LION INDUSTRIES CORPORATION BERHAD

A Member of The Lion Group

(415-D)

Laporan Tahunan 2007 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Seventy-Seventh 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 29 November 2007 at 11.00 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2007. **Resolution 1**

2. To approve the payment of a first and final dividend of 1.0% less 27% Malaysian Income Tax. **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM208,000 (2006 : 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:

   Mr Heah Sieu Lay **Resolution 4**
   Mr Chong Jee Min **Resolution 5**

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

   "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**

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

7. Special Business

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

7.1 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 in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 14 November 2007 ("Related Parties") 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 of the Company. **Resolution 9**

AND 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 authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

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 30 November 2007 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 4 December 2007 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 28 December 2007 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 4 December 2007.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
7 November 2007

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. *Resolution 8*

 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.

3. *Resolution 9*

 This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 14 November 2007, 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 of the Company.

 The Circular to Shareholders setting out the details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions will be despatched on 14 November 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election/re-appointment at the Seventy-Seventh Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 7 of the 2007 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 Datuk 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	:	OCBC Bank (Malaysia) 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 73, 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 Bachelor 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, 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 until 1987.

In 2005, Tun Musa Hitam was appointed Joint-Chairman of the Eminent Persons Group to chart out ASEAN/China's next 15 years programme and after that was appointed the Chairman of the Eminent Persons Group to draft the ASEAN Charter.

Tun Musa Hitam is also the Chairman of United Malayan Land Berhad, a public listed company, and Synergy Drive Berhad, a public company. He is also the founding Chairman of the CIMB Group's International Advisory Panel, a member of the Advisory Board of the Malaysian "Journal of Diplomacy and Foreign Relations" and the Advisory Panel of the South Johor Economic Region.

Tun Musa Hitam attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Datuk Cheng Yong Kim
Managing Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 57, 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 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 1,784,789 ordinary shares of RM1.00 each and an indirect shareholding of 336,741,465 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 131 of this Annual Report. He also has interest in certain companies which conduct similar business with the Company in the property development sector.

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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Tan Sri Datuk Asmat bin Kamaludin
Independent Non-Executive Director

Y. Bhg. Tan Sri Datuk Asmat bin Kamaludin, a Malaysian, aged 63, 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 in 1966. He has served in the Ministry of Trade and Industry, now known as the Ministry of International Trade and Industry ("MITI") for a period of 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 on 18 January 2001.

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 and Permodalan Nasional Berhad

Save for Trans-Asia Shipping Corporation Berhad and Permodalan Nasional Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

Tan Sri Asmat attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 69, 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 15,000 ordinary shares of RM1.00 each and an indirect interest of 180,000 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 180,000 shares in the Company.

Dato' Kamaruddin attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 50, 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, 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Heah Sieu Lay
Non-Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 54, 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 all five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 48, 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, a public listed company.

Mr Chong attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2007.

Save as disclosed, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interest with the Company; and (iv) any conviction for offences within the past 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 2007 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 2007, five (5) board meetings were held and each Director attended all the board meetings held during the financial year. A brief profile of each member of the Board is 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 facilitates 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 the 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 their 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 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 Directors also have access to the advice and services of the Company Secretaries, who are responsible for 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 17 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 have also attended 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 attendance of the Directors at the aforementioned seminars and programmes, and the Continuing Updates as adequate to enhance their 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 17 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 2007 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	707	727
Non-executive Directors	188	189	377
	208	896	1,104

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
25,000 & below	-	1
25,001 – 50,000	-	3
50,001 – 100,000	-	1
100,001 – 150,000	-	1
700,001 – 750,000	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 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, majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 13 to 16 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 for 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 2007, 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 12 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

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 Datuk 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, a majority of whom shall be independent Directors. The composition of the Audit Committee shall fulfill the requirements as prescribed 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. At least once a year, the Audit Committee shall meet with the external auditors without the non-independent Directors being present. 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.

- **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 (in the absence of management, where 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 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 internal audit staff members and reasons thereof.

(xii) To perform any other such function as may be agreed to by the Audit Committee and the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Except for Mr Heah Sieu Lay who was absent for one (1) meeting, all other members attended all the six (6) Audit Committee Meetings held in the financial year.

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

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

- **Financial Results**

  (a) Reviewed the interim unaudited financial statements of the Group prior to recommending them for approval by the Board.

  (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes in accounting policies, significant and unusual events and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements.

- **Internal Audit**

  (a) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas.

  (b) Reviewed the audit programmes, resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.

  (c) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.

  (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.

  (e) Reviewed the Internal Control – Self-Assessment ratings submitted by the respective operations management.

- **External Audit**

  (a) Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.

  (b) Reviewed with external auditors the results of the audit and the audit report in particular, accounting issues and significant audit adjustments arising from the external audit.

  (c) Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with management's response to the findings of the external auditors.

  (d) Evaluated the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

  (e) Convened a meeting with the external auditors without 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 transaction entered into by the Group set out below:

     Proposed lease by Amsteel Mills Sdn Bhd of the piece of freehold vacant land in Daerah Kuala Langat, Negeri Selangor from Megasteel Sdn Bhd, a related party, on which a jetty would be constructed to facilitate the operations of the inland waterway transportation system project.

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

- **Allocation of Share Options**

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

NOMINATION COMMITTEE

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

Members : Y. Bhg. Tan Sri Datuk 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 Datuk 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)

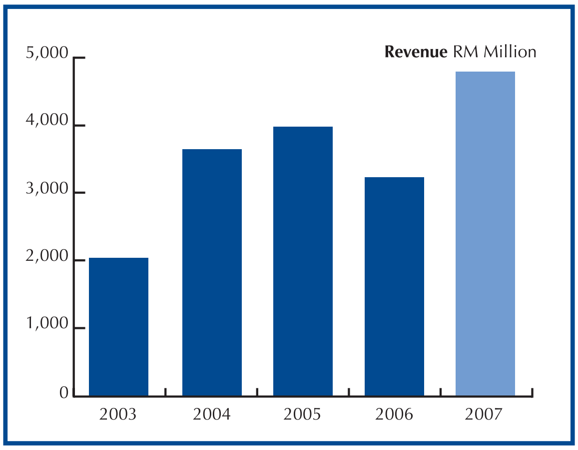
Terms of Reference :

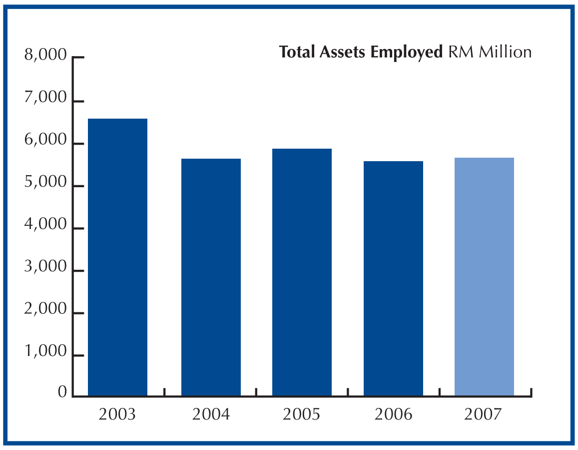
- To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

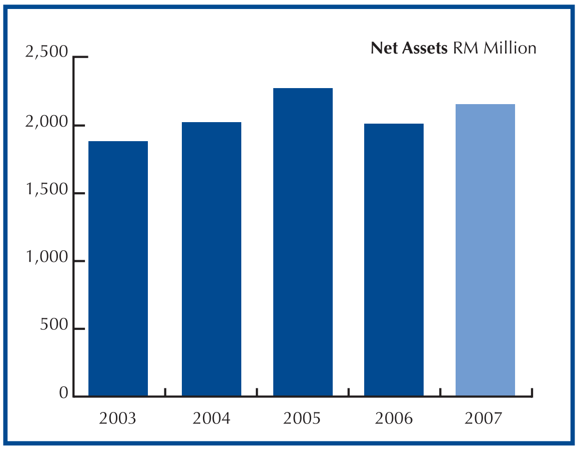
5 YEARS GROUP FINANCIAL HIGHLIGHTS

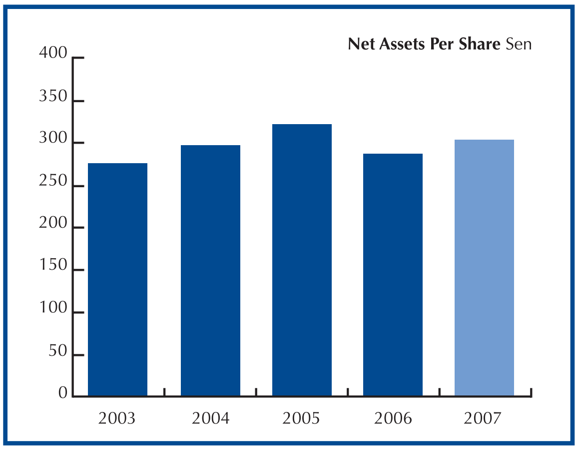
Financial years ended 30 June	**2003 RM'000**	**2004 RM'000**	**2005 RM'000**	**2006 RM'000**	**2007 RM'000**
Revenue	2,014,549	3,637,868	3,965,156	3,223,933	**4,792,788**
Profit/(Loss) before taxation	118,842	569,725	383,109	(146,462)	**271,756**
Profit/(Loss) after taxation	72,325	475,388	335,226	(33,265)	**199,914**
Dividends:					
Rate (%)	0.5	1.0	1.0	0.5	**1.0**
Amount (Net of tax)	2,445	4,923	5,018	2,510	**5,151**
Total assets employed	6,598,857	5,654,551	5,894,143	5,604,075	**5,652,863**
Net assets	1,881,206	2,023,201	2,277,988	2,009,824	**2,142,242**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	277	298	327	288	**304**
Earnings/(Loss) per share	13.7	49.5	47.6	(1.5)	**30.4**

Note : The Group's financial highlights have been adjusted to account for the new or revised Financial Reporting Standards ("FRSs") of which certain FRSs have been adopted retrospectively.



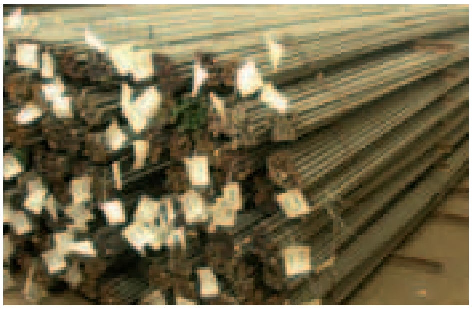




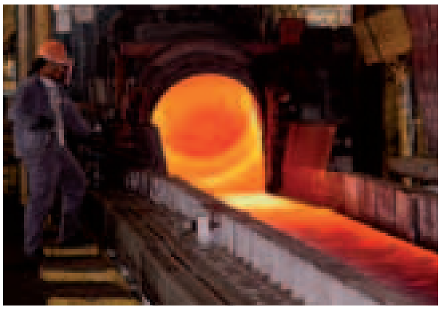


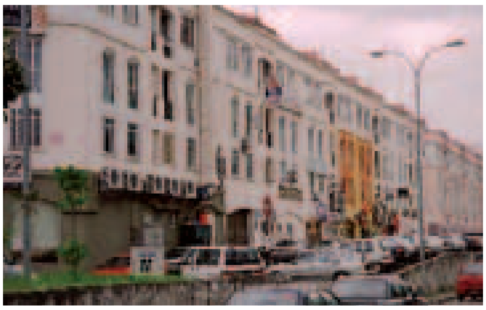
THE GROUP'S BUSINESSES


- The Hot Briquetted Iron (HBI) plant (right) operated by Antara Steel Mills Sdn Bhd in Labuan, with a close-up of the finished product (inset).
- *Kilang besi briket panas (HBI) (kanan) dikendalikan oleh Antara Steel Mills Sdn Bhd di Labuan, (gambar kecil) HBI 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 bergred tinggi untuk aplikasi khusus.*




- The Group's property projects in Taman Malim Jaya in Melaka, Taman Soga in Batu Pahat and Pelangi Promenade in Klang.
- *Projek hartanah Kumpulan di Taman Malim Jaya di Melaka, Taman Soga di Batu Pahat dan Pelangi Promenade di Klang.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad bagi tahun kewangan berakhir 30 Jun 2007.

PRESTASI KEWANGAN

Perolehan Kumpulan bagi tahun kewangan meningkat 48% kepada RM4.79 bilion berbanding RM3.23 bilion yang dicapai pada tahun lepas. Operasi besi briket panas ("HBI") di Labuan memberi sumbangan besar kepada prestasi Kumpulan berikutan beroperasi semula menjelang akhir tahun kewangan yang lepas setelah kilangnya mengalami kerosakan luar jangkaan yang menyebabkan pengeluaran tertunda kira-kira lima setengah bulan. Produk keluli panjang juga memberi sumbangan menggalakkan apabila pasaran besi keluli tempatan dan antarabangsa kembali pulih daripada kemerosotan dalam tahun kewangan sebelumnya. Dalam tahun kewangan bawah kajian, Kumpulan telah menyelesaikan pelupusan operasi pulpa dan kertas di bawah Sabah Forest Industries Sdn Bhd ("SFI"). Pelupusan SFI telah menjana aliran tunai yang ketara dan sebahagian hasilnya telah digunakan untuk mengurangkan pinjaman Kumpulan.

Sejajar dengan peningkatan perolehan Kumpulan, keuntungan operasi meningkat kepada RM310 juta berbanding kerugian operasi berjumlah RM161 juta pada tahun lepas. Bersama-sama sumbangan yang menggalakkan daripada syarikat-syarikat bersekutu, terutamanya perniagaan peruncitan, Kumpulan mencatat keuntungan sebelum cukai berjumlah RM272 juta berbanding kerugian sebelum cukai berjumlah RM146 juta pada tahun lalu.

PERKEMBANGAN KORPORAT

Peristiwa-peristiwa korporat penting yang berlaku dalam Kumpulan adalah seperti berikut:

(a) Pada 16 Mac 2007, Lion Forest Industries Berhad ("LFIB"), anak syarikat senaraian awam milik 80% kepentingan Kumpulan, telah menyelesaikan proses pelupusan keseluruhan 97.78% pegangan dalam SFI untuk pertimbangan tunai berjumlah AS$261 juta (anggaran RM944.82 juta) tertakluk kepada pelarasan daripada syarat-syarat cadangan pelupusan.

(b) Pada 29 Jun 2007, LFIB telah mengagihkan bayaran tunai berjumlah RM420.55 juta kepada kesemua pemegang saham LFIB yang layak berikutan dengan pengagihan modal pada asas RM2.00 bagi setiap saham biasa sedia ada bernilai RM1.00 setiap satu dalam LFIB yang melibatkan pengurangan rizab premium sahamnya.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0% atau 1.0 sen sesaham (2006: 0.5% atau 0.5 sen sesaham), ditolak 27% cukai pendapatan (2006: 28%). Jumlah dividen bersih berbayar, jika diluluskan pada Mesyuarat Agung Tahunan, akan berjumlah RM5.1 juta (2006: RM2.5 juta).

TANGGUNGJAWAB SOSIAL KORPORAT

Kita menyedari akan pentingnya tanggungjawab sosial korporat ("CSR") sebagai sebahagian dari pelengkap perniagaan dan telah menerapkan rangka kerja kebertanggungjawaban dan ketelusan CSR dalam rancangan perniagaan untuk meningkatkan keyakinan para pemegang kepentingan. Sehubungan dengan itu, CSR menjadi satu komponen penting dalam amalan perniagaan yang baik yang disasarkan untuk kebaikan bersama masyarakat dan juga alam sekitar.

Dalam melaksanakan aktiviti perniagaannya, Kumpulan sentiasa prihatin akan tanggungjawabnya sebagai warga korporat, untuk menyumbang kembali kepada masyarakat sambil meningkatkan hasil perolehan dan juga nilai para pemegang saham. Kumpulan memberikan tumpuan untuk membantu masyarakat dalam bidang pendidikan dan penjagaan kesihatan menerusi dua buah yayasan.

Yayasan Lion-ASM menyalurkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik; dan setiap tahun ia memberikan biasiswa dan pinjaman pendidikan kepada pelajar-pelajar yang melanjutkan pelajaran di universiti-universiti tempatan. Dana Bantuan Perubatan Kumpulan Lion pula menawarkan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan.

PROSPEK

Prospek masa hadapan industri keluli tempatan dijangka bertambah baik berikutan pelbagai projek mega yang akan dilaksanakan di bawah Rancangan Malaysia Ke-Sembilan. Lonjakan semula harga keluli antarabangsa dijangka berterusan berikutan langkah-langkah yang diambil oleh Kerajaan China bagi mengekang lebihan eksport produk-produk kelulinya.

Dengan selesainya pelaksanaan tadbir urus korporat yang dilaksanakan oleh Lion Diversified Holdings Berhad ("LDHB"), sebuah syarikat sekutu Kumpulan, bagi melupuskan perniagaan runcitnya kepada sebuah syarikat senaraian awam yang lain, Parkson Holdings Berhad ("Parkson"), LDHB akan memberi tumpuan untuk memajukan perniagaan keluli yang akan memulakan pengeluaran 'Direct Reduced Iron'. Ekoran daripada pelupusan itu, Parkson, pemilik baru perniagaan runcit, menjadi syarikat sekutu Kumpulan yang baru.

PENGHARGAAN

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

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

Akhir sekali, ribuan terima kasih kepada pihak pengurusan dan pekerja di atas komitmen dan dedikasi yang ditunjukkan kepada Kumpulan.

TUN MUSA HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad for the financial year ended 30 June 2007.

FINANCIAL PERFORMANCE

Group revenue for the year rose 48% to RM4.79 billion as against RM3.23 billion achieved last year. Our hot briquetted iron ("HBI") operation in Labuan contributed strongly to the Group's performance following the resumption of its operation towards the end of the last financial year after encountering an unexpected plant breakdown which delayed production by about five and a half months. The Group's long products had also contributed favourably as both domestic and international steel markets have recovered from the weak conditions in the previous financial year. During the financial year under review, the Group had completed the disposal of its pulp and paper operations under Sabah Forest Industries Sdn Bhd ("SFI"). The disposal of SFI had generated significant cash inflow and the proceeds had been partially utilised to reduce the Group's borrowings.

In tandem with the higher Group revenue, operating profit rose to RM310 million as against an operating loss of RM161 million last year. Together with the favourable contribution from our associated companies, especially from the retail business, the Group recorded a profit before tax of RM272 million as against a loss before tax of RM146 million last year.

CORPORATE DEVELOPMENTS

The significant corporate events of the Group were as follows:

(a) On 16 March 2007, Lion Forest Industries Berhad ("LFIB"), an 80% owned listed subsidiary company, completed the disposal of its entire 97.78% shareholding in SFI for a total cash consideration of USD261 million (approximately RM944.82 million) subject to adjustments pursuant to the terms of the proposed disposal.

