LION FOREST INDUSTRIES BERHAD

2012

LION FOREST INDUSTRIES BERHAD

A Member of The Lion Group

(82056-X)

Laporan Tahunan 2012 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirtieth 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 11 December 2012 at 10.30 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2012. **Note 3**

2. To approve the payment of a final dividend of 2.0 sen per ordinary share, tax exempt. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM192,500 (2011 : RM210,000). **Resolution 2**

4. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

5. To re-appoint Y. Bhg. Dato' Kalsom binti Abd. Rahman as an independent non-executive Director. **Resolution 4**

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

7. Special Business

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

7.1 Authority to Directors to issue shares

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

7.2 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 19 November 2012 ("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."

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

DIVIDEND ENTITLEMENT

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

(a) shares transferred into the depositor's securities account before 4.00 pm on 14 December 2012 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 27 December 2012 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 14 December 2012.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
19 November 2012

Notes:

1. Proxy

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 4 December 2012 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.*

Notes: *(continued)*

2. *Circular to Shareholders dated 19 November 2012 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2012 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 4*

   The Nomination Committee has assessed the independence of Y. Bhg. Dato' Kalsom binti Abd. Rahman, who has served on the Board as an independent non-executive Director of the Company for a cumulative term of more than 8 years and the Board has recommended that the approval of the shareholders be sought to re-appoint Dato' Kalsom as an independent non-executive Director as Dato' Kalsom possesses the following attributes necessary in discharging her role and function as an independent non-executive Director of the Company:

   i) Has vast experience in the various industries the Group is involved in and as such could provide the Board with a diverse set of experience, expertise and independent judgement.

   ii) Consistently challenges management in an effective and constructive manner.

   iii) Has good and thorough understanding of the main drivers of the business in a detailed manner.

   iv) Actively participates in board deliberations and decision making in an objective manner.

   v) Exercises due care in all undertakings of the Group and carries out her fiduciary duties in the interest of the Company and minority shareholders.

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 22 December 2011 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Thirtieth Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 7 of the 2012 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Y. Bhg. Dato' Kalsom binti Abd. Rahman Y. Bhg. Dato' Mohamad bin Haji Ahmad 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 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 69, 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, mining, tyre, motor, plantation and computer.

Tan Sri William Cheng was the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") from 2003 to 2012. He is now a Life Honorary President of ACCCIM and an Honorary President of KLSCCCI.

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 Founding Trustee 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 132 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

Tan Sri William Cheng is the brother-in-law of Mr Chan Ho Wai, 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 2012.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, aged 56, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Remuneration Committee and the Executive Share Option Scheme Committee of the Company.

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 2012.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 64, was appointed to the Board on 23 August 2004. She is also the Chairman 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, a public listed company.

Dato' Kalsom attended all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2012.

Dato' Mohamad bin Haji Ahmad
Independent Non-Executive Director

Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, aged 68, was appointed to the Board on 28 March 1991. He is also a member of the Company's Audit Committee and the Chairman of the 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 2012.

Dato' Mohamad who retires by rotation at the forthcoming Annual General Meeting ("AGM") of the Company, will not seek re-election as Director of the Company.

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

Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, aged 55, was appointed to the Board on 10 December 2001. She is also a member of the Company's Audit Committee and Nomination Committee, and the Chairman of the Remuneration Committee and the Executive Share Option Scheme 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 30 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 all nine (9) Board Meetings of the Company held during the financial year ended 30 June 2012.

Cik Zainab who had served on the Board for more than 9 years and who is only due to retire at the 2013 AGM of the Company wishes to retire at the forthcoming AGM in line with the recommendations of the Code on Corporate Governance 2012.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 69, was appointed to the Board on 25 February 2008. He is also a member of the Company's Nomination Committee and Remuneration Committee.

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 six (6) of the nine (9) Board Meetings of the Company held during the financial year ended 30 June 2012.

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 a high 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 2012 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 2012, 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 six (6) Directors, five (5) of whom are non-executive. The current Board composition complies with the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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

There is a clear division of responsibilities between the Chairman and the 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.

1. DIRECTORS (continued)

Supply of Information

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and senior management of the Group and external advisers are also invited to attend 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 its 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 competencies 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 18 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"):

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• 2011 National Entrepreneurs Convention • Forum on "China-ASEAN Business Leaders" • Seminar on "Youth Entrepreneurship and Business Opportunities in National Economic Transformation" • Forum on "Mediation by the Courts on Civil Cases" • Ministry of International Trade and Industry Minister's Brainstorming Session with Chinese Associations and Think Tanks

1. DIRECTORS (continued)

Directors' Training (continued)

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Seminar on "Competition Act 2010" • Forum on National Key Economic Areas ("NKEAs") "Wholesale & Retail, Greater KL and Financial Services" • The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) 3rd Small and Medium Enterprise (SME) Conference on "Regeneration 2.1, Innovation, Talent and Market" • Forum on NKEAs: Tourism, Education and Health Care • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance
Chan Ho Wai	• Bursa - Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers
Dato' Mohamad bin Haji Ahmad	• The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance
Dato' Kalsom binti Abd. Rahman	• MIDF Investment Forum 2011 • Directors' Training on "Treasury Markets And Products" by Institute Of Bankers Malaysia organised by MIDF Amanah Investment Bank Berhad • PETRONAS BAC (Board Audit Committee) Forum 2012 • Taklimat Pelaburan ASNB organised by Permodalan Nasional Berhad • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance • Suruhanjaya Syarikat Malaysia (SSM) National Conference 2012 • Coaching by US Consultant on Potential Women Directors organised by Nam Institute for the Empowerment of Women (NIEW)
Zainab binti Dato' Hj. Mohamed	• Bursa Malaysia's Half Day Governance Programme on "Corporate Governance Blueprint and Malaysian Code on Corporate Governance 2012"
Lin Chung Dien	• Seminar on "New Challenges and Global Trend for Remuneration Committees"

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 sustain their active participation in board deliberations and 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 18 of this Annual Report.

Directors' fees are recommended by the Board for the approval by shareholders of the Company at the annual general meeting.

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 2012 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	356	376
Non-executive Directors*	185	–	185
	205	356	561

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

	Number of Directors Executive	Non-executive
Range of Remuneration (RM)		
25,000 & below	–	2 *
25,001 – 50,000	–	4
350,001 – 400,000	1	–

* Including a Director who retired at the previous Annual General Meeting.

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 at 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.

3. **RELATIONS WITH SHAREHOLDERS AND INVESTORS** (continued)

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 three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 17 of this Annual Report.

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position and prospect to the Company's shareholders through the annual financial statements and quarterly announcements. The Board is also responsible in ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group and of the Company.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2012, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 13 of this Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. 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 system of internal control is designed to manage rather than to eliminate risks that may impede the achievement of the Group's objectives. The system 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 system 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' Kalsom binti Abd. Rahman
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Dato' Mohamad bin Haji Ahmad
  (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 members of the Audit Committee shall elect a chairman among themselves who is an independent Director.

- **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.

TERMS OF REFERENCE (continued)

- **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, ten (10) Audit Committee Meetings were held at which full attendance were recorded for all the members.

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

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

- **Financial Results**

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

  (b) Reviewed the annual financial statements of the Group prior to submission to the Board for 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.

ACTIVITIES DURING THE FINANCIAL YEAR (continued)

- **Risk Management**

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

  Considered the Risk Management Committee's assessment of risks relating to proposed new business ventures, changes in business strategies and operating environment to ensure that adequate mitigating measures were taken to address the 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 control so as to provide reasonable assurance that such system continues 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 RM230,000.

NOMINATION COMMITTEE

Chairman	:	Y. Bhg. Dato' Mohamad bin Haji Ahmad *(Independent Non-Executive Director)*
Members	:	Cik Zainab binti Dato' Hj. Mohamed *(Independent Non-Executive Director)* Mr Lin Chung Dien *(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	:	Cik Zainab binti Dato' Hj. Mohamed *(Independent Non-Executive Director)*
Members	:	Mr Chan Ho Wai *(Non-Independent Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*

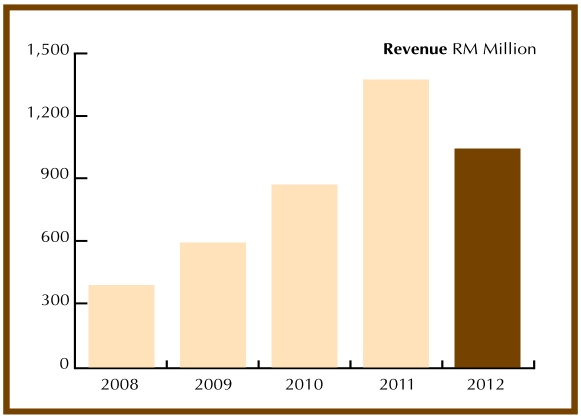
Terms of Reference :

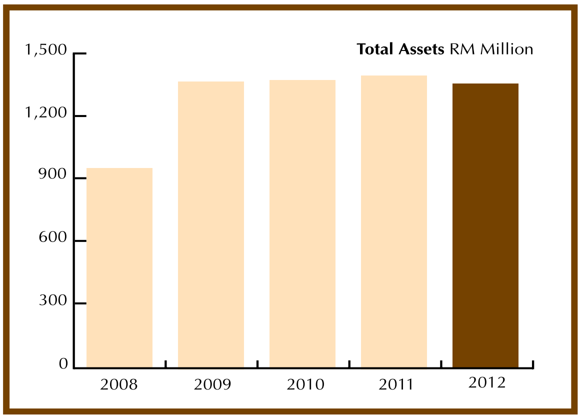
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

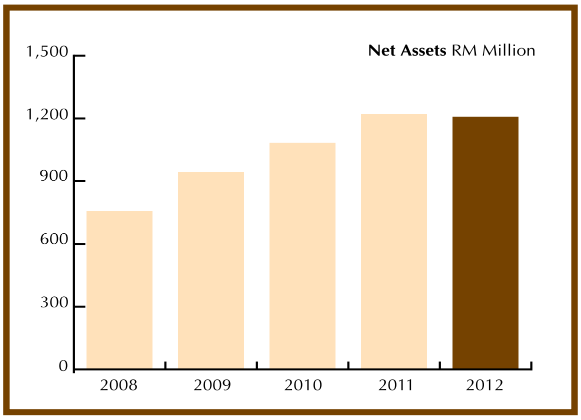
5 YEARS GROUP FINANCIAL HIGHLIGHTS

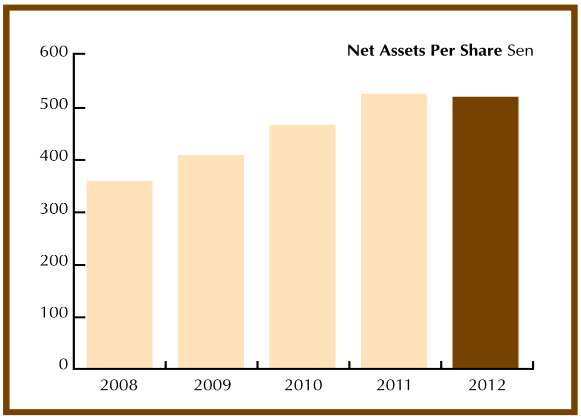
Financial years ended 30 June		**2008**	**2009**	**2010**	**2011**	**2012**
Revenue	(RM'000)	392,845	598,037	874,316	1,376,798	**1,046,090**
Profit/(Loss) before tax	(RM'000)	(8,357)	170,351	188,208	216,622	**25,078**
Profit/(Loss) after tax	(RM'000)	(16,746)	160,885	163,404	198,912	**10,475**
Net profit/(loss) attributable to owners of the Company	(RM'000)	(9,086)	167,495	152,517	207,637	**2,762**
Total assets	(RM'000)	910,689	1,377,202	1,383,174	1,405,965	**1,366,432**
Net assets	(RM'000)	757,207	941,889	1,082,707	1,219,618	**1,207,203**
Total borrowings	(RM'000)	36,247	227,299	57,815	22,089	**20,174**
Earnings/(Loss) per share	(Sen)	(4.3)	75.4	66.1	89.7	**1.2**
Net assets per share	(Sen)	360	409	468	527	**521**
Dividends (Paid and Proposed):						
Rate	(Sen)					
Final dividend		–	–	2.0	3.0	**2.0**
Interim dividend		–	–	–	–	**10.0**
Special dividends		–	–	–	30.0	**–**
Amount	(RM'000)	–	–	4,632	63,103	**27,789**

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









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, which recorded higher revenue growth for this financial year.
- *Bahagian Bahan Binaan terbabit dalam urus niaga menjual dan mengedar bahan-bahan binaan seperti (ikut arah jam, dari atas) bar besi, jubin bumbung dan dinding, dan simen mencatat pertumbuhan pendapatan yang lebih tinggi bagi tahun kewangan ini.*

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products and automotive components, and continues to introduce initiatives to simplify business operations to serve customers more efficiently.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum dan komponen automotif, terus memperkenalkan langkah-langkah untuk memudahkan operasi perniagaan bagi memenuhi keperluan pelanggan dengan lebih cekap.*

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 2012.

PRESTASI KEWANGAN

Ekonomi Malaysia terus mencatat pertumbuhan kukuh sebanyak 5.1% pada tahun 2012 di sebalik kelembapan ekonomi global yang disebabkan oleh krisis hutang zon euro dan pemulihan yang berlaku secara tersekat-sekat dalam ekonomi Amerika Syarikat. Walaupun suku pertama 2012 mencatat pertumbuhan sederhana kepada 4.9%, pertumbuhan kukuh pada suku kedua sebanyak 5.4% telah memberi keyakinan tinggi bahawa ekonomi kita berupaya menangani cabaran persekitaran luar dan mengekalkan pertumbuhan sebanyak 4.5% - 5.0% bagi keseluruhan 2012. Permintaan kukuh domestik terus menyediakan sokongan terhadap aktiviti ekonomi, meskipun permintaan luaran berterusan lemah.

Selari dengan pengembangan dalam ekonomi Malaysia, aktiviti perniagaan teras Kumpulan iaitu pengedaran bahan binaan dan produk besi terus memperoleh manfaat daripada permintaan tinggi dalam industri pembinaan. Bagi tahun dalam kajian, perolehan Kumpulan meningkat sebanyak 12% kepada RM1.05 billion daripada RM0.93 bilion pada tahun sebelumnya.

