LION FOREST INDUSTRIES BERHAD

(82056-X)

A Member of The Lion Group

Laporan Tahunan 2011 Annual Report

LION FOREST INDUSTRIES BERHAD 2011

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 22 December 2011 at 10.00 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2011. **Note 3**

2. To approve the payment of a final dividend of 3.0 sen per ordinary share less 25% Malaysian Income Tax. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM210,000 (2010 : RM175,000). **Resolution 2**

4. To re-elect Directors:

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

   Mr Chan Ho Wai **Resolution 3**
   Mr Lin Chung Dien **Resolution 4**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 5**

6. Special Business

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

6.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 6**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 30 November 2011 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

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

(i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next annual general meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

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

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution which shall include, without limitation, taking any action which the Directors may, in their absolute discretion deem fit, to recover any sums due to the Company under the said transactions or to settle the same."

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

DIVIDEND ENTITLEMENT

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

(a) shares transferred into the depositor's securities account before 4.00 pm on 28 December 2011 in respect of transfers; and

(b) 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 9 January 2012 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 28 December 2011.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
30 November 2011

Notes:

1. *Proxy*
   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 December 2011 shall be eligible to attend the Meeting.*
   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
   - *The instrument of proxy shall be deposited at the office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*
   - *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

2. *Circular to Shareholders dated 30 November 2011 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2011 Annual Report.

3. *Agenda Item 1*

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

4. *Resolution 2*

   It is proposed that the fees for the Directors be increased due to the increasing duties and responsibilities.

5. *Resolution 6*

   This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 23 November 2010 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 7*

   This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular, which are necessary for the Group's day-to-day operations undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Y. Bhg. Dato' Dali Mahmud Hashim Y. Bhg. Dato' Mohamad bin Haji Ahmad Y. Bhg. Dato' Kalsom binti Abd. Rahman Cik Zainab binti Dato' Hj. Mohamed Mr Lin Chung Dien
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	82056-X
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	CIMB Bank Berhad Public Bank Berhad Hong Leong Bank Berhad Bank Muamalat Malaysia Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONFIB
Bursa Securities Stock No	:	8486
Reuters Code	:	LIOF.KL
ISIN Code	:	MYL8486OO002

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 68, was appointed to the Board on 15 January 1991 and has been the Chairman since 27 August 1997.

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

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

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

- Chairman of Lion Diversified Holdings Berhad
- Chairman and Managing Director of Lion Corporation Berhad and Parkson Holdings Berhad

He is also the Chairman of Lion AMB Resources Berhad and ACB Resources Berhad and a Director of The Community Chest, a company limited by guarantee incorporated for charity purposes.

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 182,478,348 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 126 of this Annual Report. He also has interests in certain companies which conducts similar business with the Group in the plantation sector.

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

Tan Sri William Cheng attended eight (8) of the nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, aged 55, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Company's Remuneration Committee.

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

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

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

Mr Chan attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

Dato' Dali Mahmud Hashim
Independent Non-Executive Director

Y. Bhg. Dato' Dali Mahmud Hashim, a Malaysian, aged 70, was appointed to the Board on 22 August 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

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

Dato' Dali attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

Dato' Mohamad bin Haji Ahmad
Independent Non-Executive Director

Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, aged 67, was appointed to the Board on 28 March 1991. He is also a member of the Company's Audit Committee and Nomination Committee.

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

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

Dato' Mohamad attended eight (8) of the nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 63, was appointed to the Board on 23 August 2004. She is also a member of the Company's Audit Committee.

Dato' Kalsom received her Bachelor of Economics (Honours) degree from the University of Malaya and Masters degree in Business Administration (Finance) from the University of Eugene, Oregon, the United States of America. In addition, she has also attended numerous seminars and training programmes on trade, industry and investments organised by international and regional agencies such as, World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), World Intellectual Property Organization (WIPO), the World Bank, Asia-Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), including executive and management programmes at Stanford University and Harvard Business School.

Dato' Kalsom spent more than 33 years in the Ministry of International Trade and Industry (MITI) in various capacities both at headquarters and its overseas offices as well as the Chief Executive Officer of the Small and Medium Industries Development Corporation (SMIDEC) and as Deputy Secretary-General (Industry) of MITI before she retired in 2004. Subsequently, she became the Chairman of SMIDEC until October 2006. Dato' Kalsom was also the Chairman of the Executive Committee of Invest-In-Penang Berhad, a state government agency responsible for the promotion of investments, technology and business into Penang, a position she held until 2008.

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

- Malaysian Industrial Development Finance Berhad and its subsidiaries, MIDF Amanah Investment Bank Berhad and MIDF Amanah Asset Management Berhad
- MIDF Property Berhad
- MISC Berhad

MISC Berhad is listed on Bursa Malaysia Securities Berhad.

Dato' Kalsom attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, aged 53, was appointed to the Board on 10 December 2001. She is also a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee.

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

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

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

Cik Zainab attended seven (7) of the nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 68, was appointed to the Board on 25 February 2008.

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

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

Mr Lin attended eight (8) of the nine (9) Board Meetings of the Company held during the financial year ended 30 June 2011.

Save as disclosed above, none of the Directors has (i) any interest in securities in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past ten (10) years.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of practising and maintaining good corporate governance to direct the businesses of the Group towards enhancing business prosperity and long term value for its shareholders. The Board is fully committed in ensuring that the highest standard of corporate governance is practised and maintained throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2011 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 2011, nine (9) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

Represented on the Board are five (5) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

Board Committees

The Board delegates certain functions to several committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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

Supply of Information

The Board as a whole and in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and senior management of the Group and external advisers are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order to arrive at an informed decision.

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

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

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skills, experience and competency to be appointed to the Board and Board Committees to ensure the effectiveness of the Board. Newly appointed Directors will be given an orientation programme to familiarise themselves with the Group's operations to better understand the Group's businesses.

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

The members and terms of reference of the Nomination Committee are presented on page 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 relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

During the financial year, the Directors had participated in the following seminars, forums, conferences and training programmes ("Programmes"):

<u>Name of Directors</u>	<u>Programmes</u>
Tan Sri William H.J. Cheng	• Forum on "Activate Asia Insight Indonesia" • 2010 National Entrepreneurs Convention • Seminar on "Swiftlet Nest Farming Enterprise" • Forum on "Activate Asia: Vietnam in View" • Interaction Forum for Malaysian & Taiwanese Chambers of Commerce on "Trade between Malaysia and Taiwan" • Malaysia - International Chinese Business Forum • Forum on "Fight Corruption by Business Community" • University Tunku Abdul Rahman: Entrepreneurial Experience Sharing • Interaction Forum with Students of University of Malaya on "Prospect and Opportunity of Future Career" • Seminar on "Goods and Services Tax in Malaysia" • Seminar on "How You Can Participate & Benefit from Economic Transformation Programme" • Forum on "Family Business: The Next Generation" • The Associated Chinese Chambers of Commerce and Industry of Malaysia 4th Youth Conference on "Entrepreneurship"

Name of Directors	Programmes
Chan Ho Wai	• Sustainability Programme for Corporate Malaysia - Trading Services & Industrial Products • Bursa – Governance Program on "Assessing the risk and control environment"
Dato' Mohamad bin Haji Ahmad	• Sustainability Programme for Corporate Malaysia - Trading Services & Industrial Products
Dato' Dali Mahmud Hashim	• Sustainability Programme for Corporate Malaysia - Trading Services & Industrial Products
Dato' Kalsom binti Abd. Rahman	• Building High Performance Directors Programme for Directors of Government - Linked Companies • Strategic Islamic Finance - Capital Market Programme for the Directors and Senior Management of the MIDF Group of Companies • MIDF Investment Forum organised by MIDF Amanah Investment Bank Berhad • Petronas Directors Workshop on "Corporate Governance and Boardroom Issues in Challenging Times" • MISC Berhad 2011 Conference on "Directors Duties and Governance" organised by Malaysian Institute of Corporate Governance (MICG)
Zainab binti Dato' Hj. Mohamed	• Sustainability Programme for Corporate Malaysia - Trading Services & Industrial Products
Lin Chung Dien	• Taiwan Corporate Governance Association - How to Effectively Conduct A Shareholder Meeting - A Practical Strategy of Eliminating Deliberate Impediment

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

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

The Board views the aforementioned Programmes attended and/or participated by the Directors, and the Continuing Updates provided to the Directors as adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 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 2011 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	**20**	**314**	**334**
Non-executive Directors	**202**	**–**	**202**
	222	**314**	**536**

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	–	5
300,001 – 350,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 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 in ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group and of the Company.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2011, 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. While the internal auditors attend all meetings of the Audit Committee, the external auditors meet with the Audit Committee at least twice a year and attend the annual general meeting of the Company.

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability
- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority
- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis
- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee
- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis
- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee
- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered
- A Code of Ethics for all employees which defines the ethical standards and conduct at work
- A Whistleblower Policy established under the Human Resource Policy Manual which defines the rights of informants and also the protections accorded them. The channels of escalation are also documented to encourage and enable concerned parties to report any wrongdoings so that they can be properly addressed

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. Bhg. Dato' Dali Mahmud Hashim
  (Chairman, Independent Non-Executive Director)

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

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

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

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

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

(b) 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.

(c) 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

(d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

(e) To review the external auditors' management letter and management's response thereto.

(f) To establish the following with the internal audit function:

- review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work
- review internal audit programme
- ensure co-ordination of external audit with internal audit
- consider the major findings of internal audit reviews/investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function

(g) To review any related party transaction and conflict of interests situation that may arise within the Company and the Group.

(h) To consider the appointment of independent advisers for corporate proposals involving related parties.

(i) 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.

(j) 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.

(k) To review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and be informed of any resignation of senior internal audit staff members and reasons thereof.

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, twelve (12) Audit Committee Meetings were held. Except for Cik Zainab binti Dato' Hj. Mohamed who was absent for one (1) Meeting, all other members attended all the twelve (12) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

  (e) Convened meetings with the external auditors without executive Board members and management being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM210,000.

NOMINATION COMMITTEE

Chairman : Y. Bhg. Dato' Dali Mahmud Hashim
(Independent Non-Executive Director)

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

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

Terms of Reference :

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

REMUNERATION COMMITTEE

Chairman : Y. Bhg. Dato' Dali Mahmud Hashim
(Independent Non-Executive Director)

Members : Mr Chan Ho Wai
(Non-Independent Executive Director)

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

Terms of Reference :

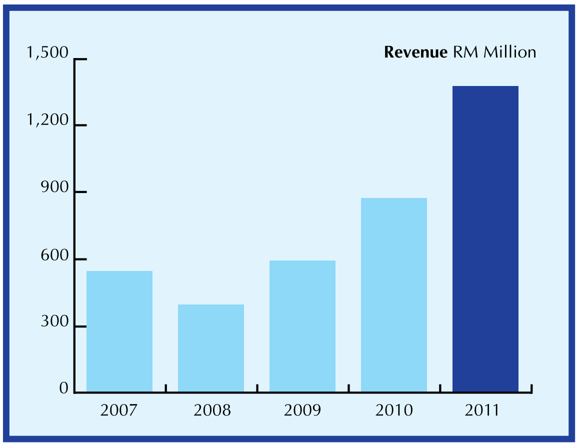
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

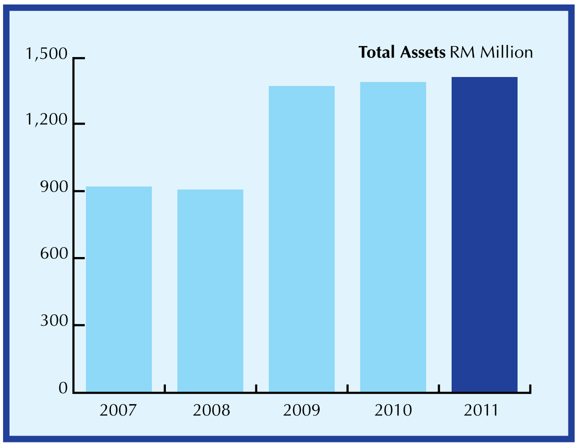
5 YEARS GROUP FINANCIAL HIGHLIGHTS

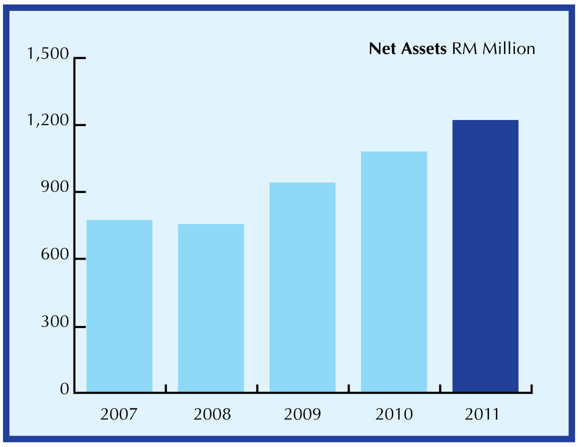
Financial years ended 30 June	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**
Revenue	542,246	392,845	598,037	874,316	**1,376,798**
Profit/(Loss) before tax	(59,166)	(8,357)	170,351	188,208	**216,622**
Profit/(Loss) after tax	(63,880)	(16,746)	160,885	163,404	**198,912**
Total assets	916,114	910,689	1,377,202	1,383,174	**1,405,965**
Net assets	761,902	757,207	941,889	1,082,707	**1,219,618**
Dividends:					
Rate (sen):					
Final dividend	–	–	–	2.0	**3.0***
Special dividends	–	–	–	–	**30.0**
Total net dividend amount (RM'000)	–	–	–	4,632	**63,103**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	362	360	409	468	**527**
Earnings/(Loss) per share	(28.8)	(4.3)	75.4	66.1	**89.7**

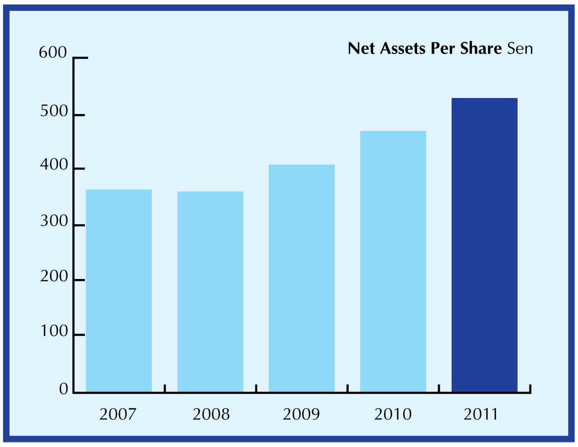
Note: 2010 and 2011 figures include financial results of both continuing and discontinued operations.

* *The proposed final dividend of 3.0 sen per ordinary share, less 25% tax, amounting to RM5.2 million is subject to approval by the shareholders at the Annual General Meeting.*









THE GROUP'S BUSINESSES

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

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products and automotive components, with some of its latest products and business systems in use to facilitate customers' workshop operations, shown here.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum dan komponen automotif, serta sebahagian produk terkini dan sistem perniagaan yang digunakan oleh syarikat bagi membantu operasi bengkel pelanggannya, dipaparkan di sini.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Kumpulan") bagi tahun kewangan berakhir 30 Jun 2011.

PRESTASI KEWANGAN

Ekonomi Malaysia meneruskan semula arah aliran pertumbuhan pada 2010, dipacu oleh permintaan domestik yang memberangsangkan dan sokongan kukuh daripada sektor awam dalam pelaksanaan program bagi meningkatkan lagi sistem prasarana negara. Bersandarkan pertumbuhan itu, operasi Kumpulan, terutama bahagian bahan binaan dan produk petroleum, mencatatkan prestasi memberangsangkan dengan pendapatan tinggi berjumlah RM932.9 juta, iaitu dua kali ganda berbanding tahun sebelumnya.

Pelupusan kedua-dua Silverstone Berhad dan Shandong Silverstone LuHe Rubber & Tyre Co Ltd (kini dikenali sebagai Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone") menandakan penamatan perniagaan tayar Syarikat. Kedua-dua pelupusan ini menawarkan peluang yang tepat pada masanya kepada Kumpulan untuk meraih keuntungan daripada pelaburannya dalam perniagaan tayar. Secara bergabung, pelupusan berkenaan menghasilkan keuntungan berjumlah RM169.8 juta kepada Kumpulan. Kumpulan memberi ganjaran kepada pemegang sahamnya dengan menggunakan perolehan berkenaan untuk mengisytiharkan dividen khas sebanyak 30 sen bagi setiap saham biasa yang dipegang.

Berikutan pelupusan berkenaan, keputusan kewangan perniagaan tayar dalam tempoh sehingga tarikh penyelesaian telah dilaporkan sebagai operasi yang ditamatkan dalam penyata kewangan.

Kumpulan mengakhiri tahun kewangan ini dengan keuntungan bersih berjumlah RM207.6 juta, peningkatan 36% daripada RM152.5 juta yang dicatatkan pada tahun lalu.

PERKEMBANGAN KORPORAT

Berikut adalah perkembangan korporat utama yang dilaksanakan Kumpulan:

(i) Pada 10 Disember 2010, Lion AMB Resources Berhad (sebelum ini dikenali sebagai Silverstone Corporation Berhad), ("Lion AMB ") sebelum ini subsidiari 84% milik LFIB, menyelesaikan pelupusan keseluruhan 100% kepentingan ekuiti dalam Silverstone Berhad, pada pertimbangan tunai berjumlah RM462 juta.

(ii) Pada 28 Februari 2011, Lion AMB dan tiga subsidiari telah selesai melupuskan keseluruhan 100% kepentingan ekuiti dan saham keutamaan dalam Lion Motor Sdn Bhd pada pertimbangan tunai sebanyak RM4 dan penyelesaian tunai hutang antara syarikat berjumlah kira-kira RM3 juta.

(iii) Pada 3 Mac 2011, Syarikat mengumumkan cadangan berikut:

(a) Cadangan usahasama antara LFIB, Lion Industries Corporation Berhad dan Lion Diversified Holdings Berhad dalam Lion Blast Furnace Sdn Bhd ("LBF") dengan pegangan saham masing-masing sebanyak 20%, 29% dan 51%; dan

(b) Cadangan peruntukan bantuan kewangan oleh LFIB dalam bentuk jaminan korporat dan akujanji sekuriti mengikut kadar pemegangan saham dalam LBF untuk LBF dan subsidiarinya mendapatkan kemudahan pinjaman berhubung projek relau bagas.

Cadangan berkenaan tertakluk kelulusan pemegang saham dan pihak berkuasa berkaitan.

(iv) Kumpulan, pada 19 Januari 2011 telah menyelesaikan pengambilalihan baki 25% kepentingan ekuiti dalam Shandong Silverstone untuk pertimbangan tunai sebanyak AS$6.6 juta (bersamaan kira-kira RM20.3 juta). Sehubungan itu, Shandong Silverstone menjadi subsidiari milik penuh Kumpulan.

Pada 12 April 2011, Kumpulan telah memeterai perjanjian berikut dengan Toyo Tire & Rubber Co Ltd ("Toyo Tire"):

(a) Perjanjian Saham dan Pertukaran Belum Terima Bersyarat untuk pelupusan 75% kepentingan ekuiti dalam Shandong Silverstone pada pertimbangan tunai sebanyak AS$21.6 juta (bersamaan kira-kira RM65.9 juta) yang selesai pada 29 Jun 2011; dan

(b) Perjanjian Opsyen Jual dan Beli untuk pelupusan baki 25% kepentingan ekuiti dalam Shandong Silverstone secara opsyen jual dan beli. Pada akhir tempoh pelaporan, baik Kumpulan mahupun Toyo Tire masing-masing tidak melaksanakan opsyen berkenaan.

(v) Harta Impiana Sdn Bhd, subsidiari milik penuh Syarikat pada 7 Julai 2011 telah memeterai Perjanjian Induk Perkhidmatan dengan Seng Enterprise Co Ltd ("Seng Enterprise") bagi membantu mendapatkan konsesi tanah ekonomi ("ELC") di Kemboja untuk tempoh konsesi tidak kurang daripada 70 tahun bagi perladangan getah dan/atau sawit. Selaras dengan itu sepuluh bidang ELC dengan kos keseluruhan berjumlah AS$41.5 juta (bersamaan kira-kira RM125.3 juta) telah dikenalpasti pada tarikh laporan dibuat.

(vi) Kumpulan pada 14 Oktober 2011 telah memeterai satu perjanjian dengan Jincheng Group Co Ltd untuk melupuskan keseluruhan 47.73% kepentingan ekuiti dalam Nanjing Jincheng Machinery Co Ltd untuk bayaran tunai sebanyak RMB120 juta (bersamaan kira-kira RM56 juta).

Butiran penuh perkembangan korporat di atas terkandung dalam mukasurat 119 hingga 120 Laporan Tahunan ini.