(b) On 29 June 2007, LFIB distributed a total cash payment of RM420.55 million to all its entitled shareholders pursuant to the capital distribution on the basis of RM2.00 for every one existing ordinary share of RM1.00 each held in LFIB which involved a reduction of the share premium reserve of LFIB.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 1.0% or 1.0 sen per share (2006: 0.5% or 0.5 sen per share), less 27% income tax (2006: 28%). Total net dividend payable, if approved at the Annual General Meeting, will amount to RM5.1 million (2006: RM2.5 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. In this regard, CSR is becoming an important component of good business practice aimed at improving society and the environment.

In carrying out its business activities, the Group is mindful of its responsibility 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 through two Foundations.

The 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.

PROSPECTS

The outlook for the local steel industry is expected to be much more favourable as more mega projects are rolled out under the Ninth Malaysia Plan. The strong rebound in international steel prices is envisaged to be sustainable in view of measures undertaken by the Chinese Government to curb excessive exports of its steel products.

Following the completion of the corporate exercise undertaken by Lion Diversified Holdings Berhad ("LDHB"), an associated company of the Group, to spin-off its retail business to another listed company, Parkson Holdings Berhad ("Parkson"), LDHB will focus on developing its steel business with the commencement of production of Direct Reduced Iron ("DRI"). Consequent upon the spin-off, Parkson, the new owner of the retail business, became the Group's new associated company.

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2007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和经审核财务报告。

业 绩

检讨年度内，本集团的营业额从去年的32亿3千万令吉 提升48%至47亿9千万令吉。我们在纳闽运作的热铁砖业务，在上个财政年度结束前恢复生产，对集团表现做出强大贡献。这间工厂在上个财政年度内发生出乎意料之外的故障，造成生产受到拖延长达5个半月。由於本地和国际钢铁市场从之前财政年度的疲弱市况中复苏，本集团的钢条产品也做出良好贡献。检讨年度内，本集团已完全脱售沙巴森林工业私人有限公司。这项脱售带来显着的现金流入，部分款项已用来减轻集团的债务。

与营业额一致，本集团的营运盈利也从去年的1亿6千100万令吉营运亏损，改善至取得3亿1千万令吉的营运盈利。连同联号公司的良好贡献，尤其是零售业务，使本集团取得高达2亿7千200万令吉的税前盈利，比较去年则为1亿4千600万令吉的税前亏损。

企 业 发 展

重要的企业发展如下：

(a) 2007年3月16日，本集团拥有80%股权的上市子公司金狮森林工业有限公司已完成脱售其在沙巴森林工业私人有限公司的97.78%股权，脱售价为现金2亿6千100万美元（约9亿4千482万令吉）依照合约上所同意的售价进行调整。

(b) 2007年6月29日，金狮森林工业有限公司进行资本回退，总共派发4亿2千零55万零吉现金给于其所有的股东，每持有1股每股面值1令吉的金狮森林工业有限公司股票将可获得2令吉的回退，这项计划也减少金狮森林工业有限公司的股份溢价。

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（2006年为0.5%或每股0.5分）必须扣除27%（2006年：28%）所得税。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510万令吉（2006年：250万令吉）。

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。在这方面，企业社会责任是良好营商手法不可或缺的一部分，目的是要改善社会服务和环境发展。

本公司在展开商业活动时，深切了解作为企业公民的责任，对股东在企业的价值作出贡献的同时，也要回馈社会。因此本集团通过两项基金，以教育和医疗服务来回馈社会。

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。

展 望

本地钢铁业料拥有更美好的展望，主要是因为当局在第九大马计划下推动许多大型计划；中国政府采取措施抑制过量钢铁产品的出口後，国际钢铁价格的强力反弹料将持续。

本集团的联号公司金狮多元控股有限公司完成企业重组计划後，零售业务已转至另一家上市公司百盛控股有限公司旗下。金狮多元控股有限公司将开始生产还原铁及专注发展其钢铁业务。此外，零售业务如今完全由本集团新的联号公司百盛控股有限公司负责进行。

鸣 谢

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

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支持和谘询。

最後，我真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
TUN MUSA HITAM

REVIEW OF OPERATIONS

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

Steel

	2007 RM Million	2006 RM Million
Revenue	**4,210**	2,606
Profit/(Loss)	**350**	(79)

Product	Annual Rated Capacity (Million Metric Tons)
HBI	0.9
Billets	2.7
Bars and Rods	1.9

The resumption of our hot briquetted iron ("HBI") production in Labuan towards the end of the last financial year coupled with higher selling prices had contributed strongly to the improved performance of the Division. Our long products also benefited from better demand from the local market and the rebound in international steel prices.

Overall, the Steel Division recorded a remarkable 62% jump in revenue to RM4.21 billion compared to RM2.61 billion last year whilst operating profit was RM350 million as against a loss of RM79 million.

Labuan Plant
(Product : HBI)

Our HBI operations posted an impressive performance after it resumed full production on its new production capacity of 0.9 million metric tons. Operating in an environment of better international demand and selling prices, the HBI operations chalked up a revenue of RM915 million and profit of RM264 million for the year (2006: RM353 million and RM64 million respectively).

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

In line with the improving market conditions, especially in international selling prices of its steel products, all our plants recorded higher sales and production volumes with better margins. We managed to expand our export market due to recent measures to curb exports of its steel products by the Chinese government and the booming construction sector in the Middle East which have fuelled demand for steel products.

In the domestic market, the upward revisions of selling prices for billets and bars in the second half of the financial year have somewhat stabilised the local construction market. In line with the expected increase in demand from the establishment of the Iskandar Development Region and the robust construction sector in Singapore, our Johor plant will be upgrading its rolling mills' production capacity by another 100,000 metric tons to 600,000 metric tons per annum.

Timber Extraction And Pulp & Paper – Discontinued Operation

	2007 (8½ months) RM Million	2006 (12 months) RM Million
Revenue	**246**	326
Loss	**(21)**	(41)

Product	Annual Rated Capacity
Pulp	120,000 metric tons
Paper	150,000 metric tons
SawnTimber	100,000 m3
Plywood	120,000 m3

The performance of Sabah Forest Industries Sdn Bhd ("SFI"), which carried out the Group's timber extraction and pulp and paper operation in Sabah continued to remain unsatisfactory up to the date of its divestment. For the 8½ months the Division recorded a loss of RM21 million due to lower production and continued margin erosion.

Tyre

	2007 RM Million	2006 RM Million
Revenue	**80**	42
Loss	**(9)**	(19)

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

In the second year of operation, our Tyre Division had improved its plant utilisation from 26% to 60%. Coupled with the increase in workforce and growing distribution network, the Division posted higher revenue of RM80 million. However, due to rising raw material costs and stiff competition, the Division was not able to turnaround its performance in the financial year. Nevertheless, the Division will continue to improve productivity and expand its distribution network to gain wider market share in view of the booming automotive industry in China.

Property Development

	2007 RM Million	2006 RM Million
Revenue	**21**	30
Profit	**1**	4

The main revenue contributor in this Division to the current year results was from 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.

The joint-venture with the Eastern & Oriental Group to jointly develop the property located at the site of the former St Mary's School in Kuala Lumpur is expected to commence by December 2007. The joint-venture development project comprises a mixed integrated development with service apartments, retail, food and beverage outlets.

Building Materials

	2007 RM Million	2006 RM Million
Revenue	**157**	136
Profit	**0.1**	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 remained low mainly due to the contraction in growth of the construction sector. However, the construction sector has started to turnaround and is expected to expand further underpinned by the launch of new mega projects under the Ninth Malaysia Plan. Coupled with improved demand in the property sector, the Division is expected to record stronger growth.

Automotive Lubricants

	2007 RM Million	2006 RM Million
Revenue	**57**	51
Profit	**5.9**	5.9

The automotive lubricants industry is increasingly becoming more competitive with leading players seeking advantages in economies of scale and managing their business on a global basis. The Division is seeking to strengthen its business operations by continuing to expand its network and product coverage.

FINANCIAL STATEMENTS 2007

For The Financial Year Ended 30 June 2007

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 2007.

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

(a) On 28 July 2006, Lion Forest Industries Berhad ("LFIB") (an 80% owned subsidiary company of the Company) together with its wholly-owned subsidiary company, Quay Class Ltd ("Quay Class"), and Silverstone Corporation Berhad ("SCB") terminated the Conditional Sale and Purchase of Shares Agreement dated 31 January 2005 entered into between the parties for the acquisition by Quay Class of the entire issued and paid-up share capital of Silverstone Berhad from SCB for a purchase consideration of RM225,000,000 to be satisfied by a combination of RM72,610,000 via the issue and allotment of 26,500,000 new ordinary shares of RM1.00 each in LFIB at an issue price of RM2.74 each and the balance of RM152,390,000 in deferred cash payments.

(b) On 16 March 2007, LFIB completed the disposal of its entire 97.78% shareholding in Sabah Forest Industries Sdn Bhd ("SFI") comprising 752,532,412 class A ordinary shares of RM1.00 each fully paid and 7,525,324,120 class B ordinary shares of RM0.10 each fully paid for a total cash consideration of USD261 million (approximately RM944.82 million) subject to adjustments pursuant to the terms of the proposed disposal. The transaction resulted in a loss on disposal of RM42,220,000 for the Group as disclosed in Note 12 to the Financial Statements.

(c) 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.

SUBSEQUENT EVENTS

(a) On 19 September 2007, the Company announced the proposed variation to the redemption date of certain zero-coupon redeemable secured RM denominated bonds ("LICB Bonds") and the repayment date of zero-coupon redeemable secured USD consolidated and rescheduled debts ("USD Debts") which are due for redemption and repayment on 31 October 2007 and 31 December 2007 ("Proposed Variation").

Late payment interest will be paid to the holders of the LICB Bonds and USD Debts at the rate of 1% per annum above the relevant yield to maturity on the LICB Bonds and USD Debts in respect of the deferment amounts from the due date up to the date of actual payment.

The Proposed Variation is subject to approvals by the relevant authorities (including the Securities Commission and Bank Negara Malaysia) and the holders of the LICB Bonds and USD Debts.

(b) On 21 September 2007, LFIB announced that Jadeford International Limited ("Jadeford"), a wholly-owned subsidiary company of LFIB, has appointed a Manager to arrange and/or execute the acquisition of the following debts of AMB Harta (L) Ltd, a company incorporated in Labuan, Malaysia, by way of a call option on the sellers:

(i) Zero-Coupon Redeemable Secured Class B USD-denominated debts ("Class B SPV Debts") with a nominal value of approximately USD9.07 million (equivalent to approximately RM31.36 million) for a cash consideration of approximately USD5.44 million (equivalent to approximately RM18.82 million) ("1st Acquisition"). The Manager had on 19 September 2007 exercised the call option in respect of the 1st Acquisition and nominated Jadeford to accept the transfer of the 1st Acquisition from the seller. The 1st Acquisition was completed on 19 September 2007.

(ii) Class B SPV Debts and Zero-Coupon Redeemable Secured Class C USD-denominated debts with an aggregate nominal value of approximately USD32.62 million (equivalent to approximately RM112.54 million) for a cash consideration of approximately USD16.58 million (equivalent to approximately RM57.20 million) ("2nd Acquisition"). The Manager has the right to exercise a call option on the 2nd Acquisition within a period of four months from the date of the option agreement with a further extension of two months.

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**
Continuing operations:		
Profit before tax	334,957	7,704
Tax expense	(71,842)	(615)
Profit for the year from continuing operations	263,115	7,089
Loss for the year from discontinued operations	(63,201)	-
Profit for the year	199,914	7,089
Attributable to:		
Equity holders of the Company	212,707	
Minority interests	(12,793)	
	199,914	

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

DIVIDENDS

A first and final dividend of 0.5%, less tax, amounting to RM2.5 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 tax, amounting to RM5.1 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 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 Executive Share Option Scheme of the Company.

The resulting share premium of RM1,242,000 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 options to eligible executives and executive Directors of the Group at a subscription price of RM1.330 per share. 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 1.7.2006**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2007**
9.5.2006	1.037	7,989,400	-	(5,279,700)	(584,500)	2,125,200
26.2.2007	1.330	-	8,521,300	(3,172,500)	(592,500)	4,756,300
		7,989,400	8,521,300	(8,452,200)	(1,177,000)	6,881,500

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

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 100,000 options. The eligible employees (excluding the executive Directors) who were granted 100,000 options or more during the financial year are as follows:

Name of employee	Number of options granted at the subscription price of RM1.330 per share on 26 February 2007
1. Toh Tuan Sun (resigned during the financial year)	126,000
2. Pang Fook Fah	122,500
3. Loh Fook Guan	110,300
4. Liew Choon Yick	105,000

OTHER FINANCIAL INFORMATION

Before the income statements and 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 need 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.

The RM Denominated Bonds ("LICB Bonds") and USD Consolidated and Rescheduled Debts ("USD Debts") for the Group totalling RM248 million are due for redemption/repayment within the next twelve (12) months as disclosed in Note 35 to the Financial Statements. The cash flows for the said redemption/repayment will be sourced from proceeds on the disposal of assets/companies included in the proposed divestment programme and other assets received by the Group under the group wide restructuring scheme implemented in 2003 ("GWRS"). Due to the weak market condition, the realisation of planned disposals of these assets is expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets/companies under the proposed divestment programme. Where necessary, the Group will divest other assets which are not included in the proposed divestment programme to redeem/repay the LICB Bonds and USD Debts. Consent from the Scheme Creditors will also be sought to enable the Group to reschedule its redemption/repayment of the LICB Bonds and USD Debts. The Directors believe that consent from the Scheme Creditors will not be unreasonably withheld.

Accordingly, the Directors consider it appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

Other than as stated above, 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 other than as disclosed under Subsequent Events.

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 Datuk 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, Mr Heah Sieu Lay and Mr Chong Jee Min retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam retires and offers himself for re-appointment as Director 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 1.7.2006	**Additions**	**Disposals**	**Balance as of 30.6.2007**
Direct interest				
Datuk Cheng Yong Kim	1,600,689	184,100	-	1,784,789
Dato' Kamaruddin @ Abas bin Nordin	-	70,000	(30,000)	40,000
Cheng Yong Liang	47,880	-	-	47,880
Indirect interest				
Datuk Cheng Yong Kim	299,998,443	-	-	299,998,443

In addition to the above, 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 1.7.2006	Granted	Exercised	Balance as of 30.6.2007
Datuk Cheng Yong Kim	245,000	245,000	-	490,000
Dato' Kamaruddin @ Abas bin Nordin	87,500	87,500	(70,000)	105,000

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 1.7.2006	Additions	Disposals	Balance as of 30.6.2007
Datuk Cheng Yong Kim					
Indirect interest					
Lion Forest Industries Berhad	RM1.00	170,488,512	-	(2,500,000)	167,988,512
Lion-Kimtrans Logistics Sdn Bhd	RM1.00	-	75	-	75
LLB Enterprise Sdn Bhd	RM1.00	690,000	-	-	690,000
LLB Strategic Holdings Berhad	RM1.00	4,050,000	-	-	4,050,000
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

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

Investments in the People's Republic of China	Currency	Balance as of 1.7.2006	Additions	Disposals	Balance as of 30.6.2007
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

Other than as disclosed above, the Directors of the Company do not have 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 33 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,
4 October 2007

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

We have audited the accompanying balance sheets as of 30 June 2007 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 ("Act") and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:

  (i) the state of affairs of the Group and of the Company as of 30 June 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and

  (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

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

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned in Note 49 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Note 3 to the Financial Statements concerning the portion of LICB Bonds and USD Debts of the Group that are due for redemption/repayment within the next twelve (12) months and the steps taken by the Group to meet this obligation.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

YEE YOON CHONG
1829/07/09 (J)
Partner

Petaling Jaya
4 October 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	Note	The Group 2007 RM'000	The Group 2006 RM'000 Restated	The Company 2007 RM'000	The Company 2006 RM'000 Restated
Continuing Operations:					
Revenue	6	**4,546,341**	2,897,716	**13,313**	19,362
Other income		**73,507**	31,569	**44,319**	32,700
Net change in inventories		**106,445**	(87,944)	**-**	-
Raw materials and consumables used		**(3,658,331)**	(2,430,439)	**-**	-
Purchase of trading merchandise		**(145,794)**	(127,064)	**-**	-
Contract costs recognised		**-**	(1,132)	**-**	-
Property development expenditure	18(b)	**(6,570)**	(8,307)	**-**	-
Staff costs	7	**(138,637)**	(129,193)	**(5,938)**	(5,356)
Directors' remuneration	8	**(1,104)**	(995)	**(939)**	(867)
Depreciation of property, plant and equipment	14	**(87,431)**	(91,181)	**(518)**	(2,949)
Amortisation of:					
Intangible assets	24	**(71)**	(68)	**-**	-
Prepaid land lease payments	16	**(2,196)**	(2,082)	**-**	-
Negative goodwill		**-**	1,946	**-**	-
Goodwill	25	**-**	(9,837)	**-**	-
Other expenses		**(355,149)**	(163,742)	**(30,018)**	(25,171)
Profit/(Loss) from operations	7	**331,010**	(120,753)	**20,219**	17,719
Finance costs	9	**(162,260)**	(150,618)	**(26,491)**	(28,495)
Share in results of associated companies		**131,289**	131,367	**-**	-
Investment income	10	**34,918**	34,388	**13,976**	16,514
Profit/(Loss) before tax		**334,957**	(105,616)	**7,704**	5,738
Tax (expense)/income	11	**(71,842)**	113,128	**(615)**	2,102
Profit for the year from continuing operations		**263,115**	7,512	**7,089**	7,840
Discontinued Operations:					
Loss for the year from discontinued operations	12	**(63,201)**	(40,777)	**-**	-
Profit/(Loss) for the year		**199,914**	(33,265)	**7,089**	7,840
Attributable to:					
Equity holders of the Company		**212,707**	(10,586)		
Minority interests		**(12,793)**	(22,679)		
		199,914	(33,265)		
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen):					
Basic, for profit from continuing operations	13	**37.65**	2.47		
Basic, for loss from discontinued operations	13	**(7.21)**	(3.99)		
Basic, for profit/(loss) for the year	13	**30.44**	(1.52)		
Diluted, for profit from continuing operations	13	**NA**	NA		
Diluted, for loss from discontinued operations	13	**NA**	NA		
Diluted, for profit/(loss) for the year	13	**NA**	NA		