Semasa tahun ini, Kumpulan menyelesaikan pelupusan Nanjing Jincheng Machinery Co Ltd, sebuah syarikat sekutu yang mengalami kerugian, dan merekodkan perolehan berjumlah RM30.7 juta. Syarikat sekutu kita yang lain, iaitu Lion Asiapac Limited dan Suzuki Motorcycle Malaysia Sdn Bhd, terus menyumbang secara positif kepada Kumpulan. Bagaimanapun, Kumpulan perlu mengiktiraf pembayaran secara sekali sahaja sebanyak RM40.0 juta untuk penyelesaian bagi tuntutan litigasi terhadap Sabah Forest Industries Sdn Bhd, sebuah bekas anak syarikat. Selepas rosot nilai kerugian dalam pelaburan saham yang disebut harga berjumlah RM17.1 juta, Kumpulan melaporkan keuntungan sebelum cukai yang rendah berjumlah RM25.1 juta berbanding RM39.0 juta pada tahun sebelumnya.

PERKEMBANGAN KORPORAT

(i) 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 LFIB mengadakan peruntukan bantuan kewangan yang memihak kepada LBF dalam bentuk jaminan korporat dan sandaran sekuriti mengikut kadar pemegangan sahamnya dalam LBF untuk kemudahan pinjaman yang akan diperolehi oleh LBF dan anak syarikatnya berkaitan projek relau bagas.

Pada 30 Ogos 2012, semua pihak menyatakan persetujuan secara bertulis untuk melanjutkan tempoh bersyarat selama 6 bulan lagi mulai 3 September 2012 kepada 2 Mac 2013. Cadangan-cadangan berkenaan masih tertakluk kepada kelulusan para pemegang saham dan pihak berkuasa lain yang berkaitan.

(ii) Pada 30 Disember 2011, Lion AMB Resources Berhad ("Lion AMB"), sebuah anak syarikat 88% milik LFIB, menyelesaikan pelupusan keseluruhan 48% kepentingan ekuitinya dalam Nanjing Jincheng Machinery Co Ltd melibatkan pertimbangan tunai berjumlah RMB120 juta (bersamaan RM58.8 juta).

(iii) Pada 5 Oktober 2012, Kumpulan memeterai perjanjian jual beli bersyarat dengan pihak ketiga untuk memiliki 100% kepentingan ekuiti dalam PT Varita Majutama, sebuah syarikat yang diperbadankan di Indonesia, yang memiliki 52,641 hektar tanah pertanian di Wilayah Teluk Bintuni, Papua Barat, Indonesia, melibatkan pertimbangan tunai sebanyak AS$63.8 juta (bersamaan RM197.6 juta).

Butiran penuh perkembangan korporat yang dinyatakan di atas terkandung dalam mukasurat 125 hingga 126 Laporan Tahunan ini.

TINJAUAN OPERASI

Bahan Binaan dan Produk Keluli

Seiring dengan pertumbuhan kukuh dalam sektor pembinaan tempatan, bahagian ini merekodkan pertumbuhan perolehan tinggi yang ketara sebanyak 13%. Perolehan direkodkan sebanyak RM0.96 bilion berbanding RM0.85 bilion yang dicatat pada tahun lalu.

Di sebalik kelembapan global dalam ekonomi kebanyakan negara maju serta langkah Bank Negara Malaysia untuk mengetatkan pemberian pinjaman hartanah, sektor pembinaan terus menyaksikan pertumbuhan kukuh, dipacu oleh pelaksanaan besar-besaran pelbagai projek kejuruteraan awam dan infrastruktur di bawah Program Transformasi Ekonomi yang diumumkan oleh Kerajaan untuk merangsang permintaan domestik.

Bahagian ini peka terhadap cabaran yang mendatang, terutamanya ketidaktentuan mengenai pemulihan ekonomi Amerika Syarikat serta kesannya terhadap ekonomi tempatan dan akan mengambil langkah aktif untuk meningkatkan kecekapan operasi serta mengukuhkan kedudukan kewangannya.

Pelincir Petroleum dan Produk Automotif

Rangkaian pelanggan bengkel Bahagian telah diperkukuhkan lagi dengan usaha berterusan kita dalam pembangunan pengukuhan program kesetiaan pelanggan yang berkesan dan memberi tambah nilai kepada mereka. Program seperti pinjaman peralatan, Sistem Perniagaan Hi-Rev dan penebusan mata kesetiaan adalah skim yang telah menarik pelanggan kita untuk menjalin kerjasama dalam perniagaan mereka. Sehubungan dengan itu, Bahagian telah membuat pelaburan besar ke dalam inisiatif ini dan akan terus giat mengguna pakai pendekatan tersebut untuk mengembangkan perniagaan.

Pada September 2011, kita telah menganjurkan Persidangan Teknikal ke-5 di Petaling Jaya, yang memberi perkembangan terkini industri automotif dan menerima maklum balas yang baik daripada para pelanggan. Terdapat perancangan untuk mengadakan persidangan ini secara tahunan kerana ia membuka peluang untuk memberi tambah nilai kepada pelanggan perniagaan dan membina hubungan jangka panjang dengan mereka.

Inisiatif kita untuk memudahkan operasi perniagaan bagi menyediakan perkhidmatan yang lebih cekap kepada para pelanggan sentiasa diutamakan. Sistem pesanan dan kutipan melalui laman sesawang membolehkan wakil jualan kita mengendalikan setiap pesanan serta bayaran dengan pantas adalah sesuatu yang positif. Kita berhasrat untuk meningkatkan proses ini dan juga bidang sokongan lain untuk membolehkan kita berhubung dan memberi respon kepada pelanggan dengan segera.

Sejak bertahun-tahun lalu, pasukan pengeluaran dan kawalan mutu kita telah menimba pengetahuan dan kepakaran luas dalam perniagaan pengeluaran pelincir auto. Disokong oleh kemudahan makmal yang lengkap untuk kawalan mutu dan penyelidikan, kita menjangkakan prospek yang besar dalam memenuhi keperluan pengeluar produk pelincir. Sehubungan dengan itu, kita sedang meluaskan keupayaan pengeluaran untuk merebut peluang daripada peningkatan permintaan bagi perkhidmatan seumpama itu. Dengan pelaburan dalam mesin putaran berkelajuan tinggi untuk proses mengisi dan memasang penutup serta memulakan pembesaran kilang , kita bersedia untuk perkembangan perniagaan ke dalam segmen ini.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen tunai akhir sebanyak 2 sen sesaham dikecualikan cukai (2011: 3 sen sesaham, cukai pada 25%), bagi tahun kewangan berakhir 30 Jun 2012 untuk kelulusan pemegang saham pada Mesyuarat Agung Tahunan yang akan datang. Bayaran dividen tunai bersih akan berjumlah kira-kira RM4.6 juta (2011: RM5.2 juta).

Dividen tunai bersih yang dibayar dan boleh bayar bagi tahun kewangan adalah seperti berikut:

(Tahun kewangan berakhir 30 Jun)	**Jumlah Dividen**		
	2012		2011
	Cadangan	**Bayaran Sebenar**	Bayaran Sebenar
Interim/Khas:			
- Dividen Tunai (Cukai pada 25%)	–	–	20 sen
- Dividen Tunai (Dikecualikan cukai)	–	**10 sen**	10 sen
Akhir:			
- Dividen Tunai (Cukai pada 25%)	–	–	3 sen
- Dividen Tunai (Dikecualikan cukai)	**2 sen**	–	–

TANGGUNGJAWAB SOSIAL KORPORAT

Tanggungjawab Sosial Korporat

Kami memperakui pentingnya Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada operasi perniagaan dan komited dalam menyokong inisiatif-inisiatif tersebut yang menambah baik masyarakat dan alam sekitar.

Masyarakat

Dalam menjalankan kegiatan perniagaannya, Kumpulan sentiasa peka akan tanggungjawabnya sebagai warga korporat dalam memberi sumbangan kepada masyarakat di samping meningkatkan keuntungan dan nilai pemegang saham. Kumpulan memberi tumpuan kepada usaha membantu masyarakat 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 seperti pendidikan, kebajikan dan penyelidikan saintifik; dan pada setiap tahun menawarkan biasiswa kepada bakal graduan universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada golongan yang kurang bernasib baik untuk mendapatkan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung juga menaja program kesihatan kemasyarakatan seperti kem kesihatan dan pembelian mesin-mesin dialisis untuk Pusat Dialisis yang menawarkan perkhidmatan secara bersubsidi kepada pesakit buah pinggang.

Alam sekitar

Kumpulan amat prihatin terhadap isu alam sekitar dengan memberi penekanan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan melaksanakan kecekapan tenaga. Operasi-operasi Kumpulan mematuhi undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap, pengurangan sisa buangan dan program pemuliharaan di kilang pengeluaran, dan memperkenalkan produk yang lebih cekap dan menjimatkan tenaga untuk dipasarkan oleh bahagian pengedaran.

PROSPEK

Meninjau kehadapan, persekitaran operasi bagi perniagaan Kumpulan dijangka kekal mencabar. Walau bagaimanapun, Kumpulan terus kekal berwaspada dan mengambil langkah proaktif untuk menghadapi cabaran berkenaan. Bahagian Bahan Binaan dan Produk Petroleum dijangka kekal menguntungkan dengan usaha lebih giat dilaksanakan bagi mengukuh dan mengembangkan rangkaian perniagaan serta kepelbagaian produk. Kumpulan akan terus meneroka dan mengenalpasti bidang pertumbuhan baru dalam usaha meningkatkan nilai pemegang saham.

LEMBAGA PENGARAH

Pada Mesyuarat Agung yang akan datang, Y. Bhg. Dato' Mohamad bin Haji Ahmad dan Cik Zainab binti Dato' Hj. Mohamed, masing-masing telah berkhidmat lebih daripada 9 tahun , akan bersara dan tidak memohon untuk dilantik semula sebagai Pengarah Syarikat. Y. Bhg. Dato' Mohamad bin Haji Ahmad juga berkhidmat sebagai ahli Jawatankuasa Audit dan pengerusi Jawatankuasa Pencalonan Syarikat. Cik Zainab binti Dato' Hj. Mohamed juga berkhidmat sebagai ahli Jawatankuasa Audit, Jawatankuasa Pencalonan dan pengerusi Jawatankuasa Ganjaran dan Jawatankuasa Skim Opsyen Saham Eksekutif Syarikat. Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan ikhlas atas daya kepimpinan dan peranan penting mereka sepanjang tempoh perkhidmatan mereka sebagai ahli jawatankuasa Syarikat yang disebutkan di atas dan Pengarah Syarikat.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada para pemegang saham, pembiaya, rakan perniagaan dan pelbagai pihak berkuasa kerajaan dan pihak berkuasa kawal selia atas sokongan dan keyakinan berterusan terhadap Kumpulan.

Saya juga ingin menyampaikan penghargaan ikhlas dan terima kasih kepada rakan Pengarah atas bimbingan, sokongan dan sumbangan yang tidak ternilai.

Akhir sekali, ucapan terima kasih juga ditujukan kepada pihak pengurusan dan warga kerja atas dedikasi serta komitmen mereka terhadap 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 2012.

FINANCIAL PERFORMANCE

The Malaysian economy continued to grow at a steady pace of 5.1% in 2011 despite the global economic slowdown brought about by the euro zone debt crisis and the faltering recovery in the United States ("US") economy. Although the first quarter of 2012 growth moderated to 4.9%, the strong second quarter growth of 5.4% has given rise to much optimism that our economy will be able to overcome the challenging external environment and sustain an overall growth of 4.5% - 5.0% for the whole of 2012. Strong domestic demand continues to provide support for economic activities even though external demand continues to weaken.

In line with the expansion in the Malaysian economy, the Group's core business activity of trading and distribution of building materials and steel products continues to benefit from the higher demand in the building and construction industry. For the year under review, the Group's revenue rose by 12% to RM1.05 billion from RM0.93 billion a year ago.

During the year, the Group completed the disposal of Nanjing Jincheng Machinery Co Ltd, a loss making associated company in China and recorded a gain of RM30.7 million. Our other associates *viz* Lion Asiapac Limited and Suzuki Motorcycle Malaysia Sdn Bhd, continued to contribute positively to the Group. However, the Group had to recognise a one-off settlement of RM40.0 million in respect of a litigation claim against Sabah Forest Industries Sdn Bhd, a former subsidiary company. After accounting for an impairment loss of RM17.1 million in respect of the Group's quoted investments, the Group reported a lower profit before tax of RM25.1 million against RM39.0 million last year.

CORPORATE DEVELOPMENTS

(i) 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 favour of LBF in the form of a corporate guarantee and pledge of security proportionate to its shareholdings in LBF to secure a loan facility to be obtained by LBF and its subsidiary company in relation to the blast furnace project.

  On 30 August 2012, all parties had mutually agreed in writing to extend the condition period for a further period of 6 months from 3 September 2012 to 2 March 2013. The proposals are pending the approvals from the shareholders and other relevant authorities.

(ii) On 30 December 2011, Lion AMB Resources Berhad ("Lion AMB"), an 88% owned subsidiary company of LFIB, completed the disposal of its entire 48% equity interest in Nanjing Jincheng Machinery Co Ltd for a cash consideration of RMB120 million (equivalent to RM58.8 million).

(iii) The Group had on 5 October 2012 entered into a conditional sale and purchase agreement with third parties to acquire 100% equity interest in PT Varita Majutama, a company incorporated in Indonesia, which owns 52,641 hectares of land for plantation in Teluk Bintuni Regency, Papua Barat, Indonesia, for a cash consideration of USD63.8 million (equivalent to RM197.6 million).

Full details of the corporate developments mentioned above are contained in pages 125 to 126 of this Annual Report.

REVIEW OF OPERATIONS

Building Materials and Steel Products

In tandem with the strong growth in the local construction sector, the Division recorded a significantly higher revenue growth of 13%. Revenue stood at RM0.96 billion as against RM0.85 billion recorded last year.

Against a backdrop of global slowdown in the economies of most of the advanced countries as well as action taken by Bank Negara Malaysia to tighten lending for property loans, the construction sector continued to see strong growth, driven by the implementation of the various massive civil engineering and infrastructure projects under the Economic Transformation Programme and initiatives announced by the Government to spur domestic demand.