TINJAUAN OPERASI

Produk Bahan Binaan dan Keluli

Bahagian ini terus meningkatkan pendapatan dengan jualan tinggi dan gabungan jualan yang memberangsangkan tahun ini. Pendapatan dan keuntungan meningkat lebih tiga kali ganda, dipacu oleh pemulihan sentimen pasaran tempatan dan pengukuhan modal kerja yang dibiayai oleh sebahagian perolehan daripada penjualan Silverstone Berhad.

Pelaksanaan Program Transformasi Ekonomi dijangka akan melonjakkan ekonomi Malaysia untuk berkembang lebih pantas dan memberi petanda baik kepada sektor pembinaan. Bagaimanapun, peningkatan harga elektrik dan gas baru-baru ini menimbulkan kebimbangan akan kenaikan selanjutnya harga bahan binaan yang mungkin menjejaskan sektor hartanah dan pembinaan.

Bahagian ini menyedari akan cabaran yang mendatang, terutama ketidaktentuan harga bahan keluli dan simen. Bahagian ini akan berusaha mengurangkan perbelanjaan operasi, meningkatkan kecekapan operasi dan pada masa sama, meningkatkan margin jualan produk. Kita percaya mengekalkan hubungan baik dengan para pelanggan dan pembekal adalah kunci utama untuk berjaya.

Melangkah ke hadapan, Bahagian ini akan kekal berhati-hati dengan pertumbuhan sektor pembinaan semasa dan terus menyumbang kepada keuntungan keseluruhan Kumpulan.

Produk Petroleum dan Pelincir Automotif

Bahagian ini meneruskan usaha mengukuhkan rangkaian perniagaan dengan program kerjasama jangka panjang yang terbukti berkesan bagi membantu para pelanggan bengkel kita berdaya saing dan mampan. Pelaburan kita dalam penggunaan peralatan konvensional dalam program ini telah menempa kejayaan, dan kita terus maju dengan melengkapkan kemudahan bengkel seperti pengimbas diagnostik dan Sistem Perniagaan Hi-Rev untuk memudahkan operasi pelanggan kita dan seterusnya, membolehkan mereka menjalankan perniagaan dengan lebih cekap. Lebih penting lagi, dengan inisiatif ini, para pelanggan menghargai perkhidmatan kita dan memilih untuk terus kekal sebagai rakan perniagaan kita untuk jangka panjang.

Pada Februari 2011, kita telah menganjurkan seminar tahunan 'Teknikal Hi-Rev' ke-3 di Subang Jaya untuk melengkapkan pelanggan bengkel kita dengan perkembangan terkini aspek teknikal automotif. Seminar ini adalah sebahagian daripada usaha berterusan untuk memperluaskan pengetahuan mereka mengenai perniagaan automotif dan memberi mereka peluang untuk mendengar maklumat terkini secara langsung daripada pakar industri.

Bahagian ini berusaha memperluaskan sumber pendapatannya, dan melihat potensi dalam membangunkan bahan pelincir industri yang menyeluruh bagi memenuhi permintaan sektor pengilangan. Dengan memperkenalkan produk baru dan inovatif, kita berhasrat untuk menyokong dan meningkatkan kecekapan pengeluaran para pengilang. Sehubungan dengan ini, pasukan penyelidikan dan pembangunan kita sentiasa menjalankan penyelidikan bagi membangunkan produk baru yang sesuai untuk memenuhi keperluan pelanggan industri kita.

Sedang para pengusaha utama industri minyak dijangka melengkapkan fasiliti mereka dalam beberapa bulan akan datang, kita menjangkakan harga dan bekalan minyak asas akan meningkat dalam tempoh terdekat. Kita akan berusaha untuk memastikan fasiliti kita berada dalam kedudukan baik dan bersedia untuk meningkatkan pengeluaran, bagi mengambil kesempatan dan memperoleh manfaat daripada skala ekonomi lebih besar yang akan meningkatkan lagi keuntungan serta permintaan untuk produk dan perkhidmatan kita.

Tayar – Penamatan Operasi

Industri tayar semakin mencabar dan kompleks. Kenaikan luarbiasa harga getah asli dan bahan mentah lain memberi tekanan ketara ke atas margin keuntungan. Perubahan pantas teknologi memerlukan pelaburan berterusan untuk kekal kompetitif di arena global.

Di Malaysia, pelupusan 100% kepentingan ekuiti dalam Silverstone Berhad selesai pada 10 Disember 2010. Dalam tempoh enam bulan sehingga tarikh selesai, Silverstone Berhad menyumbang pendapatan berjumlah RM218.4 juta kepada Kumpulan. Pendapatan dalam tempoh ini meningkat 5% daripada enam bulan sebelumnya, dipacu oleh sentimen pemulihan pasaran tempatan dan ekonomi dunia yang berterusan baik. Pelupusan pada harga agak menarik membolehkan Kumpulan memperoleh dan mengambil keuntungan daripada pelaburannya dalam Silverstone Berhad.

Di China, pelupusan 75% kepentingan ekuiti dalam Shandong Silverstone selesai pada 29 Jun 2011. Dalam menghadapi persaingan sengit dan lonjakan harga bahan mentah, prestasi Shandong Silverstone kurang memuaskan dalam tempoh sebelum pelupusannya. Pelupusan Shandong Silverstone menawarkan peluang kepada Kumpulan untuk mengambil keuntungan daripada nilai pelaburannya dan mendapat kembali pendahuluannya kepada Shandong Silverstone.

DIVIDEN

Lembaga Pengarah dengan ini mengumumkan dividen tunai akhir sebanyak 3 sen sesaham, cukai pada 25% (2010: 2 sen, dikecualikan cukai), bagi tahun kewangan berakhir 30 Jun 2011, untuk kelulusan pemegang saham pada Mesyuarat Agung Tahunan yang akan datang. Dividen tunai bersih yang dibayar akan berjumlah kira-kira RM5.2 juta (2010: RM4.6 juta).

(Tahun kewangan berakhir 30 Jun)	**Jumlah Dividen**		
	2011		2010
	Cadangan	**Diluluskan**	Diluluskan
Khas:			
- Dividen Tunai (Cukai pada 25%)	**–**	**20 sen**	–
- Dividen Tunai (Dikecualikan cukai)	**–**	**10 sen**	–
Akhir:			
- Dividen Tunai (Cukai pada 25%)	**3 sen**	**–**	–
- Dividen Tunai (Dikecualikan cukai)	**–**	**–**	2 sen

TANGGUNGJAWAB SOSIAL KORPORAT

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

Masyarakat

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

Yayasan Lion-Parkson mengagihkan dana untuk pelbagai tujuan termasuk pendidikan, kebajikan dan penyelidikan saintifik; dan pada setiap tahun menawarkan biasiswa dan pinjaman pendidikan kepada bakal graduan universiti tempatan. Yayasan juga terlibat dalam program tahunan Educare di mana kesemua stor Parkson menyediakan pusat mengumpul keperluan persekolahan seperti pakaian, kasut dan peralatan yang disumbangkan oleh orang ramai, yang akan disalurkan kepada pelajar yang memerlukan di seluruh negara. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada mereka yang kurang bernasib baik untuk mendapatkan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung ini juga menaja program kesihatan kemasyarakatan seperti kem-kem kesihatan dan pembelian mesin-mesin dialisis bagi keperluan Pusat Dialisis yang menawarkan perkhidmatan secara bersubsidi kepada pesakit buah pinggang.

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

Alam sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk meneroka teknologi terkini dan amalan perniagaan yang mesra alam. Operasi-operasi Kumpulan mematuhi undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri yang ia mempunyai operasi.

Kumpulan mengguna pakai peraturan-peraturan keselamatan, kesihatan dan alam sekitar secara sistematik, diperkukuhkan dengan latihan dan pengawasan berterusan untuk memastikan keselamatan dan kesejahteraan para pekerja.

PROSPEK

Persekitaran operasi perniagaan Kumpulan dijangka kekal mencabar berikutan ketidaktentuan dalam ekonomi global. Kumpulan akan terus berhati-hati dan mengambil langkah proaktif bagi menghadapi cabaran berkenaan. Dengan pelupusan perniagaan tayar di Malaysia dan China, yang secara tradisinya menjadi penyumbang utama keuntungan, Kumpulan akan meninjau dan mengenal pasti peluang perniagaan baru dalam usaha meningkatkan nilai pemegang saham.

LEMBAGA PENGARAH

Pada Mesyuarat Agung Tahunan yang akan datang, Y. Bhg. Dato' Dali Mahmud Hashim akan bersara dan tidak memohon dilantik semula sebagai Pengarah Syarikat. Y. Bhg. Dato' Dali merupakan pengerusi bagi Jawatankuasa Audit, Jawatankuasa Pencalonan dan Jawatankuasa Imbuhan Syarikat. Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan atas kepimpinan dan peranan penting yang dimainkan sepanjang tempoh beliau sebagai pengerusi bagi Jawatankuasa tersebut dan Pengarah Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan ucapan terima kasih yang tulus ikhlas kepada para pelanggan, pembekal, pembiaya kewangan, sekutu perniagaan, pihak berkuasa Kerajaan dan pemegang saham yang dihargai kerana terus memberikan sokongan, kerjasama dan keyakinan kepada Kumpulan.

Saya juga ingin menyatakan setinggi-tinggi penghargaan dan terima kasih kepada rakan-rakan Pengarah atas bimbingan dan sumbangan mereka yang tidak ternilai di sepanjang tahun serta penghargaan saya kepada warga kerja di semua peringkat atas dedikasi, komitmen dan sumbangan mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2011.

FINANCIAL PERFORMANCE

The Malaysian economy resumed its growth path in 2010, driven by encouraging domestic consumption and strong support from the public sector in the implementation of programmes to further enhance the country's infrastructure system. Riding on the growth, the Group's continuing operations, especially the building materials and petroleum products divisions, performed commendably with significantly higher revenue of RM932.9 million, which was more than double that of the previous year.

The disposal of both Silverstone Berhad and Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone") marked the Group's exit from the tyre business. These two divestments offered a timely opportunity for the Group to realise and unlock the value of its investment in the tyre business. Collectively, the divestments resulted in a gain of RM169.8 million for the Group. The Group rewarded its shareholders by utilising part of the proceeds to declare special dividends for a total of 30 sen for each ordinary share held.

Arising from the disposals, the financial results of the tyre business for the period up to the completion dates were reported as discontinued operations in the financial statements.

The Group concluded the financial year with net earnings of RM207.6 million, an increase of 36% over the RM152.5 million recorded last year.

CORPORATE DEVELOPMENTS

The following are the significant corporate developments undertaken by the Group:

(i) On 10 December 2010, Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB"), a then 84%-owned subsidiary company of LFIB, completed the disposal of its entire 100% equity interest in Silverstone Berhad, for a cash consideration of RM462 million.

(ii) On 28 February 2011, Lion AMB and its three subsidiary companies completed the disposal of their entire 100% equity interest and preference shares in Lion Motor Sdn Bhd for a total cash consideration of RM4 and a cash settlement of inter-company debts amounting to approximately RM3 million.

(iii) On 3 March 2011, the Company announced the following proposals:

   (a) Proposed joint venture among LFIB, Lion Industries Corporation Berhad and Lion Diversified Holdings Berhad in Lion Blast Furnace Sdn Bhd ("LBF") with the shareholding of 20%, 29% and 51% respectively; and

   (b) Proposed provision of financial assistance by LFIB in the form of a corporate guarantee and pledge of security in proportionate to its shareholding in LBF for the latter and its subsidiary company to secure a loan facility in relation to the blast furnace project.

   The proposals are pending the approvals from the shareholders and other relevant authorities.

(iv) The Group had on 19 January 2011 completed the acquisition of the remaining 25% equity interest in Shandong Silverstone for a cash consideration of USD6.6 million (equivalent to RM20.3 million). Consequent thereupon, Shandong Silverstone became a wholly-owned subsidiary company of the Group.

   On 12 April 2011, the Group entered into the following agreements with Toyo Tire & Rubber Co Ltd ("Toyo Tire"):

   (a) Conditional Share and Receivable Transfer Agreement for the disposal of 75% equity interest in Shandong Silverstone for a cash consideration of USD21.6 million (equivalent to RM65.3 million) which was completed on 29 June 2011; and

   (b) Put and Call Option Agreement for the disposal of the remaining 25% equity interest in Shandong Silverstone by way of a call and put option. At the end of the reporting period, neither the Group nor Toyo Tire exercised its option.

(v) Harta Impiana Sdn Bhd, a wholly-owned subsidiary company of the Company, had on 7 July 2011 entered into a Master Service Agreement with Seng Enterprise Co Ltd ("Seng Enterprise") whereby Seng Enterprise shall assist to procure economic land concession ("ELC") in Cambodia for a concession period of not less than 70 years for the purposes of plantation of rubber and/or oil palm. Pursuant thereto, ten parcels of ELC for a total cost of USD41.5 million (equivalent to RM125.3 million) have been identified as of the report date.

(vi) The Group had on 14 October 2011 entered into an agreement with Jincheng Group Co Ltd to dispose of its entire 47.73% equity interest in Nanjing Jincheng Machinery Co Ltd for a cash consideration of RMB120 million (equivalent to RM56 million).

Full details of the corporate developments mentioned above are contained in pages 119 to 120 of this Annual Report.

REVIEW OF OPERATIONS

Building Materials and Steel Products

The Division continued to grow its revenue with higher sales and favourable sales mix this year. Its revenue and profit increased more than threefold driven by improved local market sentiments and strengthened working capital funded by partial proceeds from the disposal of Silverstone Berhad.

It is envisaged that the implementation of the Economic Transformation Programme will propel the Malaysian economy to grow at a faster pace and augurs well for the construction sector. However, the recent increase in electricity and gas prices have prompted fears of further increase in building material prices which may dampen the property and construction sector.

The Division is mindful of the challenges ahead, especially the volatility in prices of steel products and cement. The Division will endeavour to lower its operating expenses, improve operational efficiency and at the same time, improve its sales of higher margin products. We believe maintaining good rapport with our customers and suppliers is the key to success.

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

Petroleum, Lubricants and Automotive Products

The Division continued its efforts to strengthen the business network with long term collaborative programmes to help our workshop customers be competitive and sustainable which are proving effective. Our investment in conventional equipment used in these programmes had been successful, and we have progressed into complementary workshop facilitation such as diagnostic scanners and Hi-Rev Business Systems to simplify our customers' operations and consequently, enabled them to run their businesses more efficiently. More importantly, with these initiatives, customers value our services and choose to remain as our business partners for the long term.

In February 2011, we had conducted the third annual 'Hi-Rev Technical Seminar' in Subang Jaya to keep our workshop customers abreast of automotive technical updates. The seminar is part of our continuous efforts to broaden our workshop customers' knowledge related to the automotive businesses and provide them the opportunity to listen to first-hand updates from experts in this industry.

The Division seeks to widen its revenue sources, and sees potential in developing a fuller range of industrial lubricants catering to the manufacturing sector. By introducing new and innovative products, we intend to support and improve these manufacturers' production efficiencies. In this regard, our research and development team regularly conducts research to develop suitable new products to meet our industrial customers' needs.

As key oil players are expected to complete their manufacturing facilities in the coming months, we anticipate the prices and supplies of base oil to improve in the near future. We will strive to ensure that our facilities are in place and ready for increased production, to capitalise and benefit from greater economies of scale which will improve margins further with the increased demand for our products and services.

Tyre – Discontinued Operations

The tyre industry has become increasingly challenging and complex. The unprecedented increase in natural rubber prices and the escalation in other raw material costs posted great pressure on the profit margin. Technology trends are accelerating and require continuous investment in order to remain competitive in the global arena.

In Malaysia, the disposal of the 100% equity interest in Silverstone Berhad was completed on 10 December 2010. During the six-month period to the completion date, Silverstone Berhad contributed to the Group a revenue of RM218.4 million. Revenue for the period grew 5% from the preceding six-month period, driven by continued improving market sentiments in the local market and the recovering global economy. The divestment at a fairly attractive price had enabled the Group to realise and unlock the value of its investment in Silverstone Berhad.

In China, the disposal of 75% equity interest in Shandong Silverstone was completed on 29 June 2011. In the face of intensifying competition and soaring raw material prices, the performance of Shandong Silverstone had been less satisfactory during the period prior to its disposal. The disposal of Shandong Silverstone had offered an opportunity to the Group to unlock the value of its investment and to recoup its advances to Shandong Silverstone.

DIVIDEND

The Board of Directors is pleased to recommend a final cash dividend of 3 sen per share, tax at 25% (2010: 2 sen per share, tax exempt), in respect of the financial year ended 30 June 2011, for the approval of the shareholders at the forthcoming Annual General Meeting. Net cash dividend payable will amount to approximately RM5.2 million (2010: RM4.6 million).

(Financial year ended 30 June)	**Total Dividend**		
	2011		2010
	Proposed	**Actual Paid**	Actual Paid
Special dividends:			
- Cash Dividend (Tax at 25%)	–	**20 sen**	–
- Cash Dividend (Tax exempt)	–	**10 sen**	–
Final:			
- Cash Dividend (Tax at 25%)	**3 sen**	–	–
- Cash Dividend (Tax exempt)	–	–	2 sen

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and incorporating a CSR framework into our business plan to enhance stakeholder confidence, accountability and transparency. CSR is an important component of good business practice aimed at improving society and the environment.

Society

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

The Lion-Parkson Foundation disburses funds for various needs such as education, charity and scientific research; and every year, awards scholarships and education loans to undergraduates in the local universities. It also participates in the yearly Educare programme with Parkson stores nationwide providing collection bins for the public to donate essential school items such as uniforms, shoes and stationery, which are distributed to needy school children throughout the country. The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

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

Environment

While emphasising on technology and industry developments, the Group seeks to uphold environmental concerns including the sourcing of new technologies and opting for business practices that are environmentally friendly. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates.

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

PROSPECTS

The operating environment for the Group's remaining businesses is expected to remain challenging in view of the uncertainties in the global economy. The Group will remain vigilant and take proactive steps to meet these challenges. With the disposal of the tyre operations which had traditionally been the major profit contributor, the Group will seek and identify new business opportunities in order to enhance shareholders value.

BOARD OF DIRECTORS

At the forthcoming Annual General Meeting, Y. Bhg. Dato' Dali Mahmud Hashim will be retiring and will not be seeking re-appointment as Director of the Company. Y. Bhg. Dato' Dali served as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. On behalf of the Board, I would like to express my sincere appreciation for his able leadership and prominent role during his tenure as chairman of the Company's aforementioned committees and Director of the Company.