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

BALANCE SHEETS

AS OF 30 JUNE 2007

	Note	The Group 2007 RM'000	The Group 2006 RM'000 Restated	The Company 2007 RM'000	The Company 2006 RM'000 Restated
ASSETS					
Non-current Assets					
Property, plant and equipment	14	**1,382,352**	2,090,857	**1,661**	97,372
Investment properties	15	**101,047**	-	**95,300**	-
Prepaid land lease payments	16	**103,591**	113,537	**-**	-
Forest concessions	17(a)	**-**	290,136	**-**	-
Plantation development expenditure	17(b)	**-**	152,139	**-**	-
Land held for property development	18(a)	**52,079**	53,308	**116**	111
Investment in subsidiary companies	19	**-**	-	**166,135**	273,575
Investment in associated companies	20	**582,135**	470,454	**24,341**	24,341
Investment in jointly controlled entity	21	**125**	-	**-**	-
Long-term investments	22	**100,127**	166,118	**21,295**	30,788
Deferred tax assets	23	**76,364**	143,319	**-**	-
Intangible assets	24	**404**	1,481	**-**	140
Goodwill	25	**130,634**	130,634	**-**	-
Deferred consideration	29(b)	**124,272**	-	**-**	-
Total Non-current Assets		**2,653,130**	3,611,983	**308,848**	426,327
Current Assets					
Property development costs	18(b)	**39,799**	41,971	**-**	-
Inventories	26	**1,070,355**	824,409	**43**	43
Amount due by contract customers	27	**571**	667	**-**	-
Short-term investments	28	**107,844**	54,705	**25,380**	17,207
Trade receivables	29(a)	**430,271**	510,113	**9**	60
Other receivables, deposits and prepayments	29(b)	**592,629**	282,524	**65,445**	72,007
Accrued billings for property development projects		**448**	1,134	**-**	-
Amount owing by jointly controlled entity	21	**1,626**	-	**-**	-
Amount owing by subsidiary companies	30(a)	**-**	-	**1,166,769**	1,196,829
Amount owing by an associated company	30(b)	**25,891**	28,500	**-**	-
Deposits, cash and bank balances	31	**711,437**	248,069	**122,264**	26,972
		2,980,871	1,992,092	**1,379,910**	1,313,118
Assets classified as held for sale	32	**18,862**	-	**-**	-
Total Current Assets		**2,999,733**	1,992,092	**1,379,910**	1,313,118
Total Assets		**5,652,863**	5,604,075	**1,688,758**	1,739,445

(Forward)

	Note	The Group 2007 RM'000	The Group 2006 RM'000 Restated	The Company 2007 RM'000	The Company 2006 RM'000 Restated
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	33	**705,555**	697,102	**705,555**	697,102
Reserves	34	**1,436,687**	1,312,722	**391,837**	381,045
Equity attributable to equity holders of the Company		**2,142,242**	2,009,824	**1,097,392**	1,078,147
Minority interests		**195,995**	424,364	**-**	-
Total Equity		**2,338,237**	2,434,188	**1,097,392**	1,078,147
Non-current and Deferred Liabilities					
LICB Bonds and USD Debts	35	**67,156**	72,816	**80,008**	85,059
BaIDS	36	**400,000**	460,000	**-**	-
Long-term borrowings	37	**904,742**	1,177,637	**-**	-
Finance lease payables	38	**34**	14	**-**	-
Hire-purchase payables	39	**483**	1,646	**263**	481
Deferred tax liabilities	23	**132,250**	135,821	**2,031**	1,629
Total Non-current and Deferred Liabilities		**1,504,665**	1,847,934	**82,302**	87,169
Current Liabilities					
Trade payables	40(a)	**392,666**	280,340	**1,256**	1,164
Other payables, deposits and accrued expenses	40(b)	**596,033**	464,868	**10,521**	11,428
Advance billings of property development projects		**1,762**	297	**-**	-
Amount due to contract customers	27	**1,091**	1,385	**-**	-
Amount owing to subsidiary companies	30(a)	**-**	-	**220,055**	264,010
Finance lease payables	38	**39**	42	**-**	-
Hire-purchase payables	39	**916**	1,096	**165**	171
Short-term borrowings	41	**497,032**	265,502	**-**	-
LICB Bonds and USD Debts	35	**248,382**	266,303	**277,067**	297,356
BaIDS	36	**60,000**	40,000	**-**	-
Tax liabilities		**2,399**	2,120	**-**	-
		1,800,320	1,321,953	**509,064**	574,129
Liabilities directly associated with assets classified as held for sale	32	**9,641**	-	**-**	-
Total Current Liabilities		**1,809,961**	1,321,953	**509,064**	574,129
Total Liabilities		**3,314,626**	3,169,887	**591,366**	661,298
Total Equity and Liabilities		**5,652,862**	5,604,075	**1,688,758**	1,739,445

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

The Group

	Note	← Non-Distributable Reserves →									
		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	Distributable 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 2005		697,056	515,190	34,560	769,593	-	-	261,589	2,277,988	482,427	2,760,415
Share-based payments:											
Effect of adoption of FRS 2	51	-	-	-	-	714	543	-	1,257	128	1,385
Issue of shares	33	46	2	-	-	-	-	-	48	-	48
Amortisation for the year		-	-	-	(34,095)	-	-	-	(34,095)	-	(34,095)
Currency translation differences		-	-	(4,514)	-	-	-	-	(4,514)	-	(4,514)
Loss for the year:											
As previously stated		-	-	-	-	-	-	(9,329)	(9,329)	(22,551)	(31,880)
Effect of adoption of FRS 2	51	-	-	-	-	-	-	(1,257)	(1,257)	(128)	(1,385)
As restated		-	-	-	-	-	-	(10,586)	(10,586)	(22,679)	(33,265)
Effect of dilution on equity interest in an associated company		-	-	-	-	-	-	(84,880)	(84,880)	-	(84,880)
Impairment loss on proposed disposal of a subsidiary company	25	-	-	-	(130,376)	-	-	-	(130,376)	(30,700)	(161,076)
Disposal of a subsidiary company		-	-	-	-	-	-	-	-	(2,230)	(2,230)
Effect of dilution on equity interest in a subsidiary company		-	-	-	-	-	-	-	-	2,337	2,337
Dividends		-	-	-	-	-	-	(5,018)	(5,018)	(4,919)	(9,937)
Balance as of 30 June 2006		697,102	515,192	30,046	605,122	714	543	161,105	2,009,824	424,364	2,434,188
Balance as of 1 July 2006											
As previously stated		697,102	515,192	30,046	605,122	-	-	162,362	2,009,824	424,364	2,434,188
Effect of adoption of FRS 2	51	-	-	-	-	714	543	(1,257)	-	-	-
Effect of adoption of FRS 140	15	-	-	-	-	-	-	1,439	1,439	-	1,439
As restated		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		-	-	-	-	-	-	-	-	(85,354)	(85,354)
Share of subsidiary company's other reserves		-	-	-	-	-	426	-	426	36	462
Dividends	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**

(Forward)

The Company

	Note	Issued capital RM'000	Share premium RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated loss RM'000	Total equity RM'000
		←	Non-Distributable Reserves		→		
Balance as of 1 July 2005		697,056	515,190	-	-	(137,683)	1,074,563
Issue of shares	33	46	2	-	-	-	48
Share-based payments:							
Effect of adoption of FRS 2	51	-	-	714	-	-	714
Profit for the year:							
As previously stated		-	-	-	-	8,006	8,006
Effect of adoption of FRS 2	51	-	-	-	-	(166)	(166)
As restated		-	-	-	-	7,840	7,840
Dividends		-	-	-	-	(5,018)	(5,018)
Balance as of 30 June 2006		697,102	515,192	714	-	(134,861)	1,078,147
Balance as of 1 July 2006							
As previously stated		697,102	515,192	-	-	(134,695)	1,077,599
Effect of adoption of FRS 2		-	-	714	-	(166)	548
As restated		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
Dividends	42	-	-	-	-	(2,510)	(2,510)
Balance as of 30 June 2007		**705,555**	**518,927**	**3,110**	**82**	**(130,282)**	**1,097,392**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

The Group	2007 RM'000	2006 RM'000 Restated
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year from:		
Continuing operations	**263,115**	7,512
Discontinued operations	**(63,201)**	(40,777)
	199,914	(33,265)
Adjustments for:		
Finance costs	**162,663**	150,979
Depreciation of property, plant and equipment	**119,833**	135,754
Tax expense/(income) recognised in income statement	**71,842**	(113,197)
Loss on disposal of SFI (Note 12)	**42,220**	-
Allowance for:		
Obsolescence of inventories	**36,372**	10,401
Doubtful trade and other receivables	**5,247**	3,276
Amortisation of:		
Forest concessions	**7,647**	10,796
Prepaid land lease payment	**2,196**	2,082
Intangible assets	**71**	68
Goodwill/(Negative goodwill) - net	**-**	(14,112)
Loss on:		
Partial disposal of shares in a subsidiary company	**7,134**	-
Dilution of an associated company	**-**	5,522
Share-based payments	**5,643**	1,385
Impairment loss on:		
Long-term investments	**3,566**	12,257
Property, plant and equipment	**3,183**	1,089
Land held for property development	**1,319**	-
Goodwill	**-**	560
Property, plant and equipment written off	**1,625**	108
Intangible assets written off	**225**	-
Loss on striking-off of a subsidiary company	**-**	131
Change in fair value adjustments on investment property	**(156)**	-
Allowance no longer required for:		
Cost to completion for property development projects	**(1,479)**	(115)
Doubtful trade and other receivables	**(734)**	(398)
(Gain)/Loss (net) on disposal of:		
Long-term investments	**(14,658)**	8,029
Subsidiary companies (ii)	**(3,386)**	316
Property, plant and equipment	**(13)**	(120)
Unrealised gain on foreign exchange	**(33,973)**	(25,100)
Interest income	**(35,511)**	(34,963)
Share in results of associated companies	**(131,289)**	(131,367)

(Forward)

The Group	**2007 RM'000**	**2006 RM'000 Restated**
Operating Profit/(Loss) Before Working Capital Changes	**449,501**	(9,884)
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	**897**	(1,642)
Inventories (Net of depreciation of property, plant and equipment of RM31,000 (2006: RM2,788,000) and amortisation of plantation development expenditure of RM3,662,000 (2006: RM996,000))	**(349,226)**	235,844
Amount due by contract customers	**96**	384
Trade receivables	**49,863**	6,793
Other receivables, deposits and prepayments	**(10,856)**	(15,975)
Amount owing by jointly controlled entity	**(1,626)**	-
Increase/(Decrease) in:		
Trade payables	**186,377**	(189,618)
Other payables, deposits and accrued expenses	**133,183**	(4,880)
Amount due to contract customers	**(294)**	203
Movements in translation adjustment account	**592**	1,838
Cash Generated From Operations	**458,507**	23,063
Tax paid	**(8,179)**	(5,895)
Net Cash Generated From Operating Activities	**450,328**	17,168
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from partial disposal of shares in a subsidiary company	**6,900**	-
Cash flow on disposal of subsidiary companies (ii)	**(1,653)**	2,811
Cash flow from disposal of SFI (Note 12)	**423,074**	-
Proceeds from disposal/redemption of investments	**34,291**	42,216
Proceeds from disposal of:		
Property, plant and equipment	**2,623**	514
Investment in an associated company	**-**	34,228
Interest received	**25,258**	23,258
Dividends received from an associated company	**8,273**	12,583
Additions to intangible assets	**-**	(647)
Purchase of property, plant and equipment (i)	**(151,715)**	(175,621)
Purchase of prepaid land lease payment	**(29,270)**	-
Purchase of investment in jointly controlled entity	**(125)**	-
Purchase of other investments	**(94)**	-
Increase in:		
Land held for property development	**(90)**	(1,528)
Plantation development expenditure (Net of depreciation of property, plant and equipment of RM322,000 (2006: RM156,000))	**(5,073)**	(6,120)
Net Cash Generated From/(Used In) Investing Activities	**312,399**	(68,306)

(Forward)

The Group	Note	2007 RM'000	2006 RM'000 Restated
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Proceeds from issuance of BaIDS		**-**	500,000
Issue of shares		**9,695**	48
Issue of shares by a subsidiary company		**363**	638
Interest and profit element of BaIDS paid		**(128,037)**	(114,397)
Repayment of short-term borrowings		**(13,097)**	(129,443)
Repayment of BaIDS		**(40,000)**	-
Redemption/Repayment of LICB Bonds and USD Debts		**(37,764)**	(92,545)
Capital distribution by a subsidiary company to minority shareholders		**(85,354)**	-
Dividend paid to shareholders of the Group		**-**	(4,919)
Dividend paid to shareholders of the Company		**(2,510)**	(5,018)
Repayment of finance lease liabilities		**(30)**	(59)
Repayment of hire-purchase liabilities		**(1,581)**	(1,260)
Increase in cash and cash equivalents - restricted		**(365,505)**	(62,559)
Net Cash (Used In)/Generated From Financing Activities		**(663,820)**	90,486
NET INCREASE IN CASH AND CASH EQUIVALENTS		**98,907**	39,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**134,035**	94,586
Effects of changes in exchange rates		**236**	101
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**233,178**	134,035

(i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM152,000,000 (2006: RM176,236,000), of which RM285,000 (2006: RM615,000) was acquired under lease and hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM151,715,000 (2006: RM175,621,000).

(ii) **ANALYSIS OF DISPOSAL OF A SUBSIDIARY COMPANY**

	2007 RM'000	2006 RM'000
Property, plant and equipment	**821**	2,854
Inventories	**-**	2,796
Trade receivables	**1,168**	605
Other receivables, deposits and prepayments	**1,556**	1,390
Deposits, cash and bank balances	**3,153**	175
Trade payables	**-**	(749)
Other payables, deposits and accrued expenses	**(9,046)**	(1,298)
Hire-purchase payables	**(38)**	-
Minority interests	**500**	(2,230)
Fair value of net (liabilities)/assets	**(1,886)**	3,543
Translation adjustment account	**-**	(241)
Gain/(Loss) on disposal recognised in income statement	**3,386**	(316)
Total cash consideration	**1,500**	2,986
Less: Cash and cash equivalents disposed of	**(3,153)**	(175)
Cash flow on disposal	**(1,653)**	2,811

(Forward)

The Company	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**7,089**	7,840
Adjustments for:		
Finance costs	**26,491**	28,495
Impairment loss on:		
Investment in subsidiary companies	**13,867**	12,904
Long-term investments	**1,727**	9,160
Allowance for:		
Doubtful amount owing by subsidiary companies	**12,429**	-
Doubtful trade and other receivables	**-**	353
Share-based payments	**939**	166
Tax expense/(income) recognised in income statement	**615**	(2,102)
Depreciation of property, plant and equipment	**518**	2,949
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 of:		
Long-term investments	**(267)**	(285)
Property, plant and equipment	**24**	(18)
Gain on dilution in an associated company	**-**	(25,356)
Dividend income	**(7,258)**	(12,346)
Unrealised gain on foreign exchange	**(12,583)**	(6,844)
Interest income	**(14,187)**	(16,709)
Allowance for doubtful amount owing by subsidiary companies no longer required	**(31,102)**	-
Operating Loss Before Working Capital Changes	**(1,264)**	(1,793)
Movement in working capital:		
(Increase)/Decrease in:		
Property development costs	**(5)**	748
Trade receivables	**51**	13,536
Other receivables, deposits and prepayments	**12,229**	-
Increase/(Decrease) in:		
Trade payables	**92**	(98)
Other payables, deposits and accrued expenses	**(907)**	(465)
Cash Generated From Operations	**10,196**	11,928
Interest paid	**(12)**	-
Tax paid	**-**	(1,039)
Net Cash Generated From Operating Activities	**10,184**	10,889

(Forward)

	Note	2007 RM'000	2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		**(44)**	(277)
Proceeds from disposal/redemption of investments		**2,789**	62,736
Proceeds from partial disposal of shares in a subsidiary company		**6,900**	-
Dividend received		**5,872**	10,356
Decrease in amount owing by subsidiary companies		**28,534**	1,984
Interest received		**763**	3,783
Capital distribution from a subsidiary company		**90,255**	-
Proceeds from disposal of property, plant and equipment		**69**	18
Net Cash Generated From Investing Activities		**135,138**	78,600
CASH FLOWS USED IN FINANCING ACTIVITIES			
Issue of shares		**9,695**	48
Dividend paid to equity holders of the Company		**(2,510)**	(5,018)
Redemption/Repayment of LICB Bonds and USD Debts		**(41,989)**	(104,486)
Repayment of hire-purchase liabilities		**(224)**	(234)
Hire-purchase interest paid		**(27)**	(38)
(Increase)/Decrease in cash and cash equivalents - restricted		**(95,570)**	6,221
(Decrease)/Increase in amount owing to subsidiary companies		**(14,975)**	9,006
Net Cash Used In Financing Activities		**(145,600)**	(94,501)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(278)**	(5,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**25,598**	30,610
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	**25,320**	25,598

Note: During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM44,000 (2006: RM432,000), of which RM Nil (2006: RM155,000) was acquired under hire-purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM44,000 (2006: RM277,000).

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 4 October 2007.

2. SIGNIFICANT CORPORATE EVENTS AND SUBSEQUENT EVENTS

Significant corporate events and events subsequent to balance sheet date 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 provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

The LICB Bonds and USD Debts for the Group totalling RM248 million are due for redemption/repayment within the next twelve (12) months as disclosed in Note 35. The cash flows for the said redemption/repayment will be sourced from proceeds on the disposal of assets/companies included in the proposed divestment programme and other assets received by the Group under the GWRS. Due to the weak market condition, the realisation of planned disposals of these assets is expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets/companies under the proposed divestment programme. Where necessary, the Group will divest other assets which are not included in the proposed divestment programme to redeem/repay the LICB Bonds and USD Debts. Consent from the Scheme Creditors will also be sought to enable the Group to reschedule its redemption/repayment of the LICB Bonds and USD Debts. The Directors believe that consent from the Scheme Creditors will not be unreasonably withheld.

Accordingly, the Directors consider it appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

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

Changes in Accounting Policies

On 1 July 2006, the Group and the Company adopted all of the new and revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to their operations and effective for financial periods beginning on or after 1 January 2006 as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Properties

The Group and the Company have also elected to early adopt the revised FRS 117 Leases ("FRS 117") in advance of its effective date for annual periods beginning on or after 1 October 2006 as mentioned below.

The adoption of the new and revised FRSs does not have any material financial effect on the results of the Group and of the Company for the current and prior financial years and have not resulted in substantial changes to the accounting policies of the Group and of the Company except as disclosed below.

(a) FRS 101: Presentation of Financial Statements

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Post-tax profit or loss of discontinued operations and post-tax gain or loss on disposal of discontinued operations are now presented as a single amount in the income statement of the Group.

The changes in presentation in the consolidated financial statements have been applied retrospectively as shown in Note 51. The changes in presentation have no financial impact on the Company's financial statements.

(b) FRS 2: Share-based Payment

FRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares of the Company ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). For share options, the fair value of the options determined at the grant date will need to be recognised as an expense over the vesting period.

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

(b) FRS 2: Share-based Payment (continued)

In prior year, no compensation expense was recognised in the income statement for share options granted. The Group and the Company recognised an increase in issued and paid-up share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees and executive Directors is recognised as an employee cost with a corresponding increase in the equity compensation reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provision which allows this change in accounting policy to be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 July 2006. The application is retrospective and, accordingly, certain comparatives have been restated as disclosed in Note 51. The effect of adoption of FRS 2 on the Group's and the Company's financial statement for the current financial year are also set out in Note 51.