The Division is mindful of the challenges ahead, especially the uncertainties regarding the recovery of the US economy and its impact on the local economy, and will take active steps to improve operational efficiency and strengthen its financial position.

Petroleum, Lubricants and Automotive Products

The Division's network of workshop customers were further strengthened by our continuous effort in building strong customer loyalty programmes that are effective and add value to them. Programmes such as equipment on loan, Hi-Rev Business Systems and loyalty point redemption are schemes that have attracted our customers to partner with us in their business endeavours. In this regard, the Division had invested substantially into these initiatives and will continue to aggressively use this approach to enhance the business.

In September 2011, we had conducted our 5th Technical Conference in Petaling Jaya with updates on the automotive industry which received good response from our customers. There are plans to conduct the conference on a yearly basis as it is a good opportunity for us to add value to our customers' businesses and to build long term relationships with them.

Our initiative in simplifying business operations to serve our customers more efficiently is a key priority. The web ordering and collection system with which our sales representatives are able to expedite orders and payment has greatly facilitated our business. We intend to enhance these processes and also other support areas, to enable us to connect and respond to our customers promptly.

Over the years, our manufacturing and quality control teams have acquired wide knowledge and expertise in the auto lubricant production business. Supported by our fully facilitated laboratory in quality control and research, we foresee prospects in actively serving larger lubricant producers in their production needs. As such, we are currently embarking on expanding our production capacities to take advantage of the rising demand for such services. With our investment in a high speed rotary filling and capping machine this year and commencement of our plant extension, we are poised to tap the growth in this segment.

DIVIDEND

The Board of Directors is pleased to recommend a final cash dividend of 2 sen per share, tax exempt (2011: 3 sen per share, tax at 25%), in respect of the financial year ended 30 June 2012, for the approval of the shareholders at the forthcoming Annual General Meeting. Net cash dividend payable will amount to approximately RM4.6 million (2011: RM5.2 million).

Total cash dividend paid and payable in respect of the financial year is as follows:

(Financial year ended 30 June)	**Total Dividend**		
	2012		2011
	Proposed	**Actual Paid**	Actual Paid
Interim/Special dividends:			
- Cash Dividend (Tax at 25%)	–	–	20 sen
- Cash Dividend (Tax exempt)	–	**10 sen**	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 are committed to supporting CSR initiatives with positive social and environmental impact.

Society

In the course of conducting its business operations, 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 helping the community to advance 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, offers scholarships to undergraduates in the local universities. 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.

Environment

The Group seeks to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimize the use of resources and promote energy efficiency. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. This includes emissions management and waste reduction and recovery programmes in its manufacturing plants, and introduction of more efficient and energy-saving products for sale by its trading division.

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

Going forward, the operating environment for the Group's businesses is expected to remain challenging. Nonetheless, the Group will remain vigilant and take proactive steps to meet these challenges. Our Building Materials and Petroleum Products Divisions are expected to remain profitable with greater efforts made to strengthen and expand business network and product range. The Group will continue to explore and identify new growth areas in order to enhance shareholders' value.

BOARD OF DIRECTORS

At the forthcoming Annual General Meeting, Y. Bhg. Dato' Mohamad bin Haji Ahmad and Cik Zainab binti Dato' Hj. Mohamed, both of whom had served on the Board for more than 9 years, will be retiring and will not be seeking re-appointment as Directors of the Company. Y. Bhg. Dato' Mohamad also served as a member of the Audit Committee and the Chairman of the Nomination Committee of the Company while Cik Zainab had served as a member of the Audit Committee and the Nomination Committee, and the Chairman of the Remuneration Committee and the Executive Share Option Scheme Committee of the Company. On behalf of the Board, I would like to express my sincere appreciation for their invaluable contribution during their tenure as Directors of the Company and as members of the Company's aforementioned committees.

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 contribution.

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2012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

尽管欧元区债务危机及美国经济复苏延缓造成全球经济放缓，但马来西亚经济在2011年内仍然持续稳健成长5.1%。虽然2012年首季的经济成长放缓至4.9%，第二季却取得5.4%的强劲成长，让人乐观地认为大马经济将能够克服外在环境的挑战，并在2012年全年维持4.5%至5.0%之间的成长率。虽然外在需求持续疲弱，但国内强大的需求仍可继续支撑经济活动。

与马来西亚经济成长的同步，本集团的建材和钢铁产品分销核心业务继续从建筑领域的更高需求中受惠。检讨年度内，本集团的营业额上扬12%至10亿5千万令吉，一年前则为9亿3千万令吉。

本集团在会计年度内完成脱售在南京金城机械公司的股权，取得3千零70万令吉的盈利。南京金城机械公司是本集团在中国蒙受亏损的联号公司。另一方面，我们其他的联号公司—金狮亚太有限公司（Lion Asiapac Limited）和馬來西亞鈴木摩多車有限公司（Suzuki Motorcycle Malaysia Sdn Bhd）继续为集团做出积极贡献。不过，本集团在一项针对前子公司—沙巴森林工业私人有限公司（Sabah Forest Industries Sdn Bhd）有关的法律索赔，一次过拨出了4千万令吉。在计算本集团在上市股票的1千710万令吉投资减值损失后，本集团的税前盈利略为减少至2千510万令吉，去年则为3千900万令吉。

企业发展

(i) 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私人有限公司(Lion Blast Furnace Sdn Bhd， 简称“LBF”); 及

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

2012年8月30日，各造一致书面同意将制约期限延长6个月，从2012年9月3日延至2013年3月2日。这些建议仍然有待股东与其他相关机构的批准。

(ii) 2011年12月30日，金狮森林工业有限公司持有88%股权的金狮AMB资源有限公司（Lion AMB Resources Berhad），以1亿2千万人民币（约5千880万令吉）的现金代价，完成脱售其在南京金城機械公司持有的48%股权。

(iii) 金狮森林工业有限公司于2012年10月5日与有关卖方签署有条件买卖合约，以6千380万美元（约1亿9千760万令吉）的现金代价，收购PT Varita Majutama，一家在印尼注册成立的公司之100%股权。该公司在印尼西巴布亚的Teluk Bintuni Regency拥有5万2千641公顷作为种植用途的土地。

以上企业发展的详情陈列在本报告的第125页至126页。

业务检讨

建筑材料与钢铁产品

与本地建筑领域的强劲成长表现一致，本组创下13%显著更高的营业额成长，达到9亿6千万令吉，比较去年为8亿5千万令吉。

与全球大部分先进国经济成长放缓及国家银行紧缩产业贷款放贷措施的现象背道而驰，建筑领域继续取得强劲成长，主要归功于经济转型计划下推动的各项庞大土木工程与基建计划及政府为刺激国内需求而启动的各种措施。

本组对未来的挑战抱持谨慎态度，尤其是美国经济复苏所存在的变数及其对本地经济所产生的影响，将采取积极步骤来改善运作效率及加强财务状态。

石油 、润滑油与汽车产品

随着我们持续努力建立客户忠诚计划，本组的修车客户网络获得进一步加强。相关的客户忠诚计划不断有效地为修车厂客户增值， 包括器材外借、 Hi-Rev 商业系统及忠诚分数兑换等计划都不断吸引客户与我们结为伙伴，在商场上大展宏图。本组已投下重资在这些计划， 并将继续积极采用这些方式来拓展业务。

2011年9月，我们在八打灵再也举办第五届技术研讨会，以传达汽车领域最新动态，获得了客户鼓舞的反应，因此我们计划每年都举办这项技术研讨会。我们视此为替客户业务提供增值服务的机会，以建立良好的长期关系。

我们精心简化业务运作，着重为客户提供更周到的服务。网络订货与取货系统表现积极，让我们的销售人员能够迅速地取得订货与收款。我们计划扩展这些程序及其他支援领域， 让我们适时地与客户沟通并且及时的做回应。

这些年来，我们的生产与品质控制队伍在汽车润滑油业务方面，累积了丰富的经验与专业知识。在设备完善的试验室持续进行品质控制与研究的支持下，我们预见到为大型润滑油生产商提供服务以协助其应付生产需求方面拥有美好前景。因此，我们目前正在扩大生产设备以便从这类服务的日增需求中受惠。我们今年投资了高速轮转灌装和封口机器，并扩展工厂产能，为这个领域的业务成长做好准备。

股息

董事部欣然建议在截至2012年6月30日的会计年度派发每股2仙免税终期现金股息，（2011年：每股3仙，须扣25%税务），并在即将召开的常年股东大会上寻求批准。需付的净股息总额为460万令吉（2011年：520万令吉）。

（员截至6月30日会计年度）	股息总额		
	2012年		2011年
	建议	实际之付	实际之付
中期/特别股息			
- 现金股息（须扣25%税务）	–	–	20 仙
- 现金股息（免税税务）	–	**10 仙**	10 仙
终期			
- 现金股息（须扣25%税务）	–	–	3 仙
- 现金股息（免税税务）	**2 仙**	–	–

企业社会责任

我们意识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，并将继续承诺支持可为社会与环境带来正面影响的企业社会责任的倡议。

社会

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

金狮百盛基金拨款供许多用途诸如教育、慈善和科学研究；每年都提供奖学金给在本地大学深造的在籍大学本科生。金狮集团医药援助基金则为迫切需要医疗的不幸社群提供财务援助，包括手术、购置医疗器仪和药物。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。

环境

本集团寻求通过专注于采用全新技术与业界最具环保效益的准则来保护环境，充分利用资源与促进能源效益。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。这包括排放管理、废料减少与重复使用计划，同时推出更有效和节能的销售产品。

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

展望

展望未来，本集团业务的运作环境料仍然充满挑战。本集团将维持谨慎态度及采取主动方式来应付这些挑战。通过加强与扩展商业网络和产品系列，建筑材料与石油产品组料保持盈利。与此同时，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上，Y. Bhg. Dato’ Mohamad bin Haji Ahmad 和 Cik Zainab binti Dato’ Hj. Mohamed将荣休并不寻求重新被选为本公司董事。两人已在本公司担任了9年的董事。 Y. Bhg. Dato’ Mohamad是本公司审核委员会的委员及提名委员会的主席，而 Cik Zainab 却是担任本公司审核委员会和提名委员会的委员，以及薪酬委员会和执行雇员股份认购权计划委员会的主席。我谨代表董事部，真诚感谢他们在担任本公司董事和以上委员会的委员期间所作的贡献。

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心。

我也要至诚感谢董事同仁，感谢他们所给予的珍贵指导、支持与贡献。

最后，我要真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS 2012

For The Financial Year Ended 30 June 2012

DIRECTORS' REPORT

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 2012.

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.

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant events during the financial year and events subsequent to financial year are disclosed in Notes 39 and 40 to the Financial Statements, respectively.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	25,078	36,469
Income tax expense	(14,603)	(2,023)
Profit for the year	10,475	34,446
Profit attributable to:		
Owners of the Company	2,762	
Non-controlling interests	7,713	
	10,475	

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 final dividend of 3.0 sen per ordinary share, less 25% tax, amounting to RM5.2 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

An interim dividend of 10.0 sen per ordinary share, tax exempt, amounting to RM23.2 million in respect of the current financial year was declared and paid by the Company during the financial year.

The Directors proposed a final dividend of 2.0 sen per ordinary share, tax exempt, amounting to RM4.6 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

The Company did not issue any new shares or debentures during the financial year.

During the previous 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 had 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 did not issue any debentures during the previous financial year.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of 5 years. The main features of the ESOS are as disclosed in Note 27 to the Financial Statements.

No options were granted or exercised pursuant to the 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.

OTHER STATUTORY INFORMATION (continued)

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"), a former subsidiary company, 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 35 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.

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' Mohamad bin Haji Ahmad
Dato' Kalsom binti Abd. Rahman
Zainab binti Dato' Hj. Mohamed
Lin Chung Dien
Dato' Dali Mahmud Hashim (*retired on 20 December 2011*)

In accordance with Article 98 of the Company's Articles of Association, Tan Sri William H.J. Cheng and Dato' Mohamad bin Haji Ahmad retire by rotation at the forthcoming Annual General Meeting. Tan Sri William H.J. Cheng, being eligible, offers himself for re-election while Dato' Mohamad bin Haji Ahmad does not wish to seek re-election.

Cik Zainab binti Dato' Hj. Mohamed who has served on the Board as an independent non-executive Director for more than nine years wishes to retire at the forthcoming Annual General Meeting and does not seek re-election.

Dato' Kalsom bin Abd. Rahman who has served on the Board as an independent non-executive Director for more than eight years, shall retire at the forthcoming Annual General Meeting and the Company shall seek shareholders' approval for her re-appointment as an independent non-executive Director.

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 1.7.2011	Additions	Disposals	As of 30.6.2012
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	182,602,948	–	(124,600)	182,478,348

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 1.7.2011	Additions	Disposals	As of 30.6.2012
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 1.7.2011	Additions	Disposals	As of 30.6.2012
Indirect interest					
Tan Sri William H.J. Cheng					
Lion Industries Corporation Berhad	RM1.00	236,209,236	–	–	236,209,236
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	296,596,160	4,154,241	–	300,750,401
Soga Sdn Bhd	RM1.00	4,502,389	–	–	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
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	1,000,000

DIRECTORS' INTERESTS (continued)

	Nominal value per ordinary share	Number of shares As of 30.3.2012	Additions	Disposals	As of 30.6.2012
Indirect interest					
Tan Sri William H.J. Cheng					
Inspirasi Elit Sdn Bhd	RM1.00	212,500	–	–	212,500

Investment in the People's Republic of China	**Currency**	**As of 1.7.2011**	**Additions**	**Disposals**	**As of 30.6.2012**
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 1.7.2011	Additions	Disposals	As of 30.6.2012
Indirect interest					
Tan Sri William H.J. Cheng					
Lion AMB Resources Berhad	RM0.01	17,742,012	444,729	–	18,186,741

* 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 with 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 COMPANIES

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, 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

DATO' KALSOM BINTI ABD. RAHMAN

Kuala Lumpur
19 October 2012

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 2012 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 37 to 126.

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. 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 2012 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 32 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 credit risk with a related party, Megasteel Sdn Bhd.