ACKNOWLEDGEMENT

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

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

Last but not least, my sincere thanks go to the management and staff for their dedication and commitment to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈截至2011年6月30日的会计年度，金狮森林工业有限公司（LION FOREST INDUSTRIES BERHAD，简称“LFIB”）的常年报告及经审核财务报告。

业绩

马来西亚经济在2010年重新踏上成长的道路，主要的推动力来自令人鼓舞的国内消费，及公共领域推行基建系统提升计划的强大支持。国家经济的成长让本集团受惠，旗下持续经营的业务尤其是建筑材料与石油产品业务，取得极佳表现，收入显著增加至9亿3千290万令吉，比之前一年增加超过一倍。

银石有限公司与山东银石泸河橡胶轮胎有限公司（现称东洋轮胎（诸诚）有限公司）（简称“山东银石”）的脱售意味着本集团完全退出轮胎业务。这两项脱售行动为本集团提供适时套现轮胎业务的投资。此项脱售总共为集团带来1亿6千980万令吉的收益。本集团也利用脱售所得的部分收益回馈股东，派发共每股30仙的特别股息。

轮胎业务在完成脱售之前期间的业务，在财务报告内被列为已终止经营业务。

本集团在会计年度内取得2亿零760万令吉的净利，比去年取得的1亿5千250万令吉增加36%。

企业发展

以下是本集团所进行的重大企业发展：

(i) 2010年12月10日，金狮森林工业有限公司拥有84%股权的子公司——金狮AMB资源有限公司（前称银石机构有限公司“Silverstone Corporation Berhad”，简称“金狮AMB”），以4亿6千200万令吉的现金代价，完成脱售其在银石有限公司持有的100%股权。

(ii) 2011年2月28日，金狮AMB和其三间子公司，以4令吉现金和3万令吉现金偿还集团预支的代价完成脱售他们在金狮汽车私人有限公司（Lion Motor Sdn Bhd）持有的100%股权和优先股。

(iii) 2011年3月3日，本公司宣布以下建议：

  (a) 建议金狮森林工业有限公司、金狮工业机构有限公司（Lion Industries Corporation Berhad）与金狮多元化控股有限公司（Lion Diversified Holdings Berhad）各持20%、29%与51% 的股权联营金狮高炉有限公司（Lion Blast Furnace Sdn Bhd（简称“LBF”）；和

  (b) 金狮森林工业有限公司按其在LBF的股权比例为LBF提供财务协助，并施于企业保证及提供担保以便LBF及子公司能够为其高炉计划取得贷款便利。

  这些建议仍然有待股东与其他相关机构的批准。

(iv) 2011年1月19日，本集团以660万美元（约2千30万令吉）的现金完成收购山东银石余下的25%股权。其后，山东银石成为本集团的独资子公司。

  2011年4月12日，本集团与东洋轮胎橡胶有限公司（Toyo Tire & Rubber Co., Ltd）签署以下合约：

  (a) 有条件股票与应收款转移协议
  以2千160万美元（约6千530万令吉）的现金代价，脱售山东银石的75%股权。此项股权脱售计划已于2011年6月29日完成；和

  (b) 认售与认购期权协议
  以认售与认购期权方式脱售山东银石余下的25%股权。截至本财务报告，双方皆没进行认售或认购。

(v) Harta Impiana私人有限公司，本集团的独资子公司，在2011年7月7日与Seng Enterprise Co Ltd（“Seng Enterprise”）签署合约。Seng Enterprise 将协助本集团收購位於柬埔寨不少过70年土地特許專營權的地庫，作為種植油棕及/或橡膠樹用途。有鉴于此，10块土地价值4千150万美元（约1亿2千530万令吉）已确定。

(vi) 2011年10月14日, 本集团与金城集团有限公司达成协议，以1亿2千万人民币（约5千600万令吉）的现金脱售本集团在南京金城機械有限公司持有的47.73%股權。

上述企业发展的详情陈列在本报告的第119页和第120页。

业务检讨

建筑材料与钢铁产品

本组的收入今年继续成长，取得更高的销售额及良好的销售组合。改善的本地市场及从脱售银石有限公司所取得部分资金加强营运资本，皆推动收入与盈利成长超过3倍。

经济转型计划的落实将加速马来西亚经济成长的脚步，让建筑领域受惠良多。不过，较早前提高电费与汽油价格的举动，造成建筑材料价格进一步调高的恐惧，或将打击产业及建筑领域。

本组对未来挑战保持谨慎态度，尤其是钢铁产品与洋灰价格波动激烈，因此将尽力降低运作开支、改善运作效率，同时增加更高利润产品的销售。我们相信，与顾客及供应商维持良好关系是成功的关键。

迈向未来，本组将在建筑领域持续成长之际维持谨慎态度，并继续对本集团的整体盈利做出贡献。

石油 、润滑油与汽车产品

本组继续努力加强业务网络，推行已证明有效的长期合作计划，协助我们的修车厂顾客保持竞争力并能永续经营。我们在这些计划对使用传统配备的投资已获得成功，并且进展至为这些修车厂提供辅助配备，如诊断仪与Hi-Rev商业系统，以便简化顾客的运作，最终让他们的业务运作更具效率。更重要的是，这些计划让顾客对我们的服务有好的评价，选择继续成为我们的长期商业伙伴。

2011年2月，我们在首邦市举办第三届常年的“Hi-Rev技术研讨会”，让我们的修车厂顾客能够跟进并掌握汽车技术的最新进展。有关研讨会是我们持续提升业者在汽车业务方面的专业知识，同时为他们提供聆听业界专家深谈第一手最新资讯的机会。

本组同时也寻找拓宽收入来源的机会，并意识到为制造业研制较完整系列润滑油的发展潜能。我们计划通过推介全新与革新产品，支援和改善这些制造商的生产效率。在这方面，我们的研发队伍经常研究以研制适当的新产品以符合我们的工业顾客的需求。

鉴于主要的润滑油供应商皆预期在未来数个月内完成其制造设备的工程，我们预见基础油在近期的价格与供应会获得改善。我们将努力确保本身的设备准备就绪并且做好提高生产的准备，以便从更大的规模生产中取得经济效益，在我们的产品与服务获得市场更高需求的同时取得更大的利润。

轮胎 - 已终止经营业务

轮胎业已变得更具挑战与复杂。天然胶价格出现前所未见的飚升情况，加上其它原料成本剧增，对利润产生巨大压力。技术趋势加速变化，需要持续的投资以在全球市场维持竞争力。

在马来西亚，对银石有限公司100%股权的脱售是于2010年12月10日完成。在截至完成日期的6个月期间，银石有限公司为本集团贡献2亿1千840万零吉的营业额比之前6个月成长5%，归功于本地市场持续改善与国际经济复苏之故。有关脱售计划是在相当吸引人的价格基础上完成，让本集团得以套现在银石有限公司的投资。

在中国，对山东银石75%股权的脱售已经在2011年6月29日完成。面对市场的激烈竞争与日增的原料价格，山东银石在脱售之前的表现并没有令人满意。因此，脱售山东银石股权为本集团提供套现投资的机会和收回对山东银石的预支。

股息

董事部欣然建议，截至2011年6月30日止的会计年度内，发出终期现金股息每股3仙，须扣25%税务（2010：每股2仙，免税）。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为520万令吉（2010：460万令吉）。

（截至6月30日止会计年度）	股息总额		
	2011		2010
	建议	实际付	实际付
特别股息			
- 现金股息（须扣税务为25%）	**–**	**20 仙**	–
- 现金股息（免税）	**–**	**10 仙**	–
终期			
- 现金股息（须扣税务为25%）	**3 仙**	**–**	–
- 现金股息（免税）	**–**	**–**	2 仙

企业社会责任

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

社会

本集团在展开商业活动时，深切了解到作为企业公民的责任，在提高利润和股东企业价值的同时，不忘回馈社会。作为金狮集团成立的两项基金的成员，本集团着重于通过这两项基金，以教育和医疗服务来回馈社会。

金狮百盛基金（Lion-Parkson Foundation）拨款供各种用途，诸如教育、慈善与科学研究；每年都提供奖学金和贷款金给在本地大学深造的在籍大学本科生。它也联合全国百盛商店参与年度教育计划，提供回收箱给大众，以便捐献学校必需品如校服、鞋子和文具，然后分发给全国各地有需要的学童。金狮集团医药援助基金则为迫切需要医疗的不幸社群提供财务援助，包括手术、购置仪器和药物。这项基金也赞助社区保健计划如医疗营，并且添购洗肾机器给那些提供津贴治疗服务给肾病患者的洗肾中心。

本集团也通过参与慈善及捐款活动为社会做出贡献以帮助弱势群众。

环境

在着重科技和工业发展之际，本集团也同时关心环境保护，包括选择环保的新技术与业务运作。本集团的业务运作完全严格遵守其所在领域的环境法律及条例管制。

展望

鉴于全球经济环境充满变数，本集团余下业务的运作环境料将保持有挑战性。集团将保持谨慎并采取预防措施来应付这些挑战。随着脱售传统上是集团主要盈利贡献来源的轮胎制造业务，本集团将寻找与鉴定能够加强股东价值的新商业机会。

董事部

在行将召开的常年股东大会中，Y. Bhg. Dato' Dali Mahmud Hashim将荣休并不寻求蝉联。Y. Bhg. Dato' Dali Mahmud Hashim在过去担任本公司审核委员会、提名委员会和薪酬委员会的主席。我谨代表董事部，真诚感谢他在担任以上委员会主席和董事期间领导有方和卓越的贡献。

鸣谢

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

我也要至诚感谢董事同仁，感谢他们所给予的宝贵指导、支持与建议。

最后，我要真诚地感谢管理层和全体职员对集团所给予的奉献和支持。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS

2011

For The Financial Year Ended 30 June 2011

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES 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 2011.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are as disclosed in Note 15 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 except as disclosed in Note 15 to the Financial Statements.

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant events during the financial year and subsequent events are disclosed in Notes 38 and 39 to the Financial Statements, respectively.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit for the year from continuing operations	25,150	227,327
Profit for the year from discontinued operations	173,762	–
Profit for the year	198,912	227,327
Attributable to:		
Owners of the Company	207,637	227,327
Non-controlling interests	(8,725)	–
	198,912	227,327

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

DIVIDENDS

The first and final dividend of 2.0 sen per ordinary share, tax exempt, amounting to RM4.6 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 following special dividends in respect of the current financial year were declared and paid by the Company during the current financial year:

(i) 20 sen per ordinary share, less 25% tax, amounting to RM34.7 million; and

(ii) 10 sen per ordinary share, tax exempt, amounting to RM23.2 million.

The Directors proposed a final dividend of 3.0 sen per ordinary share, less 25% tax, amounting to RM5.2 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 current financial year, the issued and paid-up share capital of the Company was increased from RM231,341,632 to RM231,571,732 by the issuance of 158,000 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share and 72,100 new ordinary shares of RM1.00 each at an issue price of RM1.04 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company. The resulting share premium of RM28,164 arising from the issue of shares has been credited to the share premium account.

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM230,367,032 to RM231,341,632, by the issuance of 208,800 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share and 765,800 new ordinary shares of RM1.00 each at an issue price of RM1.04 per share for cash pursuant to the ESOS of the Company. The resulting share premium of RM64,040 arising from the issue of shares has been credited to the share premium account.

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

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

EXECUTIVE SHARE OPTION SCHEME

An ESOS which was implemented for the benefit of eligible executive employees and executive directors of the Group with effect from 1 September 2005, expired on 31 August 2010.

The main features of the ESOS are as disclosed in Note 26 to the Financial Statements.

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

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

		Number of options				
Grant date	**Subscription price per share (RM)**	**As of 1.7.2010**	**Granted**	**Exercised**	**Lapsed**	**As of 30.6.2011**
10.5.2006	1.16*	550,000	–	(158,000)	(392,000)	–
29.8.2007	1.04	489,100	–	(72,100)	(417,000)	–
		1,039,100	–	(230,100)	(809,000)	–

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

The Company had on 2 February 2011 implemented a new ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group ("New ESOS"). The main features of the New ESOS are as disclosed in Note 26 to the Financial Statements.

The person 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.

No options were granted or exercised pursuant to the New ESOS during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

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

As part of the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI"), the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI, as disclosed in Note 34 to the Financial Statements.

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

DIRECTORS

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

Tan Sri William H.J. Cheng
Chan Ho Wai
Dato' Dali Mahmud Hashim
Dato' Mohamad bin Haji Ahmad
Dato' Kalsom binti Abd. Rahman
Zainab binti Dato' Hj. Mohamed
Lin Chung Dien

In accordance with Article 98 of the Company's Articles of Association, Mr Chan Ho Wai and Mr Lin Chung Dien retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Y. Bhg Dato' Dali Mahmud Hashim, who is above the age of 70 years, retires pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2010	**Additions**	**Disposals**	**As of 30.6.2011**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Mohamad bin Haji Ahmad	13,040	–	–	13,040
Lin Chung Dien	7,060	–	–	7,060
Indirect interest				
Tan Sri William H.J. Cheng	183,671,356	–	(1,068,408)	182,602,948

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2010	**Additions**	**Disposals**	**As of 30.6.2011**
Direct interest				
Lion Industries Corporation Berhad				
Tan Sri William H.J. Cheng	102,000,000	–	–	102,000,000
Dato' Mohamad bin Haji Ahmad	3,276	–	–	3,276
Lin Chung Dien	25,320	–	–	25,320

	Nominal value per ordinary share	Number of shares			
		As of 1.7.2010	**Additions**	**Disposals**	**As of 30.6.201**
Indirect interest					
Tan Sri William H.J. Cheng					
Lion Industries Corporation Berhad	RM1.00	236,246,606	–	(80,388)	236,166,218
LLB Enterprise Sdn. Bhd.	RM1.00	690,000	–	–	690,000
Marvenel Sdn. Bhd.	RM1.00	100	–	–	100
Ototek Sdn. Bhd.	RM1.00	1,050,000	–	–	1,050,000
Posim EMS Sdn. Bhd.	RM1.00	800,000	–	–	800,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	4,750,000
Lion AMB Resources Berhad	RM1.00	286,173,498	10,422,662	–	296,596,160
Soga Sdn. Bhd.	RM1.00	4,332,078	170,311	–	4,502,389
Steelcorp Sdn. Bhd.	RM1.00	99,750	–	–	99,750
Holdsworth Investment Pte. Ltd.	*	4,500,000	–	–	4,500,000
Lion Rubber Industries Pte. Ltd.	*	10,000,000	–	–	10,000,000
Lion AMB Holdings Pte. Ltd.	*	31,750,100	–	–	31,750,100
Willet Investment Pte. Ltd.	*	45,954,450	–	–	45,954,450
Zhongsin Biotech Pte. Ltd.	*	1,000,000	–	–	1,000,000

DIRECTORS' INTERESTS (continued)

Investment in the People's Republic of China	Currency	As of 1.7.2010	Additions	Disposals	As of 30.6.2011
Indirect interest					
Tan Sri William H.J. Cheng					
Tianjin Baden Real Estate Development Co. Ltd.	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co. Ltd. (In liquidation - voluntary)	USD	10,878,944	–	–	10,878,944

	Nominal value per preference share	Number of shares As of 1.7.2010	Additions	Disposals	As of 30.6.2011
Indirect interest					
Tan Sri William H.J. Cheng					
Lion AMB Resources Berhad	RM0.01	16,902,569	839,443	–	17,742,012

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected to such Directors have interests as disclosed in Note 21 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.

HOLDING COMPANY

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

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
19 October 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2011 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 120.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4(ii)(e) and Note 31 to the Financial Statements, which further explained an uncertainty regarding the provision made for damages estimated to arise from a litigation claim; and to Note 4(ii)(b) regarding the significant concentration of credit risk with a related party.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, 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;

(b) We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 15 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 40 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Company are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TEO SWEE CHUA
Partner - 2846/01/12 (J)
Chartered Accountant

19 October 2011

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Continuing operations					
Revenue	5	**932,931**	288,207	**282,411**	65,789
Other operating income		**27,412**	33,591	**20,013**	16,647
Changes in inventories of finished goods, trading merchandise and work-in-progress		**38,540**	16,040	**–**	–
Raw materials and consumables used		**(22,272)**	(21,783)	**–**	–
Purchase of trading merchandise		**(885,282)**	(231,156)	**(63,089)**	(57,960)
Staff costs	6	**(16,073)**	(15,513)	**(1,774)**	(1,511)
Depreciation of:					
Property, plant and equipment	12	**(3,437)**	(3,463)	**(6)**	(2)
Investment properties	13	**(29)**	(30)	**(29)**	(30)
Gain/(Loss) on foreign exchange:					
Realised		**29**	(410)	**(1,121)**	–
Unrealised		**59**	6,860	**8**	(8,921)
Other operating expenses		**(24,943)**	(27,355)	**(2,383)**	(1,514)
Finance costs	7	**(1,312)**	(6,223)	**(2,756)**	(4,175)
Share in results of associated companies		**(6,630)**	44,779	**–**	–
Gain on acquisition of bonds and debts issued by subsidiary companies		**–**	52,941	**–**	–
Negative goodwill arising from acquisition of subsidiary companies	15	**–**	2,132	**–**	–
Profit before tax	6	**38,993**	138,617	**231,274**	8,323
Income tax expense	9	**(13,843)**	(7,881)	**(3,947)**	(3,190)
Profit for the year from continuing operations		**25,150**	130,736	**227,327**	5,133
Discontinued operations					
Profit for the year from discontinued operations	8	**173,762**	32,668	**–**	–
Profit for the year		**198,912**	163,404	**227,327**	5,133
Profit attributable to:					
Owners of the Company		**207,637**	152,517	**227,327**	5,133
Non-controlling interests		**(8,725)**	10,887	**–**	–
Profit for the year		**198,912**	163,404	**227,327**	5,133

(Forward)

	Note	The Group 2011 RM'000	2010 RM'000
Earnings per ordinary share attributable to owners of the Company (sen)	**10**		
Basic:			
Continuing operations		**25.82**	53.94
Discontinued operations		**63.85**	12.18
		89.67	66.12
Diluted:			
Continuing operations		**25.82**	53.92
Discontinued operations		**63.85**	12.18
		89.67	66.10

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the year	**198,912**	163,404	**227,327**	5,133
Other comprehensive income/(loss)				
Foreign currency translation differences arising from foreign operations	**(10,084)**	(15,152)	**–**	–
Changes in fair value of available-for-sale financial assets	**212**	–	**–**	–
Other comprehensive loss for the year	**(9,872)**	(15,152)	**–**	–
Total comprehensive income for the year	**189,040**	148,252	**227,327**	5,133
Total comprehensive income attributable to:				
Owners of the Company	**197,010**	139,749	**227,327**	5,133
Non-controlling interests	**(7,970)**	8,503	**–**	–
Total comprehensive income for the year	**189,040**	148,252	**227,327**	5,133

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**28,565**	350,674	**5,151**	4,778
Investment properties	13	**1,276**	1,305	**1,276**	1,305
Prepaid land lease payments	14	**–**	8,661	**–**	–
Investment in subsidiary companies	15	**–**	–	**31,471**	18,238
Investment in associated companies	16	**85,935**	130,587	**–**	–
Other investments	17	**35,191**	25,933	**18**	18
Intangible assets	18	**–**	–	**–**	–
Goodwill on consolidation	19	**–**	–	**–**	–
Deferred tax assets	20	**680**	862	**–**	–
Amount owing by a subsidiary company	15	**–**	–	**11,622**	18,200
Total Non-Current Assets		**151,647**	518,022	**49,538**	42,539
Current Assets					
Inventories	22	**64,763**	121,705	**–**	–
Other investments	23	**12,003**	3,717	**–**	–
Trade receivables	24(a)	**279,120**	140,163	**4,031**	3,879
Other receivables and prepayments	24(b)	**146,912**	42,341	**3,197**	3,368
Amount owing by holding company	21	**–**	19,132	**–**	19,131
Amount owing by subsidiary companies	15	**–**	–	**521,774**	237,712
Amount owing by an associated company	16	**–**	1,608	**–**	–
Amount owing by other related companies	21	**252,935**	119,797	**107,733**	112,076
Tax recoverable		**990**	1,060	**–**	–
Fixed deposits, cash and bank balances	25	**497,595**	415,629	**339,694**	336,658
Total Current Assets		**1,254,318**	865,152	**976,429**	712,824
Total Assets		**1,405,965**	1,383,174	**1,025,967**	755,363

(Forward)

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	26	**231,572**	231,342	**231,572**	231,342
Reserves	27	**988,046**	851,365	**519,524**	345,567
Equity attributable to owners of the Company		**1,219,618**	1,082,707	**751,096**	576,909
Non-controlling interests		**29,121**	67,512	**–**	–
Total Equity		**1,248,739**	1,150,219	**751,096**	576,909
Non-Current and Deferred Liabilities					
Redeemable cumulative convertible preference shares	28	**12,833**	13,672	**–**	–
Hire-purchase payables	29	**3,267**	5,332	**333**	–
Deferred tax liabilities	20	**1,421**	4,875	**280**	280
Amount owing to a subsidiary company	15	**–**	–	**11,622**	18,200
Total Non-Current and Deferred Liabilities		**17,521**	23,879	**12,235**	18,480
Current Liabilities					
Trade payables	30(a)	**73,519**	72,513	**11,095**	8,875
Other payables and accrued expenses	30(b)	**37,879**	78,337	**5,339**	5,240
Provision	31	**15,000**	15,000	**15,000**	15,000
Amount owing to holding company	21	**707**	–	**–**	–
Amount owing to subsidiary companies	15	**–**	–	**229,068**	129,882
Amount owing to other related companies	21	**76**	1,040	**69**	315
Hire-purchase payables	29	**2,322**	2,234	**27**	–
Bank borrowings	32	**3,667**	36,577	**–**	–
Tax liabilities		**6,535**	3,375	**2,038**	662
Total Current Liabilities		**139,705**	209,076	**262,636**	159,974
Total Liabilities		**157,226**	232,955	**274,871**	178,454
Total Equity and Liabilities		**1,405,965**	1,383,174	**1,025,967**	755,363

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

The Group	Note	Share capital RM'000	Share premium RM'000	Non-distributable reserves: Equity compensation reserve RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Distributable reserve-Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2009		230,367	688,028	1,139	9,899	305	9	12,142	941,889	59,009	1,000,898
Profit for the year		–	–	–	–	–	–	152,517	152,517	10,887	163,404
Other comprehensive loss for the year		–	–	–	(12,768)	–	–	–	(12,768)	(2,384)	(15,152)
Total comprehensive income for the year		–	–	–	(12,768)	–	–	152,517	139,749	8,503	148,252
Issue of shares	26	975	64	–	–	–	–	–	1,039	–	1,039
Share-based payments		–	895	(870)	–	5	–	–	30	–	30
As of 30 June 2010		231,342	688,987	269	(2,869)	310	9	164,659	1,082,707	67,512	1,150,219

(Forward)