(c) FRS 3: Business Combinations and FRS 136: Impairment of Assets

In prior years, goodwill on consolidation was amortised evenly over 25 years and was stated at cost less accumulated amortisation and any impairment losses and was subject to impairment testing only when there were indications of impairment.

With the adoption of FRS 3 and FRS 136 on 1 July 2006, goodwill is no longer amortised and is tested annually for impairment, including in the year of its initial recognition, or more frequently when there is an indication that the cash-generating unit to which goodwill was allocated may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period. Because the change in this accounting policy has been applied prospectively, the change had no impact on amounts reported in prior periods. The transitional provisions of FRS 3, however, have required the Group to eliminate on 1 July 2006 the carrying amount of the related cumulative amortisation of RM207,124,000 against the carrying amount of goodwill. The carrying amount of goodwill as of 1 July 2006 of RM130,634,000 ceased to be amortised.

In prior years, the excess of interest in the net fair value of identifiable assets, liabilities and contingent liabilities over cost (previously referred to as "Negative goodwill") was credited systematically to income statement over a period of 25 years and was presented as non-distributable reserve in the balance sheet of the Group. Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisition, after reassessment, is now recognised immediately in income statements.

In accordance with the transitional provisions of FRS 3, the Group's excess of interest in the net fair value of identifiable assets, liabilities and contingent liabilities over cost was derecognised on 1 July 2006 with a corresponding adjustment to the opening balance of retained earnings as of 1 July 2006.

In accordance with the transitional provisions of FRS 3, the Group has also derecognised the remaining negative goodwill included in the carrying amount of investment in associated companies as of 1 July 2006 amounting to RM11,900,000 with a corresponding increase in the opening balance of retained earnings as of 1 July 2006.

(d) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

The Group has applied FRS 5 prospectively in accordance with its transitional provisions. FRS 5 required a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of the component.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets and liabilities of a discontinued operation (a disposal group) that are classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of all the assets and liabilities in the disposal group are measured in accordance with applicable FRSs. Then, on initial classification as held for sale, the disposal group is recognised at the lower of carrying amount and fair value less costs to sell.

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

(e) FRS 117: Leases

In prior years, the leasehold interests in land held for own use were classified as property, plant and equipment and were stated at cost less accumulated depreciation and any impairment losses.

With the adoption of FRS 117 on 1 July 2006, the leasehold interests in land held for own use is now accounted for as operating leases and are reclassified as prepaid land lease payments as disclosed in Note 16. The reclassification of leasehold land as prepaid land lease payments have been accounted for retrospectively as disclosed in Note 51.

Prepaid land are amortised on a straight-line basis over the remaining lease terms ranging from 47 to 84 years.

(f) FRS 140: Investment Properties

In prior years, land and buildings held to earn rentals or for capital appreciation or both and not occupied by the Group were classified as property, plant and equipment and were stated at cost less accumulated depreciation and any impairment losses.

With the adoption of FRS 140 on 1 July 2006, such land and buildings are classified as investment properties. As the Group has chosen to early adopt FRS 117, the Group is required to account for its leasehold properties classified as investment properties using the fair value model whereby no depreciation will be charged and any gains or losses arising from changes in fair values of investment properties are recognised as profit or loss in the year in which they arise.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives are not restated. Instead, the changes has been accounted for by restating the opening balance as of 1 July 2006 as shown in Note 15.

Accounting Standards, Amendments to FRSs and IC Interpretations Issued But Not Yet Effective

The Directors anticipate that the adoption of the following new and revised FRSs, amendments to new and revised FRSs and IC Interpretations ("Interpretations"), that have been issued but not yet effective until future periods, will not have a material effect on the financial statements of the Group and the Company for the financial year ending 30 June 2008 except as stated otherwise.

(a) FRS 6 Exploration for and Evaluation of Mineral Resources

FRS 6 is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's and the Company's operations as the Group and the Company do not carry out exploration for and evaluation of mineral resources.

(b) FRS 124 Related Party Disclosures

FRS 124 is effective for accounting periods beginning on or after 1 October 2006 and will affect the identification of related parties and certain other related party disclosures. The Group and the Company will apply this standard from financial period beginning 1 July 2007.

(c) FRS 139 Financial Instruments: Recognition and Measurement

The effective date of FRS 139 is yet to be determined by MASB. 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 when it becomes effective.

(d) Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The amendment is effective for accounting periods beginning on or after 1 January 2007. This amendment is not relevant to the Group's and the Company's operations as the Group and the Company do not have any defined benefit plans.

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

(e) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

The amendment is effective for accounting periods beginning on or after 1 July 2007.

This amendment requires exchange differences arising from monetary items forming part of net investment in a foreign operation to be recognised in a separate component of equity in the consolidated financial statements regardless of the currency of the monetary item. Previously, such treatment is only allowed where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial period beginning 1 July 2007.

(f) IC Interpretations

Interpretation 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities (effective 1 July 2007)
Interpretation 2	Members' Shares in Co-operative Entities & Similar Instruments (effective 1 July 2007)
Interpretation 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds (effective 1 July 2007)
Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment (effective 1 July 2007)
Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies (effective 1 July 2007)
Interpretation 8	Scope of FRS 2 (effective 1 July 2007)

The above Interpretations are not relevant to the Group's and the Company's operations as the Group and the Company do not have any operations/transactions relating to the above Interpretations except for Interpretation 8 Scope of FRS 2.

IC Interpretation 8 - Scope of FRS 2 requires unidentifiable goods or services received as consideration for equity instruments of the entity to be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received. Such measurement shall be determined at the grant date except for cash-settled transactions, where the liability shall be remeasured at each reporting date until it is settled. The Group will apply this interpretation from financial period beginning 1 July 2007.

In addition, on 15 June 2007, MASB issued the Framework for the Preparation and Presentation of Financial Statements ("the Framework") and 10 revised FRSs.

The revised FRSs are as follows:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

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

The above FRSs shall apply to annual periods beginning on or after 1 July 2007 except for the following renamed FRSs which have the same effective dates as their original Standards, i.e., annual periods beginning on or after 1 January 2003:

(a) FRS 119 Employee Benefits, which supersedes FRS 119_{2004} Employee Benefits and Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures;

(b) FRS 126 Accounting and Reporting by Retirement Benefit Plans, which supersedes FRS 126_{2004} Accounting and Reporting by Retirement Benefit Plans; and

(c) FRS 129 Financial Reporting in Hyperinflationary Economies, which supersedes FRS 129_{2004} Financial Reporting in Hyperinflationary Economies.

The Directors anticipate that the adoption of the above FRSs will have no material financial impact on the financial statements of the Group and of the Company for the financial year ending 30 June 2008.

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 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.

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

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interest consists 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 consolidated income statement.

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

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 risk 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 risk 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)**

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

Employee Benefits

(i) Short-term Employee Benefits

Salaries, wages, bonuses 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.

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

Employee Benefits (continued)

(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 of the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost 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 statement, 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 at the balance sheet date.

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 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. Deferred tax is charged or credited to income statement, 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 (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 (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 (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%
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 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

The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the remaining terms ranging from 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 statement 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. 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 on 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) where 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 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 on the cost of investment in the consolidated financial statements.

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

Jointly Controlled Entity

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Controlled Entity (continued)

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 less losses of jointly controlled entity during the financial year is included in the consolidated income statements.

The Group's interest in jointly controlled entity is carried in the consolidated balance sheet at cost less any accumulated impairment losses.

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.

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

Property Development Activities (continued)

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 is probable of recovery.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Payables

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

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

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

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

RM Denominated Bonds ("LICB 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities

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

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.

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 the following impairment losses in respect of the following:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**3,183**	1,089	**-**	-
Land held for property development	**1,319**	-	**-**	-
Investment in subsidiary companies	**-**	-	**13,867**	12,904
Goodwill	**-**	560	**-**	-

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

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

(ii) Key sources of estimation uncertainty (continued)

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 RM130,634,000 (2006: RM130,634,000) and no impairment loss has been recognised in the income statement 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.

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 tax losses and 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 RM76,364,000 (2006: RM143,319,000) and the unrecognised tax losses and capital allowances of the Group amounted to RM121,282,000 (2006: RM647,414,000).

The Group has recognised deferred tax assets amounting to RM76,364,000 relating to certain subsidiary companies which had incurred losses in the previous years and whose utilisation is dependent on future taxable profit. The deferred tax assets were determined by assessing the future financial performance of these subsidiary companies based on the current and expected operating environment.

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Continuing operations				
Sales of goods	**4,516,402**	2,854,536	**-**	-
Gross rental income	**6,055**	7,613	**6,055**	7,016
Revenue from:				
Property development	**10,897**	18,176	**-**	-
Sales of land under development and completed property units	**2,329**	2,857	**-**	-
Construction contracts	**-**	1,256	**-**	-
Tuition and other related fees	**10,658**	13,278	**-**	-
Gross dividend income from:				
Subsidiary companies	**-**	-	**5,132**	7,165
Associated company (quoted in Malaysia)	**-**	-	**2,126**	5,181
	4,546,341	2,897,716	**13,313**	19,362
Discontinued operations				
Sales of goods	**246,447**	326,217	**-**	-
	4,792,788	3,223,933	**13,313**	19,362

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Impairment loss on:				
Long-term investments	**(3,566)**	(12,257)	**(1,727)**	(9,160)
Property, plant and equipment	**(3,183)**	(1,089)	**-**	-
Land held for property development	**(1,319)**	-	**-**	-
Goodwill	**-**	(560)	**-**	-
Investment in subsidiary companies	**-**	-	**(13,867)**	(12,904)
Rental of:				
Plant, machinery and equipment	**(6,074)**	(6,791)	**-**	-
Jetties and leasehold land	**(3,642)**	(3,642)	**-**	-
Premises	**(3,974)**	(4,647)	**(25)**	(18)
Premises payable to related parties	**(896)**	(785)	**-**	-
Allowance for:				
Obsolescence of inventories	**(36,372)**	(10,401)	**-**	-
Doubtful trade and other receivables	**(5,247)**	(3,276)	**-**	(353)
Doubtful amount owing by subsidiary companies	**-**	-	**(12,429)**	-
(Loss)/Gain on:				
Partial disposal of shares in a subsidiary company	**(7,134)**	-	**(450)**	-
Dilution of an associated company	**-**	(5,522)	**-**	25,356
Property, plant and equipment written off	**(1,625)**	(108)	**-**	-
Intangible assets written off	**(225)**	-	**(140)**	-

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Audit fees:				
Current year	**(533)**	(527)	**(60)**	(40)
Underprovision in prior years	**(12)**	(21)	**(1)**	-
Loss on disposal of:				
Property, plant and equipment	**-**	-	**(24)**	-
Subsidiary company (Note 19)	**-**	(316)	**-**	-
Long-term investments	**-**	(8,314)	**-**	-
Loss on striking-off of a subsidiary company (Note 19)	**-**	(131)	**-**	-
Gain on foreign exchange (net):				
Realised	**18,514**	5,378	**-**	2
Unrealised	**33,973**	25,100	**12,583**	6,844
Allowance no longer required for:				
Cost to completion for property development projects	**1,479**	115	**-**	-
Doubtful trade and other receivables	**734**	398	**-**	-
Doubtful amount owing by subsidiary companies	**-**	-	**31,102**	-
Gain on disposal of:				
Long-term investments (Note 22)	**14,658**	285	**267**	285
Subsidiary company (Note 19)	**3,386**	-	**-**	-
Property, plant and equipment	**13**	120	**-**	18
Change in fair value adjustments on investment property (Note 15)	**156**	-	**156**	-
Interest income from Housing Development Accounts	**473**	407	**211**	195
Bad receivables recovered	**861**	19	**-**	-

Staff costs include salaries, bonuses, contributions to defined contributions plans, share-based payments and all other staff related expenses, excluding Directors' remuneration (Note 8). Contributions to defined contribution plans made by the Group and the Company during the financial year amounted to RM15,396,000 (2006: RM16,249,000) and RM592,000 (2006: RM585,000), respectively. The Group and the Company recognised total expenses of RM5,643,000 and RM939,000 (2006: RM1,385,000 and RM166,000), respectively relating to share-based payment transactions during the financial year, of which an amount of RM161,000 (2006: RM52,000) and RM111,000 (2006: RM39,000), respectively were in relation to Directors and included as part of the Directors' remuneration as disclosed in Note 8.

8. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Executive Director:				
Fee	**20**	20	**20**	20
Salary and other emoluments	**525**	525	**525**	525
Defined contribution plans	**71**	71	**71**	71
Share-based payments	**111**	39	**111**	39
	727	655	**727**	655
Non-executive Directors:				
Fees	**188**	188	**188**	188
Salary and other emoluments	**127**	127	**24**	24
Defined contribution plans	**12**	12	**-**	-
Share-based payments	**50**	13	**-**	-
	377	340	**212**	212
Total	**1,104**	995	**939**	867

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 RM100,915 (2006: RM98,560).

9. FINANCE COSTS

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Continuing operations				
Profit element on BaIDS	**37,407**	32,950	**-**	-
Interest expense on:				
Term loans	**84,930**	79,083	**-**	-
LICB Bonds and USD Debts	**19,728**	21,528	**22,363**	24,460
Bills payable	**10,594**	10,468	**-**	-
Other payables	**3,592**	-	**-**	-
Bank overdrafts	**2,333**	539	**-**	-
Lease and hire-purchase	**184**	223	**27**	38
Advances from a corporate shareholder of a subsidiary company (Note 40(b))	**3**	2,326	**-**	-
Advances from subsidiary companies	**-**	-	**2,214**	2,105
Related parties	**-**	34	**-**	17
Others	**1,614**	1,592	**12**	-
Borrowing costs (Note 35)	**1,875**	1,875	**1,875**	1,875
	162,260	150,618	**26,491**	28,495
Discontinued operations				
Interest expense on bank overdrafts and other borrowings	**403**	361	**-**	-
	162,663	150,979	**26,491**	28,495

10. INVESTMENT INCOME

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Interest income from:				
Investment in unquoted bonds	**10,253**	9,880	**2,929**	2,980
Fixed deposits	**8,532**	4,031	**552**	567
Related parties	**15,334**	18,062	**4,495**	4,769
Subsidiary companies	**-**	-	**6,000**	6,332
Deferment of redemption of investment in unquoted preference shares	**-**	1,825	**-**	1,825
Others	**799**	590	**-**	41
	34,918	34,388	**13,976**	16,514
Discontinued operations				
Interest income from fixed deposits	**120**	168	**-**	-
	35,038	34,556	**13,976**	16,514

11. TAX (EXPENSE)/INCOME

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

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Current estimated tax payable:				
Malaysian	**(8,690)**	(6,012)	**(213)**	-
Tax deducted at source on dividend received	**4,125**	7,343	**-**	-
(Under)/Overprovision in prior years	**(3,893)**	(4,357)	**-**	695
	(8,458)	(3,026)	**(213)**	695
Deferred taxation:				
Current year:				
Malaysian (Note 23)	**(62,725)**	116,767	**124**	1,691
Underprovision in prior years	**(659)**	(613)	**(526)**	(284)
	(63,384)	116,154	**(402)**	1,407
	(71,842)	113,128	**(615)**	2,102
Discontinued operations:				
Estimated tax payable:				
Overprovision in prior years	**-**	69	**-**	-
	(71,842)	113,197	**(615)**	2,102

11. TAX (EXPENSE)/INCOME (continued)

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

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Profit/(Loss) before tax from:				
Continuing operations	**334,957**	(105,616)	**7,704**	5,738
Discontinued operations	**(63,201)**	(40,846)	**-**	-
	271,756	(146,462)	**7,704**	5,738
Taxation at statutory tax rate of 27% (2006: 28%)	**(73,374)**	41,009	**(2,080)**	(1,607)
Effect of different tax rates in other countries	**(1,299)**	(2,025)	**-**	-
Tax effects of:				
Income not subject to tax	**24,265**	13,023	**13,657**	11,521
Expenses not deductible for tax purposes	**(58,613)**	(56,515)	**(11,741)**	(8,223)
Double deduction of expenses	**6,541**	4,085	**-**	-
Effect on deferred tax due to change in income tax rate	**(5,477)**	-	**75**	-
Tax effect on share in results of associated companies	**35,448**	36,783	**-**	-
Realisation of deferred tax asset not previously recognised	**5,219**	81,807	**-**	-
(Under)/Overprovision in prior years:				
Tax payable	**(3,893)**	(4,357)	**-**	695
Deferred taxation	**(659)**	(613)	**(526)**	(284)
Tax (expense)/income	**(71,842)**	113,197	**(615)**	2,102

During previous financial year, Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company, recognised deferred tax assets of RM110 million despite recording a loss before tax in the previous financial year as the directors of Antara are of the opinion that Antara will be able to utilise the unused tax losses and unabsorbed capital allowances against future taxable profits to be generated mainly from its Labuan Operations which was acquired from a fellow subsidiary company of the Company during the previous financial year. The Labuan Operations has been forecasted to generate future taxable profits which will be sufficient to offset against the unused tax losses of Antara.

As of 30 June 2007, the Company has the following tax-exempt accounts:

	The Company	
	2007 RM'000	**2006 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	**16,289**	16,289
Total	**37,459**	37,459

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to same amounts. As of 30 June 2007, 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 as disclosed under Significant Corporate Events. 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 year from the discontinued operations is analysed as follows:

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Loss from timber extraction, pulp and paper operations for the year	**(20,981)**	(40,777)
Loss on disposal of SFI	**(42,220)**	-
	(63,201)	(40,777)

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

		The Group	
		Period ended 15 March 2007 (8 ½ Months)	**Year ended 30 June 2006 (12 Months)**
	Note	**RM'000**	**RM'000**
Revenue	6	**246,447**	326,217
Other income		**740**	253
Changes in inventories		**1,583**	(13,323)
Raw materials and consumables used		**(145,736)**	(215,635)
Staff costs	7	**(29,439)**	(33,421)
Depreciation of property, plant and equipment	14	**(32,402)**	(44,573)
Amortisation of:			
Forest concessions	17(a)	**(7,647)**	(10,796)
Negative goodwill		**-**	32,149
Goodwill	25	**-**	(10,146)
Other expenses		**(54,244)**	(71,378)
Loss from operations	7	**(20,698)**	(40,653)
Finance costs	9	**(403)**	(361)
Investment income	10	**120**	168
Loss before tax		**(20,981)**	(40,846)
Tax income	11	**-**	69
Loss for the period/year		**(20,981)**	(40,777)

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	Year ended 30 June 2006 (12 Months) RM'000
Cash flows from/(used in):		
Operating activities	**46,971**	40,695
Investing activities	**(39,286)**	(27,819)
Financing activities	**(6,551)**	4,574
Net cash flows	**1,134**	17,450

13. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per share

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

	2007 RM'000	2006 RM'000
Profit/(Loss) attributable to ordinary equity holders of the Company:		
From continuing operations	**263,078**	17,194
From discontinued operations	**(50,371)**	(27,780)
	212,707	(10,586)

	2007 '000	2006 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**697,102**	697,056
Effect of the exercise of ESOS	**1,567**	3
	698,669	697,059

	2007	2006
Basic earnings/(loss) per share (sen) for:		
Profit from continuing operations	**37.65**	2.47
Loss from discontinued operations	**(7.21)**	(3.99)
Profit/(Loss) for the year	**30.44**	(1.52)

The comparative basic loss per share has been restated to take into account the effect of the change in accounting policies (Note 4) on loss for that year.