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 Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

Other Reporting Responsibilities

The supplementary information set out in page 127 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

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/13 (J)
Chartered Accountant

Petaling Jaya
19 October 2012

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Continuing operations					
Revenue	5	**1,046,090**	932,931	**145,308**	282,411
Other operating income		**28,429**	27,412	**17,056**	20,013
Changes in inventories of finished goods and trading merchandise		**23,954**	38,540	**–**	–
Raw materials and consumables used		**(23,483)**	(22,272)	**–**	–
Purchase of trading merchandise		**(977,112)**	(885,282)	**(73,946)**	(63,089)
Staff costs	6	**(17,617)**	(16,073)	**(1,955)**	(1,774)
Depreciation of:					
Property, plant and equipment	12	**(3,681)**	(3,437)	**(77)**	(6)
Investment properties	13	**(29)**	(29)	**(29)**	(29)
Gain/(Loss) on foreign exchange:					
Realised		**1,499**	29	**835**	(1,121)
Unrealised		**22**	59	**(28)**	8
Other operating expenses		**(30,532)**	(24,334)	**(1,025)**	(2,383)
Profit from operations	6	**47,540**	47,544	**86,139**	234,030
Finance costs	7	**(647)**	(1,312)	**(6,285)**	(2,756)
Share in results of associated companies		**7,915**	(6,630)	**–**	–
Gain on disposal of an associated company		**30,748**	–	**–**	–
Settlement arising from litigation claim against a former subsidiary company		**(40,000)**	–	**(40,000)**	–
Impairment losses on:					
Quoted investments		**(17,093)**	–	**–**	–
Unquoted investments		**–**	(609)	**–**	–
Log extraction premium paid to State Government of Sabah		**(3,385)**	–	**(3,385)**	–
Profit before tax		**25,078**	38,993	**36,469**	231,274
Income tax expense	9	**(14,603)**	(13,843)	**(2,023)**	(3,947)
Profit for the year from continuing operations		**10,475**	25,150	**34,446**	227,327
Discontinued operations					
Profit for the year from discontinued operations	8	**–**	173,762	**–**	–
Profit for the year		**10,475**	198,912	**34,446**	227,327
Profit attributable to:					
Owners of the Company		**2,762**	207,637	**34,446**	227,327
Non-controlling interests		**7,713**	(8,725)	**–**	–
Profit for the year		**10,475**	198,912	**34,446**	227,327

(Forward)

	Note	The Group 2012 RM'000	The Group 2011 RM'000
Earnings per ordinary share attributable to owners of the Company (sen)	**10**		
Basic:			
Continuing operations		**1.19**	25.82
Discontinued operations		**–**	63.85
		1.19	89.67
Diluted:			
Continuing operations		**1.19**	25.82
Discontinued operations		**–**	63.85
		1.19	89.67

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	**10,475**	198,912	**34,446**	227,327
Other comprehensive income/(loss)				
Foreign currency translation differences arising from foreign operations	**15,434**	(10,084)	**–**	–
Changes in fair value of available-for-sale financial assets and assets classified as held for sale	**2,405**	212	**–**	–
Other comprehensive income/(loss) for the year	**17,839**	(9,872)	**–**	–
Total comprehensive income for the year	**28,314**	189,040	**34,446**	227,327
Total comprehensive income attributable to:				
Owners of the Company	**19,397**	197,010	**34,446**	227,327
Non-controlling interests	**8,917**	(7,970)	**–**	–
Total comprehensive income for the year	**28,314**	189,040	**34,446**	227,327

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2012

	Note	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**26,456**	28,565	**5,084**	5,151
Investment properties	13	**1,247**	1,276	**1,247**	1,276
Prepaid land lease payments	14	**–**	–	**–**	–
Investment in subsidiary companies	15	**–**	–	**33,133**	31,471
Investment in associated companies	16	**74,816**	85,935	**–**	–
Other investments	17	**24,990**	35,191	**18**	18
Intangible assets	18	**–**	–	**–**	–
Goodwill on consolidation	19	**–**	–	**–**	–
Deferred tax assets	20	**766**	680	**–**	–
Amount owing by a subsidiary company	15	**–**	–	**11,981**	11,622
Total Non-Current Assets		**128,275**	151,647	**51,463**	49,538
Current Assets					
Inventories	22	**39,516**	64,763	**–**	–
Other investments	23	**10,573**	12,003	**–**	–
Trade receivables	24(a)	**401,147**	279,120	**4,028**	4,031
Other receivables and prepayments	24(b)	**220,104**	146,912	**3,063**	3,197
Amount owing by subsidiary companies	15	**–**	–	**713,768**	521,774
Amount owing by other related companies	21	**245,720**	252,935	**114,626**	107,733
Tax recoverable		**2,353**	990	**–**	–
Fixed deposits, cash and bank balances	25	**296,755**	497,595	**200,063**	339,694
		1,216,168	1,254,318	**1,035,548**	976,429
Assets classified as held for sale	26	**21,989**	–	**–**	–
Total Current Assets		**1,238,157**	1,254,318	**1,035,548**	976,429
Total Assets		**1,366,432**	1,405,965	**1,087,011**	1,025,967

(Forward)

	Note	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	27	**231,572**	231,572	**231,572**	231,572
Reserves	28	**975,631**	988,046	**525,603**	519,524
Equity attributable to owners of the Company		**1,207,203**	1,219,618	**757,175**	751,096
Non-controlling interests		**32,423**	29,121	**–**	–
Total Equity		**1,239,626**	1,248,739	**757,175**	751,096
Non-Current and Deferred Liabilities					
Redeemable cumulative convertible preference shares	29	**–**	12,833	**–**	–
Hire-purchase payables	30	**1,468**	3,267	**251**	333
Deferred tax liabilities	20	**1,082**	1,421	**280**	280
Amount owing to a subsidiary company	15	**–**	–	**11,981**	11,622
Total Non-Current and Deferred Liabilities		**2,550**	17,521	**12,512**	12,235
Current Liabilities					
Trade payables	31(a)	**41,576**	73,519	**10,865**	11,095
Other payables and accrued expenses	31(b)	**42,448**	37,879	**5,234**	5,339
Provision	32	**15,000**	15,000	**15,000**	15,000
Amount owing to ultimate holding company	21	**–**	707	**–**	–
Amount owing to subsidiary companies	15	**–**	–	**285,531**	229,068
Amount owing to other related companies	21	**1,280**	76	**37**	69
Redeemable cumulative convertible preference shares	29	**12,388**	–	**–**	–
Hire-purchase payables	30	**2,364**	2,322	**55**	27
Bank borrowings	33	**3,954**	3,667	**–**	–
Tax liabilities		**5,246**	6,535	**602**	2,038
Total Current Liabilities		**124,256**	139,705	**317,324**	262,636
Total Liabilities		**126,806**	157,226	**329,836**	274,871
Total Equity and Liabilities		**1,366,432**	1,405,965	**1,087,011**	1,025,967

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

		← Non-distributable reserves →										
The Group	Note	Share capital RM'000	Share premium RM'000	Equity compensation 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	27	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

(Forward)

The Group	Note	Share capital RM'000	Share premium RM'000	Equity compensation 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
			← Non-distributable reserves					→				
As of 1 July 2011		**231,572**	**689,330**	**–**	**(17,281)**	**264**	**9**	**212**	**315,512**	**1,219,618**	**29,121**	**1,248,739**
Profit for the year		–	–	–	–	–	–	–	2,762	2,762	7,713	10,475
Other comprehensive income for the year		–	–	–	14,230	–	–	2,405	–	16,635	1,204	17,839
Profit for the year		–	–	–	14,230	–	–	2,405	2,762	19,397	8,917	28,314
Dividends paid	11	–	–	–	–	–	–	–	(28,367)	(28,367)	–	(28,367)
Disposal of an associated company		–	–	–	12,806	–	–	–	(17,848)	(5,042)	5,042	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	1,597	1,597	(10,657)	(9,060)
As of 30 June 2012		**231,572**	**689,330**	**–**	**9,755**	**264**	**9**	**2,617**	**273,656**	**1,207,203**	**32,423**	**1,239,626**

The Company	Note	Share capital RM'000	Share premium RM'000	Equity com-pensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
			← Non-distributable reserves →				
As of 1 July 2010		231,342	688,987	269	310	(334,872)	586,036
Total comprehensive income for the year		–	–	–	–	227,327	227,327
Issue of shares	27	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
As of 1 July 2011		**231,572**	**689,330**	**–**	**264**	**(170,070)**	**751,096**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**34,446**	**34,446**
Dividends paid	11	**–**	**–**	**–**	**–**	**(28,367)**	**(28,367)**
As of 30 June 2012		**231,572**	**689,330**	**–**	**264**	**(163,991)**	**757,175**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

The Group	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the year		**10,475**	198,912
Adjustments for:			
Settlement arising from litigation claim against a former subsidiary company		**40,000**	–
Impairment loss on:			
Quoted investments		**17,093**	–
Unquoted investments		**–**	609
Property, plant and equipment		**–**	3,233
Income tax expense recognised in profit or loss		**14,603**	17,710
Allowance for:			
Doubtful debts of trade receivables		**4,359**	3,875
Slow-moving and obsolete inventories		**56**	2,335
Doubtful debts of amount owing by an associated company		**–**	1,606
Depreciation of:			
Property, plant and equipment		**3,681**	24,644
Investment properties		**29**	29
Log extraction premium paid to State Government of Sabah		**3,385**	–
Finance costs		**647**	2,242
Property, plant and equipment written off		**2**	142
Bad debts written off		**1**	–
Gain on disposal of:			
An associated company		**(30,748)**	–
Property, plant and equipment		**(839)**	(354)
Interest income		**(26,254)**	(24,330)
Share in results of associated companies		**(7,915)**	6,630
Dividend income from:			
Quoted investments		**(537)**	–
Unquoted investments		**–**	(53)
Allowance no longer required for:			
Doubtful debts		**(509)**	(672)
Slow-moving and obsolete inventories		**–**	(1)
Unrealised gain on foreign exchange		**(22)**	(1,862)
Gain on acquisition of RCCPS issued by a subsidiary company		**(13)**	(797)
Gain on disposal of discontinued operations	8	**–**	(171,407)
Amortisation of prepaid land lease payments		**–**	118
Operating Profit Before Working Capital Changes		**27,494**	62,609

(Forward)

	Note	2012 RM'000	2011 RM'000
(Increase)/Decrease in:			
Inventories		**25,191**	(43,479)
Trade receivables		**(351,846)**	(231,981)
Other receivables and prepayments		**133,251**	(131,888)
Amount owing by other related companies		**14,126**	(143,388)
Increase/(Decrease) in:			
Trade payables		**(31,921)**	39,914
Other payables and accrued expenses		**4,569**	105,584
Cash Used In Operations		**(179,136)**	(342,629)
Interest received		**7,159**	1,860
Income tax paid		**(17,680)**	(9,061)
Net Cash Used In Operating Activities		**(189,657)**	(349,830)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**173,750**	(9,479)
Amount owing by ultimate holding company		**(707)**	20,645
Amount owing by other related companies		**(5,707)**	9,286
Proceeds from disposal of:			
An associated company		**58,827**	–
Property, plant and equipment		**1,445**	966
Unquoted investments		**–**	2,394
Interest received from:			
Fixed deposits with licensed banks		**10,779**	11,491
Other related companies		**6,892**	8,727
Dividend income received from:			
An associated company		**1,778**	34,436
Quoted investments		**537**	–
Unquoted investments		**–**	53
Proceeds from redemption of other investments		**514**	–
Settlement arising from litigation claim against a former subsidiary company		**(40,000)**	–
Acquisition of non-controlling interests		**(9,060)**	(24,510)
Log extraction premium paid to State Government of Sabah		**(3,385)**	–
Purchase of property, plant and equipment (Note)		**(1,681)**	(16,251)
Acquisition of RCCPS issued by a subsidiary company		**(432)**	(42)
Net cash inflow from disposal of discontinued operations	8	**–**	483,167
Net Cash From Investing Activities		**193,550**	520,883

(Forward)

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in bank borrowings		**287**	(14,311)
Dividends paid		**(28,367)**	(62,525)
Payment of hire-purchase payables		**(2,256)**	(2,320)
Finance costs paid		**(647)**	(2,242)
Proceeds from issue of shares		**–**	258
Dividends paid to non-controlling interests of a subsidiary company		**–**	(10,775)
Net Cash Used In Financing Activities		**(30,983)**	(91,915)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,090)**	79,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**158,314**	79,515
Effect of exchange differences		**–**	(339)
CASH AND CASH EQUIVALENTS AT END OF YEAR	38	**131,224**	158,314

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

	2012 RM'000	2011 RM'000
Cash purchase	**1,681**	16,251
Hire-purchase financing	**499**	490
	2,180	16,741

(Forward)

The Company	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**34,446**	227,327
Adjustments for:		
Settlement arising from litigation claim against a former subsidiary company	**40,000**	–
Finance costs	**6,285**	2,756
Log extraction premium paid to State Government of Sabah	**3,385**	–
Income tax expense recognised in profit or loss	**2,023**	3,947
Depreciation of:		
Property, plant and equipment	**77**	6
Investment properties	**29**	29
Unrealised loss/(gain) on foreign exchange	**28**	(8)
Dividend income	**(71,000)**	(218,743)
Interest income	**(16,697)**	(19,468)
Gain on disposal of property, plant and equipment	**(52)**	–
Investment in subsidiary companies written off	**–**	62
Allowance for doubtful debts no longer required	**–**	(156)
Operating Loss Before Working Capital Changes	**(1,476)**	(4,248)
Decrease in:		
Trade receivables	**3**	4
Other receivables and prepayments	**134**	171
Increase/(Decrease) in:		
Trade payables	**(230)**	2,220
Other payables and accrued expenses	**(105)**	99
Cash Used In Operations	**(1,674)**	(1,754)
Income tax paid	**(3,459)**	(2,571)
Net Cash Used In Operating Activities	**(5,133)**	(4,325)

(Forward)

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend received from subsidiary companies		**71,000**	218,743
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**205,463**	(8,234)
Amount owing by subsidiary companies		**(192,353)**	(283,703)
Amount owing by other related companies		**(6,893)**	4,343
Amount owing by ultimate holding company		**–**	19,937
Interest received from:			
Fixed deposits with licensed banks		**8,845**	9,166
Other related companies		**6,892**	8,658
Subsidiary companies		**601**	479
Proceeds from disposal of property, plant and equipment		**52**	–
Settlement arising from litigation claim against a former subsidiary company		**(40,000)**	–
Log extraction premium paid to State Government of Sabah		**(3,385)**	–
Purchase of:			
Investment in a subsidiary company		**(1,662)**	(4,168)
Property, plant and equipment		**(10)**	(19)
Net Cash From/(Used In) Investing Activities		**48,550**	(34,798)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**56,794**	98,835
Amount owing to other related companies		**(32)**	(246)
Dividends paid		**(28,367)**	(62,525)
Finance costs paid		**(5,926)**	(2,397)
Payment of hire-purchase payables		**(54)**	–
Proceeds from issue of shares		**–**	258
Net Cash From Financing Activities		**22,415**	33,925
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**65,832**	(5,198)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**9,535**	14,733
CASH AND CASH EQUIVALENTS AT END OF YEAR	38	**75,367**	9,535

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

	2012 RM'000	2011 RM'000
Cash purchase	**10**	19
Hire-purchase financing	**–**	360
	10	379

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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.