			← Non-distributable reserves →									
The Group	Note	Share capital RM'000	Share premium RM'000	Equity com-pensation reserve RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2010		**231,342**	**688,987**	**269**	**(2,869)**	**310**	**9**	**–**	**164,659**	**1,082,707**	**67,512**	**1,150,219**
Profit for the year		–	–	–	–	–	–	–	207,637	207,637	(8,725)	198,912
Other comprehensive (loss)/ income for the year		–	–	–	(10,839)	–	–	212	–	(10,627)	755	(9,872)
Total comprehensive income for the year		–	–	–	(10,839)	–	–	212	207,637	197,010	(7,970)	189,040
Issue of shares	26	230	28	–	–	–	–	–	–	258	–	258
Share-based payments		–	315	(269)	–	(46)	–	–	–	–	–	–
Dividends paid	11	–	–	–	–	–	–	–	(62,525)	(62,525)	–	(62,525)
Dividends paid to non-controlling interests of a subsidiary company		–	–	–	–	–	–	–	–	–	(10,775)	(10,775)
Effect on discontinued operations	8	–	–	–	(3,573)	–	–	–	3,452	(121)	(42)	(163)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	2,289	2,289	(19,604)	(17,315)
As of 30 June 2011		**231,572**	**689,330**	**–**	**(17,281)**	**264**	**9**	**212**	**315,512**	**1,219,618**	**29,121**	**1,248,739**

The Company	Note	Share capital RM'000	← Non-distributable reserves → Share premium RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2009		230,367	688,028	1,139	305	(349,132)	570,707
Total comprehensive income for the year		–	–	–	–	5,133	5,133
Issue of shares	26	975	64	–	–	–	1,039
Share-based payments		–	895	(870)	5	–	30
As of 30 June 2010		231,342	688,987	269	310	(343,999)	576,909
As of 1 July 2010							
As previously reported		**231,342**	**688,987**	**269**	**310**	**(343,999)**	**576,909**
Effect of changes in accounting policy – Adoption of FRS 139	2	**–**	**–**	**–**	**–**	**9,127**	**9,127**
As restated		**231,342**	**688,987**	**269**	**310**	**(334,872)**	**586,036**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**227,327**	**227,327**
Issue of shares	26	**230**	**28**	**–**	**–**	**–**	**258**
Share-based payments		**–**	**315**	**(269)**	**(46)**	**–**	**–**
Dividends paid	11	**–**	**–**	**–**	**–**	**(62,525)**	**(62,525)**
As of 30 June 2011		**231,572**	**689,330**	**–**	**264**	**(170,070)**	**751,096**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

The Group	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**198,912**	163,404
Adjustments for:			
Depreciation of:			
Property, plant and equipment		**24,644**	32,220
Investment properties		**29**	30
Income tax expense recognised in profit or loss		**17,710**	24,804
Share in results of associated companies		**6,630**	(44,779)
Allowance for:			
Doubtful debts of trade receivables		**3,875**	1,974
Doubtful debts of amount owing by an associated company		**1,606**	–
Slow-moving and obsolete inventories		**2,335**	271
Impairment loss on:			
Property, plant and equipment		**3,233**	6,247
Unquoted investments		**609**	3
Quoted investments		**–**	328
Finance costs		**2,242**	8,134
Share-based payment expenses		**–**	30
Property, plant and equipment written off		**142**	2
Amortisation of prepaid land lease payments		**118**	148
Gain on disposal of discontinued operations	8	**(171,407)**	–
Interest income		**(24,330)**	(20,593)
Unrealised gain on foreign exchange		**(1,862)**	(7,058)
Gain on acquisition of:			
RCCPS issued by a subsidiary company		**(797)**	–
Bonds and debts issued by subsidiary companies		**–**	(52,941)
Allowance no longer required for:			
Doubtful debts		**(672)**	(919)
Slow-moving and obsolete inventories		**(1)**	(1,867)
(Gain)/Loss on disposal of:			
Property, plant and equipment		**(354)**	(985)
A subsidiary company		**–**	2,139
Unquoted investments		**–**	(72)
Dividend income from:			
Unquoted investments		**(53)**	–
Quoted investments		**–**	(1)
Gain on bonds and debts restructuring by subsidiary companies		**–**	(11,117)
Negative goodwill arising from acquisition of subsidiary companies		**–**	(2,132)
Impairment loss no longer required for quoted investments		**–**	(15)
Operating Profit Before Working Capital Changes		**62,609**	97,255

(Forward)

	Note	2011 RM'000	2010 RM'000
Increase in:			
Inventories		**(43,479)**	(36,769)
Trade receivables		**(231,981)**	(31,603)
Other receivables and prepayments		**(131,888)**	(9,022)
Amount owing by other related companies		**(143,388)**	–
Increase in:			
Trade payables		**39,914**	19,498
Other payables and accrued expenses		**105,584**	12,703
Cash (Used In)/Generated From Operations		**(342,629)**	52,062
Interest received		**1,860**	2,096
Income tax paid		**(9,061)**	(9,096)
Net Cash (Used In)/From Operating Activities		**(349,830)**	45,062
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Net cash inflow from disposal of discontinued operations	8	**483,167**	–
Dividend received from an associated company		**34,436**	55,361
Decrease/(Increase) in:			
Amount owing by holding company		**20,645**	10,000
Amount owing by other related companies		**9,286**	(4,832)
Cash at banks held under Escrow Account and fixed deposits pledged		**(9,479)**	10,220
Interest received from:			
Fixed deposits with licensed banks		**11,491**	7,100
Other related companies		**8,727**	6,918
Proceeds from disposal of:			
Unquoted investments		**2,394**	–
Property, plant and equipment		**966**	1,349
Dividend income received from:			
Unquoted investments		**53**	–
Quoted investments		**–**	1
Acquisition of non-controlling interests		**(24,510)**	–
Purchase of property, plant and equipment (Note)		**(16,251)**	(31,203)
Additions to other investments		**(42)**	(56,847)
Deferred consideration received from disposal of a subsidiary company in prior year		**–**	16,748
Net cash inflow from acquisition of subsidiary companies	15	**–**	694
Net cash outflow from disposal of subsidiary company	15	**–**	(701)
Proceeds from redemption of other investments		**–**	1,289
Net Cash From Investing Activities		**520,883**	16,097

(Forward)

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issue of shares		**258**	1,039
Dividends paid		**(62,525)**	–
Decrease in bank borrowings excluding bank overdrafts		**(14,311)**	(28,801)
Dividends paid to non-controlling interests of a subsidiary company		**(10,775)**	–
Payment of hire-purchase payables		**(2,320)**	(2,144)
Finance costs paid		**(2,242)**	(3,293)
Repayment of bonds and debts		**–**	(12,473)
Net Cash Used In Financing Activities		**(91,915)**	(45,672)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**79,138**	15,487
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**79,515**	65,070
Effect of exchange differences		**(339)**	(1,042)
CASH AND CASH EQUIVALENTS AT END OF YEAR	37	**158,314**	79,515

Note: During the financial year, the Group acquired property, plant and equipment by the following means:

	2011 RM'000	2010 RM'000
Cash purchase	**16,251**	31,203
Hire-purchase financing	**490**	41
Transfer from inventories	**–**	49
	16,741	31,293

The Company	2011 RM'000	2010 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**227,327**	5,133
Adjustments for:		
Income tax expense recognised in profit or loss	**3,947**	3,190
Finance costs	**2,756**	4,175
Investment in subsidiary companies written off	**62**	–
Depreciation of:		
Investment properties	**29**	30
Property, plant and equipment	**6**	2
Dividend income	**(218,743)**	(7,241)
Interest income	**(19,468)**	(16,423)
Allowance for doubtful debts no longer required	**(156)**	–
Unrealised (gain)/loss on foreign exchange	**(8)**	8,921
Share-based payment expenses	**–**	30
Impairment loss on:		
Quoted investments	**–**	21
Unquoted investments	**–**	3
Gain on disposal of:		
Subsidiary company	**–**	(136)
Property, plant and equipment	**–**	(14)
Operating Loss Before Working Capital Changes	**(4,248)**	(2,309)
Decrease in:		
Trade receivables	**4**	1,321
Other receivables and prepayments	**171**	87
Increase/(Decrease) in:		
Trade payables	**2,220**	(1,782)
Other payables and accrued expenses	**99**	(38)
Cash Used In Operations	**(1,754)**	(2,721)
Income tax paid	**(2,571)**	(4,159)
Net Cash Used In Operating Activities	**(4,325)**	(6,880)

(Forward)

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend received from subsidiary companies		**218,743**	7,234
(Increase)/Decrease in:			
Amount owing by holding company		**19,937**	10,000
Amount owing by other related companies		**4,343**	(5,878)
Amount owing by subsidiary companies		**(283,703)**	(43,245)
Cash at banks held under Escrow Account and fixed deposits pledged		**(8,234)**	(6,162)
Interest received from:			
Fixed deposits with licensed banks		**9,166**	6,152
Other related companies		**8,658**	6,854
Subsidiary companies		**479**	774
Purchase of:			
Investment in a subsidiary company		**(4,168)**	(143)
Property, plant and equipment (Note)		**(19)**	–
Proceeds from disposal of:			
Subsidiary company		**–**	136
Property, plant and equipment		**–**	14
Net Cash Used In Investing Activities		**(34,798)**	(24,264)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**98,835**	31,379
Amount owing to other related companies		**(246)**	(100)
Proceeds from issue of shares		**258**	1,039
Dividends paid		**(62,525)**	-
Finance costs paid		**(2,397)**	(4,175)
Net Cash From Financing Activities		**33,925**	28,143
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,198)**	(3,001)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**14,733**	17,734
CASH AND CASH EQUIVALENTS AT END OF YEAR	37	**9,535**	14,733

Note: During the financial year, the Company acquired property, plant and equipment by the following means:

	2011 RM'000	2010 RM'000
Cash purchase	**19**	–
Hire-purchase financing	**360**	–
	379	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiary companies are as disclosed in Note 15.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year except as disclosed in Note 15.

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 19 October 2011.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new and revised Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised FRSs and Issues Committee Interpretations ("IC Int.") issued by the Malaysian Accounting Standards Board ("MASB") that effective for annual periods beginning on or after 1 January 2010 as follows:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combinations (revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets – effective date and transition)
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 128	Investment in Associates (revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation and transitional provision relating to compound instruments)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement

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

Adoption of new and revised Financial Reporting Standards (continued)

FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition, embedded derivatives)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from FRS 3 and revised FRS 127)

Improvements to FRSs issued in 2009

IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)
IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 11	FRS 2 – Group and Treasury Share Transactions
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of these new and revised FRSs have not affected amounts reported on the financial statements of the Group and of the Company except for the following:

FRS 3: Business Combinations (revised)

In accordance with the relevant transitional provisions, revised FRS 3 has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The impact of the adoption of revised FRS 3:

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

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

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

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

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

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

FRS 7: Financial Instruments: Disclosures

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

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions of the standard. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 June 2011.

FRS 101: Presentation of Financial Statements (revised)

FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and the Company's financial statements.

FRS 127: Consolidated and Separate Financial Statements (revised)

The revised FRS 127 affects the Group's accounting policies regarding changes in ownership interests in its subsidiary companies that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary companies were treated in the same manner as the acquisitions of subsidiary companies, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary companies that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of the net assets disposed of was recognised in profit or loss. Under revised FRS 127, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary company is lost as a result of a transaction, event or other circumstance, the revised FRS 127 requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

FRS 139: Financial Instruments: Recognition and Measurement

The Group and the Company adopted FRS 139 prospectively on 1 July 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition). The accounting policies for financial assets and financial liabilities are as disclosed in Note 3.

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

The effects arising from the adoption of this Standard has been accounted for by adjusting respective opening balance as of 1 July 2010, as shown below and comparatives are not restated.

Statements of financial position	As of 1 July 2010 (Before adoption of FRS 139) RM'000	Effect of FRS 139 RM'000	As of 1 July 2010 (After adoption of FRS 139) RM'000
The Company			
Capital and Reserves			
Accumulated losses	(343,999)	9,127	(334,872)
Non-Current Assets			
Investment in subsidiary companies	22,344	9,127	31,471
Amount owing by a subsidiary company	18,200	(6,937)	11,263
Non-Current and Deferred Liabilities			
Amount owing to a subsidiary company	18,200	(6,937)	11,263

Standards and IC Interpretations issued but not yet effective

At the date of authorisation of issue of the financial statements, the new and revised FRSs and IC Int. which were issued but not yet effective are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters and additional exemptions for first-time adopters)[1]
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters)[1]
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[1]
FRS 124	Related Party Disclosures (revised)[3]
Improvements to FRSs 2010[1]	
IC Int. 4	Determining whether an arrangement contains a lease[1]
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a Minimum Funding Requirement)[2]
IC Int. 15	Agreements for the Construction of Real Estate[4]
IC Int. 18	Transfers of Assets from Customers[5]
IC Int. 19	Extinguish Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Original effective date of 1 July 2010 deferred to 1 January 2012 via amendment issued by MASB on 30 August 2010
5 Applies prospectively to transfers of assets from customers received on or after 1 January 2011

The Directors anticipate that the adoption of the abovementioned standards and interpretations, when they become effective, are not expected to be relevant or have material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for assets.

Basis of Consolidation

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

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

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

Non-controlling interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of combination.

Business Combinations

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

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

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

Revenue and Revenue Recognition

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

The Group's ESOS allows the employees to acquire shares in the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in profit or loss 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 the end of each reporting period, 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 profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

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

Taxation

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

<u>Current tax</u>

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

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

Taxation (continued)

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period 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 the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

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

Foreign Currency Conversion

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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Properties

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

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

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

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

Prepaid Land Lease Payments

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

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

Investment in 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.

Investment in Associated Companies

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

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

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

Intangible Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

Provisions

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

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

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial asset is recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

Financial Instruments (continued)

Financial Assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

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

Financial Instruments (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy of financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

Financial Instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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

Financial Liabilities and Equity Instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2011, the Group and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**3,216**	26,514	**–**	–
Investment in subsidiary companies	**–**	–	**800**	800
Investment in associated companies	**–**	–	**–**	4,684
Other investments	**47,586**	48,273	**–**	140

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

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

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

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

(ii) Key sources of estimation uncertainty (continued)

(b) Allowance for Doubtful Debts

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

As mentioned in Note 24(a), the Group has significant concentration of credit risk as trade receivables of RM124,973,000 and RM59,611,000 are due by two related parties, Megasteel Sdn. Bhd. ("Megasteel") and Lion DRI Sdn. Bhd. respectively as of 30 June 2011, constitute approximately 64% of the Group's trade receivables, of which RM92,754,000 owing by Megasteel is past due but not impaired. Megasteel is in the process of undertaking proposed settlement agreements with its creditors (which include the Group) and Megasteel has also entered into discussions with various interested third party investors to inject additional working capital into Megasteel via proposed issuance of new shares. The Directors have noted the aforesaid proposals by Megasteel to improve cash flows and to meet its obligations to creditors and are of the opinion that no allowance for doubtful debts is necessary in respect of the amount owing by Megasteel. The ability of Megasteel to improve cash flows and to meet its obligations to its creditors and hence be able to continue in operational existence for the foreseeable future is dependent on the approval and successful implementation of its proposed settlement agreements with its creditors and also its success in obtaining additional working capital.

(c) Depreciation of Property, Plant and Equipment

Except for freehold land and capital work-in-progress, the costs of property, plant and equipment are depreciated on a straight-line basis over the assets' useful lives.

The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(d) Deferred Tax Assets

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

(e) Provision

As disclosed in Note 31, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company at the time the litigation claim was made, the Company provided for liquidated damages from litigation claims amounting to RM15,000,000. The provision is made based on the management's best judgement and estimate using information currently available. As the legal case has been remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sales of goods	**917,929**	269,729	**63,668**	58,548
Services rendered	**15,002**	18,478	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**218,743**	7,241
	932,931	288,207	**282,411**	65,789

6. PROFIT BEFORE TAX

Profit before tax from continuing operations is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income on:				
Fixed deposits with licensed banks	**11,405**	6,926	**9,166**	6,152
Advances to:				
Other related companies	**8,727**	6,918	**8,658**	6,854
Holding company	**806**	2,643	**806**	2,643
Subsidiary companies	**–**	–	**838**	774
Investment in unquoted bonds	**274**	306	**–**	–
Others	**3,026**	3,607	**–**	–
Gain on acquisition of RCCPS issued by subsidiary a company	**797**	–	**–**	–
Allowance no longer required for:				
Doubtful debts of trade receivables	**672**	919	**156**	–
Slow-moving and obsolete inventories	**1**	2	**–**	–
Bad debts recovered	**447**	140	**382**	63
Gain on disposal of:				
Subsidiary company	**–**	–	**–**	136
Property, plant and equipment	**276**	921	**–**	14
Unquoted investments	**–**	72	**–**	–
Dividend income from:				
Unquoted investments	**53**	–	**–**	–
Quoted investments	**–**	1	**–**	–
Gain on bonds and debts restructuring by subsidiary companies	**–**	11,117	**–**	–
Impairment loss no longer required for unquoted investments	**–**	15	**–**	–

(Forward)

6. PROFIT BEFORE TAX (continued)

	The Group		The Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Rental income from investment properties rented to:				
Third parties	**–**	4	**–**	4
Subsidiary companies	**–**	–	**7**	7
Allowance for:				
Doubtful debts of trade receivables	**(3,070)**	(1,974)	**–**	–
Doubtful debts of amount owing by an associated company	**(1,606)**	–	**–**	–
Slow-moving and obsolete inventories	**(593)**	(190)	**–**	–
Impairment loss on:				
Unquoted investments	**(609)**	(3)	**–**	(3)
Quoted investments	**–**	(328)	**–**	(21)
Directors' remunerations (Note 21)	**(536)**	(473)	**(524)**	(401)
Rental of premises payable to:				
Third parties	**(445)**	(440)	**(41)**	(97)
Subsidiary company	**–**	–	**(19)**	(19)
Hire of plant and machinery	**(338)**	(114)	**–**	–
Auditors' remuneration:				
Statutory audit:				
Current year	**(233)**	(185)	**(75)**	(62)
Underprovision in prior year	**(21)**	(25)	**(13)**	(25)
Non-statutory audit	**(5)**	(30)	**(5)**	(30)
Property, plant and equipment written off	**(2)**	(1)	**–**	–
Loss on disposal of a subsidiary company	**–**	(2,139)	**–**	–
Investment in subsidiary companies written off	**–**	–	**(62)**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans, share-based payments and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM1,651,000 and RM126,000 (RM1,563,000 and RM104,000 in 2010), respectively. The Group and the Company recognised total expenses of RMNil (RM30,000 in 2010), relating to share-based payment transactions.

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Salaries and other remuneration	**1,256**	1,179	**919**	891
Defined contribution plans	**93**	92	**73**	53
Share-based payment expenses	**–**	20	**–**	9
Benefits-in-kind	**53**	31	**47**	25
	1,402	1,322	**1,039**	978

7. FINANCE COSTS

Finance costs from continuing operations represent:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense on:				
Hire-purchase	**464**	636	**–**	–
Bank overdrafts and other borrowings	**459**	908	**–**	–
RCCPS	**389**	144	**–**	–
Bonds and debts	**–**	4,535	**–**	–
Advances from subsidiary companies	**–**	–	**2,756**	4,175
	1,312	6,223	**2,756**	4,175

8. DISCONTINUED OPERATIONS

On 10 December 2010, 28 February 2011 and 29 June 2011, the Group completed the disposals of its entire 100% equity interest in Silverstone Berhad, Lion Motor Sdn. Bhd. and 75% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co., Ltd (now known as Toyo Tire (Zhucheng) Co., Ltd), respectively.