13. EARNINGS/(LOSS) PER ORDINARY SHARE (continued)

(b) Diluted earnings/(loss) per share

As of 30 June 2007, the diluted earnings/(loss) per share for the options over 6,881,500 unissued ordinary shares granted to eligible executives and executive Directors pursuant to the Company's ESOS are not presented as the effect of dilution is not material.

As of 30 June 2006, the options over 7,989,400 unissued ordinary shares granted to eligible executives and executive Directors pursuant to the Company's ESOS have an anti-dilutive effect and therefore the diluted loss per ordinary share was not presented.

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

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	COST							
	As of 1 July 2005 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Effects of disposal of subsidiary company RM'000	Write-offs RM'000	Reclassi-fication RM'000	As of 30 June 2006 RM'000
Freehold land	73,129	-	-	-	-	-	817	73,946
Freehold buildings	224,744	868	-	-	-	-	44,638	270,250
Buildings under long lease	249,823	40,220	56	(241)	-	-	2,611	292,469
Buildings under short lease	94,635	1,248	14	-	(5,897)	-	(2,611)	87,389
Pulp and paper mills	768,464	-	-	-	-	-	-	768,464
Plant, machinery and equipment	1,527,745	41,461	94	(597)	(5,770)	(236)	127,816	1,690,513
Housing colony and infrastructures	116,419	55	-	-	-	-	-	116,474
Jetty and access roads	100,834	282	-	-	-	-	-	101,116
Motor vehicles	18,957	780	10	(1,949)	-	-	-	17,798
Furniture and office equipment	66,446	5,917	-	(1,219)	(1,207)	(238)	2,777	72,476
Computer equipment	4,570	576	1	-	-	(460)	-	4,687
Renovations	4,692	52	-	-	-	-	-	4,744
Construction work-in-progress	138,001	84,777	-	-	-	-	(176,048)	46,730
Total	3,388,459	176,236	175	(4,006)	(12,874)	(934)	-	3,547,056

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

COST

	As previously stated 1 July 2006 RM'000	Effect of adoption of FRS 140 RM'000	As restated RM'000	Additions 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	73,946	-	73,946	-	-	-	-	-	-	2,715	**76,661**
Freehold buildings	270,250	(2,349)	267,901	1,522	-	-	-	-	-	4,229	**273,652**
Buildings under long lease	292,469	(131,035)	161,434	8,870	(2,168)	-	(2,957)	(734)	(428)	(6,942)	**157,075**
Buildings under short lease	87,389	-	87,389	2,952	(158)	-	(71,058)	-	(11,768)	-	**7,357**
Pulp and paper mills	768,464	-	768,464	-	-	-	(768,464)	-	-	-	**-**
Plant, machinery and equipment	1,690,513	-	1,690,513	40,312	(2,737)	(5,258)	(292,547)	(9,353)	(13,358)	6,133	**1,413,705**
Housing colony and infrastructures	116,474	-	116,474	252	-	-	(116,726)	-	-	-	**-**
Jetty and access roads	101,116	-	101,116	-	-	-	(101,116)	-	-	-	**-**
Motor vehicles	17,798	-	17,798	979	(16)	(1,271)	(6,306)	-	(267)	-	**10,917**
Furniture and office equipment	72,476	-	72,476	2,964	(8)	(697)	(28,227)	(117)	(93)	814	**47,112**
Computer equipment	4,687	-	4,687	657	(38)	(5)	-	(690)	-	-	**4,611**
Renovations	4,744	-	4,744	-	-	-	(1)	-	-	-	**4,743**
Construction work-in-progress	46,730	-	46,730	93,492	-	-	(1)	-	-	(6,949)	**133,272**
Total	3,547,056	(133,384)	3,413,672	152,000	(5,125)	(7,231)	(1,387,403)	(10,894)	(25,914)	-	**2,129,105**

ACCUMULATED DEPRECIATION

	As of 1 July 2005 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effects of disposal of subsidiary company RM'000	Write-offs RM'000	Reclassification RM'000	As of 30 June 2006 RM'000
Freehold buildings	21,914	16,170	-	-	-	-	(10,780)	27,304
Buildings under long lease	95,650	3,852	-	(73)	-	-	2,960	102,389
Buildings under short lease	40,973	3,430	4	-	(5,624)	-	(2,960)	35,823
Pulp and paper mills	402,465	16,601	-	-	-	-	-	419,066
Plant, machinery and equipment	566,477	84,423	7	(508)	(3,532)	(162)	10,773	657,478
Housing colony and infrastructures	60,536	4,600	-	-	-	-	-	65,136
Jetty and access roads	58,762	4,139	-	-	-	-	-	62,901
Motor vehicles	12,458	1,915	1	(1,845)	-	-	-	12,529
Furniture and office equipment	55,222	2,791	-	(1,186)	(864)	(204)	7	55,766
Computer equipment	2,787	462	-	-	-	(460)	-	2,789
Renovations	3,736	315	-	-	-	-	-	4,051
Total	1,320,980	138,698	12	(3,612)	(10,020)	(826)	-	1,445,232

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION

	As previously stated 1 July 2006 RM'000	Effect of adoption of FRS 140 RM'000	As restated RM'000	Additions 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	Reclassi-fication RM'000	As of 30 June 2007 RM'000
Freehold buildings	27,304	(366)	26,938	14,811	-	-	-	-	-	(1,731)	**40,018**
Buildings under long lease	102,389	(33,566)	68,823	5,396	(9)	-	(2,957)	(734)	(150)	1,731	**72,100**
Buildings under short lease	35,823	-	35,823	2,416	(46)	-	(33,907)	-	(3,820)	-	**466**
Pulp and paper mills	419,066	-	419,066	4,602	-	-	(423,668)	-	-	-	**-**
Plant, machinery and equipment	657,478	-	657,478	79,767	(314)	(3,115)	(134,368)	(7,728)	(5,232)	-	**586,488**
Housing colony and infrastructures	65,136	-	65,136	755	-	-	(65,891)	-	-	-	**-**
Jetty and access roads	62,901	-	62,901	6,890	-	-	(69,791)	-	-	-	**-**
Motor vehicles	12,529	-	12,529	1,709	(4)	(829)	(5,821)	-	(103)	-	**7,481**
Furniture and office equipment	55,766	-	55,766	2,991	(5)	(672)	(25,151)	(117)	(76)	-	**32,736**
Computer equipment	2,789	-	2,789	535	(8)	(5)	-	(690)	-	-	**2,621**
Renovations	4,051	-	4,051	314	-	-	-	-	-	-	**4,365**
Total	1,445,232	(33,932)	1,411,300	120,186	(386)	(4,621)	(761,554)	(9,269)	(9,381)	-	**746,275**

ACCUMULATED IMPAIRMENT LOSSES

	As of 1 July 2005 RM'000	**Charge for the year RM'000**	**Exchange differences RM'000**	**As of 30 June 2006 RM'000**
Freehold land	-	-	-	-
Freehold buildings	-	-	-	-
Buildings under long lease	-	-	-	-
Buildings under short lease	-	-	-	-
Pulp and paper mills	3,448	1,089	-	4,537
Plant, machinery and equipment	6,424	-	6	6,430
Housing colony and infrastructures	-	-	-	-
Jetty and access roads	-	-	-	-
Motor vehicles	-	-	-	-
Furniture and office equipment	-	-	-	-
Computer equipment	-	-	-	-
Renovations	-	-	-	-
Construction work-in-progress	-	-	-	-
Total	9,872	1,089	6	10,967

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES						NET BOOK VALUE	
	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**	**As of 30 June 2006 RM'000**	**As of 30 June 2007 RM'000**
Freehold land	-	-	-	-	-	**-**	73,946	**76,661**
Freehold buildings	-	-	-	-	-	**-**	242,946	**233,634**
Buildings under long lease	-	-	-	-	-	**-**	190,080	**84,975**
Buildings under short lease	-	-	-	-	-	**-**	51,566	**6,891**
Pulp and paper mills	4,537	3,183	(7,720)	-	-	**-**	344,861	**-**
Plant, machinery and equipment	6,430	-	-	(79)	(5,873)	**478**	1,026,605	**826,739**
Housing colony and infrastructures	-	-	-	-	-	**-**	51,338	**-**
Jetty and access roads	-	-	-	-	-	**-**	38,215	**-**
Motor vehicles	-	-	-	-	-	**-**	5,269	**3,436**
Furniture and office equipment	-	-	-	-	-	**-**	16,710	**14,376**
Computer equipment	-	-	-	-	-	**-**	1,898	**1,990**
Renovations	-	-	-	-	-	**-**	693	**378**
Construction work-in-progress	-	-	-	-	-	**-**	46,730	**133,272**
Total	10,967	3,183	(7,720)	(79)	(5,873)	**478**	2,090,857	**1,382,352**

The Company

	COST				
	As of 1 July 2005 RM'000	**Additions RM'000**	**Disposals RM'000**	**Write-offs RM'000**	**As of 30 June 2006 RM'000**
Buildings under long lease	124,550	109	-	-	124,659
Plant, machinery and equipment	2,105	-	-	-	2,105
Motor vehicles	1,376	212	(93)	-	1,495
Furniture and office equipment	1,307	5	-	-	1,312
Computer equipment	1,138	106	-	(83)	1,161
Renovations	3,826	-	-	-	3,826
Total	134,302	432	(93)	(83)	134,558

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST						
	As previously stated 1 July 2006 RM'000	**Effect of adoption of FRS 140 RM'000**	**As restated RM'000**	**Additions RM'000**	**Disposals RM'000**	**Write-offs RM'000**	**As of 30 June 2007 RM'000**
Buildings under long lease	124,659	(124,659)	-	-	-	-	**-**
Plant, machinery and equipment	2,105	-	2,105	-	-	-	**2,105**
Motor vehicles	1,495	-	1,495	4	(103)	-	**1,396**
Furniture and office equipment	1,312	-	1,312	3	-	-	**1,315**
Computer equipment	1,161	-	1,161	37	-	-	**1,198**
Renovations	3,826	-	3,826	-	-	-	**3,826**
Total	134,558	(124,659)	9,899	44	(103)	-	**9,840**

	ACCUMULATED DEPRECIATION				
	As of 1 July 2005 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**Write-off RM'000**	**As of 30 June 2006 RM'000**
Buildings under long lease	27,107	2,408	-	-	29,515
Plant, machinery and equipment	2,105	-	-	-	2,105
Motor vehicles	270	138	(93)	-	315
Furniture and office equipment	1,162	26	-	-	1,188
Computer equipment	761	102	-	(83)	780
Renovations	3,008	275	-	-	3,283
Total	34,413	2,949	(93)	(83)	37,186

	ACCUMULATED DEPRECIATION						NET BOOK VALUE	
	As previously stated 1 July 2006 RM'000	**Effect of adoption of FRS 140 RM'000**	**As restated RM'000**	**Charge for the year RM'000**	**Disposals RM'000**	**As of 30 June 2007 RM'000**	**As of 30 June 2006 RM'000**	**As of 30 June 2007 RM'000**
Building under long lease	29,515	(29,515)	-	-	-	-	95,144	**-**
Plant, machinery and equipment	2,105	-	2,105	-	-	2,105	-	**-**
Motor vehicles	315	-	315	134	(10)	439	1,180	**957**
Furniture and office equipment	1,188	-	1,188	23	-	1,211	124	**104**
Computer equipment	780	-	780	88	-	868	381	**330**
Renovations	3,283	-	3,283	273	-	3,556	543	**270**
Total	37,186	(29,515)	7,671	518	(10)	8,179	97,372	**1,661**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge is allocated as follows:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Income statements:				
Continuing operations	**87,431**	91,181	**518**	2,949
Discontinued operations (Note 12)	**32,402**	44,573	**-**	-
	119,833	135,754	**518**	2,949
Inventories (Note 26)	**31**	2,788	**-**	-
Plantation development expenditure (Note 17(b))	**322**	156	**-**	-
	120,186	138,698	**518**	2,949

During the current 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 (2006: RM1,089,000) (Note 7) had been charged to the income statement of the Group.

As of 30 June 2007, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,272.8 million (2006: RM1,321.8 million) have been pledged as security for LICB Bonds, USD Debts, BaIDS and borrowings (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 RM2,448,000 (2006: RM3,686,000) and RM874,000 (2006: RM1,040,000) respectively.

As of 30 June 2007, the titles to all parcels of leasehold land of the Company and certain parcels of freehold and leasehold land of subsidiary companies with carrying values totalling RM Nil (2006: RM105.6 million) have not been registered in the name of the Company and the respective subsidiary companies.

15. INVESTMENT PROPERTIES

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At beginning of year				
As previously stated	**-**	-	**-**	-
Effect of adoption of FRS 140	**99,452**	-	**95,144**	-
Fair value adjustments	**1,439**	-	**-**	-
As restated	**100,891**	-	**95,144**	-
Fair value adjustments during the year	**156**	-	**156**	-
At end of year	**101,047**	-	**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. Valuations were based on current prices in an active market for the properties.

15. INVESTMENT PROPERTIES (continued)

The rental income earned by the Group and the Company from its investment properties amounted to RM6,055,000. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM679,500.

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM23,632 (2006: RM17,263).

As of 30 June 2007, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair value totalling RM101,047,000 (2006: RM Nil) 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).

As of 30 June 2007, the titles to all parcels of leasehold land and buildings of the Company included as investment properties with carrying values totalling RM95,300,000 (2006: RM Nil) have not registered in the name of the Company.

16. PREPAID LAND LEASE PAYMENTS

	The Group	
	2007 RM'000	**2006 RM'000**
Cost:		
At beginning of year	**138,457**	138,452
Exchange differences	**(128)**	5
Addition during the year	**29,270**	-
Effects of disposal of a subsidiary company	**(37,074)**	-
Reclassified to assets held for sale (Note 32)	**(2,372)**	-
At end of year	**128,153**	138,457
Cumulative amortisation:		
At beginning of year	**24,920**	22,838
Current amortisation	**2,196**	2,082
Effects of disposal of a subsidiary company	**(2,143)**	-
Reclassified to assets held for sale (Note 32)	**(411)**	-
At end of year	**24,562**	24,920
Unamortised portion:		
At beginning of year	**113,537**	115,614
At end of year	**103,591**	113,537

Prepaid land lease payments relate to:

(a) Lease of land for the Group's factory buildings, office complex and warehouse located in Mukim of Bukit Raja, Klang, Selangor and the lease will expire between the years 2085 and 2091 and 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 Industry Zone, Zhucheng, Shangdong 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 2007, the prepaid land lease payments of the Group with carrying values totalling RM103.6 million (2006: RM107.7 million) have been pledged as security for LICB Bonds, USD Debts, BaIDS and borrowings (Notes 35, 36, 37 and 41).

17. FOREST CONCESSIONS AND PLANTATION DEVELOPMENT EXPENDITURE

(a) Forest Concessions

	The Group 2007 RM'000	The Group 2006 RM'000
At cost:		
Forest concessions	**388,200**	388,200
Effects of disposal of a subsidiary company	**(388,200)**	-
At end of year	**-**	388,200
Cumulative amortisation:		
At beginning of year	**(98,064)**	(87,268)
Amortisation for the year	**(7,647)**	(10,796)
Effects of disposal of a subsidiary company	**105,711**	-
At end of year	**-**	(98,064)
Net	**-**	290,136

The forest concessions consist 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 are RM131,200,000 and RM257,000,000 respectively. The 158,623 hectares and 118,000 hectares of concession are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

(b) Plantation Development Expenditure

	The Group 2007 RM'000	The Group 2006 RM'000
At cost:		
At beginning of year	**157,634**	151,358
Additions for the year	**5,395**	6,276
Effects of disposal of a subsidiary company	**(163,029)**	-
At end of year	**-**	157,634
Cumulative amortisation:		
At beginning of year	**(5,495)**	(4,499)
Amortisation for the year	**(3,662)**	(996)
Effects of disposal of a subsidiary company	**9,157**	-
At end of year	**-**	(5,495)
Net	**-**	152,139

Additions to plantation development expenditure during the financial year include depreciation of property, plant and equipment amounting to RM322,000 (2006: RM156,000).

Current amortisation of RM3,662,000 (2006: RM996,000) has been charged to inventories.

18. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At beginning of year:				
Land costs	**60,719**	63,786	**53**	53
Development costs	**10,557**	12,060	**58**	58
	71,276	75,846	**111**	111
Costs incurred during the year:				
Development costs	**105**	87	**5**	-
Disposed of during the year:				
Land cost	**(906)**	-	**-**	-
Development costs	**(66)**	-	**-**	-
	(972)	-	**-**	-
Cost transferred to property development costs	**-**	(4,657)	**-**	-
Accumulated impairment losses:				
At beginning of year	**(17,968)**	(21,631)	**-**	-
Addition	**(1,319)**	-	**-**	-
Disposal	**957**	-	**-**	-
Transfer to property development costs	**-**	3,663	**-**	-
	(18,330)	(17,968)	**-**	-
	52,079	53,308	**116**	111

(b) Property Development Costs

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Property development costs at beginning of year:				
Land costs	**16,074**	20,325	**-**	-
Development costs	**42,100**	53,512	**-**	-
	58,174	73,837	**-**	-
Costs incurred during the year:				
Development costs	**6,318**	9,227	**-**	-
Transfer from land held for property development	**-**	4,657	**-**	-
	64,492	87,721	**-**	-
Costs recognised as expenses in income statement:				
Previous years	**(8,302)**	(24,077)	**-**	-
Current year	**(6,570)**	(8,307)	**-**	-
Closed out due to completion of projects	**7,053**	24,082	**-**	-
	(7,819)	(8,302)	**-**	-
Costs closed out during the year due to completion of projects	**(9,581)**	(27,435)	**-**	-

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

(b) Property Development Costs (continued)

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Cost transferred to completed units	**(3,410)**	(2,112)	**-**	-
Accumulated impairment losses:				
At beginning of year	**(7,901)**	(7,785)	**-**	-
Transfer from land held for property development	**-**	(3,663)	**-**	-
Transfer to completed units	**656**	194	**-**	-
Closed out due to completion of projects	**3,362**	3,353	**-**	-
	(3,883)	(7,901)	**-**	-
Net	**39,799**	41,971	**-**	-

During the current 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 land held for property development is in excess of its recoverable amounts. Accordingly, the directors have made an impairment loss amounting to RM1,319,000 (2006: RM Nil) in respect of the land held for property development.