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 2012.

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

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from comparative FRS 7 disclosures for first-time adopters)
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemption for first-time adopters)
FRS 2	Share-based Payment (Amendments relating to Group Cash-Settled Share-based Payment Transactions)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
Improvements to FRSs 2010	
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 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)
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguish Financial Liabilities with Equity Instruments

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

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

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

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

FRSs, Amendments to FRSs and IC Interpretations issued but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were issued but not yet effective and not early adopted by the Group and the Company are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to severe hyperinflation and removal of fixed dates for First-time Adopters)[1]
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to Government loans)[3]
FRS 1	First-time Adoption of Financial Reporting Standards [Amendments relating to business combinations for improvements to FRSs (2012)][3]
FRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Transfers of Financial Assets)[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to Mandatory effective date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and transition disclosures)[2]
FRS 7	Financial Instruments: Disclosures (Amendments relating to disclosures - offsetting financial assets and financial liabilities)[3]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[4]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[4]
FRS 10	Consolidated Financial Statements (Amendments relating to Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance)[3]
FRS 11	Joint Arrangements (Amendments relating to Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance)[3]
FRS 12	Disclosures of Interests in Other Entities (Amendments relating to Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance)[3]
FRS 13	Fair Value Measurement[3]
FRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[5]
FRS 101	Presentation of Financial Statements [Amendments relating to Business Combinations for Improvements to FRSs (2012)][3]
FRS 112	Income Taxes (Amendments relating to Deferred Tax - Recovery of Underlying Assets)[1]
FRS 116	Property, Plant and Equipment [Amendments relating to Business Combinations for Improvements to FRSs (2012)][3]
FRS 119	Employee Benefits (2011)[3]
FRS 124	Related Party Disclosure (revised)[1]
FRS 127	Separate Financial Statements (2011)[3]
FRS 128	Investment in Associates and Joint Ventures (2011)[3]
FRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[6]
FRS 132	Financial Instruments: Presentation [Amendments relating to Business Combinations for Improvements to FRSs (2012)][3]
FRS 134	Interim Financial Reporting [Amendments relating to Business Combinations for Improvements to FRSs (2012)][3]
IC Interpretation 2	Members' Shares in Co-operative Entities & Similar Instruments [Amendments relating to Business Combinations for Improvements to FRSs (2012)][3]
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[3]

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

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective immediately on issuance date of 1 March 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to FRS9 (IFRS 9 issued by IAB on November 2009 and October 2010 respectively) and FRS 7 relating to "Mandatory Effective Date of FRS 9 and Transition Disclosure" on 1 March 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the adoption of the above standards and amendments, 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.

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework) in conjunction with its planned convergence of FRSs with International Financial Reporting Standards (IFRS) as issued by the International accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also include those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012. However, on 30 June 2012, the MASB decided to extend the aforementioned transitional period for another one year. Thus, Transitioning Entities are given an additional option to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2013. Consequently, the MFRS Framework will be mandatory for application for annual periods beginning on or after 1 January 2014.

Accordingly, the Group and the Company, being Transitioning Entities, have availed themselves of this transitional arrangement and will continue to apply FRSs in its next two sets of financial statements. Therefore, the Group and the Company will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) in their financial statements for the financial year ending 30 June 2015, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS framework cannot be determined and estimated reliably until the process is complete.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

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

Revenue of the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Non-Current Assets Classified as Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

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

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.

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.

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

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.

<u>Financial Assets</u>

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.

<u>Effective interest method</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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'.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at FVTPL (continued)

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 2012, the Group and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Property, plant and equipment	**3,216**	3,216	**–**	–
Investment in subsidiary companies	**–**	–	**800**	800
Other investments	**47,586**	47,586	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

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

(b) 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.

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

(ii) Key sources of estimation uncertainty (continued)

(b) Allowance for Doubtful Debts (continued)

As of 30 June 2012, the Group has trade receivable of RM205,367,000 (RM124,973,000 in 2011) due by a related party, Megasteel Sdn Bhd ("Megasteel"), which constitute approximately 50% (44% in 2011) of the Group's trade receivables, of which RM154,716,000 (RM92,754,000 in 2011) is past due but not impaired.

During the financial year, Megasteel has implemented a settlement scheme to settle its outstanding trade amount. Currently, Megasteel is working with an independent consultant and authorities to conduct a study on turnaround action plans. Megasteel has also entered into discussions with various interested third party investors to inject new working capital into Megasteel via additional issuance of share capital. Management believes Megasteel is making its best efforts to realise the action plans and will be able to continue in operational existence for the foreseeable future, thus, is of the opinion that the amount owing by Megasteel is not impaired.

(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 32, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of 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.

(f) Recent Development in the Steel Industry

With reference to the current challenges faced by the local players in the steel industry in relation to the weak international steel market and the sluggish local demand resulting from the leakages in import duty exemption and dumping activities, the authorities and an independent consultant are working together to implement certain policies for the local steel industry in order to improve the efficiency and the profitability of the steel industry.

As of the date of this report, the outlook for the steel market remains uncertain and volatile in view of the global headwinds and the continued dumping activities of foreign exporters. However, management believes that the authorities will impose tighter measures to plug the loopholes and leakages in order to enable the local steel industry to grow and expand in an orderly manner and with the impending commencement of various government mega infrastructure projects, the local steel demand will improve in the coming future.

5. REVENUE

An analysis of revenue from continuing operations is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sales of goods	**1,028,594**	917,929	**74,308**	63,668
Services rendered	**17,496**	15,002	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**71,000**	218,743
	1,046,090	932,931	**145,308**	282,411

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income on:				
Fixed deposits with licensed banks	**10,779**	11,405	**8,845**	9,166
Advances to:				
Other related companies	**6,892**	8,727	**6,892**	8,658
Ultimate holding company	**–**	806	**–**	806
Subsidiary companies	**–**	–	**960**	838
Investment in unquoted bonds	**–**	274	**–**	–
Others	**8,583**	3,026	**–**	–
Gain on disposal of property, plant and equipment	**839**	276	**52**	–
Allowance no longer required for:				
Doubtful debts of trade receivables	**509**	672	**–**	156
Slow-moving and obsolete inventories	**–**	1	**–**	–
Dividend income from:				
Quoted investments	**537**	–	**–**	–
Unquoted investments	**–**	53	**–**	–
Bad debts recovered	**72**	447	**63**	382
Gain on acquisition of RCCPS issued by a subsidiary company	**13**	797	**–**	–
Rental income from investment properties rented to subsidiary companies	**–**	–	**7**	7
Allowance for:				
Doubtful debts of trade receivables	**(4,359)**	(3,070)	**–**	–
Slow-moving and obsolete inventories	**(56)**	(593)	**–**	–
Doubtful debts of amount owing by an associated company	**–**	(1,606)	**–**	–
Directors' remunerations (Note 21)	**(561)**	(536)	**(549)**	(524)

6. PROFIT FROM OPERATIONS (continued)

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental of premises payable to:				
Third parties	**(463)**	(445)	**–**	(41)
Subsidiary company	**–**	–	**(19)**	(19)
Hire of plant and machinery	**(262)**	(338)	**–**	–
Auditors' remuneration:				
Statutory audit:				
Current year	**(196)**	(233)	**(45)**	(75)
Underprovision in prior year	**(30)**	(21)	**(25)**	(13)
Non-statutory audit	**(5)**	(5)	**(5)**	(5)
Property, plant and equipment written off	**(2)**	(2)	**–**	–
Bad debts written off	**(1)**	–	**–**	–
Investment in subsidiary company written off	**–**	–	**–**	(62)

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM1,887,000 and RM161,000 (RM1,651,000 and RM126,000 in 2011), respectively.

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	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other remuneration	**1,396**	1,256	**1,041**	919
Defined contribution plans	**103**	93	**76**	73
Benefits-in-kind	**54**	53	**27**	47
	1,553	1,402	**1,144**	1,039

7. FINANCE COSTS

Finance costs from continuing operations represent:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Hire-purchase	**332**	464	**9**	–
Bank overdrafts and other borrowings	**191**	459	**–**	–
RCCPS	**124**	389	**–**	–
Advances from subsidiary companies	**–**	–	**6,276**	2,756
	647	1,312	**6,285**	2,756

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 Group	
	2012 RM'000	2011 RM'000
Revenue - sales of goods and services	–	443,867
Other operating income	–	4,649
Changes in inventories of finished goods, trading merchandise and work-in-progress	–	(18,024)
Raw materials and consumables used	–	(292,959)
Purchase of trading merchandise	–	(1,365)
Staff costs	–	(37,676)
Depreciation of property, plant and equipment	–	(21,207)
Amortisation of prepaid land lease payments	–	(118)
Gain on foreign exchange:		
Realised	–	2,875
Unrealised	–	1,803
Other operating expenses	–	(74,693)
Profit from operations	–	7,152
Finance costs	–	(930)
Gain on disposal of discontinued operations	–	171,407
Profit before tax	–	177,629
Income tax expense (Note 9)	–	(3,867)
Profit for the year	–	173,762
Results from discontinued operations:		
Profit for the year	–	2,355
Gain on disposal of discontinued operations	–	171,407
	–	173,762
Attributable to:		
Owners of the Company	–	147,842
Non-controlling interests	–	25,920
	–	173,762

8. DISCONTINUED OPERATIONS (continued)

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Cash flows from discontinued operations:		
Net cash from operating activities	–	73,113
Net cash from investing activities	–	12,280
Net cash used in financing activities	–	(36,644)
Net cash from discontinued operations	–	48,749

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

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Interest income on:		
Fixed deposits with licensed banks	–	86
Others	–	6
Gain on disposal of property, plant and equipment	–	78
Impairment loss on property, plant and equipment	–	(3,233)
Allowance for:		
Slow-moving and obsolete inventories	–	(1,742)
Doubtful debts of trade receivables	–	(805)
Rental of premises payable to third parties	–	(1,723)
Finance costs:		
Interest expense on bank overdrafts and other borrowings	–	(918)
Hire-purchase	–	(12)
Property, plant and equipment written off	–	(140)
Auditors' remuneration:		
Statutory audit:		
Current year	–	(66)
Underprovision in prior year	–	(21)
Non-statutory audit	–	(3)
Hire of plant and machinery	–	(27)

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 2012 RM'000	The Group 2011 RM'000
Non-Current Assets		
Property, plant and equipment	–	307,251
Prepaid land lease payments	–	8,430
Current Assets		
Inventories	–	98,087
Trade and other receivables	–	117,377
Tax recoverable	–	41
Fixed deposits, cash and bank balances	–	75,846
Non-Current and Deferred liabilities		
Hire-purchase payables	–	(52)
Deferred tax liabilities	–	(7,791)
Current Liabilities		
Trade and other payables	–	(184,898)
Tax liabilities	–	(941)
Bank borrowings and hire-purchase payables	–	(12,434)
	–	400,916
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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
From continuing operations				
Estimated tax payable:				
Current	**15,154**	13,326	**2,198**	3,923
(Over)/Underprovision in prior years	**(126)**	(94)	**(175)**	24
	15,028	13,232	**2,023**	3,947
Deferred tax (Note 20):				
Current	**(128)**	194	**–**	–
(Over)/Underprovision in prior years	**(297)**	417	**–**	–
	(425)	611	**–**	–
Total tax expense relating to continuing operations	**14,603**	13,843	**2,023**	3,947
From discontinued operations				
Estimated tax payable:				
Current	**–**	–	**–**	–
Overprovision in prior years	**–**	(41)	**–**	–
	–	(41)	**–**	–
Deferred tax (Note 20)	**–**	3,908	**–**	–
Total tax expense relating to discontinued operations (Note 8)	**–**	3,867	**–**	–
Total tax expense	**14,603**	17,710	**2,023**	3,947

9. INCOME TAX EXPENSE (continued)

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax:				
Continuing operations	**25,078**	38,993	**36,469**	231,274
Discontinued operations	**–**	177,629	**–**	–
	25,078	216,622	**36,469**	231,274
Tax at applicable tax rate of 25% (25% in 2011)	**6,270**	54,155	**9,117**	57,819
Tax effects of:				
Non-deductible expenses	**16,236**	18,801	**11,218**	1,150
Non-taxable items	**(8,270)**	(47,890)	**(18,137)**	(55,046)
Deferred tax assets not recognised	**1,044**	91	**–**	–
Realisation of deferred tax assets previously not recognised	**(254)**	(7,729)	**–**	–
(Over)/Underprovision in prior years:				
Current tax	**(126)**	(135)	**(175)**	24
Deferred tax	**(297)**	417	**–**	–
	14,603	17,710	**2,023**	3,947

As of 30 June 2012, the Company has the following tax exempt accounts:

	The Company	
	2012 RM'000	2011 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	**273,422**	225,579
	281,001	233,158

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	
	2012	**2011**
	RM'000	**RM'000**
Profit attributable to owners of the Company:		
From continuing operations	**2,762**	59,795
From discontinued operations	**–**	147,842
	2,762	207,637

	2012	**2011**
	'000	**'000**
Weighted average number of ordinary shares:		
Number of shares issued at beginning of year	**231,572**	231,342
Effect of the exercise of ESOS	**–**	199
	231,572	231,541