The combined results of the discontinued operations included in profit or loss are set out below. The comparative profit and loss, and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	The Group	
	2011 RM'000	2010 RM'000
Revenue – sales of goods and services	**443,867**	586,109
Other operating income	**4,649**	2,122
Changes in inventories of finished goods, trading merchandise and work-in-progress	**(18,024)**	7,440
Raw materials and consumables used	**(292,959)**	(333,843)
Purchase of trading merchandise	**(1,365)**	(3,511)
Staff costs	**(37,676)**	(54,914)
Depreciation of property, plant and equipment	**(21,207)**	(28,757)
Amortisation of prepaid land lease payments	**(118)**	(148)
Gain on foreign exchange:		
Realised	**2,875**	256
Unrealised	**1,803**	198
Other operating expenses	**(74,693)**	(123,450)
Finance costs	**(930)**	(1,911)
Gain on disposal of discontinued operations	**171,407**	–
Profit before tax	**177,629**	49,591
Income tax expense (Note 9)	**(3,867)**	(16,923)
Profit for the year	**173,762**	32,668

8. DISCONTINUED OPERATIONS (continued)

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Results from discontinued operations:		
Profit for the year	**2,355**	32,668
Gain on disposal of discontinued operations	**171,407**	–
	173,762	32,668
Attributable to:		
Owners of the Company	**147,842**	28,097
Non-controlling interests	**25,920**	4,571
	173,762	32,668
Cash flows from discontinued operations:		
Net cash from operating activities	**73,113**	106,052
Net cash from/(used in) investing activities	**12,280**	(78,830)
Net cash used in financing activities	**(36,644)**	(31,056)
Net cash from/(used in) discontinued operations	**48,749**	(3,834)

The following amounts have been included in arriving at the profit before tax of the discontinued operations:

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Interest income on:		
Fixed deposits with licensed banks	**86**	174
Others	**6**	19
Gain on disposal of property, plant and equipment	**78**	64
Impairment loss on property, plant and equipment	**(3,233)**	(6,247)
Allowance for:		
Slow-moving and obsolete inventories	**(1,742)**	(81)
Doubtful debts of trade receivables	**(805)**	–
Rental of premises payable to third parties	**(1,723)**	(3,489)
Finance costs:		
Interest expenses on bank overdrafts and other borrowings	**(918)**	(1,883)
Hire-purchase	**(12)**	(28)
Property, plant and equipment written off	**(140)**	(1)
Auditors' remuneration:		
Statutory audit:		
Current year	**(66)**	(126)
Underprovision in prior year	**(21)**	(4)
Non-statutory audit	**(3)**	(6)
Hire of plant and machinery	**(27)**	(55)
Allowance no longer required for slow-moving and obsolete inventories	**–**	1,865

8. **DISCONTINUED OPERATIONS** (continued)

Details of the assets, liabilities and net cash inflow arising from the disposal of discontinued operations are as follows:

	The Group 2011 RM'000	The Group 2010 RM'000
Non-Current Assets		
Property, plant and equipment	**307,251**	320,979
Prepaid land lease payments	**8,430**	8,661
Deferred tax assets	**–**	208
Current Assets		
Inventories	**98,087**	96,188
Trade and other receivables	**117,377**	63,773
Tax recoverable	**41**	–
Fixed deposits, cash and bank balances	**75,846**	29,201
Non-Current and Deferred Liabilities		
Hire-purchase payables	**(52)**	(92)
Deferred tax liabilities	**(7,791)**	(3,883)
Current Liabilities		
Trade and other payables	**(184,898)**	(73,118)
Tax liabilities	**(941)**	(982)
Bank borrowings and hire-purchase payables	**(12,434)**	(20,140)
	400,916	420,795
Non-controlling interests	**(13,147)**	
Net assets disposed of	**387,769**	
Transfer to other reserve	**(163)**	
Gain on disposal of discontinued operations	**171,407**	
Net proceeds from disposal of discontinued operations	**559,013**	
Proceeds from disposals of discontinued operations:		
Per agreements	**530,300**	
Adjustment on completion of disposals	**35,400**	
	565,700	
Less: Incidental costs incurred directly attributable to the disposals	**(6,687)**	
	559,013	
Less: Cash and cash equivalents	**(75,846)**	
Net cash inflow from disposal of discontinued operations	**483,167**	

9. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
From continuing operations				
Estimated tax payable:				
Current	**13,326**	7,841	**3,923**	2,808
(Over)/Underprovision in prior years	**(94)**	390	**24**	347
	13,232	8,231	**3,947**	3,155
Deferred tax (Note 20):				
Current	**194**	(17)	**–**	–
Under/(Over) provision in prior years	**417**	(333)	**–**	35
	611	(350)	**–**	35
Total tax expense relating to continuing operations	**13,843**	7,881	**3,947**	3,190
From discontinued operations				
Estimated tax payable:				
Current	**–**	399	**–**	–
Overprovision in prior years	**(41)**	–	**–**	–
	(41)	399	**–**	–
Deferred tax (Note 20)	**3,908**	16,524	**–**	–
Total tax expense relating to discontinued operations (Note 8)	**3,867**	16,923	**–**	–
Total tax expense	**17,710**	24,804	**3,947**	3,190

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

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax:				
Continuing operations	**38,993**	138,617	**231,274**	8,323
Discontinued operations	**177,629**	49,591	**–**	–
	216,622	188,208	**231,274**	8,323
Tax at applicable tax rate of 25% (25% in 2010)	**54,155**	47,052	**57,819**	2,081
Tax effects of:				
Non-deductible expenses	**18,801**	4,046	**1,150**	3,067
Non-taxable items	**(47,890)**	(30,483)	**(55,046)**	(2,340)
Realisation of deferred tax assets previously not recognised	**(7,729)**	(56)	**–**	–
Deferred tax assets not recognised	**91**	4,188	**–**	–
Under/(Over) provision in prior years:				
Current tax	**(135)**	390	**24**	347
Deferred tax	**417**	(333)	**–**	35
	17,710	24,804	**3,947**	3,190

9. INCOME TAX EXPENSE (continued)

As of 30 June 2011, the Company has the following tax-exempt accounts:

	The Company	
	2011	**2010**
	RM'000	**RM'000**
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**7,579**	7,579
Tax-exempt dividends received	**225,579**	34,612
	233,158	42,191

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to the same amounts.

10. EARNINGS PER ORDINARY SHARE

Basic

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

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Profit attributable to owners of the Company:		
From continuing operations	**59,795**	124,420
From discontinued operations	**147,842**	28,097
	207,637	152,517

	2011	**2010**
	'000	**'000**
Weighted average number of ordinary shares:		
Number of shares issued at beginning of year	**231,342**	230,367
Effect of the exercise of ESOS	**199**	299
	231,541	230,666

	2011	**2010**
Basic earnings per share (sen):		
From continuing operations	**25.82**	53.94
From discontinued operations	**63.85**	12.18
	89.67	66.12

10. EARNINGS PER ORDINARY SHARE (continued)

Fully diluted

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Profit attributable to owners of the Company:		
From continuing operations	**59,795**	124,420
From discontinued operations	**147,842**	28,097
	207,637	152,517

	2011	2010
	'000	'000
Weighted average number of ordinary shares in issue	**231,541**	230,666
Effect of dilution:		
Share options	**–**	78
Adjusted weighted average number of ordinary shares in issue and issuable	**231,541**	230,744

	2011	2010
Diluted earnings per share (sen):		
From continuing operations	**25.82**	53.92
From discontinued operations	**63.85**	12.18
	89.67	66.10

The basic and diluted earnings per share are the same for 2011 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 26.

11. DIVIDENDS

	The Group and The Company	
	2011	**2010**
	RM'000	**RM'000**
In respect of financial year ended 30 June 2010:		
First and final dividend of 2%, per share, tax-exempt	**4,632**	–
In respect of financial year ended 30 June 2011:		
Special dividend of 20%, per share, less 25% tax	**34,736**	–
Special dividend of 10%, per share, tax-exempt	**23,157**	–
	62,525	–

The Directors propose a final dividend of 3%, less 25% tax, amounting to RM5.2 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.

12. PROPERTY, PLANT AND EQUIPMENT

The Group	As of 1 July 2009 RM'000	Currency translation differences RM'000	Additions RM'000	COST Disposals RM'000	Write-offs RM'000	Reclassifi-cations RM'000	As of 30 June 2010 RM'000
Freehold land	11,452	–	–	(105)	–	–	11,347
Freehold buildings	83,846	–	33	–	–	179	84,058
Long leasehold buildings	58,521	(4,036)	1,496	–	–	–	55,981
Plant and machinery	518,469	(7,807)	9,479	(4,335)	(5)	6,423	522,224
Office equipment	1,524	(35)	34	(18)	–	–	1,505
Furniture and fittings	26,034	(8)	848	(123)	(75)	–	26,676
Motor vehicles	9,471	(73)	53	(819)	–	–	8,632
Prime movers and trailers	27,862	–	5,326	(1,111)	–	–	32,077
Office renovation	726	–	–	–	–	–	726
Computer equipment	5,809	(298)	258	(32)	(36)	–	5,701
Chiller max equipment	56	–	49	–	–	–	105
Capital work-in-progress	2,630	–	13,717	–	–	(6,602)	9,745
	746,400	(12,257)	31,293	(6,543)	(116)	–	758,777

The Group	As of 1 July 2010 RM'000	Currency translation differences RM'000	Additions RM'000	Disposals RM'000	COST Write-offs RM'000	Effect of discontinued operations RM'000	Reclassifi-cations RM'000	As of 30 June 2011 RM'000
Freehold land	**11,347**	**–**	**–**	**–**	**–**	**(6,570)**	**–**	**4,777**
Freehold buildings	**84,058**	**–**	**–**	**–**	**–**	**(77,424)**	**72**	**6,706**
Long leasehold buildings	**55,981**	**(1,425)**	**504**	**–**	**(3)**	**(55,057)**	**–**	**–**
Plant and machinery	**522,224**	**(2,889)**	**7,960**	**(5,253)**	**(569)**	**(514,070)**	**6,060**	**13,463**
Office equipment	**1,505**	**(12)**	**37**	**(3)**	**(58)**	**(420)**	**–**	**1,049**
Furniture and fittings	**26,676**	**(3)**	**296**	**(302)**	**(1,531)**	**(13,744)**	**–**	**11,392**
Motor vehicles	**8,632**	**(25)**	**819**	**(729)**	**–**	**(6,287)**	**–**	**2,410**
Prime movers and trailers	**32,077**	**–**	**–**	**(380)**	**–**	**–**	**–**	**31,697**
Office renovation	**726**	**–**	**–**	**–**	**–**	**–**	**–**	**726**
Computer equipment	**5,701**	**(106)**	**619**	**(32)**	**(980)**	**(3,188)**	**–**	**2,014**
Chiller max equipment	**105**	**–**	**–**	**–**	**–**	**–**	**–**	**105**
Capital work-in-progress	**9,745**	**–**	**6,506**	**–**	**–**	**(10,119)**	**(6,132)**	**–**
	758,777	**(4,460)**	**16,741**	**(6,699)**	**(3,141)**	**(686,879)**	**–**	**74,339**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	ACCUMULATED DEPRECIATION						
The Group	As of 1 July 2009 RM'000	Currency translation differences RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Reclassifi-cations RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	–	–	–
Freehold buildings	30,589	–	2,224	–	–	–	32,813
Long leasehold buildings	7,043	(486)	2,522	–	–	–	9,079
Plant and machinery	273,124	(2,721)	23,586	(4,117)	(4)	(66)	289,802
Office equipment	1,474	(42)	81	(16)	–	–	1,497
Furniture and fittings	25,211	(4)	748	(121)	(74)	(542)	25,218
Motor vehicles	7,077	(36)	571	(785)	–	608	7,435
Prime movers and trailers	11,691	–	1,883	(1,111)	–	–	12,463
Office renovation	711	–	11	–	–	–	722
Computer equipment	2,094	(69)	575	(29)	(36)	–	2,535
Chiller max equipment	6	–	19	–	–	–	25
Capital work-in-progress	–	–	–	–	–	–	–
	359,020	(3,358)	32,220	(6,179)	(114)	–	381,589

	ACCUMULATED DEPRECIATION						
The Group	As of 1 July 2010 RM'000	Currency translation differences RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Effect of discontinued operations RM'000	As of 30 June 2011 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Freehold buildings	**32,813**	**–**	**1,177**	**–**	**–**	**(32,185)**	**1,805**
Long leasehold buildings	**9,079**	**(230)**	**2,502**	**–**	**–**	**(11,351)**	**–**
Plant and machinery	**289,802**	**(1,194)**	**17,671**	**(5,072)**	**(528)**	**(290,302)**	**10,377**
Office equipment	**1,497**	**(15)**	**69**	**(3)**	**(51)**	**(540)**	**957**
Furniture and fittings	**25,218**	**(2)**	**384**	**(280)**	**(1,524)**	**(12,504)**	**11,292**
Motor vehicles	**7,435**	**(17)**	**428**	**(644)**	**(15)**	**(5,489)**	**1,698**
Prime movers and trailers	**12,463**	**–**	**1,921**	**(54)**	**–**	**–**	**14,330**
Office renovation	**722**	**–**	**4**	**–**	**–**	**–**	**726**
Computer equipment	**2,535**	**(34)**	**467**	**(29)**	**(881)**	**(731)**	**1,327**
Chiller max equipment	**25**	**–**	**21**	**–**	**–**	**–**	**46**
Capital work-in-progress	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	381,589	**(1,492)**	**24,644**	**(6,082)**	**(2,999)**	**(353,102)**	**42,558**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES							NET BOOK VALUE	
	As of 1 July 2009 RM'000	Charge for the year RM'000	As of 30 June 2010/ 1 July 2010 RM'000	Charge for the year RM'000	Disposal RM'000	Effect of discontinued operations RM'000	As of 30 June 2011 RM'000	As of 30 June 2011 RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	–	–	–	4,777	11,347
Freehold buildings	–	–	–	–	–	–	–	4,901	51,245
Long leasehold buildings	–	–	–	–	–	–	–	–	46,902
Plant and machinery	17,051	6,247	23,298	1,818	(5)	(25,111)	–	3,086	209,124
Office equipment	–	–	–	–	–	–	–	92	8
Furniture and fittings	–	–	–	18	–	(18)	–	100	1,458
Motor vehicles	–	–	–	–	–	–	–	712	1,197
Prime movers and trailers	3,216	–	3,216	–	–	–	3,216	14,151	16,398
Office renovation	–	–	–	–	–	–	–	–	4
Computer equipment	–	–	–	–	–	–	–	687	3,166
Chiller max equipment	–	–	–	–	–	–	–	59	80
Capital work-in-progress	–	–	–	1,397	–	(1,397)	–	–	9,745
	20,267	6,247	26,514	3,233	(5)	(26,526)	3,216	28,565	350,674

The Company	COST						
	As of 1 July 2009 RM'000	Disposal RM'000	Write-off RM'000	As of 30 June 2010/ 1 July 2010 RM'000	Additions RM'000	Disposal RM'000	As of 30 June 2011 RM'000
Freehold land	4,777	–	–	4,777	–	–	4,777
Office equipment	262	–	–	262	–	–	262
Furniture and fittings	392	–	–	392	–	–	392
Motor vehicles	554	(93)	–	461	379	–	840
Office renovation	256	–	–	256	–	–	256
Computer equipment	324	–	(36)	288	–	(21)	267
	6,565	(93)	(36)	6,436	379	(21)	6,794

The Company	ACCUMULATED DEPRECIATION								NET BOOK VALUE	
	As of 1 July 2009 RM'000	Charge for the year RM'000	Disposal RM'000	Write-off RM'000	As of 30 June 2010/ 1 July 2010 RM'000	Charge for the year RM'000	Disposal RM'000	As of 30 June 2011 RM'000	As of 30 June 2011 RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	–	–	–	–	4,777	4,777
Office equipment	262	–	–	–	262	–	–	262	–	–
Furniture and fittings	391	–	–	–	391	1	–	392	–	1
Motor vehicles	554	–	(93)	–	461	5	–	466	374	–
Office renovation	256	–	–	–	256	–	–	256	–	–
Computer equipment	322	2	–	(36)	288	–	(21)	267	–	–
	1,785	2	(93)	(36)	1,658	6	(21)	1,643	5,151	4,778

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book values of property, plant and equipment acquired under hire-purchase as of the end of the financial year are as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Motor vehicles	**382**	57	**374**	-
Prime movers and trailers	**10,065**	11,432	**-**	-
	10,447	11,489	**374**	-

As of 30 June 2011, certain freehold land and buildings of the Group with net book values totalling RM9,232,000 (RM9,358,000 in 2010) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 32.

13. INVESTMENT PROPERTIES

	The Group and The Company	
	2011	**2010**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**1,638**	1,638
Accumulated depreciation:		
At beginning of year	**333**	303
Charge for the year	**29**	30
At end of year	**362**	333
Net book value	**1,276**	1,305
Fair value	**1,225**	1,225

The rental income earned by the Group and the Company from the investment properties amounted to RMNil (RM4,000 in 2010) and RM7,000 (RM11,000 in 2010) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM500 (RM6,000 in 2010).

Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM13,000 (RM5,000 in 2010).

The fair value of the investment properties in the previous financial year was arrived at on the basis of valuations carried out by Henry Butcher Malaysia (SEL) Sdn. Bhd., an independent valuer that is not related to the Group. Valuations were based on current prices in an active market for the properties. The fair value of the investment properties in the current financial year has been arrived at based on the Directors' best estimates, taking into account prevailing market conditions.

As of 30 June 2011, certain freehold land and buildings and long leasehold buildings of the Company included as part of investment properties with net book value totalling RM1,225,000 (RM1,253,000 in 2010) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 32.

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Cost:		
At beginning of year	**9,880**	10,234
Currency translation differences	**(122)**	(354)
Effect of discontinued operations	**(9,758)**	–
At end of year	**–**	9,880
Cumulative amortisation:		
At beginning of year	**1,219**	1,094
Currency translation differences	**(9)**	(23)
Amortisation for the year	**118**	148
Effect of discontinued operations	**(1,328)**	–
At end of year	**–**	1,219
Net book value	**–**	8,661

Prepaid land lease payments which were disposed of during the financial year related to:

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

(b) Lease of land for the Group's factory building, office complexes and warehouse located in Kamunting, Perak and the lease will expire between years 2048 and 2097.

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

15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2011	**2010**
	RM'000	**RM'000**
Unquoted shares - at cost	**23,144**	19,038
Deemed capital contribution	**9,127**	–
	32,271	19,038
Less: Accumulated impairment losses	**(800)**	(800)
Net	**31,471**	18,238

Amount owing by a subsidiary company (non-current portion), which arose as a result of a long-term loan on-lend to LFIB Plantations Sdn. Bhd. as disclosed below, is unsecured, bears interest at rate of 1% (1% in 2010) per annum and has a tenure of 10 years from 2006.

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are repayable on demand. The advances bear interest at rates ranging from 1% to 8% (1.00% to 6.30% in 2010) per annum.

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	The Company	
	2011	**2010**
	RM'000	**RM'000**
Ringgit Malaysia	**533,396**	157,605
United States Dollar	**–**	98,307
	533,396	255,912

Amount owing to subsidiary companies consists of:

	The Company	
	2011	**2010**
	RM'000	**RM'000**
Advances	**228,331**	110,203
Term loan	**–**	19,130
Long-term loan	**12,359**	18,749
	240,690	148,082
Less : Amount due within 12 months (shown under current liabilities)	**(229,068)**	(129,882)
Non-current portion	**11,622**	18,200

The advances are interest-free (interest-free in 2010) and are repayable on demand.

Amount owing to subsidiary companies arose mainly from expenses paid on behalf and unsecured advances which are repayable on demand. The interest rates per annum for amount owing to subsidiary companies are as follows:

	The Company	
	2011	**2010**
	%	**%**
Advances	**5.00**	7.00
Term loan	**–**	12.00
Long-term loan	**1.00**	1.00

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	The Company	
	2011	**2010**
	RM'000	**RM'000**
Ringgit Malaysia	**239,463**	148,082
United States Dollar	**1,227**	–
	240,690	148,082

The term loan arose in 2004 when Lion Industries Corporation Berhad ("LICB"), the ultimate holding company of the Company, accepted the Company's offer to lend up to RM100 million, the sum of which was advanced by Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company then. LICB in turn advanced the same to Amsteel Mills Sdn. Bhd. ("AMSB"), a subsidiary company of LICB, to enable AMSB to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan ("Offer of Financing"). The Offer of Financing was implemented on 6 August 2004. On the disposal of SFI during the financial year 2007, the amount payable by the Company to SFI, which forms part of the excluded assets of SFI in the disposal transaction, had been transferred to Intra Inspirasi Sdn. Bhd., a wholly-owned subsidiary company of the Company. The said term loan has been fully repaid during the financial year.

The discounted long-term loan of RM11.6 million (principal sum of RM18.2 million) (RM18.2 million in 2010) was granted to the Company in 2006 for on-lend to a subsidiary company, LFIB Plantations Sdn. Bhd., for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia. The said loan is unsecured with a repayment period of 10 years.