As of 30 June 2007, certain parcels of land of the Group with carrying values totalling RM39.5 million (2006: RM39.5 million) have been charged as security for LICB Bonds and USD Debts (Note 35).

As of 30 June 2007, the titles to certain parcels of land held for property development of the Group with carrying values totalling RM4.9 million (2006: RM6.8 million) have yet to be registered in the name of the subsidiary companies.

19. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2007 RM'000	**2006 RM'000**
Shares quoted in Malaysia:		
At beginning of year	**139,837**	139,837
Disposal during the year	**(7,350)**	-
Capital distribution from LFIB	**(90,255)**	-
At end of year	**42,232**	139,837
Unquoted shares in Malaysia:		
At costs	**292,234**	292,234
Deemed capital contribution	**4,580**	548
	296,814	292,782
Accumulated impairment losses	**(172,911)**	(159,044)
	123,903	133,738
Total	**166,135**	273,575
Market value of quoted shares	**55,958**	143,834

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the carrying values of certain subsidiary companies are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM13,867,000 (2006: RM12,904,000) in respect of the investment in these subsidiary companies.

During the 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 Significant Corporate Events, 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 (Note 12).

(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 does not have a material effect on the financial results of the Group for the 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 current financial year and the financial position of the Group as of 30 June 2007 are set out in Note 12.

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

	(Up to the date of disposal) 2007 RM'000	**2006 RM'000**
Revenue	**10,658**	13,273
Operating expenses	**(13,133)**	(17,049)
Loss from operations/Loss attributable to equity holders of the Company	**(2,475)**	(3,776)

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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	2006 RM'000
Property, plant and equipment	**821**	1,117
Trade receivables	**1,168**	3,632
Other receivables, deposits and prepayments	**1,556**	1,431
Deposits, cash and bank balances	**3,153**	516
Hire-purchase payables	**(38)**	(91)
Other payables, deposits and accrued expenses	**(9,046)**	(7,656)
Minority interests	**500**	500
Net liabilities	**(1,886)**	(551)

During the previous financial year, the following transactions occurred:

(i) Amsteel Mills Sdn Bhd, a subsidiary company of the company, acquired the entire equity interest in Lion Waterway Logistics Sdn Bhd;

(ii) LFIB set up P.T. Lion Intimung Malinau;

(iii) Zhongsin Biotech Pte Ltd, a subsidiary company, completed the disposal of its entire investment in its subsidiary company, Hebei Weiyuan Heilen Bio-Chemical Co Ltd ("Hebei Weiyuan"), for a cash consideration of HKD6,220,000 (equivalent to approximately RM2,900,000). This transaction gave rise to a loss on disposal of approximately RM316,000 at the Group level; and

(iv) SFI Paper Pte Ltd, a wholly-owned subsidiary company of SFI which was dormant, has been struck off the Register of Companies, Singapore.

Except for item (iii) above, the other transactions do 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 2006.

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

	(Up to the date of disposal) 2006 RM'000
Revenue	1,630
Operating expenses	(1,702)
Loss from operations	(72)
Tax expense	-
Loss for the year	(72)
Minority interests	48
Loss attributable to equity holders of the Company	(24)

19. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The effects of the abovementioned disposal of Hebei Weiyuan on the financial position of the Group as of 30 June 2006 are as follows:

	(At the date of disposal) 2006 RM'000
Property, plant and equipment	2,854
Inventories	2,796
Trade receivables	605
Other receivables, deposits and prepayments	1,390
Deposits, cash and bank balances	175
Trade payables	(749)
Other payables, deposits and accruals	(1,298)
Minority interests	(2,230)
Net assets	3,543

As of 30 June 2007, the investment in a quoted subsidiary company of the Company with carrying value of RM42,232,000 (2006: RM139,837,000) has been charged as security for the LICB Bonds and USD Debts (Note 35).

20. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At cost:				
Quoted investment	**283,278**	283,278	**24,341**	24,341
Unquoted investments	**80,094**	93,100	**-**	-
	363,372	376,378	**24,341**	24,341
Share in post-acquisition results less dividends received	**218,763**	94,076	**-**	-
	582,135	470,454	**24,341**	24,341
Market value of quoted investment	**1,373,381**	668,489	**352,505**	171,775

20. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2007 RM'000	2006 RM'000
Assets and Liabilities		
Current assets	**2,791,699**	1,851,658
Non-current assets	**3,782,221**	1,759,530
Total Assets	**6,573,920**	3,611,188
Current liabilities	**1,573,617**	1,250,494
Non-current liabilities	**1,933,917**	130,925
Total Liabilities	**3,507,534**	1,381,419
Results		
Revenue	**5,303,398**	3,430,982
Profit for the year	**686,359**	473,681

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

	The Group	
	2007 RM'000	2006 RM'000
Share of net assets (excluding goodwill)	**371,635**	389,806
Share of goodwill of associated companies	**210,500**	92,024
	582,135	481,830
Premium on acquisition	**-**	524
	582,135	482,354
Negative goodwill on acquisition	**-**	(11,900)
	582,135	470,454

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

	2007 RM'000	2006 RM'000
Costs		
At beginning of year	**11,900**	17,850
Arising from dilution	**-**	(5,950)
Effect of adoption of FRS 3 (Note 3)	**(11,900)**	-
At end of year	**-**	11,900

20. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Included in the investment in associated companies is cumulative exchange gain of RM8,000,000 (2006: RM21,000,000) 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 RM32,300,000 (2006: RM30,200,000) and RM2,100,000 (2006: RM7,400,000) respectively.

As of 30 June 2007, the quoted investment in associated companies of the Company with a carrying values of RM24,341,000 (2006: RM24,341,000) have been charged as secuirty for the LICB Bonds and USD Debts (Note 35).

21. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Unquoted shares:		
At cost	**125**	- *

* The cost of investment as of 30 June 2006 was RM1.

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**
		2007	**2006**	
		%	**%**	
Mergexcel Property Development Sdn Bhd	31 March	**50**	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	
	2007	**2006**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**8,549**	-
Non-current assets	**10,202**	-
Total Assets	**18,751**	-
Current liabilities	**18,512**	3
Non-current liabilities	**-**	-
Total Liabilities	**18,512**	3
Results		
Revenue	**-**	-
Loss for the year	**(8)**	(3)

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

22. LONG-TERM INVESTMENTS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Shares quoted in Malaysia:				
At cost	**59,276**	65,882	**39,039**	39,039
Accumulated impairment losses	**(52,825)**	(55,222)	**(34,852)**	(33,125)
	6,451	10,660	**4,187**	5,914
Shares quoted outside Malaysia:				
At cost	**56**	56	**56**	56
Accumulated impairment losses	**(35)**	(35)	**(35)**	(35)
	21	21	**21**	21
Unquoted investments:				
At cost				
Ordinary shares	**7,325**	16,151	**400**	400
RCCPS*	**6,700**	6,700	**-**	-
RCULS**	**-**	1,720	**-**	1,720
	14,025	24,571	**400**	2,120
Accumulated impairment losses	**(6,190)**	(227)	**-**	-
	7,835	24,344	**400**	2,120
Unquoted bonds				
(at cost, adjusted for accretion of interest)	**193,664**	185,798	**42,067**	39,940
Redeemable within one year (Note 28)	**(107,844)**	(54,705)	**(25,380)**	(17,207)
	85,820	131,093	**16,687**	22,733
Total	**100,127**	166,118	**21,295**	30,788
Market value of quoted shares	**6,507**	10,706	**4,246**	5,941

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

** Represents redeemable convertible unsecured loan stocks issued by Lion Diversified Holdings 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 RM3,566,000 (2006: RM12,257,000) and RM1,727,000 (2006: RM9,160,000) in the income statement of the Group and of the Company respectively.

As mentioned in Note 50, the investment in Tianjin Huali Motor Co Ltd ("Tianjin Huali") is included as long-term investment as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in its management.

On 30 September 2006, the Group disposed of its entire investment in Tianjin Huali 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).

On 7 December 2006, the Group and the Company disposed of the investment in RCULS 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 RM207.5 million (2006: RM218.6 million) have been charged as security 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% (2006: 7.75% and 4.75%) per annum respectively.

23. DEFERRED TAX ASSETS/LIABILITIES

Deferred Tax Assets

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At beginning of year	**143,319**	33,419	**-**	-
Transfer (to)/from income statement (Note 11)	**(66,955)**	109,900	**-**	-
At end of year	**76,364**	143,319	**-**	-

Deferred Tax Liabilities

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At beginning of year	**135,821**	142,075	**1,629**	3,036
Transfer (to)/from income statement (Note 11)	**(3,571)**	(6,254)	**402**	(1,407)
At end of year	**132,250**	135,821	**2,031**	1,629

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

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Temporary differences arising from:				
Property, plant and equipment	**(8,681)**	(142,434)	**-**	-
Plantation development expenditure	**-**	(40,326)	**-**	-
Property development activities	**6,324**	7,597	**-**	-
Others	**5,458**	269	**-**	-
Unused tax losses	**145,321**	496,525	**-**	-
Unabsorbed capital allowances	**52,325**	294,208	**-**	-
	200,747	615,839	**-**	-
Less: Deferred tax asset not recognised	**(124,383)**	(472,520)	**-**	-
Deferred tax asset recognised	**76,364**	143,319	**-**	-

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

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Temporary differences arising from:				
Property, plant and equipment	**126,519**	133,912	**3,141**	3,421
Property development activities	**2,953**	2,953	**-**	-
Others	**3,888**	748	**-**	-
Unused tax losses and unabsorbed capital allowances	**(1,110)**	(1,792)	**(1,110)**	(1,792)
	132,250	135,821	**2,031**	1,629

23. DEFERRED TAX ASSETS/LIABILITIES (continued)

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 and no substantial changes in the shareholdings of the Company and of the respective subsidiary companies under Section 44(A) and (5B) of the Income Tax Act, 1967.

24. INTANGIBLE ASSETS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
At beginning of year	**3,333**	2,685	**140**	140
Additions during the year	**-**	647	**-**	-
Exchange difference	**(14)**	1	**-**	-
Reclassified to assets held for sale (Note 32)	**(1,043)**	-	**-**	-
Write-offs	**(225)**	-	**(140)**	-
At end of year	**2,051**	3,333	**-**	140
Cumulative amortisation:				
At beginning of year	**(1,852)**	(1,784)	**-**	-
Amortisation for the year	**(71)**	(68)	**-**	-
Exchange difference	**3**	-	**-**	-
Reclassified to assets held for sale (Note 32)	**273**	-	**-**	-
At end of year	**(1,647)**	(1,852)	**-**	-
Net	**404**	1,481	**-**	140

25. GOODWILL

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning of year	**499,394**	499,394
Elimination of cumulative amortisation on adoption of FRS 3 (Note 3)	**(207,124)**	-
Effects of disposal of a subsidiary company	**(161,076)**	-
At end of year	**131,194**	499,394
Cumulative amortisation:		
At beginning of year	**(207,124)**	(187,141)
Elimination of cumulative amortisation on adoption of FRS 3 (Note 3)	**207,124**	-
Amortisation for the year:		
Continuing operations	**-**	(9,837)
Discontinued operations	**-**	(10,146)
At end of year	**-**	(207,124)

25. GOODWILL (continued)

	The Group 2007 RM'000	2006 RM'000
Cumulative impairment loss:		
At beginning of year	**(161,636)**	-
Effects of disposal of a subsidiary company	**161,076**	-
Impairment loss from:		
Proposed disposal of a subsidiary company	**-**	(161,076)
Others	**-**	(560)
At end of year	**(560)**	(161,636)
Net	**130,634**	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 reflect 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% per annum. The discount rate used is 8% per annum.

During the previous financial year, an impairment loss of RM161,076,000 had been made by Lion Forest Industries Berhad ("LFIB") in respect of goodwill on consolidation of Sabah Forest Industries Sdn Bhd ("SFI"), a 97.78% owned subsidiary company of LFIB, which was disposed of during the current financial year, as disclosed under Significant Corporate Events as the carrying value of SFI was in excess of its recoverable amount.

Out of the abovesaid amount of impairment loss (net of minority interest of the Group), RM130,376,000 was set-off against the negative goodwill on consolidation of LFIB.

26. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Property:				
Completed units for sale (net of provision for write down of RM4,626,000 (2006: RM3,777,000) for the Group)	**12,097**	11,141	**43**	43
Products at cost:				
Raw materials	**582,813**	368,542	**-**	-
Work-in-progress	**9,807**	8,874	**-**	-
Finished goods	**317,976**	198,403	**-**	-
General and consumable stores	**143,868**	140,384	**-**	-
Engineering spares	**-**	36,878	**-**	-
Trading merchandise	**9,538**	12,018	**-**	-
Goods-in-transit	**27,914**	59,317	**-**	-
	1,091,916	824,416	**-**	-
Less: Allowance for inventories obsolescence	**(33,658)**	(11,148)	**-**	-
	1,058,258	813,268	**-**	-
Net	**1,070,355**	824,409	**43**	43

Certain of the Group's inventories with carrying values totalling RM1,027,300,000 (2006: RM704,500,000) have been charged as security for BaIDS and borrowings (Note 36, 37 and 41) obtained by the Group.

Charges to inventories include depreciation of property, plant and equipment of RM31,000 (2006: RM2,788,000) and amortisation of plantation development expenditure of RM3,662,000 (2006: RM996,000).

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	
	2007	2006
	RM'000	RM'000
Contract cost	**88,004**	132,583
Profit attributable to work performed todate	**5,538**	6,101
Total	**93,542**	138,684
Progress billings	**(92,971)**	(138,017)
Amount due by contract customers	**571**	667
Contract cost	**571,963**	580,648
Profit attributable to work performed todate	**16,571**	17,131
Total	**588,534**	597,779
Progress billings	**(589,625)**	(599,164)
Amount due to contract customers	**(1,091)**	(1,385)

27. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS (continued)

As of 30 June 2007, retentions held by customers for contract works amounted to RM3,721,000 (2006: RM3,721,000).

28. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted bonds:				
Redeemable within one year (Note 22)	**107,844**	54,705	**25,380**	17,207

29. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	**430,911**	512,269	**9**	60
Less: Allowance for doubtful receivables	**(4,361)**	(5,877)	**-**	-
	426,550	506,392	**9**	60
Retention monies	**3,721**	3,721	**-**	-
	430,271	510,113	**9**	60

The credit period granted to customers range from 30 to 90 days (2006: 30 to 90 days).

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	**394,237**	460,454	**9**	60
United States Dollar	**33,027**	45,271	**-**	-
Singapore Dollar	**1,104**	2,396	**-**	-
Renminbi	**1,903**	1,992	**-**	-
	430,271	510,113	**9**	60

As of 30 June 2007, the receivables of the Group amounting to RM240,700,000 (2006: RM270,200,000) have been charged as security, 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 groups of customers.

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

(b) Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist of:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deferred consideration	**422,568**	-	**-**	-
Other receivables	**117,243**	116,102	**57,002**	65,315
Less: Allowance for doubtful receivables	**(10,322)**	(10,668)	**(1,390)**	(1,390)
	106,921	105,434	**55,612**	63,925
Tax recoverable	**25,985**	29,722	**7,196**	6,024
Refundable deposits	**4,516**	4,345	**634**	622
Prepayments	**156,911**	143,023	**2,003**	1,436
	716,901	282,524	**65,445**	72,007
Less: Non-current portion of deferred consideration	**(124,272)**	-	**-**	-
	592,629	282,524	**65,445**	72,007

Included in the other receivables of the Group is an amount of RM422,568,000 (2006: RM Nil) representing the fair value of the outstanding consideration receivable from the purchasers in relation to the disposal of Sabah Forest Industries Sdn Bhd as disclosed under Significant Corporate Events. The said amount is denominated in the United States Dollar and the non-current portion of RM124,272,000 (2006: RM Nil) is receivable by September 2008.

As of 30 June 2007, the other receivables, deposits and prepayments of the Group with carrying value of RM163.8 million (2006: RM150.6 million) have been charged as security 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	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
United States Dollar	**298,296**	-	**-**	-
Ringgit Malaysia	**283,856**	263,398	**65,445**	72,007
Renminbi	**10,301**	18,963	**-**	-
Others	**176**	163	**-**	-
	592,629	282,524	**65,445**	72,007

30. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2007	**2006**
	RM'000	**RM'000**
Amount owing by subsidiary companies	**1,258,184**	1,306,917
Less: Allowance for doubtful receivables	**(91,415)**	(110,088)
	1,166,769	1,196,829
Amount owing to subsidiary companies	**220,055**	264,010

The amounts 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 are either interest-free or bear interest at 1% or 8% (2006: either interest-free or bear interest at 1% or 8%) per annum and have no fixed repayment terms.

The amount owing to subsidiary companies are either interest-free or bear interest at 1% or 8% (2006: either interest-free or bear interest at 1% or 8%) per annum and have no fixed repayment terms.

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

	The Company	
	2007	**2006**
	RM'000	**RM'000**
Ringgit Malaysia	**1,160,032**	1,104,675
Singapore Dollar	**6,717**	92,114
Renminbi	**20**	40
	1,166,769	1,196,829

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

	The Company	
	2007	**2006**
	RM'000	**RM'000**
Ringgit Malaysia	**168,536**	207,293
United States Dollar	**51,519**	56,717
	220,055	264,010

(b) Amount owing by an associated company

The amount owing by an associated company arose from advances. It is denominated in United States Dollar, interest-free (2006: 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 99% owned subsidiary company of the Company, from Lion Forest Industries Berhad ("LFIB"), an 83% owned subsidiary company of the Company (subsequently diluted to 80% as of 30 June 2007), the sum of which is to be advanced by Sabah Forest Industries Sdn Bhd ("SFI"), a 98% owned subsidiary company of LFIB.

The amount receivable from AMSB and amount payable to LFIB and the interest income and expense amounting to RM8,400,000 (2006: RM9,500,000) 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 12% (2006: 12%) per annum. On the disposal of SFI during the current financial year as disclosed under Significant Corporate Events, 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.

(d) Deferred Shares of SFI

In 2006, SFI, a former subsidiary company, has in issue 146 million deferred shares of RM1.00 each, held by Avenel Sdn Bhd. The said deferred shares, which did not carry any entitlement to dividend, voting rights and rights to receive notice of general meetings, were only entitled to a repayment of capital after the ordinary shares in the event of a winding-up. In addition, the said deferred shares were redeemable at any time at the option of SFI. In 2006, the said deferred shares amounting to RM109,500,000 pertaining to minority shareholders were included as part of the minority interests of the Group.

31. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Fixed deposits with:				
Licensed banks:				
Restricted	**430,518**	57,162	**90,900**	600
Unrestricted	**164,593**	100,633	**14,338**	11,950
	595,111	157,795	**105,238**	12,550
Housing Development Accounts	**24,465**	21,677	**10,162**	10,084
Cash and bank balances:				
Restricted	**7,349**	15,200	**6,044**	774
Unrestricted	**84,512**	53,397	**820**	3,564
	711,437	248,069	**122,264**	26,972

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.

31. DEPOSITS, CASH AND BANK BALANCES (continued)

Included in deposits with licensed banks and cash and bank balances of the Group and of the Company are amounts totalling RM437,900,000 (2006: RM72,400,000) and RM96,900,000 (2006: RM1,400,000), 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 security for bank guarantees granted.

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
Fixed deposits with licensed banks	**2.7%**	2.6%	**2.7%**	2.7%

Deposits of the Group and of the Company have an average maturity of 27 days (2006: 27 days).

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**681,127**	202,636	**122,264**	26,972
Renminbi	**21,721**	23,429	**-**	-
United States Dollar	**8,566**	21,924	**-**	-
Singapore Dollar	**23**	80	**-**	-
	711,437	248,069	**122,264**	26,972

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 deposits, and cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the PRC.

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

(i) During the current financial year, Antara Steel Mills Sdn Bhd ("Antara") entered into conditional sale and purchase agreements to dispose of lands and buildings for a total cash consideration of RM643,000.

(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.

(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 (approximately RM7,280,000).

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

The classes of assets and liabilities of Shanghai Lion Plastic and the related assets amount of AMSB and Antara classified as held for sale on the consolidated balance sheet as of 30 June 2007 are as follows:

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Assets		
Property, plant and equipment (Note 14)	**10,660**	-
Prepaid land lease payments (Note 16)	**1,961**	-
Intangible assets (Note 24)	**770**	-
Inventories	**3,947**	-
Other receivables, deposits and prepayments	**1,228**	-
Cash and bank balances	**296**	-
Assets classified as held for sale	**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 is as follows:

	2007	**2006**
	RM'000	**RM'000**
Revenue	**10,648**	12,994
Operating expenses	**(13,992)**	(12,975)
(Loss)/Profit before tax	**(3,344)**	19
Tax expense	**-**	-
(Loss)/Profit for the year	**(3,344)**	19

33. SHARE CAPITAL

	The Group and The Company	
	2007	**2006**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised:		
At beginning of year:		
1,000,000,000 as of 1 July 2006; 750,000,000 as of 1 July 2005	**1,000,000**	750,000
Created during the year:		
Nil in 2007; 250,000,000 in 2006	**-**	250,000
At end of year:		
1,000,000,000 as of 30 June 2007 and 30 June 2006	**1,000,000**	1,000,000
Issued and fully paid:		
At beginning of year:		
697,102,765 as of 1 July 2006; 697,056,465 as of 1 July 2005	**697,102**	697,056
Issued during the year:		
8,452,200 in 2007; 46,300 in 2006	**8,453**	46
At end of year:		
705,554,965 as of 30 June 2007; 697,102,765 as of 30 June 2006	**705,555**	697,102

During the 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 Executive Share Option Scheme ("ESOS") of the Company.

The resulting share premium of RM1,242,000 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.

As approved by the shareholders of the Company at an Extraordinary General Meeting held on 23 August 2005, the authorised share capital of the Company was increased from RM750,000,000 comprising 750,000,000 ordinary shares of RM1.00 each to RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each by the creation of an additional 250,000,000 new ordinary shares of RM1.00 each in the Company.

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM697,056,465 divided into 697,056,465 ordinary shares of RM1.00 each to RM697,102,765 divided into 697,102,765 ordinary shares of RM1.00 each by the issuance of 46,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 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.

33. SHARE CAPITAL (continued)

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 scheme shall be allocated, in aggregate, to executive Directors and senior management; and

(ii) not more than 10% of the shares available under the scheme 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 capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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

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 1.7.2006**	**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**

	Number of options over ordinary shares of RM1 each					
Grant date	**Balance as of 1.9.2005**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2006**	**Exercisable as of 30.6.2006**
9.5.2006	-	8,691,300	(46,300)	(655,600)	7,989,400	5,624,200
WAEP	-	1.037	1.037	1.037	1.037	1.037

33. SHARE CAPITAL (continued)

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 RM1.80 (2006: RM1.06). The options outstanding at the end of the year have a weighted average remaining contractual life of 3.16 years (2006: 4.16 years).

The fair value of share options granted during the 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:

	2007	2006
Estimated average fair value of share options at the following grant date (RM):		
9 May 2006	**-**	1.25
26 February 2007	**1.58**	-
Expected life (years)	**3.16**	4.16
Expected volatility (%)	**47.00**	79.00
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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-distributable reserves				
Share premium	**518,927**	515,192	**518,927**	515,192
Equity compensation reserve	**3,110**	714	**3,110**	714
Capital reserve	**14,268**	543	**82**	-
Translation adjustment account	**10,465**	30,046	**-**	-
Negative goodwill	**-**	605,122	**-**	-
	546,770	1,151,617	**522,119**	515,906
Retained earnings/(Accumulated loss)	**889,917**	161,105	**(130,282)**	(134,861)
	1,436,687	1,312,722	**391,837**	381,045

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.

34. RESERVES (continued)

Capital reserve

Capital reserve 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 an associated company.

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.

Negative goodwill

As explained in Note 3, the Group's negative goodwill was derecognised on 1 July 2006 upon adoption of FRS 3 with a corresponding adjustment to the opening balance of retained earnings.

Included in negative goodwill of RM605,122,000 is an amount of RM76,314,000 attributable to Sabah Forest Industries Sdn Bhd ("SFI") and this amount was realised upon the disposal of SFI during the current financial year, as disclosed under Significant Corporate Events.

Retained earnings/(Accumulated loss)

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax-exempt income mentioned in Note 11, the Company has sufficient tax credits to frank the payment of dividends of approximately RM86,000,000 (2006: RM87,000,000) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 27% (2006: 28%) on the gross amount of the additional dividend paid.

35. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
LICB Bonds issued to Scheme Creditors:				
At beginning of year	**196,474**	240,132	**196,474**	240,132
Accreted interest	**11,441**	12,668	**11,441**	12,668
Redeemed during the year	**(20,119)**	(56,326)	**(20,119)**	(56,326)
At end of year	**187,796**	196,474	**187,796**	196,474
LICB Bonds issued to subsidiary/associated companies:				
At beginning of year	**17,306**	21,150	**58,993**	72,102
Accreted interest	**1,007**	1,116	**3,436**	3,804
Redeemed during the year	**(1,770)**	(4,960)	**(6,144)**	(16,913)
At end of year	**16,543**	17,306	**56,285**	58,993
USD Debts issued to Scheme Creditors:				
At beginning of year	**134,718**	162,917	**-**	-
Accreted interest	**7,280**	7,744	**-**	-
Paid during the year	**(15,875)**	(31,259)	**-**	-
Unrealised gain on foreign exchange	**(7,420)**	(4,684)	**-**	-
At end of year	**118,703**	134,718	**-**	-

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
USD Debts issued to a subsidiary company, LLB Harta (L) Limited ("LICB Debts"):				
At beginning of year	**-**	-	**136,327**	164,331
Accreted interest	**-**	-	**7,486**	7,988
Paid during the year	**-**	-	**(15,726)**	(31,247)
Unrealised gain on foreign exchange	**-**	-	**(7,589)**	(4,745)
At end of year	**-**	-	**120,498**	136,327
	323,042	348,498	**364,579**	391,794
Portion payable within one year:				
LICB Bonds issued to:				
Scheme Creditors	**(135,186)**	(140,346)	**(135,186)**	(140,346)
Subsidiary/Associated companies	**(11,907)**	(12,363)	**(40,592)**	(42,142)
USD Debts issued to:				
Scheme Creditors	**(101,289)**	(113,594)	**-**	-
A subsidiary company	**-**	-	**(101,289)**	(114,868)
	(248,382)	(266,303)	**(277,067)**	(297,356)
Non-current portion	**74,660**	82,195	**87,512**	94,438
Borrowing costs (net of annual amortisation of RM1.9 million for the Group and the Company for 9 years) *	**(7,504)**	(9,379)	**(7,504)**	(9,379)
Net	**67,156**	72,816	**80,008**	85,059

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Financial years ending 30 June:				
2008	**-**	9,498	**-**	10,874
2009	**9,837**	10,021	**11,468**	11,468
2010	**7,153**	7,288	**8,332**	8,332
2011 and thereafter	**57,670**	55,388	**67,712**	63,764
	74,660	82,195	**87,512**	94,438

* 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.

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

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	**204,339**	213,780	**244,081**	255,467
United States Dollar	**118,703**	134,718	**120,498**	136,327
	323,042	348,498	**364,579**	391,794

Pursuant to the implementation of the 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, serves as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

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

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

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

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

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

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

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

(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;

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.

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

Pursuant to the indulgence and approval granted by the holders of the LICB Bonds and USD Debts to vary the redemption date and the repayment date of the LICB Bonds and USD Debts in December 2003, additional securities were charged in favour of the Security Trustee. The additional securities as of 30 June 2007 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) 42,518,645 ordinary shares of RM0.50 each in Lion Diversified Holdings Berhad ("LDHB") representing 5.77% of the issued and paid-up capital of LDHB.

(iii) 45,127,236 ordinary shares of RM1.00 each in Lion Forest Industries Berhad ("LFIB") representing 21.46% of the issued and paid-up capital of LFIB; and

(iv) shares in subsidiary companies of the Company, other than AMSB, LDHB (became associated company since 2004) and LFIB, with an adjusted net tangible assets of RM5 million or more as of 30 June 2003, provided such shares are not encumbered.

The Group is currently seeking the indulgence and approval from the holders of LICB Bonds and USD Debts to vary the redemption date and the repayment date of the LICB Bonds and USD Debts which will be due on 31 October 2007 and 31 December 2007, respectively.

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

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Secured:		
BaIDS	**460,000**	500,000
Portion due within 12 months (shown under current liabilities)	**(60,000)**	(40,000)
Non-current portion	**400,000**	460,000

The non-current portion is repayable as follows:

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Financial years ending June 30:		
2008	**-**	60,000
2009	**70,000**	70,000
2010	**90,000**	90,000
2011	**110,000**	110,000
2012	**130,000**	130,000
	400,000	460,000

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

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

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

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

(iii) for working capital purposes.

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

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

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

The BaIDS are secured by the following:

(a) National Land Code ("NLC") charges over three pieces of lands 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 2007 RM'000	The Group 2006 RM'000
Outstanding loans:		
Secured:		
Principal	**1,222,271**	1,245,297
Portion due within one year (Note 41)	**(317,529)**	(68,390)
	904,742	1,176,907
Unsecured:		
Principal	**-**	1,730
Portion due within one year (Note 41)	**-**	(1,000)
	-	730
Non-current portion	**904,742**	1,177,637

The non-current portion is repayable as follows:

	The Group 2007 RM'000	The Group 2006 RM'000
Financial years ending 30 June:		
2008	**-**	282,757
2009	**298,575**	268,093
2010	**232,467**	306,687
2011 and thereafter	**373,700**	320,100
	904,742	1,177,637

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) and fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 5.8% to 7.0% (2006: 5.8% to 7.0%) per annum.

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

	The Group 2007 RM'000	The Group 2006 RM'000
Ringgit Malaysia	**365,544**	601,725
United States Dollar	**514,293**	548,819
Renminbi	**24,905**	27,093
	904,742	1,177,637

38. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amounts payable under finance lease:				
Within one year	**44**	47	**39**	42
In the second to third year inclusive	**37**	16	**34**	14
	81	63	**73**	56
Less: Future finance charges	**(8)**	(7)	**NA**	NA
Present value of lease payables	**73**	56	**73**	56
Less: Amount due within the next 12 months (shown under current liabilities)			**(39)**	(42)
Non-current portion			**34**	14

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

	The Group	
	2007 RM'000	2006 RM'000
Financial year ending 30 June:		
2008	**-**	14
2009	**25**	-
2010	**9**	-
	34	14

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at 6.76% (2006 : 6.76%) per annum.

39. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Total outstanding	**1,556**	3,103	**456**	714
Less: Interest-in-suspense	**(157)**	(361)	**(28)**	(62)
Principal outstanding	**1,399**	2,742	**428**	652
Less: Portion due within one year (shown under current liabilities)	**(916)**	(1,096)	**(165)**	(171)
Non-current portion	**483**	1,646	**263**	481

39. HIRE-PURCHASE PAYABLES (continued)

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

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Financial years ending 30 June:				
2008	**-**	996	**-**	180
2009	**375**	516	**173**	189
2010 and thereafter	**108**	134	**90**	112
	483	1,646	**263**	481

Hire-purchase obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.8% to 6.8% (2006: 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	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	**388,368**	274,968	**941**	139
Retention monies	**4,298**	5,372	**315**	1,025
	392,666	280,340	**1,256**	1,164

The normal credit period granted to the Group and the Company for trade purchases range from 30 to 60 days (2006: 30 to 60 days).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**275,633**	229,605	**1,256**	1,164
United States Dollar	**102,464**	29,144	**-**	-
Renminbi	**13,251**	12,902	**-**	-
Singapore Dollar	**454**	4,562	**-**	-
Euro	**439**	3,975	**-**	-
Others	**425**	152	**-**	-
	392,666	280,340	**1,256**	1,164

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

(b) Other payables, deposits and accrued expenses

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other payables and deposits	**329,810**	232,447	**8,479**	8,858
Accrued expenses	**266,223**	232,421	**2,042**	2,570
Total	**596,033**	464,868	**10,521**	11,428

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

	The Group		The Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	**591,710**	453,467	**10,521**	11,428
Renminbi	**4,294**	11,373	**-**	-
Others	**29**	28	**-**	-
	596,033	464,868	**10,521**	11,428

Included in other payables of the Group is an amount of RM282,000 (2006: RM3,789,000) 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 bears interest at rates ranging from 5.00% to 7.00% (2006: 5.58% to 7.25%) per annum and has no fixed repayment terms.

41. SHORT-TERM BORROWINGS

	The Group	
	2007 RM'000	2006 RM'000
Short-term loans from financial institutions:		
Secured	**1,063**	1,063
Bank overdrafts:		
Secured	**40,688**	41,672
Bills payable	**137,752**	153,377
Portion of long-term loans due within one year (Note 37):		
Secured	**317,529**	68,390
Unsecured	**-**	1,000
	497,032	265,502

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% (2006: 4.4% to 8.5%) per annum.

41. SHORT-TERM BORROWINGS (continued)

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

	The Group	
	2007 RM'000	2006 RM'000
Ringgit Malaysia	**380,896**	227,654
United States Dollar	**99,607**	30,058
Renminbi	**16,529**	7,790
	497,032	265,502

42 DIVIDENDS

A first and final dividend of 0.5%, less 28% tax, amounting to RM2.5 million proposed in respect of ordinary shares in the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the financial year.

The Directors propose a first and final dividend of 1%, less 27% tax, amounting to RM5.1 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 (2006: 0.5 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances (unrestricted) (Note 31)	**84,512**	53,397	**820**	3,564
Fixed deposits with licensed banks (unrestricted) (Note 31)	**164,593**	100,633	**14,338**	11,950
Housing Development Accounts (Note 31)	**24,465**	21,677	**10,162**	10,084
Bank overdrafts (Note 41)	**(40,688)**	(41,672)	**-**	-
	232,882	134,035	**25,320**	25,598
Cash and bank balances classified as held for sale (Note 32)	**296**	-	**-**	-
Total cash and cash equivalents	**233,178**	134,035	**25,320**	25,598

44. RELATED PARTY TRANSACTIONS

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

44. RELATED PARTY TRANSACTIONS (continued)

During the financial year, significant transactions undertaken with related parties, which are determined in a basis as negotiated between the Group and the said parties, are as follows:

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

		The Group		The Company	
Name of Company	Nature	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Megasteel Sdn Bhd	Sales of goods	**1,437,751**	833,400	**-**	-
	Purchase of goods, raw materials and consumables	**1,256,211**	747,427	**-**	-
	Interest income	**10,340**	12,033	**-**	-
Secomex Manufacturing (M) Sdn Bhd	Purchase of gases	**13,719**	6,347	**-**	-
Angkasa Hong Leong Pte Ltd	Sales of goods	**38,859**	20,672	**-**	-
	Purchase of raw materials	**67**	3,025	**-**	-
Graimpi Sdn Bhd	Sales of goods	**31,926**	-	**-**	-
Bright Steel Sdn Bhd	Sales of goods	**12,565**	9,394	**-**	-
Lion DRI Sdn Bhd	Sales of goods	**6,735**	3,016	**-**	-
Likom Plastic Industries Sdn Bhd	Rental income	**3,485**	4,448	**3,485**	4,448
	Interest income	**288**	348	**288**	348
Singa Logistics Sdn Bhd	Transportation charges	**3,526**	1,741	**-**	-
Lion Tooling Sdn Bhd	Purchase of toolings	**3,423**	5,352	**-**	-
Likom Computer System Sdn Bhd	Interest income	**3,156**	3,194	**3,156**	3,194
Likom CMS Sdn Bhd	Rental income	**1,283**	1,283	**1,283**	1,283
Likom Caseworks Sdn Bhd	Rental income	**1,114**	1,112	**1,114**	1,112
Lion Holdings Sdn Bhd	Interest income	**689**	638	**689**	638
Silverstone Berhad	Trade sales	**572**	388	**-**	-
Vitarite Pharmaceuticals Sdn Bhd	Rental income	**173**	173	**173**	173
Che Kiang Realty Sdn Bhd	Interest income	**157**	132	**157**	132

44. RELATED PARTY TRANSACTIONS (continued)

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables:				
Included in trade receivables	**202,587**	330,550	**-**	-
Included in other receivables	**78,952**	80,804	**40,446**	52,189
Payables:				
Included in trade payables	**28,052**	8,695	**-**	-
Included in other payables	**95,779**	93,186	**-**	293

The outstanding balances with related parties are either interest-free or bear interest at 8% (2006: either interest free or bear interest at 8%) per annum and have no fixed terms of repayment.

(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 Group are as follows:

	Unexercised options	
	2007	**2006**
	'000	**'000**
Datuk Cheng Yong Kim	**490**	245
Dato' Kamaruddin @ Abas bin Nordin *	**105**	88

* 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, prepaid land lease payments, intangible assets and plantation development expenditure.

As disclosed in Note 12, the Group completed the disposal of a subsidiary company which carries out the Group's timber extraction and pulp and paper operations during the current financial year.