	2012	**2011**
Basic earnings per share (sen):		
From continuing operations	**1.19**	25.82
From discontinued operations	**–**	63.85
	1.19	89.67

10. EARNINGS PER ORDINARY SHARE (continued)

Diluted

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Profit attributable to owners of the Company:		
From continuing operations	**2,762**	59,795
From discontinued operations	**–**	147,842
	2,762	207,637

	2012	**2011**
	'000	**'000**
Weighted average number of ordinary shares in issue	**231,572**	231,541

	2012	**2011**
Diluted earnings per share (sen):		
From continuing operations	**1.19**	25.82
From discontinued operations	**–**	63.85
	1.19	89.67

The basic and diluted earnings per share are the same for 2012 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

11. DIVIDENDS

	The Group and The Company	
	2012	**2011**
	RM'000	**RM'000**
In respect of financial year ended 30 June 2010:		
First and final dividend of 2 sen, tax exempt	**–**	4,632
In respect of financial year ended 30 June 2011:		
Special dividend of 20 sen, less 25% tax	**–**	34,736
Special dividend of 10 sen, tax exempt	**–**	23,157
Final dividend of 3 sen, less 25% tax	**5,210**	–
In respect of financial year ended 30 June 2012:		
Interim dividend of 10 sen, tax exempt	**23,157**	–
	28,367	62,525

The Directors proposed a final dividend of 2.0 sen per ordinary share, tax exempt, amounting to RM4.6 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	COST As of 1 July 2010 RM'000	Currency translation differences RM'000	Additions RM'000	Disposals RM'000	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

The Group	COST As of 1 July 2011 RM'000	Additions RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2012 RM'000
Freehold land	**4,777**	**–**	**–**	**–**	**4,777**
Freehold buildings	**6,706**	**110**	**(447)**	**–**	**6,369**
Long leasehold buildings	**–**	**–**	**–**	**–**	**–**
Plant and machinery	**13,463**	**1,215**	**(1,507)**	**–**	**13,171**
Office equipment	**1,049**	**44**	**(27)**	**–**	**1,066**
Furniture and fittings	**11,392**	**5**	**(39)**	**–**	**11,358**
Motor vehicles	**2,410**	**517**	**(508)**	**–**	**2,419**
Prime movers and trailers	**31,697**	**–**	**–**	**–**	**31,697**
Office renovation	**726**	**–**	**(27)**	**–**	**699**
Computer equipment	**2,014**	**289**	**(71)**	**(17)**	**2,215**
Chiller max equipment	**105**	**–**	**–**	**–**	**105**
Capital work-in-progress	**–**	**–**	**–**	**–**	**–**
	74,339	**2,180**	**(2,626)**	**(17)**	**73,876**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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
	ACCUMULATED DEPRECIATION						
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

The Group	**As of 1 July 2011 RM'000**	**Charge for the year RM'000**	**Disposals RM'000**	**Write-off RM'000**	**As of 30 June 2012 RM'000**
	ACCUMULATED DEPRECIATION				
Freehold land	**–**	**–**	**–**	**–**	**–**
Freehold buildings	**1,805**	**126**	**–**	**–**	**1,931**
Long leasehold buildings	**–**	**–**	**–**	**–**	**–**
Plant and machinery	**10,377**	**1,097**	**(1,385)**	**–**	**10,089**
Office equipment	**957**	**58**	**(27)**	**–**	**988**
Furniture and fittings	**11,292**	**8**	**(39)**	**–**	**11,261**
Motor vehicles	**1,698**	**216**	**(472)**	**–**	**1,442**
Prime movers and trailers	**14,330**	**1,892**	**–**	**–**	**16,222**
Office renovation	**726**	**–**	**(27)**	**–**	**699**
Computer equipment	**1,327**	**263**	**(70)**	**(15)**	**1,505**
Chiller max equipment	**46**	**21**	**–**	**–**	**67**
Capital work-in-progress	**–**	**–**	**–**	**–**	**–**
	42,558	**3,681**	**(2,020)**	**(15)**	**44,204**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES As of 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/ 1 July 2011 RM'000	Charge for the year RM'000	As of 30 June 2012 RM'000	NET BOOK VALUE As of 30 June 2012 RM'000	As of 30 June 2011 RM'000
Freehold land	–	–	–	–	**–**	**–**	**–**	**4,777**	4,777
Freehold buildings	–	–	–	–	**–**	**–**	**–**	**4,438**	4,901
Long leasehold buildings	–	–	–	–	**–**	**–**	**–**	**–**	–
Plant and machinery	23,298	1,818	(5)	(25,111)	**–**	**–**	**–**	**3,082**	3,086
Office equipment	–	–	–	–	**–**	**–**	**–**	**78**	92
Furniture and fittings	–	18	–	(18)	**–**	**–**	**–**	**97**	100
Motor vehicles	–	–	–	–	**–**	**–**	**–**	**977**	712
Prime movers and trailers	3,216	–	–	–	**3,216**	**–**	**3,216**	**12,259**	14,151
Office renovation	–	–	–	–	**–**	**–**	**–**	**–**	–
Computer equipment	–	–	–	–	**–**	**–**	**–**	**710**	687
Chiller max equipment	–	–	–	–	**–**	**–**	**–**	**38**	59
Capital work-in-progress	–	1,397	–	(1,397)	**–**	**–**	**–**	**–**	–
	26,514	3,233	(5)	(26,526)	**3,216**	**–**	**3,216**	**26,456**	28,565

The Company	As of 1 July 2010 RM'000	Addition RM'000	Disposal RM'000	COST As of 30 June 2011/ 1 July 2011 RM'000	Addition RM'000	Disposals RM'000	As of 30 June 2012 RM'000
Freehold land	4,777	–	–	**4,777**	**–**	**–**	**4,777**
Office equipment	262	–	–	**262**	**–**	**–**	**262**
Furniture and fittings	392	–	–	**392**	**–**	**–**	**392**
Motor vehicles	461	379	–	**840**	**–**	**(143)**	**697**
Office renovation	256	–	–	**256**	**–**	**–**	**256**
Computer equipment	288	–	(21)	**267**	**10**	**(5)**	**272**
	6,436	379	(21)	**6,794**	**10**	**(148)**	**6,656**

The Company	ACCUMULATED DEPRECIATION As of 1 July 2010 RM'000	Charge for the year RM'000	Disposal RM'000	As of 30 June 2011/ 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2012 RM'000	NET BOOK VALUE As of 30 June 2012 RM'000	As of 30 June 2011 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	262	–	–	**262**	**–**	**–**	**262**	**–**	–
Furniture and fittings	391	1	–	**392**	**–**	**–**	**392**	**–**	–
Motor vehicles	461	5	–	**466**	**75**	**(143)**	**398**	**299**	374
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–
Computer equipment	288	–	(21)	**267**	**2**	**(5)**	**264**	**8**	–
	1,658	6	(21)	**1,643**	**77**	**(148)**	**1,572**	**5,084**	5,151

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Motor vehicles	**876**	531	**299**	374
Prime movers and trailers	**8,687**	10,065	**–**	–
	9,563	10,596	**299**	374

As of 30 June 2012, certain freehold land and buildings of the Group with net book values totalling RM9,216,000 (RM9,232,000 in 2011) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 33.

13. INVESTMENT PROPERTIES

	The Group and The Company	
	2012 RM'000	2011 RM'000
Cost:		
At beginning and end of year	**1,638**	1,638
Accumulated depreciation:		
At beginning of year	**362**	333
Charge for the year	**29**	29
At end of year	**391**	362
Net book value	**1,247**	1,276
Fair value	**1,365**	1,225

The rental income earned by the Company from the investment properties amounted to RM7,000 (RM7,000 in 2011). Direct operating expenses pertaining to the investment properties of the Company that generated rental income during the year amounted to RM500 (RM500 in 2011).

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 RM12,000 (RM13,000 in 2011).

The fair value of the investment properties is 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 are based on current prices in an active market for the properties.

As of 30 June 2012, certain freehold land and buildings and long leasehold buildings of the Company included as part of investment properties with net book value totalling RM1,196,000 (RM1,225,000 in 2011) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 33.

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Cost:		
At beginning of year	**–**	9,880
Currency translation differences	**–**	(122)
Effect of discontinued operations	**–**	(9,758)
At end of year	**–**	–
Cumulative amortisation:		
At beginning of year	**–**	1,219
Currency translation differences	**–**	(9)
Amortisation for the year	**–**	118
Effect of discontinued operations	**–**	(1,328)
At end of year	**–**	–
Net book value	**–**	–

Prepaid land lease payments which were disposed of during the previous 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 were amortised over the lease terms of the land/rights.

15. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2012	**2011**
	RM'000	**RM'000**
Unquoted shares - at cost	**24,806**	23,144
Deemed capital contribution	**9,127**	9,127
	33,933	32,271
Less: Accumulated impairment losses	**(800)**	(800)
Net	**33,133**	31,471

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, is unsecured 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 6.2% (1% to 8% in 2011) per annum.

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Amount owing to subsidiary companies consists of:

	The Company 2012 RM'000	The Company 2011 RM'000
Advances	**284,604**	228,331
Long-term loan	**12,908**	12,359
	297,512	240,690
Less : Amount due within 12 months (shown under current liabilities)	**(285,531)**	(229,068)
Non-current portion	**11,981**	11,622

The amount owing to subsidiary companies amounting to RM104,290,000 (RM179,864,000 in 2011) are interest-free (interest-free in 2011) and are repayable on demand.

Amount owing to subsidiary companies amounting to RM193,222,000 (RM60,826,000 in 2011) 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 2012 %	The Company 2011 %
Advances	**5.00**	5.00
Long-term loan	**1.00**	1.00

The discounted long-term loan of RM12.0 million (RM11.6 million in 2011), at a principal sum of RM18.2 million (RM18.2 million in 2011), 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 currency exposure profile of amount owing to subsidiary companies is as follows:

	The Company 2012 RM'000	The Company 2011 RM'000
Ringgit Malaysia	**296,947**	239,463
United States Dollar	**565**	1,227
	297,512	240,690

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Harta Impiana Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
LFIB Plantations Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion AMB Resources Berhad #	Malaysia	**88.44**	87.22	Investment holding
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
Ototek Sdn Bhd	Malaysia	**70.00**	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim EMS Sdn Bhd	Malaysia	**80.00**	80.00	Provision of energy management and conservation services
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
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services
Harapan Permai Sdn Bhd # (under members voluntary winding-up)	Malaysia	**100.00**	–	Dormant
Quay Class Ltd ^ (strike off)	British Virgin Islands	**–**	100.00	Dormant

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
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 ("BVI Companies")				
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	–	Investment holding

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Subsidiary companies of Harta Impiana Sdn Bhd ("BVI Companies")				
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Superb Harvest Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	–	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	–	Investment holding

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Elite Image (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Subsidiary companies of BVI Companies				
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Jade Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^	Cambodia	**100.00**	–	Investment and development in agriculture

15. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
Subsidiary companies of Lion AMB Resources Berhad				
AMB Aerovest Limited ^	British Virgin Islands	**88.44**	87.22	Investment holding
AMB Harta (L) Limited	Malaysia	**88.44**	87.22	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**88.44**	87.22	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	**88.44**	87.22	Investment holding
Chrome Marketing Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Innovasi Istimewa Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Innovasi Selaras Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Lion Rubber Industries Pte Ltd #	Singapore	**54.83**	54.08	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Range Grove Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Seintasi Sdn Bhd #	Malaysia	**88.44**	87.22	Investment holding
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**88.44**	87.22	Provision of management services
Lion AMB Holdings Pte Ltd #	Singapore	**70.75**	69.78	Investment holding
CEDR Corporate Consulting Sdn Bhd #	Malaysia	**88.44**	87.22	Provision of training services
Willet Investment Pte Ltd #	Singapore	**88.44**	66.29	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 2011) 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 33.

15. **INVESTMENT IN SUBSIDIARY COMPANIES** (continued)

Acquisition of subsidiary companies

(i) During the current financial year, the Group completed the following acquisitions:

(a) Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of the Company, subscribed for one ordinary share of USD1.00 each in 20 companies in the British Virgin Islands ("BVI Companies") to hold investment in Cambodian companies ("Cambodian Companies"). Consequent thereupon, these BVI Companies became wholly-owned subsidiary companies of the Group.

During the financial year, 23 Cambodian Companies were incorporated by the 18 BVI Companies acquired during the financial year and the 5 BVI Companies acquired in the previous financial year to undertake the Proposed Acquisition of Land. Consequent thereupon, these Cambodian Companies became wholly-owned subsidiary companies of the Group.

(b) The Company had on 27 February 2012 completed the acquisition of the entire issued and paid-up capital of Harapan Permai Sdn Bhd ("Harapan Permai"). Consequently, Harapan Permai became a wholly-owned subsidiary company of the Company.

(ii) During the previous financial year, the Group completed the following acquisitions:

(a) 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.

(b) Harta Impiana had on 23 March 2011 subscribed for one ordinary share of USD1.00 each in two BVI Companies and on 12 April 2011 in another three BVI Companies. Consequent thereupon, these five BVI Companies became wholly-owned subsidiary companies of the Group.

The fair values of the assets acquired and the liabilities assumed, and the post acquisition results of the above subsidiary companies are not material to the Group.

Disposal of subsidiary companies

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

(i) On 21 October 2010, Lion AMB Resources 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.

(ii) 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.

(iii) The Group had on 12 April 2011 entered into a Conditional Share and Receivable Transfer Agreement with Toyo Tire to dispose of its 75% equity interest in Shandong Silverstone for a cash consideration of USD21.6 million (equivalent to RM65.3 million). The Group had on 29 June 2011 completed the said disposal and 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.

16. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2012 RM'000	The Group 2011 RM'000
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investments	**19,566**	75,726
	103,052	159,212
Share of post-acquisition results less dividends received	**(28,236)**	(73,277)
	74,816	85,935
Market value of quoted investment outside Malaysia	**67,554**	76,651

The associated companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Associated companies of Lion AMB Resources Berhad				
Hunan Changfa Automobile Engine Co Ltd #	People's Republic of China	**44.22**	43.61	Manufacture of automotive engine
Lion Asiapac Limited #	Singapore	**32.44**	31.99	Investment holding
Renor Pte Ltd (formerly known as Lion Asia Investment Pte Ltd) #	Singapore	**17.69**	17.44	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd #	Malaysia	**17.69**	17.44	Investment holding
Nanjing Jincheng Machinery Co Ltd #	People's Republic of China	–	33.54	Manufacture of motorcycles

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 companies

(a) 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 ("Nanjing Jincheng") for a cash consideration of RMB120 million (equivalent to RM58.82 million). The said proposed disposal has been completed on 30 December 2011 and thereafter, Nanjing Jincheng ceased to be an associated company of the Group.

(b) 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	
	2012 RM'000	**2011 RM'000**
Revenue	**256,326**	830,565
Profit/(Loss) for the year	**24,731**	(7,732)
Current assets	**370,100**	686,539
Non-current assets	**100,295**	298,427
Current liabilities	**(174,606)**	(529,006)
Non-current liabilities	**(10,343)**	(6,683)
Net assets	**285,446**	449,277

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 RM45,662,000 (RM45,097,000 in 2011) and RM565,000 (RM680,000 in 2011) respectively.

Amount owing by an associated company is as follows:

	The Group	
	2012 RM'000	**2011 RM'000**
Amount owing by an associated company	**1,606**	1,606
Less: Allowance for doubtful debts	**(1,606)**	(1,606)
Net	**–**	–

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

	The Group	
	2012 RM'000	**2011 RM'000**
Movement in the allowance for doubtful debts		
At beginning of year	**1,606**	–
Provision during the year	**–**	1,606
At end of year	**1,606**	1,606

17. OTHER INVESTMENTS

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
Ordinary shares	**11,526**	53	**15**	15
Warrants	**272**	612	**–**	–
Quoted investments outside Malaysia	**121**	118	**–**	–
	11,919	783	**15**	15
At cost:				
Unquoted investments	**881**	20,612	**3**	3
	12,800	21,395	**18**	18
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**53,398**	53,398	**–**	–
Less: Accumulated impairment losses	**(47,586)**	(47,586)	**–**	–
	5,812	5,812	**–**	–
Redeemable within one year (Note 23)	**(5,812)**	(5,812)	**–**	–
	–	–	**–**	–
Loans and receivables				
At amortised cost:				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**16,951**	19,987	**–**	–
Redeemable within one year (Note 23)	**(4,761)**	(6,191)	**–**	–
	12,190	13,796	**–**	–
Total	**24,990**	35,191	**18**	18
Market value of quoted investments:				
In Malaysia	**11,798**	665	**15**	15
Outside Malaysia	**121**	118	**–**	–

17. OTHER INVESTMENTS (continued)

(a) Investment in unquoted bonds and RCSLS of the Group bears yield-to-maturity at 4.75% (4.75% in 2011) per annum and coupon rate of 7.00% (7.00% in 2011) per annum respectively.

(b) Included in unquoted investments of the Group in the previous financial year was an amount of RM19,733,000, representing 25% of the equity interest held by the Group in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone"). The Group did not exercise significant influence over Shandong Silverstone as of 30 June 2011.

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.

On 30 May 2012, Toyo Tire exercised its call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone for a cash consideration of USD6,884,610 (equivalent to RM21,989,000). The said disposal is expected to be completed within 12 months from 30 May 2012. Accordingly, the abovementioned investment has been classified as non-current assets held for sale as disclosed in Note 26.

(c) Included in quoted investments of the Group is an amount of RM11,462,000, representing quoted shares held in Lion Corporation Berhad ("LCB Shares") by the Group, being settlement of trade receivables totalling RM35,268,589, due by Megasteel Sdn Bhd ("Megasteel"), by way of a Scheme of Arrangement under Section 176 of the Companies Act, 1965 between Megasteel and its scheme creditors where 35,268,589 LCB shares of RM1.00 each were allotted to the Group at the fair value of RM0.80 per share on 5 March 2012. As of 30 June 2012, a decline in fair value amounting to RM16,753,000 was recognised in the fair value reserve based on quoted market price at the end of the reporting period. As the decline in fair value is significant, the cumulative loss was reclassified to profit or loss.

18. INTANGIBLE ASSETS

	The Group 2012 RM'000	The Group 2011 RM'000
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation:		
At beginning and end of year	**(196)**	(196)
Accumulated impairment losses:		
At beginning and end of year	**(304)**	(304)
	–	–

19. GOODWILL ON CONSOLIDATION

	The Group 2012 RM'000	The Group 2011 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 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
At beginning of year	**(741)**	(4,013)	**(280)**	(280)
Transfer from/(to) profit or loss (Note 9):				
Property, plant and equipment	**409**	(27,655)	**–**	–
Inventories	**8**	13	**–**	–
Other payables and accrued expenses	**8**	1,154	**–**	–
Unused tax losses and unabsorbed capital allowances	**–**	21,969	**–**	–
	425	(4,519)	**–**	–
Effect of discontinued operations	**–**	7,791	**–**	–
At end of year	**(316)**	(741)	**(280)**	(280)

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

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		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred tax assets	**766**	680	**–**	–
Deferred tax liabilities	**(1,082)**	(1,421)	**(280)**	(280)
	(316)	(741)	**(280)**	(280)

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred tax assets				
Temporary differences arising from:				
Inventories	**105**	97	**–**	–
Other payables and accrued expenses	**1,051**	1,043	**–**	–
	1,156	1,140	**–**	–
Offsetting	**(390)**	(460)	**–**	–
Deferred tax assets (after offsetting)	**766**	680	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**1,454**	1,863	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	1,472	1,881	**280**	280
Offsetting	**(390)**	(460)	**–**	–
Deferred tax liabilities (after offsetting)	**1,082**	1,421	**280**	280

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

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 2012, 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	
	2012	**2011**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	**33**	43
Others	**612**	612
Unused tax losses and unabsorbed capital allowances	**6,102**	2,934
	6,747	3,589

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 COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

Amount owing by other related companies of the Company arose mainly from expenses paid on behalf and unsecured advances which bears interest at 6.20% (8.00% in 2011) per annum.

As of 30 June 2012, 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, RM242,953,000 (RM242,065,000 in 2011) is due by two related companies, which constitutes approximately 99% (96% in 2011) of the Group's amount owing by other related companies.

Amount owing to ultimate holding company in 2011, represented expenses paid on behalf and unsecured advances, was interest-free and repayable on demand.

Amount owing to other related companies is interest-free (interest-free in 2011) and repayable on demand.

21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

Name of Companies	Nature	The Company 2012 RM'000	2011 RM'000
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**74,308**	63,668
	Interest income on advances	**8**	8
	Rental income	**4**	4
Posim Petroleum Marketing Sdn Bhd	Interest expense on advances	**–**	32
	Interest income on advances	**27**	–
Posim EMS Sdn Bhd	Rental income	**3**	3
	Interest income on advances	**245**	225
Lion Petroleum Products Sdn Bhd	Rental expenses	**19**	19
Singa Logistics Sdn Bhd	Interest income on advances	**321**	246
Intra Inspirasi Sdn Bhd	Interest expense on advances	**549**	1,354
LFIB Plantations Sdn Bhd	Interest income on advances	**359**	359
Lion AMB Resources Berhad	Interest expense on advances	**5,727**	1,370

21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
With ultimate holding company:					
Lion Industries Corporation Berhad	Interest income on advances	–	806	–	806
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**166,907**	229,452	–	–
	Provision of transportation services	**3,632**	4,548	–	–
	Provision of training services	**122**	40	–	–
	Interest income on advances	–	69	–	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**6,892**	8,658	**6,892**	8,658
Antara Steel Mills Sdn Bhd	Trade sales	**516**	262	–	–
	Trade purchases	–	15,193	–	–
	Provision of transportation services	**944**	761	–	–
Amsteel Mills Marketing Sdn Bhd	Trade sales	–	4	–	–
	Trade purchases	**105,362**	69,770	–	–

21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2012 RM'000	2011 RM'000
With related parties			
Megasteel Sdn Bhd	Trade sales	**150,205**	96,908
	Trade purchases	**68,828**	168,548
	Provision of transportation services	**9,736**	7,627
	Provision of training services	**123**	61
Lion DRI Sdn Bhd	Trade sales	**248,240**	191,385
	Trade purchases	**3,999**	5,979
Parkson Corporation Sdn Bhd	Trade sales	**1,353**	1,347
	Provision of training services	**109**	27
Lion Plate Mills Sdn Bhd	Trade sales	**6,547**	4,137
	Provision of transportation services	**361**	385
Lion Titco Resources Sdn Bhd	Trade sales	**1,075**	–
Panareno Sdn Bhd	Trade sales	**167**	3,487
Bright Steel Service Centre Sdn Bhd	Trade sales	**9**	1,501
Lion Holdings Private Limited	Trade purchases	**19,002**	28,565
Graimpi Sdn Bhd	Interest income	**5,524**	–

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 with such Directors and/or substantial shareholders, have interests.

21. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Receivables:				
Included in trade receivables	**304,707**	186,131	**–**	–
Included in other receivables	**149,045**	12,077	**–**	28
Payables:				
Included in trade payables	**5,326**	2,274	**–**	–
Included in other payables	**19**	49	**–**	–

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fees				
Executive Director	**20**	20	**20**	20
Non-executive Directors	**185**	202	**173**	190
	205	222	**193**	210
Salaries and other emoluments				
Executive Director	**356**	314	**356**	314
	561	536	**549**	524

22. INVENTORIES

	The Group	
	2012 RM'000	2011 RM'000
Finished goods	**77**	62
Raw materials	**4,940**	5,726
Trading merchandise	**34,548**	58,517
Others	**1,242**	1,693
	40,807	65,998
Less: Allowance for slow-moving and obsolete inventories	**(1,291)**	(1,235)
Net	**39,516**	64,763

23. OTHER INVESTMENTS

	The Group	
	2012 RM'000	2011 RM'000
Held-to-maturity investment		
At amortised cost:		
Unquoted bonds, redeemable within one year (Note 17)	**5,812**	5,812
Loans and receivables		
At amortised cost:		
RCSLS, redeemable within one year (Note 17)	**4,761**	6,191
	10,573	12,003

24. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables	**410,405**	286,568	**4,375**	4,378
Less: Allowance for doubtful debts	**(9,258)**	(7,448)	**(347)**	(347)
Net	**401,147**	279,120	**4,028**	4,031

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 2011). 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 RM177,671,000 and RM4,028,000 (RM142,963,000 and RM4,031,000 in 2011) 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 2012, the Group has trade receivables of RM205,367,000 and RM91,592,000 (RM124,973,000 and RM59,611,000 in 2011) due by two related parties, Megasteel Sdn Bhd ("Megasteel") and Lion DRI Sdn Bhd ("Lion DRI") respectively, which constitute approximately 72% (64% in 2011) of the Group's trade receivables, of which RM154,716,000 (RM92,754,000 in 2011) owing by Megasteel is past due but not impaired.

During the financial year, Megasteel has implemented a settlement scheme to settle its outstanding trade amount. The Group's trade receivables totalling RM35,268,589 due by Megasteel, had been settled by way of a Scheme of Arrangement under Section 176 of the Companies Act, 1965 between Megasteel and its scheme creditors including the Group.

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

(a) Trade receivables (continued)

Currently, Megasteel is working with an independent consultant and authorities to conduct a study on turnaround action plans. Megasteel has also entered into discussions with various interested third party investors to inject new working capital into Megasteel via additional issuance of share capital. Management believes Megasteel is making its best efforts to realise the action plans and will be able to continue in operational existence for the foreseeable future, thus, is of the opinion that the amount owing by Megasteel is not impaired.

On 19 September 2012, the outstanding balance of RM91,514,000 due by Lion DRI as of 30 June 2012 has been novated to a related party, Graimpi Sdn Bhd via a settlement arrangement. The said amount bears interest at 8.85% per annum and repayable by 12 monthly instalments commencing from 31 October 2012.

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

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Neither past due nor impaired	**223,476**	136,157	**–**	–
Past due but not impaired	**177,671**	142,963	**4,028**	4,031
Past due and impaired	**9,258**	7,448	**347**	347
	410,405	286,568	**4,375**	4,378
Aging of past due but not impaired				
1 to 30 days	**56,137**	1,244	**–**	–
31 to 60 days	**17,681**	55,732	**–**	–
61 to 90 days	**17,601**	49,423	**–**	–
More than 90 days	**86,252**	36,564	**4,028**	4,031
	177,671	142,963	**4,028**	4,031
Movement in the allowance for doubtful debts				
At beginning of year	**7,448**	8,081	**347**	939
Allowance during the year	**4,359**	3,875	**–**	–
Allowance no longer required	**(509)**	(672)	**–**	(156)
Write off during the year	**(2,040)**	(3,031)	**–**	(436)
Effect of discontinued operations	**–**	(805)	**–**	–
At end of year	**9,258**	7,448	**347**	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.

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

(b) Other receivables and prepayments

Other receivables and prepayments consist of:

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Other receivables	**172,202**	141,099	**2,831**	2,832
Deposits	**45,970**	3,955	**67**	70
Prepaid expenses	**1,932**	1,858	**165**	295
	220,104	146,912	**3,063**	3,197

(i) Included in other receivables of the Group are amounts of:

- RM130,133,000 due by a related party, Graimpi Sdn Bhd ("Graimpi"), which arose from a novation of debts from trade receivables due by Lion DRI Sdn Bhd during the financial year. The said amount bears interest at 8.85% per annum and repayable by 12 monthly instalments commencing from 31 March 2012.

  Graimpi undertakes to dispose of a sufficient number of its quoted investments and utilise the sales proceeds to meet the outstanding monthly instalments, in the event Graimpi fails to meet its obligation to the Group;

- RM11,100,000 (RM123,917,000 in 2011) receivable from Toyo Tire & Rubber Co Ltd in respect of the settlement of intercompany debts. Included in 2011 were sales proceeds receivable from the disposal of the 75% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd); and

- RM7,054,000 (RMNil in 2011) receivable from Megasteel Sdn Bhd by 31 December 2012, representing deferred cash payment from a settlement scheme implemented to settle its outstanding trade amount.

(ii) Included in deposits of the Group are amounts totalling RM44,838,000 (RM2,433,000 in 2011) paid by subsidiary companies for purchase of land in Cambodia.