The subsidiary companies are as follows:

Name of companies	**Country of incorporation**	**Effective equity interest 2011 %**	**Effective equity interest 2010 %**	**Principal activities**
Lion Petroleum Products Sdn. Bhd.	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
LFIB Plantations Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn. Bhd.	Malaysia	**70.00**	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Posim EMS Sdn. Bhd.	Malaysia	**80.00**	80.00	Provision of energy management and conservation services

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2011 %	2010 %	Principal activities
Silverstone (Hubei) Rubber and Tyre Co. Ltd. ^ (Dissolved)	People's Republic of China	–	100.00	Dormant
Quay Class Ltd.^	British Virgin Islands	**100.00**	100.00	Dormant
Intra Inspirasi Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Gama Harta Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Singa Logistics Sdn. Bhd. #	Malaysia	**100.00**	100.00	Provision of transportation services
Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) #	Malaysia	**87.22**	84.16	Investment holding
Harta Impiana Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Subsidiary company of Lion Rubber Industries Sdn. Bhd.				
Toyo Tire (Zhucheng) Co., Ltd (formerly known as Shandong Silverstone LuHe Rubber & Tyre Co. Ltd.) #	People's Republic of China	–	75.00	Manufacturing and distribution of tyres
Subsidiary company of LFIB Plantations Sdn. Bhd.				
P.T. Lion Intimung Malinau #	Republic of Indonesia	**95.00**	95.00	Dormant
Subsidiary companies of Harta Impiana Sdn. Bhd.				
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2011	2010	Principal activities
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Subsidiary companies of Lion AMB Resources Berhad				
AMB Aerovest Limited ^	British Virgin Island	**87.22**	84.16	Investment holding
AMB Harta (L) Limited	Malaysia	**87.22**	84.16	Treasury business
AMB Harta (M) Sdn. Bhd. #	Malaysia	**87.22**	84.16	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
AMB Venture Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
Chrome Marketing Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
iMpression Worldwide Inc. ^	British Virgin Islands	**–**	84.16	Acquisition of patents, patent rights, copyrights, trademarks, formulas, licences, concessions, and granting of licences, or rights to use in respect of the same to any other person
Innovasi Istimewa Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
Innovasi Selaras Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
Lion Rubber Industries Pte. Ltd.#	Singapore	**54.08**	52.18	Investment holding
Lion Motor Sdn. Bhd. #	Malaysia	**–**	84.16	Sale and distribution of motor vehicles
Lion Tyre Venture Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
Range Grove Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2011	Effective equity interest 2010	Principal activities
Silverstone Polymer Industries Sdn. Bhd.	Malaysia	–	84.16	Retreading tyres
Seintasi Sdn. Bhd. #	Malaysia	**87.22**	84.16	Investment holding
Shanghai AMB Management Consulting Co. Ltd (formerly known as Shanghai Silverstone Management Consulting Co. Ltd.) #	People's Republic China	**87.22**	84.16	Provision of management services
Silverstone Berhad	Malaysia	–	84.16	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn. Bhd.	Malaysia	–	84.16	Distribution of tyres, rubber compounds and other related rubber products
Silverstone Tyreplus Pty. Ltd. #	Australia	–	84.16	Dormant
Lion AMB Holdings Pte Ltd (formerly known as Silverstone Tyre (S) Pte. Ltd.) #	Singapore	**69.78**	67.33	Investment holding
CEDR Corporate Consulting Sdn. Bhd. #	Malaysia	**87.22**	84.16	Provision of training services
Willet Investment Pte. Ltd. #	Singapore	**66.29**	63.96	Investment holding

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

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

The Company's investment in Ototek Sdn. Bhd. with carrying value amounting to RM1,175,000 (RM1,175,000 in 2010) has been pledged as a collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 32.

Acquisition of subsidiary companies

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

(i) The Group had on 5 August 2010 entered into an agreement with Shandong LuHe Group Co. Ltd to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co. Ltd (now known as Toyo Tire (Zhucheng) Co., Ltd) ("Shandong Silverstone") for a cash consideration of USD6.6 million (equivalent to RM20.34 million).

    The said acquisition was completed on 19 January 2011 and thereafter, Shandong Silverstone became a wholly-owned subsidiary company of the Group.

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

(ii) Harta Impiana Sdn. Bhd. ("Harta Impiana"), a wholly-owned subsidiary company of the Company had on 23 March 2011 subscribed for one ordinary share of USD1.00 in each of Elite Image Investments Limited ("Elite Image") and Eminent Elite Investments Limited ("Eminent Elite"). Consequent thereupon, Elite Image and Eminent Elite became wholly-owned subsidiary companies of the Group.

(iii) Harta Impiana had on 12 April 2011 subscribed for one ordinary share of USD1.00 in each of Distinct Harvest Limited ("Distinct Harvest"), Radiant Elite Holdings Limited ("Radiant Elite") and Ultra Strategy Limited ("Ultra Strategy"). Consequent thereupon, Distinct Harvest, Radiant Elite and Ultra Strategy became wholly-owned subsidiary companies of the Group.

The fair value of the assets acquired and liabilities assumed, and the post acquisition results of Elite Image, Eminent Elite, Distinct Harvest, Radiant Elite and Ultra Strategy are not material to the Group.

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

(i) The Company had on 26 August 2009 acquired the entire issued and paid-up capital of Harta Impiana, for a cash consideration of RM2.

(ii) The Company had on 17 June 2010 acquired 51% equity interest comprising 51 Class B ordinary shares of USD1 each in Jadeford International Limited ("Jadeford") for a cash consideration of RM143,000.

The post acquisition results of Harta Impiana and Jadeford are not material to the results of the Group.

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

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

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Disposal of subsidiary companies

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

(i) The Group completed the disposal of Silverstone Berhad on 10 December 2010, as disclosed in Note 38(a). Consequent thereupon, Silverstone Berhad and its subsidiary companies ceased to be subsidiary companies of the Group.

(ii) The Group completed the disposal of Lion Motor Sdn Bhd ("Lion Motor") on 28 February 2011, as disclosed in Note 38(c). Consequent thereupon, Lion Motor ceased to be a subsidiary company of the Group.

(iii) The Group completed the disposal of the 75% equity interest in Shandong Silverstone on 29 June 2011, as disclosed in Note 38(b). Consequent thereupon, Shandong Silverstone ceased to be a subsidiary company of the Group.

The effects on net profit and net assets contributed by the disposals are disclosed in Note 8.

During the previous financial year, Jadeford ceased to be a subsidiary company of the Company upon the completion of the disposal of 51% equity interest in Jadeford comprising 51 Class B ordinary shares of USD1 each fully paid, for a cash consideration of RM136,000.

Assets and liabilities disposed of were as follows:

	The Group RM'000
Investments in bonds and RCCPS	60,416
Other investments	4,118
Short term deposits	806
Cash and bank balances	31
Other payables and accruals	(60,911)
Fair value of net assets disposed	4,460
Sales proceeds received	136
Share of net assets disposed	(2,275)
Loss on disposal of a subsidiary company	(2,139)
Cash and cash equivalents disposed	(837)
Sales proceeds received	136
Cash flows on disposal, net of cash and cash equivalents disposed	(701)

16. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
At cost:				
Quoted investment outside Malaysia	**83,486**	83,486	**–**	–
Unquoted investments	**75,726**	80,410	**–**	4,684
	159,212	163,896	**–**	4,684
Less: Accumulated impairment losses	**–**	–	**–**	(4,684)
	159,212	163,896	**–**	–
Share of post-acquisition results less dividends received	**(73,277)**	(33,309)	**–**	–
	85,935	130,587	**–**	–
Market value of quoted investment outside Malaysia	**76,651**	89,970	**–**	–

The associated companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2011	Effective equity interest 2010	Principal activities
Kinabalu Motor Assembly Sendirian Berhad #	Malaysia	**–**	20.00	Assembly and sale of commercial vehicles
Associated companies of Lion AMB Resources Berhad				
Hunan Changfa Automobile Engine Co. Ltd. #	People's Republic of China	**43.61**	42.08	Manufacture of automotive engine
Lion Asia Investment Pte. Ltd. #	Singapore	**17.44**	16.83	Investment holding
Lion Asiapac Limited #	Singapore	**31.99**	30.87	Investment holding
Nanjing Jincheng Machinery Co. Ltd. #	People's Republic of China	**33.54**	32.36	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn. Bhd. #	Malaysia	**17.44**	16.83	Investment holding

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

16. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Disposal of associated company

The Company had on 3 June 2011 completed the disposal of 20% equity interest in Kinabalu Motor Assembly Sendirian Berhad to MBM Resources Berhad for a cash consideration of RM1.

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

	The Group	
	2011 RM'000	**2010 RM'000**
Revenue	**830,565**	843,182
(Loss)/Profit for the year	**(7,732)**	139,905
Current assets	**686,539**	736,605
Non-current assets	**298,427**	308,898
Current liabilities	**(529,006)**	(593,100)
Non-current liabilities	**(6,683)**	(6,268)
Net assets	**449,277**	446,135

The Group's share of losses of the associated companies has been recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses amounted to RM45,097,000 (RM45,567,000 in 2010) and RM680,000 (RM239,000 in 2010) respectively.

Amount owing by an associated company is as follows:

	The Group	
	2011 RM'000	**2010 RM'000**
Amount owing by an associated company	**1,606**	1,608
Less: Allowance for doubtful debts	**(1,606)**	–
Net	**–**	1,608

Amount owing by associated companies represents unsecured advances, which is interest-free and repayable on demand.

	The Group 2011 RM'000
<u>Movement in the allowance for doubtful debts</u>	
At beginning of year	**–**
Provision during the year	**1,606**
At end of year	**1,606**

17. OTHER INVESTMENTS

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
Ordinary shares	**53**	–	**15**	–
Warrants	**612**	–	**–**	–
Quoted investments outside Malaysia	**118**	–	**–**	–
	783	–	**15**	–
At cost:				
Unquoted investments	**20,612**	–	**3**	–
	21,395	–	**18**	–
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**53,398**	–	**–**	–
Less: Accumulated impairment losses	**(47,586)**	–	**–**	–
	5,812	–	**–**	–
Redeemable within one year (Note 23)	**(5,812)**	–	**–**	–
	–	–	**–**	–
Loans and receivables				
At amortised cost:				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**19,987**	–	**–**	–
Redeemable within one year (Note 23)	**(6,191)**	–	**–**	–
	13,796	–	**–**	–
	35,191	–	**18**	–

17. OTHER INVESTMENTS (continued)

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Other investments				
Quoted investments in Malaysia:				
At cost:				
Ordinary shares	–	131	–	123
Warrants	–	782	–	–
	–	913	–	123
Less: Accumulated impairment losses	–	(415)	–	(108)
	–	498	–	15
Quoted investments outside Malaysia:				
Ordinary shares - at cost	–	225	–	–
Less: Accumulated impairment losses	–	(135)	–	–
	–	90	–	–
Unquoted investments:				
At cost	–	1,017	–	35
Less: Accumulated impairment losses	–	(137)	–	(32)
	–	880	–	3
Unquoted bonds:				
At cost, adjusted for accretion of interest	–	53,124	–	–
Less: Accumulated impairment losses	–	(47,586)	–	–
	–	5,538	–	–
Redeemable within one year (Note 23)	–	(2,185)	–	–
	–	3,353	–	–
RCSLS:				
At cost, adjusted for accretion of interest	–	22,644	–	–
Redeemable within one year (Note 23)	–	(1,532)	–	–
	–	21,112	–	–
Total	**35,191**	25,933	**18**	18

17. OTHER INVESTMENTS (continued)

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Market value of quoted investments:				
In Malaysia	**665**	516	**15**	15
Outside Malaysia	**118**	90	**–**	–

Investment in unquoted bonds and RCSLS of the Group bears yield-to-maturity at 4.75% (4.75% in 2010) per annum and coupon rate of 7.00% (7.00% in 2010) per annum respectively.

Included in unquoted investments of the Group is an amount of RM19,733,000, representing 25% of the equity interest held by the Group in Toyo Tire (Zhucheng) Co., Ltd (formerly known as Shandong Silverstone LuHe Rubber & Tyre Co. Ltd.) ("Shandong Silverstone"). The Group does not exercise significant influence over Shandong Silverstone at the end of the reporting period.

The Group had on 12 April 2011 entered into a Put and Call Option Agreement with Toyo Tire & Rubber Co., Ltd. ("Toyo Tire"), pursuant to which:

(i) the Group was granted a put option by Toyo Tire to require Toyo Tire to acquire the remaining 25% stake in Shandong Silverstone for a duration of one year, after a holding period of 3 years from the fulfillment of all conditions under the Share and Receivable Transfer Agreement ("SRTA") dated 12 April 2011 in relation to the disposal by the Group of 75% equity interest in Shandong Silverstone; and

(ii) the Group had granted Toyo Tire a call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone at any time after the completion of the SRTA.

At the end of the reporting period, neither the Group nor Toyo Tire exercised its option.

18. INTANGIBLE ASSETS

	The Group	
	2011	**2010**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation and impairment losses:		
At beginning and end of year	**(500)**	(500)
	–	–

19. GOODWILL ON CONSOLIDATION

	The Group 2011 RM'000	The Group 2010 RM'000
Goodwill on consolidation:		
At beginning and end of year	**191**	191
Accumulated impairment losses:		
At beginning and end of year	**(191)**	(191)
	–	–

20. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
At beginning of year	**(4,013)**	12,161	**(280)**	(245)
Transfer from/(to) profit or loss (Note 9):				
Property, plant and equipment	**(27,655)**	(3,805)	**–**	(20)
Inventories	**13**	33	**–**	–
Other payables and accrued expenses	**1,154**	(1,066)	**–**	(15)
Unused tax losses and unabsorbed capital allowances	**21,969**	(11,336)	**–**	–
	(4,519)	(16,174)	**–**	(35)
Effect of discontinued operations	**7,791**	–	**–**	–
At end of year	**(741)**	(4,013)	**(280)**	(280)

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

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Deferred tax assets	**680**	862	**–**	–
Deferred tax liabilities	**(1,421)**	(4,875)	**(280)**	(280)
	(741)	(4,013)	**(280)**	(280)

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

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**–**	408	**–**	–
Inventories	**97**	271	**–**	–
Other payables and accrued expenses	**1,043**	1,515	**–**	–
Unused tax losses and unabsorbed capital allowances	**–**	21,387	**–**	–
	1,140	23,581	**–**	–
Offsetting	**(460)**	(22,719)	**–**	–
Deferred tax assets (after offsetting)	**680**	862	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**1,863**	27,576	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	1,881	27,594	**280**	280
Offsetting	**(460)**	(22,719)	**–**	–
Deferred tax liabilities (after offsetting)	**1,421**	4,875	**280**	280

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2011, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group	
	2011 RM'000	**2010 RM'000**
Temporary differences arising from:		
Property, plant and equipment	**56**	857
Trade receivables	**–**	4,999
Others	**612**	2,717
Unused tax losses and unabsorbed capital allowances	**1,888**	24,535
	2,556	33,108

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

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

Amount owing by holding company represents term loan receivable, which arose as a result of the Offer of Financing as disclosed in Note 15, bears interest at an average effective rate of 12.00% (12.00% in 2010) per annum. This amount has been fully repaid during the financial year.

Amount owing by other related companies arose mainly trade transactions, expenses paid on behalf and unsecured advances which are interest-free and repayable on demand except for an amount of RM107,733,000 (RM112,075,000 in 2010), which bears interest at 8.00% (6.30% in 2010) per annum.

As of 30 June 2011, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM242,065,000 is due by two related companies, which constitutes approximately 96% of the Group's amount owing by other related companies. Amount owing by other related company of the Company is due by a related company.

Amount owing to holding company, represents expenses paid on behalf and unsecured advances, is interest-free and repayable on demand.

Amount owing to other related companies is interest-free (interest-free in 2010) and repayable on demand.

The Group and the Company have the following transactions with related parties during the financial year, which were determined based on negotiation agreed between the parties:

Name of Companies	Nature	The Company 2011 RM'000	2010 RM'000
With subsidiary companies:			
Posim Marketing Sdn. Bhd.	Trade sales	**63,668**	58,548
	Interest income on advances	**8**	8
	Rental income	**4**	3
Posim Petroleum Marketing Sdn. Bhd.	Interest expense on advances	**32**	16
Posim EMS Sdn. Bhd.	Rental income	**3**	4
	Interest income on advances	**225**	160
Lion Petroleum Products Sdn. Bhd.	Rental expenses	**19**	19
Singa Logistics Sdn. Bhd.	Interest income on advances	**246**	173
Intra Inspirasi Sdn. Bhd.	Interest expense on advances	**1,354**	2,832
LFIB Plantations Sdn. Bhd.	Interest income on advances	**359**	–

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Company 2011 RM'000	The Company 2010 RM'000
With subsidiary companies: (continued)			
Gama Harta Sdn. Bhd.	Interest income on advances	**–**	433
Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad)	Interest expense on advances	**1,370**	–
Silverstone Berhad	Interest expense on advances	**–**	1,327

Name of Companies	Nature	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
With holding company:					
Lion Industries Corporation Berhad	Interest income on advances	**806**	2,643	**806**	2,643
With other related companies:					
LLB Harta (M) Sdn. Bhd.	Interest income on advances	**8,658**	6,854	**8,658**	6,854
Antara Steel Mills Sdn. Bhd.	Trade sales	**262**	371	**–**	–
	Trade purchases	**15,193**	–	**–**	–
	Provision of transportation services	**761**	1,175	**–**	–
Amsteel Mills Sdn. Bhd.	Trade sales	**229,452**	3,447	**–**	–
	Provision of transportation services	**4,548**	3,192	**–**	–
	Interest income on advances	**69**	64	**–**	–
Amsteel Mills Marketing Sdn. Bhd.	Trade sales	**4**	–	**–**	–
	Trade purchases	**69,770**	47,637	**–**	–

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2011 RM'000	The Group 2010 RM'000
With related parties			
Parkson Corporation Sdn. Bhd.	Trade sales	**794**	437
Lion Steelworks Sdn. Bhd.	Trade sales	**493**	11
	Provision of transportation services	**37**	–
Megasteel Sdn. Bhd.	Trade sales	**96,908**	8,491
	Provision of transportation services	**7,627**	12,947
	Trade purchases	**168,548**	14,782
Lion DRI Sdn. Bhd.	Trade sales	**191,385**	–
	Trade purchases	**5,979**	–
Panareno Sdn. Bhd.	Trade sales	**3,487**	2,926
Lion Holdings Pte Ltd	Trade purchases	**28,565**	–
Bright Steel Sdn. Bhd.	Trade sales	**208**	215
Bright Steel Service Centre Sdn. Bhd.	Trade sales	**1,501**	–
Lion Plate Mills Sdn. Bhd.	Trade sales	**4,137**	63
	Provision of transportation services	**385**	–

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

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

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

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Receivables:				
Included in trade receivables	**186,131**	22,217	**–**	–
Included in other receivables	**14,351**	12,701	**28**	3
Payables:				
Included in trade payables	**–**	2	**–**	–
Included in other payables	**49**	–	**–**	–

21. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Forms of Directors' remuneration charged to profit or loss for the financial year are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fees				
Executive Director	**20**	15	**20**	15
Non-executive Directors	**202**	172	**190**	160
	222	187	**210**	175
Salaries and other emoluments				
Executive Director	**314**	286	**314**	226
	536	473	**524**	401

22. INVENTORIES

	The Group	
	2011 RM'000	2010 RM'000
Finished goods:		
Tyres	–	43,708
Others	**62**	165
Work-in-progress	–	10,354
Raw materials	**5,726**	32,926
Trading merchandise	**58,517**	21,748
Fuel and lubricants	–	157
Parts and accessories	–	15,854
Others	**1,693**	5,378
	65,998	130,290
Less: Allowance for slow-moving and obsolete inventories	**(1,235)**	(8,585)
Net	**64,763**	121,705

23. OTHER INVESTMENTS

	The Group	
	2011 RM'000	2010 RM'000
Held-to-maturity investment		
At amortised cost:		
Unquoted bonds, redeemable within one year (Note 17)	**5,812**	–
Loans and receivables		
At amortised cost:		
RCSLS, redeemable within one year (Note 17)	**6,191**	–
Other investments		
Unquoted:		
Bonds, redeemable within one year (Note 17)	–	2,185
RCSLS, redeemable within one year (Note 17)	–	1,532
	–	3,717
	12,003	3,717

24. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	**286,568**	148,244	**4,378**	4,818
Less: Allowance for doubtful debts	**(7,448)**	(8,081)	**(347)**	(939)
Net	**279,120**	140,163	**4,031**	3,879

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted for sale of goods ranges from 30 to 90 days (30 to 90 days in 2010). Allowance for doubtful debts are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM142,963,000 and RM4,031,000 respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised allowance for doubtful debts as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As of 30 June 2011, the Group has significant concentration of credit risk as trade receivables of RM124,973,000 and RM59,611,000 are due by two related parties, Megasteel Sdn. Bhd. ("Megasteel") and Lion DRI Sdn. Bhd. respectively, constitute approximately 64% of the Group's trade receivables, of which RM92,754,000 owing by Megasteel is past due but not impaired. Megasteel is in the process of undertaking proposed settlement agreements with its creditors (which include the Group) and Megasteel has also entered into discussions with various interested third party investors to inject additional working capital into Megasteel via proposed issuance of new shares. The Directors have noted the aforesaid proposals by Megasteel to improve cash flows and to meet its obligations to creditors and are of the opinion that no allowance for doubtful debts is necessary in respect of the amount owing by Megasteel.