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	85,927	-	4,545,686
Investment in associated companies	-	-	-	-	-	582,135	-	582,135
Investment in jointly controlled entity	-	125	-	-	-	-	-	125
Unallocated corporate assets								524,917
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	37,638	10,534	212	3,707	-	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)

(a) Business Segments: (continued)

The Group 2006	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	2,606,374	29,907	326,217	41,559	136,442	83,434	-	3,223,933
Inter-segment revenue	20,632	-	-	-	-	-	(20,632)	-
Total revenue	2,627,006	29,907	326,217	41,559	136,442	83,434	(20,632)	3,223,933
Results								
Segment results	(79,281)	3,664	(40,653)	(19,405)	143	(21,270)	-	(156,802)
Unallocated costs								(4,604)
Loss from operations								(161,406)
Finance costs								(150,979)
Share in results of associated companies	-	-	-	-	-	131,367	-	131,367
Investment income								34,556
Loss before tax								(146,462)
Tax income								113,197
Loss for the year								(33,265)
Assets								
Segment assets	2,854,460	525,951	1,196,871	208,292	64,135	110,871	-	4,960,580
Investment in associated companies	-	-	-	-	-	470,454	-	470,454
Unallocated corporate assets								173,041
Consolidated total assets								5,604,075
Liabilities								
Segment liabilities	2,397,140	264,696	58,468	59,728	18,267	233,647	-	3,031,946
Unallocated liabilities								137,941
Consolidated total liabilities								3,169,887
Other Information								
Capital additions	101,702	437	29,006	47,976	172	3,866	-	183,159
Depreciation and amortisation	80,447	3,136	40,224	9,533	193	4,995	-	138,528
Other non-cash expenses/ (income)	(7,039)	2,755	1,546	460	1,457	16,714	-	15,893

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, timber extraction and pulp and paper and building materials and consumables, manufacture and trading of lubricants, spark plugs and education services;

- People's Republic of China - manufacture and sale of tyres, plastic components, industrial chemical products and automotive parts; and

- Others - investment holding.

	Revenue		Total Assets		Capital Additions	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	**3,740,367**	2,770,247	**5,376,566**	5,344,451	**166,874**	133,745
People's Republic of China	**121,392**	62,582	**258,948**	250,182	**19,791**	49,414
Others	**931,029**	391,104	**17,349**	9,442	**-**	-
	4,792,788	3,223,933	**5,652,863**	5,604,075	**186,665**	183,159

In determining the geographical segments of the Group, revenue are 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 (UNSECURED)

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

	The Company	
	2007	**2006**
	RM'000	**RM'000**
Subsidiary companies	**460,000**	501,730

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

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Legal claims in respect of the termination of contracts for the extraction and sale of timber	**313,300**	313,300

46. CONTINGENT LIABILITIES (UNSECURED) (continued)

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 (2006: 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 acquisition of SFI.

On disposal of SFI, LFIB entered into similar indemnity contracts with the purchasers to indemnify the purchasers in full for all losses, damages, liabilities, claims, costs and expenses which the purchasers may incur or sustain as a result of or arising from the litigation suits amounting to RM313,300,000.

47. CAPITAL COMMITMENTS

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

	The Group	
	2007	**2006**
	RM'000	**RM'000**
Approved and contracted for:		
Acquisition of land	**-**	100,216
Acquisition of plant and machinery	**138,893**	148,484
Additions of investment	**21,108**	-
	160,001	248,700
Approved but not contracted for:		
Acquisition of plant and machinery	**58**	19,297
Plantation development expenditure	**-**	15,527
	58	34,824
Share of capital commitments of jointly controlled entity	**50,108**	-
Total	**210,167**	**283,524**

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.

48. FINANCIAL INSTRUMENTS (continued)

(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.

The currency exposure of Renminbi is limited as Renminbi is the functional currency of the subsidiary companies incorporated in the People's Republic of China.

(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 2007 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 and other receivables' 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 2007, is the carrying amount 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.

48. FINANCIAL INSTRUMENTS (continued)

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 other unquoted investments) and financial liabilities 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
2007				
Long-term investments - quoted shares	**6,472**	**6,507**	**4,208**	**4,246**
2006				
Long-term investments - quoted shares	10,681	10,706	5,935	5,941

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.

49. SUBSIDIARY COMPANIES

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

Name of Company	Effective Percentage Ownership 2007 %	Effective Percentage Ownership 2006 %	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

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2007 %	2006 %	Principal Activities
Property Division			
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
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

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2007 %	2006 %	Principal Activities
Steel Division			
* Amsteel Mills Sdn Bhd	**99**	99	Manufacture and marketing of steel bars and wire rods
* Amsteel Mills Marketing Sdn Bhd	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	**99**	99	Investment holding
Antara Steel Mills Sdn Bhd	**99**	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	**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 2007)
* 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

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2007 %	Effective Percentage Ownership 2006 %	Principal Activities
Others			
LLB Harta (L) Limited	**100**	100	Treasury business
LLB Nominees Sdn Bhd	**100**	100	Investment holding
LLB Strategic Holdings Berhad	**90**	90	Investment holding
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
Sepang Education Centre Sdn Bhd	**-**	90	Commercial college for higher education
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) (Disposed of on 24 August 2007)	**68**	68	Manufacture and marketing of plastic components and related products
* Slag Aggregate Sdn Bhd	**100**	100	Investment holding
* 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

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2007 %	Effective Percentage Ownership 2006 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Timber Extraction and Pulp and Paper Division			
Sabah Forest Industries Sdn Bhd	**-**	79	Integrated wood-based activities and pulp and paper mill operations
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	Investment holding (inactive during the year)
^ Gama Harta Sdn Bhd	**80**	-	Dormant

49. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2007 %	2006 %	Principal Activities
Others			
Intra Inspirasi Sdn Bhd	**80**	-	Investment holding
^ Jadeford International Limited (incorporated in British Virgin Islands)	**80**	-	Dormant
* 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

* 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 2007 %	2006 %	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 2007)
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 2007)

50. ASSOCIATED COMPANIES (continued)

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2007 %	2006 %	Principal Activities
Lion Asia Investment Pte Ltd	30 June	Singapore	**20**	20	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	**22**	24	Investment holding
* Lion Insurance Company Limited	30 June	Malaysia	**41**	41	Captive insurance business
Teck Chiang Investment Pte Ltd	30 June	Singapore	**50**	50	Property development and investment holding (yet to commence operations as of 30 June 2007)
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
# Tianjin Huali Motor Co Ltd	31 December	People's Republic of China	**-**	25	Manufacture of commercial vehicles
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

The Group has not accounted for the investment in this associated company under the equity method of accounting as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in its management. Accordingly, the investment costs or group costs have been included under long-term investments (Note 22).

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

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.

51. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEARS' ADJUSTMENTS

During the financial year, the Group and the Company adopted all of the new and revised FRSs issued by MASB that are relevant to their operations and effective for accounting periods beginning on or after 1 January 2006 as described in Note 3. The adoption of these new and revised FRSs does not have any material effect on the results of the Group and of the Company for the current and prior financial years other than the adoption of FRS 2: Share-based Payments, in relation to the ESOS granted to eligible executives employees and executive Directors, which had resulted in a decrease in the net profit of the Group and of the Company for the current financial year by RM5,643,000 and RM939,000 respectively. The adoption of the FRSs have also been given retrospective recognition resulting in prior year adjustments as shown below:

The Group	As previously stated RM'000	Adjustments FRS 2 RM'000	FRS 101 RM'000	FRS 117 RM'000	Total RM'000	As restated RM'000
Consolidated income statement For the year ended 30 June 2006						
Revenue	3,223,933	-	(326,217)	-	(326,217)	2,897,716
Other income	31,822	-	(253)	-	(253)	31,569
Net change in inventories	(101,267)	-	13,323	-	13,323	(87,944)
Raw materials and consumables used	(2,646,074)	-	215,635	-	215,635	(2,430,439)
Staff costs	(161,281)	(1,333)	33,421	-	32,088	(129,193)
Directors' remuneration	(943)	(52)	-	-	(52)	(995)
Depreciation of property, plant and equipment	(137,836)	-	44,573	2,082	46,655	(91,181)
Amortisation of:						
Forest concessions	(10,796)	-	10,796	-	10,796	-
Prepaid land lease payments	-	-	-	(2,082)	(2,082)	(2,082)
Negative goodwill	34,095	-	(32,149)	-	(32,149)	1,946
Goodwill	(19,983)	-	10,146	-	10,146	(9,837)
Other expenses	(235,120)	-	71,378	-	71,378	(163,742)
Loss from operations	(160,021)	(1,385)	40,653	-	39,268	(120,753)
Finance costs	(150,979)	-	361	-	361	(150,618)
Share in results of associated company	147,166	-	(15,799)	-	(15,799)	131,367
Investment income	34,556	-	(168)	-	(168)	34,388
Loss before tax	(129,278)	(1,385)	25,047	-	23,662	(105,616)
Tax income	128,996	-	(15,868)	-	(15,868)	113,128
Profit/(Loss) for the year from continuing operations	(31,880)	(1,385)	40,777	-	39,392	7,512
Loss for the year from discontinued operations	-	-	(40,777)	-	(40,777)	(40,777)
Loss for the year	(9,329)	(1,385)	(22,551)	-	(23,936)	(33,265)
Loss per share:						
Basic (sen)	(1.30)	(0.22)	-	-	(0.22)	(1.52)
Diluted (sen)	NA	-	-	-	-	NA

51. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEARS' ADJUSTMENTS (continued)

The Group	As previously stated RM'000	Adjustments FRS 2 RM'000	FRS 117 RM'000	Total RM'000	As restated RM'000
Consolidated balance sheet As of 30 June 2006					
Property, plant and equipment	2,204,394	-	(113,537)	(113,537)	2,090,857
Prepaid land lease payments	-	-	113,537	113,537	113,537
Consolidated statement of changes in equity For the year ended 30 June 2006					
Equity compensation reserve	-	714	-	714	714
Capital reserve	-	543	-	543	543
Retained earnings	162,362	(1,257)	-	(1,257)	161,105

The Company	As previously stated RM'000	Adjustment FRS 2 RM'000	As restated RM'000
Income statement For the year ended 30 June 2006			
Staff costs	(5,229)	(127)	(5,356)
Directors' remuneration	(828)	(39)	(867)
Profit before tax	5,904	(166)	5,738
Profit for the year	8,006	(166)	7,840
Balance sheet As of 30 June 2006			
Investment in subsidiary companies	273,027	548	273,575
Statement of changes in equity For the year ended 30 June 2006			
Equity compensation reserve	-	(714)	(714)
Accumulated loss	134,695	166	134,861

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2007 and of the results of the businesses 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,
4 October 2007

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 accompanying balance sheets and the related statements of income, cash flows and changes in equity 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 4th day of October, 2007.

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 2007, none of the ordinary share of the Company was deposited with MBB for the ADR Programme.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Letter of Offer dated 11 December 2003 issued by Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Company, to the Company with the agreement of Sabah Forest Industries Sdn Bhd ("SFI"), 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 an interest, 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.

LIST OF GROUP MATERIAL PROPERTIES

AS OF 30 JUNE 2007

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	2-7	300.6	1996
2.	Melaka Technology Park PT 3852, HS(D) 34924 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	37.6 hectares	Factory buildings	15	95.3	September 1994
3.	LuHe Industrial Zone Zhucheng City Shandong Province China	Leasehold 20.12.2054	157,049 sq metres	Land & buildings	3	91.8	December 2004
4.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold					
	- PLO 417, Jalan Gangsa Satu	17.6.2052	6.3)	Industrial land & buildings	16	11.2)	September 2002
	- PLO 218, Jalan Gangsa Satu	26.12.2056	4.4)		12	12.9)	
	- PLO 277, Jalan Gangsa Satu	29.9.2038	6.5) hectares		29	13.3)	
5.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	30	34.5	22 October 1994
6.	Mukim 17 North East District Batu Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land for future development	–	32.1	June 1991
7.	Lot 7623 Kepong Utara Mukim of Batu Kuala Lumpur	Leasehold 30.3.2086	4.9 hectares	Land where development is in progress	–	14.8	30 June 1990
8.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.7 hectares	Land where development is in progress	–	10.3	June 1991
9.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	5 acres	Industrial land & buildings	13	9.4	March 2003
10.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	12	8.8	22 October 1994

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2007

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM706,418,265
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2007

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	2,949	14.11	139,065	0.02
100 to 1,000	8,073	38.62	4,730,785	0.67
1,001 to 10,000	8,531	40.82	28,195,200	3.99
10,001 to 100,000	1,123	5.37	30,635,253	4.34
100,001 to less than 5% of issued shares	224	1.07	385,070,661	54.51
5% and above of issued shares	2	0.01	257,647,301	36.47
	20,902	100.00	706,418,265	100.00

Substantial Shareholders as at 30 September 2007

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	47.70	-
2. Datuk Cheng Yong Kim	1,784,789	0.25	336,741,465	47.67	700,000
3. Lion Realty Pte Ltd	-	-	336,638,055	47.65	-
4. Lion Development (Penang) Sdn Bhd	225,257	0.03	332,107,878	47.01	-
5. Horizon Towers Sdn Bhd	122,290	0.02	292,245,635	41.37	-
6. Lion Corporation Berhad	180,576,909	25.56	111,668,726	15.81	-
7. LDH (S) Pte Ltd	-	-	292,245,635	41.37	-
8. Lion Diversified Holdings Berhad	36,720,000	5.20	292,245,635	41.37	-
9. Limpahjaya Sdn Bhd	-	-	102,000,000	14.44	-
10. Megasteel Sdn Bhd	102,000,000	14.44	-	-	-
11. Narajaya Sdn Bhd	-	-	328,965,635	46.57	-

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 2007

	Registered Shareholders	No. of Shares	% of Shares
1.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Corporation Berhad	155,647,301	22.03
2.	Megasteel Sdn Bhd	102,000,000	14.44
3.	Lembaga Tabung Angkatan Tentera	33,883,084	4.80
4.	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset MGMT Malaysia for Employees Provident Fund	27,000,000	3.82
5.	Lion Corporation Berhad	24,929,608	3.53
6.	Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund UAJB for Unifund (HTSG as Trustee)	24,803,400	3.51
7.	Mayban Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.94
8.	Citigroup Nominees (Asing) Sdn Bhd Scottish Equitable (MF) Ltd for Series B Pacific Fund (CB LDN)	19,281,200	2.73
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. International Plc	17,948,100	2.54
10.	Lion Diversified Holdings Berhad	15,920,000	2.25
11.	Mayban Nominees (Asing) Sdn Bhd G.K. Goh Strategic Holdings Pte Ltd (260551)	14,253,100	2.02
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong And Shanghai Banking Corporation Limited (HBFS-B CLT 500)	12,243,000	1.73
13.	Mayban Nominees (Asing) Sdn Bhd Alpha Securities Pte Ltd (260550)	8,506,100	1.20
14.	Lion Construction & Engineering Sdn Bhd	7,387,530	1.05
15.	Mayang Jati (M) Sdn Bhd	6,723,472	0.95
16.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Merrill Lynch International (Prime Broker)	6,336,000	0.90
17.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	4,734,381	0.67
18.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SJ25 for California Public Employees Retirement System	4,622,500	0.65
19.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Mellon Bank (Mellon)	4,299,800	0.61
20.	Menta Construction Sdn Bhd	4,292,556	0.61
21.	HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	3,399,000	0.48
22.	Mayang Jati (M) Sdn Bhd	3,100,000	0.44
23.	HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	3,078,000	0.44
24.	Malaysian Trustees Berhad LLB Scheme	2,966,311	0.42
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank National Association (U.K.)	2,499,600	0.35
26.	Tengku Uzir Bin Tengku Ubaidillah	2,431,300	0.34
27.	Goh Phaik Lynn	2,320,000	0.33
28.	AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (HORI000)	2,227,844	0.32
29.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Black River Asia Fund Ltd	2,227,300	0.32
30.	Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,212,500	0.31

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2007

The Directors' interests in shares in the Company and its related companies as at 30 September 2007 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	Indirect Interest No. of Options[1]
The Company						
Datuk Cheng Yong Kim	RM1.00	1,784,789	0.25	336,741,465	47.67	700,000
Dato' Kamaruddin @ Abas bin Nordin[2]	RM1.00	40,000	0.006	-	-	180,000
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 voluntary liquidation)	10,878,944	56.00

Notes:

[1] *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

[2] *Disposed of 25,000 shares between 1 October 2007 and 3 October 2007.*

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

Other than as disclosed above, the Directors of the Company do not have any other interest in shares in the Company or its related companies.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM53,000.

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2007, a total of 8,452,200 options were exercised by eligible executive employees of the Group at an exercise price of RM1.037 per share (5,279,700 shares) and RM1.330 per share (3,172,500 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 2007 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")[1]	1,435,732
	Amsteel Corporation Berhad Group ("Amsteel Group")[1]	51,186
	Lion Teck Chiang Limited Group ("LTC Group")[1]	38,859
	Lion Diversified Holdings Berhad Group ("LDHB Group")[1]	38,661
	Lion Forest Industries Berhad Group ("LFIB Group")[1]	22,068
	Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) Group ("Parkson Group")[1]	12,106
		1,598,612
(ii) The purchase of scrap iron, gases and other related products and services	LCB Group[1]	1,270,170
	Parkson Group[1]	882
	Amsteel Group[1]	746
	LDHB Group[1]	331
	LTC Group[1]	67
		1,272,196
(iii) The purchase of spare parts, tools and dies	Amsteel Group[1]	3,418
(iv) The provision of storage, leasing and rental of properties, management and support and other related services	Parkson Group[1]	330
(v) The obtaining of storage, leasing and rental of properties, management and support, and other related services	Amsteel Group[1]	609
(vi) The obtaining of transportation and forwarding services	Amsteel Group[1]	3,491

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]	3,485
	LDHB Group[1]	2,397
		5,882
(c) Others		
(i) The provision of management and support, training and other related services	Silverstone Corporation Berhad Group ("SCB Group")[1]	144
(ii) The obtaining of security services and security communication equipment	Amsteel Group[1]	603
(iii) The purchase of motor vehicles, component parts and other related products and services	LFIB Group[1]	1,166
	SCB Group[1]	11
		1,177
(iv) The purchase of office equipment, furniture and other industrial products	LCB Group[1]	128

Notes:

"Group" includes subsidiary and associated companies.

(1) Company in which a Director and certain major shareholders of the Company have an interest.
(2) Company in which a Director and a major shareholder of the Company have an interest.

(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 2006	Subsequent to December 2006: Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 2007): Actual Jan-Jun 2007	Projected Jul-Dec 2007	Projected Jan-Dec 2007
	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	7.6	–	–	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	39.3	–	–	–	–
Total	**541.3**	**255.1**	**–**	**–**	**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 2007)

There were no transactions completed during the financial period.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received were/will be used to redeem/repay the LICB Bonds and USD Debts.

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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-Seventh Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 29 November 2007 at 11.00 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Mr Heah Sieu Lay		
5. To re-elect as Director, Mr Chong Jee Min		
6. To re-appoint as Director, Y. A. Bhg. Tun Musa Hitam		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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

As witness my/our hand this .... day of 2007

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.