3**

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LICB Bonds and USD Debts as scheduled.

(ii) Transactions completed during the financial period (January-June 2008)

The disposal of shares in an unlisted subsidiary company was completed during the financial period and the proceeds of RM7.3 million were utilised to redeem/repay the LICB Bonds and USD Debts.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received were/will be used to redeem/repay the LICB Bonds and USD Debts.

(V) STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2008

		Utilisation Status	
	Proposed Utilisation RM million	Actual RM million	Unutilised/ Outstanding RM million
Disposal by Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Company, of its entire 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.82 million).			
(i) Capital distribution	420.31	420.55	(0.24)*
(ii) Tyre division	104.36	10.51	93.85
(iii) Plantation division	70.00	–	70.00
(iv) Payment to the State Government of Sabah	4.08	–	4.08
(v) Estimated expenses	1.50	1.50	–
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of Silverstone Corporation Berhad ("SCB") and the bonds and Redeemable Cumulative Convertible Preference Shares issued by SCB and estimated expenses related thereto	229.97	106.40	123.57
	830.22	538.96	291.26
(vii) Funding and investment relating to the business and/or working capital of the Group[1]	49.63	14.83	34.80
	879.85	553.79	326.06
(viii) Provisional and final adjustment	8.79		
(ix) Adjustment on foreign exchange	56.18		
	944.82		

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

1 Pending the Securities Commission's approval.

LION INDUSTRIES CORPORATION BERHAD
(Incorporated in Malaysia) (415-D)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–								

I/We ....

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

of ....

being a member/members of LION INDUSTRIES CORPORATION BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Seventy-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 27 November 2008 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	**FOR**	**AGAINST**
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
5. To re-elect as Director, Mr Cheng Yong Liang		
6. To re-appoint as Director, Y. A. Bhg. Tun Musa Hitam		
7. To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
8. To re-appoint Auditors		
9. Authority to Directors to issue shares		
10. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
11. Proposed Share Buy-Back		
12. 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.