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group 2011 RM'000	The Company 2011 RM'000
Neither past due and nor impaired	**136,157**	**–**
Past due but not impaired	**142,963**	**4,031**
Past due and impaired	**7,448**	**347**
	286,568	**4,378**
<u>Aging of past due but not impaired</u>		
1 to 30 days	**1,244**	**–**
31 to 60 days	**55,732**	**–**
61 to 90 days	**49,423**	**–**
More than 90 days	**36,564**	**4,031**
	142,963	**4,031**

24. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

(a) Trade receivables (continued)

Movement in the allowance for doubtful debts

	The Group 2011 RM'000	The Company 2011 RM'000
At beginning of year	**8,081**	939
Allowance during the year	**3,875**	–
Allowance no longer required	**(672)**	(156)
Write off during the year	**(3,031)**	(436)
Effect of discontinued operations	**(805)**	–
At end of year	**7,448**	347

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**286,568**	124,229	**4,378**	4,818
Chinese Renminbi	**–**	10,750	**–**	–
United States Dollar	**–**	8,990	**–**	–
Others	**–**	4,275	**–**	–
	286,568	148,244	**4,378**	4,818

(b) Other receivables and prepayments

Other receivables and prepayments consist of:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables	**141,099**	16,236	**2,832**	2,834
Prepaid expenses	**1,858**	7,406	**295**	347
Deposits	**3,955**	18,699	**70**	187
	146,912	42,341	**3,197**	3,368

Included in other receivables of the Group is an amount of RM123,917,000 (RMNil in 2010) receivable from Toyo Tire & Rubber Co. Ltd in respect of the sales proceeds from the disposal of 75% equity interest in Toyo Tire (Zhucheng) Co., Ltd (formerly known as Shandong Silverstone LuHe Rubber & Tyre Co. Ltd.) and the settlement of intercompany debts.

24. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

(b) Other receivables and prepayments (continued)

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

(i) deposits paid for the purchase of inventories amounting to RM1,259,000 (RM11,545,000 in 2010);

(ii) deposits paid for the purchase of property, plant and equipment amounting to RM51,000 (RM4,597,000 in 2010); and

(iii) deposits paid for the purchase of a piece of land in Cambodia amounting to RM2,433,000 (RMNil in 2010).

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

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	**20,214**	28,923	**3,197**	3,368
Chinese Renminbi	**15,039**	13,044	**–**	–
United States Dollar	**111,311**	–	**–**	–
Others	**348**	374	**–**	–
	146,912	42,341	**3,197**	3,368

25. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed deposits with licensed banks:				
Restricted	**337,666**	328,445	**328,544**	320,570
Unrestricted	**136,313**	27,186	**8,506**	10,765
	473,979	355,631	**337,050**	331,335
Cash and bank balances:				
Restricted	**1,615**	1,357	**1,615**	1,355
Unrestricted	**22,001**	58,641	**1,029**	3,968
	23,616	59,998	**2,644**	5,323
	497,595	415,629	**339,694**	336,658

Included in fixed deposits with licensed banks, and cash and bank balances of the Group and of the Company are amounts totalling RM339,281,000 (RM327,202,000 in 2010) and RM330,159,000 (RM321,925,000 in 2010), respectively, which have been held under Escrow Account for the following purposes:

(i) Indemnity to SFI and the purchasers of SFI for the litigation claims as disclosed in Note 34.

(ii) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 32.

Included in the previous financial year's fixed deposits with licensed banks of the Group was an amount of RM2,600,000 earmarked for redemption of the SCB Bonds and the SPV Debts.

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

Fixed deposits with licensed banks earn interest at rates ranging from 1.15% to 2.85% (1.90% to 3.39% in 2010) per annum and have maturity periods ranging from 1 to 138 days (1 to 138 days in 2010).

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

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ringgit Malaysia	**492,299**	398,978	**339,694**	336,658
Chinese Renminbi	**2,295**	11,584	**–**	–
United States Dollar	**2,734**	4,563	**–**	–
Indonesia Rupiah	**267**	262	**–**	–
Singapore Dollar	**–**	242	**–**	–
	497,595	415,629	**339,694**	336,658

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

26. SHARE CAPITAL

	The Group and The Company	
	2011 RM'000	**2010 RM'000**
Authorised:		
Ordinary shares of RM1.00 each		
500,000,000 at beginning and end of year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year:		
231,341,632 as of 1 July 2010;		
230,367,032 as of 1 July 2009	**231,342**	230,367
Issued during the year:		
230,100 in 2011; 974,600 in 2010	**230**	975
At end of year:		
231,571,732 as of 30 June 2011;		
231,341,632 as of 30 June 2010	**231,572**	231,342

During the current financial year, the issued and paid-up share capital of the Company was increased from RM231,341,632 to RM231,571,732 by the issuance of 158,000 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share and 72,100 new ordinary shares of RM1.00 each at an issue price of RM1.04 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company. The resulting share premium of RM28,164 arising from the issue of shares has been credited to the share premium account.

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM230,367,032 to RM231,341,632, by the issuance of 208,800 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share and 765,800 new ordinary shares of RM1.00 each at an issue price of RM1.04 per share for cash pursuant to the ESOS of the Company. The resulting share premium of RM64,040 arising from the issue of shares has been credited to the share premium account

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

26. SHARE CAPITAL (continued)

The ESOS which was implemented for the benefit of eligible executive employees and executive Directors of the Group with effect from 1 September 2005, expired on 31 August 2010.

The main features of the ESOS are as follows:

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

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

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

  (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

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

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

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

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

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

Grant date	Subscription price per share (RM)	Number of options As of 1.7.2010	Granted	Exercised	Lapsed	As of 30.6.2011
10.5.2006	1.16*	550,000	–	(158,000)	(392,000)	–
29.8.2007	1.04	489,100	–	(72,100)	(417,000)	–
		1,039,100	–	(230,100)	(809,000)	–

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

26. SHARE CAPITAL (continued)

The number of options exercisable at the end of the reporting period is as follows:

	The Group and The Company 2011 RM'000	2010 RM'000
Options exercisable	–	1,039,100

	The Group and The Company 2011 RM'000	2010 RM'000
Ordinary share capital - at par	**230,100**	974,600
Share premium	**28,164**	64,040
Proceeds received on exercise of share options	**258,264**	1,038,640
Fair value at exercise dates of shares issued	**341,766**	1,409,934

The options outstanding at the end of the financial year have a weighted average exercise price of RM1.61 (RM1.07 in 2010) per share option. All options not exercised expired on 31 August 2010.

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

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

The Company had on 2 February 2011 implemented a new ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group ("New ESOS").

The main features of the New ESOS are as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, 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 New ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the New ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the New ESOS subject to the following being complied with:

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

(ii) not more than 10% of the shares available under the New ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

26. SHARE CAPITAL (continued)

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment.

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

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

The person 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.

No options were granted or exercised pursuant to the New ESOS during the financial year.

27. RESERVES

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Non-distributable reserves:				
Share premium	**689,330**	688,987	**689,330**	688,987
Equity compensation reserve	**–**	269	**–**	269
Translation adjustment account	**(17,281)**	(2,869)	**–**	–
Capital reserve	**264**	310	**264**	310
Capital redemption reserve	**9**	9	**–**	–
Fair value reserve	**212**	–	**–**	–
	672,534	686,706	**689,594**	689,566
Distributable reserve				
Retained earnings/ (Accumulated losses)	**315,512**	164,659	**(170,070)**	(343,999)
	988,046	851,365	**519,524**	345,567

Share premium

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

Equity compensation reserve

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

Translation adjustment account

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

27. RESERVES (continued)

Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from share options lapsed reclassified from equity compensation reserve.

Capital redemption reserve

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

Fair value reserve

Fair value reserve comprises fair value gain on revaluation of available-for-sale financial assets.

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

	The Group	
	2011 RM'000	**2010 RM'000**
Issued and fully paid:		
At beginning of year	**137**	137
Acquired by the Group from third parties	**(8)**	–
At end of year	**129**	137
Share premium:		
At beginning of year	**13,535**	13,535
Acquired by the Group from third parties	**(831)**	–
At end of year	**12,704**	13,535
	12,833	13,672

A subsidiary company, Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB") has in issue 30,575,044 RCCPS of RM0.01 each issued at a premium of RM0.99 each. As at the end of the financial year, approximately 58.03% (55.28% in 2010) of the RCCPS had been acquired by the Group. The above represents RCCPS held by third parties.

The main features of the RCCPS are as follows:

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

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

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

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

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

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

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

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

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

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

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

29. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total outstanding	**6,108**	8,509	**420**	–
Less: Interest-in-suspense	**(519)**	(943)	**(60)**	–
Principal portion	**5,589**	7,566	**360**	–
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**2,322**	2,234	**27**	–
After the next 12 months	**3,267**	5,332	**333**	–
	5,589	7,566	**360**	–

The interest rates implicit in these hire-purchase obligations range from 2.47% to 5.55% (3.50% to 8.72% in 2010) per annum.

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (30 to 90 days in 2010).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ringgit Malaysia	**73,194**	38,678	**11,095**	8,875
Chinese Renminbi	**–**	26,168	**–**	–
United States Dollar	**325**	7,507	**–**	–
Others	**–**	160	**–**	–
	73,519	72,513	**11,095**	8,875

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Other payables	**14,631**	31,877	**27**	346
Accrued expenses	**23,248**	46,460	**5,312**	4,894
	37,879	78,337	**5,339**	5,240

Included in other payables of the Group in 2010 was an amount of RM16,074 representing an amount owing to Shandong LuHe Group Co. Ltd., a corporate shareholder of a subsidiary company. The said amount, which was denominated in Chinese Renminbi, arose from payments made on behalf of the subsidiary company and was interest-free and repayable on demand.

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

	The Group		The Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Ringgit Malaysia	**33,597**	50,617	**5,339**	5,240
Chinese Renminbi	**3,107**	25,322	**–**	–
United States Dollar	**–**	1,124	**–**	–
Singapore Dollar	**1,175**	1,261	**–**	–
Others	**–**	13	**–**	–
	37,879	78,337	**5,339**	5,240

31. PROVISION

	The Group and The Company 2011 RM'000	2010 RM'000
Provision for damages arising from litigation claim:		
At beginning and end of year	**15,000**	15,000

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

On 27 February 2008, the Court of Appeal decided in favour of the plaintiff in one of the litigation claims, UNP Plywood Sdn. Bhd. ("UNP") and ordered damages to be assessed. UNP has claimed for an amount of RM128,874,435 for the termination of contracts for the extraction and sale of timber. SFI appealed against the decision of the Court of Appeal. On 11 September 2009, the Federal Court had dismissed SFI's appeal with costs ("Judgement"). On 11 February 2010, the Federal Court dismissed SFI's application for judicial review of the Judgement with costs.

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

Pending the assessment of damages by the court, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best judgement and estimate using information currently available. The balance of the claim by UNP is disclosed as contingent liabilities in Note 34.

32. BANK BORROWINGS

	The Group 2011 RM'000	2010 RM'000
Secured		
Bank overdrafts (Note 37)	–	6,312
Bankers acceptances, trust receipts and bills payable	–	11,422
Revolving credits	–	2,280
	–	20,014
Unsecured		
Bankers acceptances, trust receipts and bills payable	**3,667**	2,856
Term loan	–	13,707
	3,667	16,563
	3,667	36,577

32. BANK BORROWINGS (continued)

As of 30 June 2011, the Company has unutilised bank overdraft and other credit facilities totalling RM500,000 (RM500,000 in 2010) obtained from certain local banks, which bear interest at rates ranging from 4.09% to 8.00% (2.83% to 8.30% in 2010) per annum.

The unutilised bank overdraft and other credit facilities of the Company are secured by charges on the property, plant and equipment (Note 12), investment properties (Note 13), shares of a subsidiary company (Note 15), fixed deposits with licensed banks (Note 25) and floating charges over the other assets of the subsidiary companies.

The Company has given its Corporate Guarantee of RM3,667,000 (RM2,856,000 in 2010) to financial institutions for granting of credit facilities to certain subsidiary companies. The facilities bear interest at rates ranging from 4.09% to 8.00% (2.83% to 8.30% in 2010) per annum.

In the previous financial year, certain subsidiary companies had bank overdraft and other credit facilities totalling RM20,014,000 obtained from certain local banks which were secured by debenture containing first floating charge over all present and future current assets of the subsidiary companies.

33. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2010.

The capital structure of the Group and of the Company consists of net debts and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

The Group's senior management reviews the capital structure of the Group on regular basis. As part of this review, senior management considers the cost of capital and risk associated with each class of capital.

Gearing Ratio

The gearing ratio at end of the reporting period was as follows.

	The Group 2011 RM'000	The Company 2011 RM'000
Debt (i)	**22,089**	**360**
Equity (ii)	**1,248,739**	**751,096**
Debt to equity ratio	**1.77%**	**0.05%**

(i) Debt is defined as RCCPS, hire-purchase payables and bank borrowings as disclosed in Notes 28, 29 and 32 respectively.

(ii) Equity includes share capital, reserves and non-controlling interests.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

33. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group 2011 RM'000	The Company 2011 RM'000
Financial assets		
Available-for-sale investments	21,395	18
Held-to-maturity investments	5,812	–
Loans and receivables:		
Unquoted Redeemable Convertible Secured Loan Stocks	19,987	–
Trade receivables	279,120	4,031
Other receivables	141,311	2,902
Amount owing by subsidiary companies	–	533,396
Amount owing by other related companies	252,935	107,733
Fixed deposits, cash and bank balances	497,595	339,694
Financial liabilities		
At amortised cost:		
Redeemable cumulative convertible preference shares	12,833	–
Hire-purchase payables	5,589	360
Trade payables	73,519	11,095
Other payables and accrued expenses	37,879	5,339
Amount owing to holding company	707	–
Amount owing to subsidiary companies	–	240,690
Amount owing to other related companies	76	69
Bank borrowings	3,667	–

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, cash flow risk and liquidity risk. The Group's financial risk management 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 formulated and approved by the Board of Directors for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in the respective notes.

<u>Foreign currency sensitivity analysis</u>

The Group and the Company are mainly exposed to the foreign currencies of United States Dollar and Chinese Renminbi.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a gain in the profit or loss where the Ringgit Malaysia strengthens 10% against the relevant currency. For a 10% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable impact on the profit or loss, the balances below would be negative.

33. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis (continued)

	The Group 2011	The Company 2011
United States Dollar	11,372	123
Chinese Renminbi	1,423	–
	12,795	123

The Group's and the Company's sensitivity to foreign currency is mainly attributable to the exposure of fixed deposits, cash and bank balances and outstanding receivables and payables, which are denominated in USD and Chinese Renminbi at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 32. The interest rates of hire-purchase payables, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Note 29.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit net of tax and equity arising from the effect of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Group and the Company are exposed to credit risk mainly from amount owing by subsidiary companies and other related companies. The Group and the Company monitor on an ongoing basis the results of the subsidiary companies and other related companies, and repayments made by the subsidiary companies and other related companies.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all its customers fail to perform their obligations as of 30 June 2011, is the carrying amount of these receivables as disclosed in the statements of financial position.

The Board of Directors of the Company reviews, on a quarterly basis, the significant amounts owing by related company and related parties arose from sales transactions that have exceeded the credit period granted and actions have been carried out to recover the long outstanding amounts owing by the related company and related parties.

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.

33. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

The Group 2011	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**73,519**	**–**	**–**	**–**	**73,519**	**–**
Other payables and accrued expenses	**37,879**	**–**	**–**	**–**	**37,879**	**–**
Amount owing to holding company	**707**	**–**	**–**	**–**	**707**	**–**
Amount owing to other related companies	**76**	**–**	**–**	**–**	**76**	**–**
Interest bearing:						
Redeemable cumulative convertible preference shares	**–**	**12,833**	**–**	**–**	**12,833**	**1.00**
Hire-purchase payables	**2,322**	**2,981**	**241**	**45**	**5,589**	**2.47 – 5.55**
Bank borrowings	**3,667**	**–**	**–**	**–**	**3,667**	**4.09 – 8.00**
	118,170	**15,814**	**241**	**45**	**134,270**	

The Company 2011	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**11,095**	**–**	**–**	**–**	**11,095**	**–**
Other payables and accrued expenses	**5,339**	**–**	**–**	**–**	**5,339**	**–**
Amount owing to subsidiary companies	**179,864**	**–**	**–**	**–**	**179,864**	**–**
Amount owing to other related companies	**69**	**–**	**–**	**–**	**69**	**–**
Interest bearing:						
Amount owing to subsidiary companies	**49,204**	**–**	**11,622**	**–**	**60,826**	**1.00 – 5.00**
Hire-purchase payables	**27**	**118**	**172**	**43**	**360**	**2.47 –5.55**
	245,598	**118**	**11,794**	**43**	**257,553**	

33. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values.

2011	The Group Carrying amount RM'000	The Group Fair value RM'000		The Company Carrying amount RM'000	The Company Fair value RM'000	
Financial assets						
Available-for-sale investments:						
Quoted investments	**783**	**783**	^	**15**	**15**	^
Unquoted investments	**20,612**	**–**	#	**3**	**–**	#
Held-to-maturity investments:						
Unquoted bonds	**5,812**	**–**	#	**–**	**–**	
Loans and receivables:						
Unquoted Redeemable Convertible Secured Loan Stocks	**19,987**	**19,737**	*	**–**	**–**	
Amount owing by a subsidiary company	**–**	**–**		**11,622**	**11,622**	*
Financial liabilities						
Redeemable cumulative convertible preference shares	**12,833**	**12,770**	*	**–**	**–**	
Hire-purchase payables	**5,589**	**5,398**	*	**360**	**335**	*
Amount owing to a subsidiary company	**–**	**–**		**11,622**	**11,622**	*

^ The quoted market price of quoted investments as at the end of the reporting period is used to determine the fair value of these financial assets.

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

* The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

34. CONTINGENT LIABILITIES

	The Group 2011 RM'000	The Group 2010 RM'000	The Company 2011 RM'000	The Company 2010 RM'000
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**313,331**	313,331	**313,331**	313,331
Less : Provision (Note 31)	**(15,000)**	(15,000)	**(15,000)**	(15,000)
	298,331	298,331	**298,331**	298,331
Back pay labour claims from SFI's employees	**23,427**	23,427	**23,427**	23,427
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	**–**	–	**3,667**	2,856
	321,758	321,758	**325,425**	324,614

34. CONTINGENT LIABILITIES (continued)

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

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

Included in the litigation claims are as follows:

(a) Claim by UNP Plywood Sdn. Bhd. for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 31, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu deciding on the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability. The parties are now complying with the directions of the High Court of Kota Kinabalu for hearing of assessment of damages on a date to be fixed.

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

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

    Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the decision of the High Court. On 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

    On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. On 29 November 2010, the Federal Court dismissed SFI application for leave to appeal to the Federal Court.

    On 22 March 2011, the Kota Kinabalu High Court allowed Harapan Permai to amend its statement of claim inter alia to increase the claim amount to "RM811,555,788 or damages to be assessed".

    On 6 July 2011, the Court of Appeal ordered that all the amended prayers including the prayer to increase the amount claimed to RM811,555,788 be struck out. Following thereto, Harapan Permai applied for leave to appeal to the Federal Court against the decision of the Court of Appeal ("Leave Application").

    The Federal Court has fixed 23 November 2011 for hearing of the Leave Application.

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

34. CONTINGENT LIABILITIES (continued)

Back pay labour claims from SFI's employees

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

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

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. The Court of Appeal has yet to fix a date to hear SFI's appeal.

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

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

35. CAPITAL COMMITMENTS

As of 30 June 2011, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for:				
Purchase of property, plant and equipment	**304**	16,269	**–**	–
Approved but not contracted for:				
Additional investment	**194,000**	–	**194,000**	–
Purchase of prepaid land lease payments	**79,917**	–	**–**	–
	274,221	16,269	**194,000**	–

36. SEGMENT INFORMATION

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

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

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

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

36. SEGMENT INFORMATION (continued)

The Group 2011	Continuing operations: Building materials and steel products RM'000	Continuing operations: Petroleum, lubricants and automotive products RM'000	Continuing operations: Others RM'000	Discontinued operations: Tyre RM'000	Discontinued operations: Others RM'000	Eliminations and adjustments to exclude discontinued operations RM'000	Total RM'000
Revenue							
External customers	848,010	69,919	15,002	440,698	3,169	(443,867)	932,931
Inter-segment sales	–	531	–	–	–	(531)	–
Total revenue	848,010	70,450	15,002	440,698	3,169	(444,398)	932,931
Results							
Segment results	17,768	10,703	11,725	8,994	(1,843)	(7,151)	40,196
Unallocated expenses							(2,794)
Unallocated income							9,533
Finance costs							(1,312)
Share in results of associated companies	–	–	(6,630)	–	–	–	(6,630)
Profit before tax							38,993
Income tax expense							(13,843)
Profit for the year from:							
Continuing operations							25,150
Discontinued operations							173,762
Profit for the year							198,912

36. SEGMENT INFORMATION (continued)

The Group 2011	Continuing operations: Building materials and steel products RM'000	Continuing operations: Petroleum, lubricants and automotive products RM'000	Continuing operations: Others RM'000	Discontinued operations: Tyre RM'000	Discontinued operations: Others RM'000	Eliminations RM'000	Total RM'000
Consolidated Statement of Financial Position							
Segment assets	537,943	69,362	270,164	–	–	–	877,469
Investment in associated companies	–	–	85,935	–	–	–	85,935
Unallocated corporate assets							442,561
Consolidated Total Assets							1,405,965
Liabilities							
Segment liabilities	72,783	21,035	41,836	–	–	–	135,654
Unallocated corporate liabilities							21,572
Consolidated Total Liabilities							157,226
Other Information							
Capital expenditure	387	2,347	63	13,944	–	–	16,741
Depreciation	84	1,345	2,037	21,124	83	–	24,673
Amortisation	–	–	–	118	–	–	118
Other non-cash expense/ (income)	2,417	(130)	1,788	(165,777)	(1,591)	–	(163,293)

36. SEGMENT INFORMATION (continued)

The Group 2010	Continuing operations: Building materials and steel products RM'000	Continuing operations: Petroleum, lubricants and automotive products RM'000	Continuing operations: Others RM'000	Discontinued operations: Tyre RM'000	Discontinued operations: Others RM'000	Eliminations and adjustments to exclude discontinued operations RM'000	Total RM'000
Revenue							
External customers	204,570	65,122	18,515	578,523	7,586	(586,109)	288,207
Inter-segment sales	9	3,056	623	203	3	(3,894)	–
Total revenue	204,579	68,178	19,138	578,726	7,589	(590,003)	288,207
Results							
Segment results	4,097	10,623	23,671	55,835	(4,333)	(51,502)	38,391
Unallocated expenses							(2,964)
Unallocated income							9,561
Finance costs							(6,223)
Share in results of associated companies	–	–	44,779	–	–	–	44,779
Gain from acquisition of bonds and debts issued by subsidiary companies							52,941
Negative goodwill arising from acquisition of subsidiary companies							2,132
Profit before tax							138,617
Income tax expense							(7,881)
Profit for the year from:							
Continuing operations							130,736
Discontinued operations							32,668
Profit for the year							163,404

36. SEGMENT INFORMATION (continued)

The Group 2010	Continuing operations: Building materials and steel products RM'000	Continuing operations: Petroleum, lubricants and automotive products RM'000	Continuing operations: Others RM'000	Discontinued operations: Tyre RM'000	Discontinued operations: Others RM'000	Eliminations RM'000	Total RM'000
Consolidated Statement of Financial Position							
Segment assets	184,951	60,511	22,286	513,296	5,714	–	786,758
Investment in associated companies	–	–	130,587	–	–	–	130,587
Unallocated corporate assets							465,829
Consolidated Total Assets							1,383,174
Liabilities							
Segment liabilities	24,943	16,602	75,098	90,881	2,469	–	209,993
Unallocated corporate liabilities							22,962
Consolidated Total Liabilities							232,955
Other Information							
Capital expenditure	6	1,204	5,420	24,651	12	–	31,293
Depreciation	127	1,341	2,025	28,603	154	–	32,250
Amortisation	–	–	–	148	–	–	148
Other non-cash expense/ (income)	1,057	(344)	(75,081)	9,173	(949)	–	(66,144)

Geographical Segments

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

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

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

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

36. SEGMENT INFORMATION (continued)

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

	Revenue	
	2011	**2010**
	RM'000	**RM'000**
Continuing operations		
Malaysia	**932,931**	288,207
Discontinued operations		
Malaysia	**176,052**	357,830
People's Republic of China	**186,445**	117,941
Other countries	**81,370**	110,338
	443,867	586,109
	1,376,798	874,316

	Total assets		Capital expenditures	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations				
Malaysia	**1,248,266**	658,529	**2,797**	6,630
People's Republic of China	**61,775**	54,097	**–**	–
Other countries	**95,924**	151,538	**–**	–
	1,405,965	864,164	**2,797**	6,630
Discontinued operations				
Malaysia	**–**	305,636	**6,959**	14,894
People's Republic of China	**–**	213,374	**6,985**	9,769
	–	519,010	**13,944**	24,663
	1,405,965	1,383,174	**16,741**	31,293

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

Information about major customers

Revenue of the Group of approximately RM529,920,000 (RM28,077,000 in 2010) from the building materials and steel products division are derived from two related parties and a related company.

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 25)	**136,313**	27,186	**8,506**	10,765
Cash and bank balances (unrestricted) (Note 25)	**22,001**	58,641	**1,029**	3,968
Bank overdrafts (Note 32)	**–**	(6,312)	**–**	–
	158,314	79,515	**9,535**	14,733

38. SIGNIFICANT EVENTS

(a) On 21 October 2010, Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB"), a subsidiary company of the Company, entered into a share sale agreement with Toyo Tire & Rubber Co. Ltd. ("Toyo Tire") to dispose of its entire 100% equity interest in Silverstone Berhad for a cash consideration of RM462.0 million. The disposal was completed on 10 December 2010. Consequent thereupon, Silverstone Berhad and its subsidiary companies ceased to be subsidiary companies of the Group.

(b) The Group has on 19 January 2011 completed the acquisition of the remaining 25% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co., Ltd (now known as Toyo Tire (Zhucheng) Co., Ltd) ("Shandong Silverstone") for a cash consideration of USD6.6 million (equivalent to RM20.34 million). Consequent thereupon, Shandong Silverstone became a wholly-owned subsidiary company of the Group.

The Group had on 12 April 2011 entered into agreements with Toyo Tire in respect of:

(i) Conditional Share and Receivable Transfer Agreement ("SRTA")

Disposal of 75% equity interest in Shandong Silverstone for a cash consideration of USD21.6 million (equivalent to RM65.3 million).

(ii) Put and Call Option Agreement pursuant to which:

- the Group was granted a put option by Toyo Tire to require Toyo Tire to acquire the remaining 25% stake in Shandong Silverstone for a duration of one year, after a holding period of 3 years from the fulfillment of all conditions under the SRTA; and

- the Group had granted Toyo Tire a call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone at any time after the completion of the SRTA.

The Group had on 29 June 2011 completed the disposal of 75% equity interest in Shandong Silverstone. Consequent thereupon, Shandong Silverstone ceased to be a subsidiary company of the Group.

At the end of the reporting period, neither the Group nor Toyo Tire exercised its option.

(c) On 14 October 2010, Lion AMB and its three subsidiary companies, namely Range Grove Sdn. Bhd., Innovasi Istimewa Sdn. Bhd. and CEDR Corporate Consulting Sdn. Bhd. entered into an agreement with MBM Resources Berhad to dispose of their entire interests in Lion Motor Sdn. Bhd. ("Lion Motor"), representing 100% equity interest and preference shares in Lion Motor for a total cash consideration of RM4 and a cash settlement of inter-company debts amounting to approximately RM3 million. The disposal was completed on 28 February 2011. Consequent thereupon, Lion Motor ceased to be a subsidiary company of the Group.

(d) The Company had on 3 March 2011 announced the following proposals:

(i) Proposed joint venture in the blast furnace project ("Project") among the Company, Lion Diversified Holdings Berhad and Lion Industries Corporation Berhad in the equity participation of 20:51:29 by way of a subscription of new ordinary shares of RM1 each at par for cash in the capital of Lion Blast Furnace Sdn. Bhd. ("LBF") to the value of USD63.6 million (equivalent to RM194 million); and

(ii) Proposed provision of corporate guarantee on the loan of USD740 million (equivalent to RM2.3 billion) granted to LBF proportionate to the Company's shareholding of 20% in LBF amounting to USD148 million (equivalent to RM451 million).

As of the date of this report, the proposals are pending the approvals from the shareholders and other relevant authorities.

39. SUBSEQUENT EVENTS

(a) Harta Impiana Sdn. Bhd. ("Harta Impiana"), a wholly-owned subsidiary company of the Company, had on 7 July 2011 entered into a Master Service Agreement with Seng Enterprise Co. Ltd ("Seng Enterprise") whereby Seng Enterprise shall assist to procure economic land concession ("ELC") in Cambodia for a concession period of not less than 70 years for the purposes of plantation of rubber and/or oil palm. Pursuant thereto, ten parcels of ELC for a total cost of USD41.5 million (equivalent to RM125.3 million) have been identified as of the report date.

(b) The Group had on 14 October 2011 entered into an agreement with Jincheng Group Co., Ltd to dispose of its entire 47.73% equity interest in Nanjing Jincheng Machinery Co., Ltd for a cash consideration of RMB120 million (equivalent to RM56 million).

40. SUPPLEMENTARY INFORMATION

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	2011	
	The Group RM'000	**The Company RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies		
Realised	**344,377**	**(163,917)**
Unrealised	**(6,207)**	**(6,153)**
	338,170	**(170,070)**
Total accumulated losses from associated companies		
Realised	**(73,942)**	**–**
Unrealised	**665**	**–**
	(73,277)	**–**
Add: Consolidation adjustments	**50,619**	**–**
Total retained earnings/(accumulated losses)	**315,512**	**(170,070)**

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Securities on 25 March 2010.

The determination of realised and unrealised profit or losses is based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and forms, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and is not made for any other purposes.

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying statements of financial position as of 30 June 2011 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 120, are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2011 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 40 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance to Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

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

Kuala Lumpur
19 October 2011

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

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying statements of financial position as of 30 June 2011 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 121 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at **KUALA**
LUMPUR in the **FEDERAL TERRITORY**
this 19th day of October, 2011.

Before me,

W259
AHMAD B. LAYA
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2011

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (17)	9.2	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (26)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (13)	0.4	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (13)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	208.1 sq metres	Land and building	3-storey shop office (12)	0.6	9.2.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (9)	0.1	16.7.2004
Lot No. 273 Mukim Teluk Panglima Garang Kuala Langat Selangor Darul Ehsan	Freehold	0.54 hectares	Land	Vacant	0.3	30.6.2005
Lot No. 21 Jalan Inang 1 Taman Skudai 81300 Skudai Johor Darul Takzim	Freehold	143.1 sq metres	Land and building	Shoplot (33)	0.1	18.3.2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 31 October 2011

Authorised Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM231,571,732
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 31 October 2011

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	847	16.31	27,993	0.01
100 to 1,000	1,509	29.05	1,072,178	0.46
1,001 to 10,000	2,197	42.30	9,237,073	3.99
10,001 to 100,000	549	10.57	16,830,322	7.27
100,001 to less than 5% of issued shares	90	1.73	35,644,226	15.39
5% and above of issued shares	2	0.04	168,759,940	72.88
	5,194	100.00	231,571,732	100.00

Substantial Shareholders as at 31 October 2011

	Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
1.	Tan Sri William H.J. Cheng	400	*	182,475,287	78.80
2.	Tan Sri Cheng Yong Kim	130	*	182,436,251	78.80
3.	Lion Realty Private Limited	–	–	182,281,476	78.71
4.	Lion Development (Penang) Sdn Bhd	–	–	182,281,476	78.71
5.	Horizon Towers Sdn Bhd	5,344	*	180,018,625	77.74
6.	Lion Corporation Berhad	180	*	180,018,445	77.74
7.	Lion Industries Corporation Berhad	45,127,236	19.49	134,891,389	58.25
8.	Amsteel Mills Sdn Bhd	123,632,704	53.39	11,258,685	4.86
9.	LLB Steel Industries Sdn Bhd	–	–	180,018,625	77.74
10.	Steelcorp Sdn Bhd	–	–	180,018,625	77.74
11.	Lion Diversified Holdings Berhad	–	–	180,018,625	77.74
12.	Excel Step Investments Limited	–	–	180,018,625	77.74
13.	Teraju Varia Sdn Bhd	–	–	181,018,625	77.74

* Negligible.

Thirty Largest Registered Shareholders as at 31 October 2011

	Registered Shareholders	No. of Shares	% of Shares
1.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	123,632,704	53.39
2.	Lion Industries Corporation Berhad	45,127,236	19.49
3.	ACB Resources Berhad	4,772,548	2.06
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd	2,592,349	1.12
5.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon ACCT)	2,293,680	0.99
6.	Lion Holdings Sdn Bhd	1,334,745	0.58
7.	Lim Boon Liat	1,255,000	0.54
8.	Wu Teng Siong	1,047,000	0.45
9.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	959,500	0.41
10.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	865,700	0.37
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)	771,296	0.33
12.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Neon Liberty Wei Ji Master Fund LP	761,700	0.33
13.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	746,081	0.32
14.	Ng Teng Song	738,400	0.32
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Siew Eng @ Ong Chai (8040800)	692,800	0.30
16.	Amsteel Equity Capital Sdn Bhd	598,405	0.26
17.	ECML Nominees (Asing) Sdn Bhd Monex Boom Securities (HK) Limited for Bader Lars Ernest (001)	545,600	0.24
18.	Pacific & Orient Insurance Co Berhad	504,700	0.22
19.	Tirta Enterprise Sdn Bhd	494,868	0.21
20.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
21.	Teoh Hooi Bin	455,452	0.20
22.	Ong Sai Hoon	415,000	0.18
23.	Wong Fook Inn	408,493	0.18
24.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ratnasinggam s/o Kanagasabai (39B)	397,164	0.17
25.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17
26.	AMMB Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Amsteel Corporation Berhad (BK 6/303-4)	327,827	0.14
27.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	325,000	0.14
28.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yuk Fen	318,800	0.14
29.	Wilfred Koh Seng Han	316,000	0.14
30.	Sivash Holdings Berhad	305,000	0.13

Directors' Interests in Shares in the Company and its Related Corporations as at 31 October 2011

The Directors' interests in shares in the Company and its related corporations as at 31 October 2011 are as follows:

	Nominal Value Per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		400	–	182,478,348	78.80
Dato' Mohamad bin Haji Ahmad		13,040	0.01	–	–
Lin Chung Dien		7,060	*	–	–
Related Corporations					
Lion Industries Corporation Berhad	RM1.00				
Tan Sri William H.J. Cheng		102,000,000	14.21	236,166,218	32.91
Dato' Mohamad bin Haji Ahmad		3,276	*	–	–
Lin Chung Dien		25,320	*	–	–
Tan Sri William H.J. Cheng					
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
Lion AMB Resources Berhad	RM1.00	–	–	297,737,233	87.56
Soga Sdn Bhd	RM1.00	–	–	4,502,389	97.63
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75
Holdsworth Investment Pte Ltd	**	–	–	4,500,000	100.00
Lion Rubber Industries Pte Ltd	**	–	–	10,000,000	100.00
Lion AMB Holdings Pte Ltd	**	–	–	31,750,100	100.00
Willet Investment Pte Ltd	**	–	–	45,954,450	100.00
Zhongsin Biotech Pte Ltd	**	–	–	1,000,000	100.00

	Nominal Value Per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Lion AMB Resources Berhad	RM0.01	–	–	18,186,741	59.48

Investments in the People's Republic of China	**Indirect Interest USD**	**Indirect Interest % Holding**
Tianjin Baden Real Estate Development Co Ltd	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	10,878,944	56.40

Notes:

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 31 October 2011.

MATERIAL CONTRACTS
INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

(a) Conditional Sale and Purchase Agreement dated 14 October 2010 supplemented by agreements dated 13 January 2011, 28 February 2011 and 13 April 2011 entered into by the Company, Lion Corporation Berhad ("LCB"), a company wherein a Director and certain major shareholders of the Company have interest, and MBM Resources Berhad for the disposal by (i) the Company of its 7,710,000 ordinary shares of RM1.00 each fully paid representing 20% equity interest; and (ii) LCB of its 19,275,030 ordinary shares of RM1.00 each fully paid representing 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad ("KMA"), to MBM Resources Berhad for a total cash consideration of RM2 and a cash settlement of inter-company debts owing by KMA to LCB and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB, for a total amount of approximately RM13 million.

The disposal was completed on 3 June 2011.

(b) Conditional Sale and Purchase Agreement dated 14 October 2010 entered into between Silverstone Corporation Berhad (now known as Lion AMB Resources Berhad) ("Lion AMB"), a subsidiary of the Company, together with CEDR Corporate Consulting Sdn Bhd, Innovasi Istimewa Sdn Bhd and Range Grove Sdn Bhd, all subsidiaries of Lion AMB (collectively referrred to as the "Lion AMB Subsidiaries"), as vendors and MBM Resources Berhad as purchaser, for the disposal by Lion AMB of its 5,400,000 ordinary shares of RM1.00 each fully paid representing 100% equity interest in Lion Motor Sdn Bhd ("Lion Motor") and by the Lion AMB Subsidiaries of an aggregate of 100,000 preference shares of RM0.01 each fully paid in Lion Motor, to MBM Resources Berhad for a total cash consideration of RM4 and a cash settlement of inter-company debts owing by Lion Motor to the Lion AMB group of companies for a total amount of approximately RM3 million.

The disposal was completed on 28 February 2011.

(c) Conditional Subscription Agreement dated 10 February 2011 entered into between Jadeford International Limited ("Jadeford"), a wholly-owned subsidiary of the Company, and Megasteel Harta (L) Limited ("Megasteel Harta"), a subsidiary of LCB, for the issuance of 17,000,000 3-year Redeemable Cumulative Preference Shares of USD1.00 each for cash of USD17,000,000 by Megasteel Harta to Jadeford.

This Agreement was mutually terminated on 6 April 2011.

(d) Conditional Share Subscription Agreement dated 3 March 2011 and supplemented by an agreement dated 26 August 2011 entered into among the Company, Lion Diversified Holdings Berhad ("LDHB"), Lion Industries Corporation Berhad ("LICB"), and Lion Blast Furnace Sdn Bhd ("LBF") (a wholly-owned subsidiary of LDHB) for the proposed joint-venture in LBF in the equity participation of 20%, 51% and 29% respectively, in the enlarged issued and paid-up share capital of LBF of up to RM970 million comprising up to 970 million ordinary shares of RM1.00 each. LDHB and LICB are major shareholders of the Company wherein a Director and certain major shareholders of the Company have interest.

(e) Conditional Shareholders' Agreement dated 3 March 2011 and supplemented by an agreement dated 26 August 2011 entered into among the Company, LDHB, LICB and LBF, for the purpose of, amongst others, to govern and regulate their relationship with each other under the proposed joint-venture pursuant to the Conditional Share Subscription Agreement dated 3 March 2011 and to record the terms and conditions of the parties' relationship and participation as shareholders in LBF, the conduct of LBF's business and the management of LBF and its subsidiary.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM8,000 (RM36,000 in 2010).

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2011, a total of 230,100 options were exercised by eligible executive employees of the Group at an exercise price of RM1.16 per share (158,000 shares) and RM1.04 per share (72,100 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 2011 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Corporation Berhad Group[1] ("LCB Group")	168,548
	Lion Industries Corporation Berhad Group[1] ("LICB Group")	84,963
	Lion Holdings Private Limited Group[1]	28,565
	Lion Diversified Holdings Berhad Group[1] ("LDHB Group")	5,979
		288,055
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	LICB Group	226,636
	LDHB Group	194,851
	LCB Group	100,127
	Parkson Holdings Berhad Group[1]	794
		522,408
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LCB Group	3,152
	LICB Group	3,085
	LDHB Group	78
	Lion Asiapac Limited Group[1]	24
		6,339
(b) Others		
(i) Provision of transportation and forwarding services	LCB Group	8,113
	LICB Group	5,309
	LDHB Group	55
		13,477

Notes:

"Group" includes subsidiary and associated companies

[1] Companies in which a Director and certain major shareholders of the Company have substantial interests.

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

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

Status of utilisation of proceeds as at 31 October 2011

	Proposed Utilisation RM million	Utilisation Status Actual Utilisation RM million	Utilisation Status Unutilised/ Outstanding RM million
Disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.82 million)			
(i) Capital distribution	420.31	420.55	(0.24) *
(ii) Tyre division	104.36	17.00	87.36
(iii) Plantation division	70.00	7.26	62.74
(iv) Payment to the State Government of Sabah	4.08	–	4.08
(v) Estimated expenses	1.50	1.50	–
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB") and the bonds and Redeemable Cumulative Convertible Preference Shares issued by Lion AMB and estimated expenses related thereto	229.97	94.43	135.54**
	830.22	540.74	289.48
(vii) Funding and investment relating to the business and/or working capital of the Group#	42.33	–	42.33
	872.55	540.74	331.81
(viii) Provisional and final adjustment	25.54		
(ix) Adjustment on foreign exchange	46.73		
	944.82		

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

** A total cash of approximately RM117.70 million was sourced from internally generated funds for the acquisition of bonds and debts issued by the Lion AMB Group.

Pending the SC's approval.

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

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member/members of LION FOREST INDUSTRIES BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 22 December 2011 at 10.00 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Mr Chan Ho Wai		
4. To re-elect as Director, Mr Lin Chung Dien		
5. To re-appoint Auditors		
6. Authority to Directors to issue shares		
7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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

As witness my/our hand this .... day of 2011

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

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 December 2011 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- The instrument of proxy shall be deposited at the office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.