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

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Ringgit Malaysia	**161,721**	20,214	**3,063**	3,197
United States Dollar	**47,283**	111,311	**–**	–
Chinese Renminbi	**11,100**	15,039	**–**	–
Others	**–**	348	**–**	–
	220,104	146,912	**3,063**	3,197

25. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed deposits with licensed banks:				
Restricted	**125,756**	337,666	**123,083**	328,544
Unrestricted	**107,149**	136,313	**74,577**	8,506
	232,905	473,979	**197,660**	337,050
Cash and bank balances:				
Restricted	**39,775**	1,615	**1,613**	1,615
Unrestricted	**24,075**	22,001	**790**	1,029
	63,850	23,616	**2,403**	2,644
	296,755	497,595	**200,063**	339,694

Included in fixed deposits with licensed banks, and cash and bank balances of the Group and of the Company are amounts totalling RM165,531,000 (RM339,281,000 in 2011) and RM124,696,000 (RM330,159,000 in 2011), 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 35.

(ii) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 33.

(iii) Acquisition of land in Cambodia.

Fixed deposits with licensed banks earn interest at rates ranging from 1.35% to 3.15% (1.15% to 2.85% in 2011) per annum and have maturity periods ranging from 1 to 138 days (1 to 138 days in 2011).

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	**248,140**	492,299	**200,063**	339,694
United States Dollar	**40,798**	2,734	**–**	–
Chinese Renminbi	**7,548**	2,295	**–**	–
Indonesia Rupiah	**269**	267	**–**	–
	296,755	497,595	**200,063**	339,694

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. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group 2012 RM'000	The Group 2011 RM'000
At fair value:		
Investment in unquoted shares	**21,989**	–

On 30 May 2012, Toyo Tire & Rubber Co, Ltd ("Toyo Tire") exercised its call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) for a cash consideration of USD6,884,610 (equivalent to RM21,989,000). The said disposal is expected to be completed within 12 months from 30 May 2012. Accordingly, the abovementioned investment has been classified as non-current assets held for sale.

27. SHARE CAPITAL

	The Group and The Company 2012 RM'000	The Group and The Company 2011 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:		
231,571,732 as of 1 July 2011;		
231,341,632 as of 1 July 2010	**231,572**	231,342
Issued during the year:		
230,100 in 2011	**–**	230
At end of year:		
231,571,732 as of 30 June 2012 and 2011	**231,572**	231,572

During the previous 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 had 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 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.

27. SHARE CAPITAL (continued)

ESOS exercised during the previous financial year were as follows:

	The Group and The Company	
	2012 RM'000	2011 RM'000
Ordinary share capital - at par	–	230,100
Share premium	–	28,164
Proceeds received on exercise of share options	–	258,264
Fair value at exercise dates of shares issued	–	341,766

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

The main features of the 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 ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the 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 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 and non-executive Directors, and senior management; and

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

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

(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.

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

28. RESERVES

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:				
Share premium	**689,330**	689,330	**689,330**	689,330
Translation adjustment account	**9,755**	(17,281)	**–**	–
Capital reserve	**264**	264	**264**	264
Capital redemption reserve	**9**	9	**–**	–
Fair value reserve	**2,617**	212	**–**	–
	701,975	672,534	**689,594**	689,594
Distributable reserve				
Retained earnings/ (Accumulated losses)	**273,656**	315,512	**(163,991)**	(170,070)
	975,631	988,046	**525,603**	519,524

Share premium

Share premium arose from the premium on the issuance of new ordinary shares in 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 differences arising from the translation of foreign subsidiary and associated companies are taken to the translation adjustment account as described in the accounting policies.

Capital reserve

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

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.

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

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Issued and fully paid:		
At beginning of year	**129**	137
Acquired by the Group from third parties	**(5)**	(8)
At end of year	**124**	129
Share premium:		
At beginning of year	**12,704**	13,535
Acquired by the Group from third parties	**(440)**	(831)
At end of year	**12,264**	12,704
	12,388	12,833

A subsidiary company, Lion AMB Resources 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 59.48% (58.03% in 2011) 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.

(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.

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

(vii) Save and except that the RCCPS shall rank in priority to all other classes of shares in 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) any of the RCCPS holders of Lion AMB.

30. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total outstanding	**4,111**	6,108	**357**	420
Less: Interest-in-suspense	**(279)**	(519)	**(51)**	(60)
Principal portion	**3,832**	5,589	**306**	360
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**2,364**	2,322	**55**	27
After the next 12 months	**1,468**	3,267	**251**	333
	3,832	5,589	**306**	360

The interest rates implicit in these hire-purchase obligations range from 2.47% to 5.55% (2.47% to 5.55% in 2011) per annum.

31. 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 2011).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Ringgit Malaysia	**37,400**	73,194	**10,865**	11,095
United States Dollar	**4,176**	325	**–**	–
	41,576	73,519	**10,865**	11,095

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Other payables	**17,926**	14,631	**26**	27
Accrued expenses	**24,522**	23,248	**5,208**	5,312
	42,448	37,879	**5,234**	5,339

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

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Ringgit Malaysia	**38,242**	33,597	**5,234**	5,339
Chinese Renminbi	**3,326**	3,107	**–**	–
Singapore Dollar	**880**	1,175	**–**	–
	42,448	37,879	**5,234**	5,339

32. PROVISION

	The Group and The Company	
	2012	**2011**
	RM'000	**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. In its statement of claim, UNP has claimed for an amount of RM128,874,435 or damages to be assessed 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 amount claimed in the statement of claim by UNP is disclosed as contingent liabilities in Note 35.

33. BANK BORROWINGS

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Unsecured		
Bankers acceptances, trust receipts and bills payable	**3,954**	3,667

As of 30 June 2012, the Company has unutilised bank overdraft and other credit facilities totalling RM500,000 (RM500,000 in 2011) obtained from certain local banks, which bear interest at rates ranging from 4.47% to 5.72% (4.09% to 8.00% in 2011) 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 Corporate Guarantees of RM3,954,000 (RM3,667,000 in 2011) to financial institutions for the granting of credit facilities to certain subsidiary companies. The facilities bear interest at rates ranging from 4.47% to 5.72% (4.09% to 8.00% in 2011) per annum.

34. 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 2011.

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		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Debt (i)	**20,174**	22,089	**306**	360
Equity (ii)	**1,239,626**	1,248,739	**757,175**	751,096
Debt to equity ratio	**1.63%**	1.77%	**0.04%**	0.05%

(i) Debt is defined as RCCPS, hire-purchase payables and bank borrowings as disclosed in Notes 29, 30 and 33 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.

34. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Financial assets				
Available-for-sale investments	**12,800**	21,395	**18**	18
Held-to-maturity investments	**5,812**	5,812	**–**	–
Loans and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	**16,951**	19,987	**–**	–
Trade receivables	**401,147**	279,120	**4,028**	4,031
Other receivables and refundable deposits	**173,334**	142,621	**2,898**	2,902
Amount owing by subsidiary companies	**–**	–	**725,749**	533,396
Amount owing by other related companies	**245,720**	252,935	**114,626**	107,733
Fixed deposits, cash and bank balances	**296,755**	497,595	**200,063**	339,694
Financial liabilities				
At amortised cost:				
Redeemable cumulative convertible preference shares	**12,388**	12,833	**–**	–
Hire-purchase payables	**3,832**	5,589	**306**	360
Trade payables	**41,576**	73,519	**10,865**	11,095
Other payables and accrued expenses	**42,448**	37,879	**5,234**	5,339
Amount owing to ultimate holding company	**–**	707	**–**	–
Amount owing to subsidiary companies	**–**	–	**297,512**	240,690
Amount owing to other related companies	**1,280**	76	**37**	69
Bank borrowings	**3,954**	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.

34. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currency of United States Dollar.

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 currency. 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 rate. 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.

	The Group		**The Company**	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**172**	(9,868)	**(57)**	(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 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 33. The interest rates of hire-purchase payables, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Note 30.

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.

34. FINANCIAL INSTRUMENTS (continued)

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 on going 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 2012, 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.

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.

34. FINANCIAL INSTRUMENTS (continued)

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 2012	**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	**41,576**	**–**	**–**	**–**	**41,576**	**–**
Other payables and accrued expenses	**42,448**	**–**	**–**	**–**	**42,448**	**–**
Amount owing to other related companies	**1,280**	**–**	**–**	**–**	**1,280**	**–**
	85,304	**–**	**–**	**–**	**85,304**	
Interest bearing:						
Redeemable cumulative convertible preference shares	**12,388**	**–**	**–**	**–**	**12,388**	**1.00**
Hire-purchase payables	**2,364**	**955**	**392**	**121**	**3,832**	**2.47 - 5.55**
Bank borrowings	**3,954**	**–**	**–**	**–**	**3,954**	**4.47 - 5.72**
	18,706	**955**	**392**	**121**	**20,174**	
	104,010	**955**	**392**	**121**	**105,478**	

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 ultimate holding company	707	–	–	–	707	–
Amount owing to other related companies	76	–	–	–	76	–
	112,181	–	–	–	112,181	
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
	5,989	15,814	241	45	22,089	
	118,170	15,814	241	45	134,270	

34. **FINANCIAL INSTRUMENTS** (continued)

The Company 2012	**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	**10,865**	**–**	**–**	**–**	**10,865**	**–**
Other payables and accrued expenses	**5,234**	**–**	**–**	**–**	**5,234**	**–**
Amount owing to subsidiary companies	**104,290**	**–**	**–**	**–**	**104,290**	**–**
Amount owing to other related companies	**37**	**–**	**–**	**–**	**37**	**–**
	120,426	**–**	**–**	**–**	**120,426**	
Interest bearing:						
Amount owing to subsidiary companies	**181,241**	**–**	**18,200**	**–**	**199,441**	**1.00 - 5.00**
Hire-purchase payables	**55**	**55**	**165**	**31**	**306**	**2.47 -5.55**
	181,296	**55**	**18,365**	**31**	**199,747**	
	301,722	**55**	**18,365**	**31**	**320,173**	

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	–
	196,367	–	–	–	196,367	
Interest bearing:						
Amount owing to subsidiary companies	49,204	–	18,200	–	67,404	1.00 - 5.00
Hire-purchase payables	27	118	172	43	360	2.47 -5.55
	49,231	118	18,372	43	67,764	
	245,598	118	18,372	43	264,131	

34. 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.

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2012				
Financial assets				
Available-for-sale investments:				
Quoted investments	**11,919**	**11,919** ^	**15**	**15** ^
Unquoted investments	**881**	**–** #	**3**	**–** #
Held-to-maturity investments:				
Unquoted bonds	**5,812**	**–** #	**–**	**–**
Loans and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	**16,951**	**16,716** *	**–**	**–**
Amount owing by a subsidiary company	**–**	**–**	**11,981**	**15,109** *
Financial liabilities				
Redeemable cumulative convertible preference shares	**12,388**	**12,291** *	**–**	**–**
Hire-purchase payables	**3,832**	**3,873** *	**306**	**337** *
Amount owing to a subsidiary company	**–**	**–**	**11,981**	**15,109** *
2011				
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	14,201 *

34. FINANCIAL INSTRUMENTS (continued)

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial liabilities				
Redeemable cumulative convertible preference shares	12,833	12,770 *	–	–
Hire-purchase payables	5,598	5,398 *	360	335 *
Amount owing to a subsidiary company	–	–	11,622	14,201 *

^ 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.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
The Group				
2012				
Financial Assets				
Available-for-sale financial assets	**11,919**	**–**	**–**	**11,919**
The Company				
2012				
Financial Assets				
Available-for-sale financial assets	**15**	**–**	**–**	**15**

35. CONTINGENT LIABILITIES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**128,874**	313,331	**128,874**	313,331
Less : Provision (Note 32)	**(15,000)**	(15,000)	**(15,000)**	(15,000)
	113,874	298,331	**113,874**	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	**–**	–	**3,954**	3,667
	137,301	321,758	**141,255**	325,425

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, 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.

Litigation claims in respect of the termination of contracts for the extraction and sales of timber

The current year litigation claim is the claim by UNP Plywood Sdn Bhd for an amount of RM128,874,435 (as per statement of claim dated 6 May 1997) or damages to be assessed against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 32, 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 amount claimed in the statement of claim is disclosed as a contingent liability. The High Court of Kota Kinabalu is currently in process of hearing for assessment of damages.

Included in the litigation claims of previous financial year was the 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.

On 24 February 2012, Harapan Permai had completely withdrawn and discontinued the claim against SFI for alleged wrongful termination of the Timber Agreement without liberty to file afresh as disclosed in Note 39(d).

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.

35. 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. On 15 May 2012, the Court of Appeal dismiss SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2012 for leave to appeal against the decision of the Court of Appeal. The Federal Court has yet to fix the hearing date for leave to 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.

36. CAPITAL COMMITMENTS

As of 30 June 2012, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Approved and contracted for:				
Purchase of property, plant and equipment	**609**	304	**–**	–
Purchase of prepaid land lease payments	**84,656**	–	**–**	–
Approved but not contracted for:				
Additional investment	**194,000**	194,000	**194,000**	194,000
Purchase of prepaid land lease payments	**–**	79,917	**–**	–
	279,265	274,221	**194,000**	194,000

37. SEGMENT INFORMATION

Business Segments

The Group's activities are classified into three (3) major business segments:

- building materials and steel products
- petroleum, lubricants and automotive products
- others

Others include mainly investment holding, provision of transportation services, treasury businesses and provision of training services, none of which is of sufficient size to be reported separately.

As disclosed in Note 8, the Group had disposed of its tyre and sale and distribution of motor vehicles operations in the previous financial year.

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.

The Group 2012	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	**955,052**	**73,542**	**17,496**	**–**	**1,046,090**
Inter-segment sales	**–**	**42**	**–**	**(42)**	**–**
Total revenue	**955,052**	**73,584**	**17,496**	**(42)**	**1,046,090**
Results					
Segment results	**24,415**	**10,372**	**7,397**	**–**	**42,184**
Unallocated expenses					**(1,536)**
Unallocated income					**6,892**
Profit from operations					**47,540**
Finance costs					**(647)**
Share in results of associated companies					**7,915**
Gain on disposal of an associated company	**–**	**–**	**30,748**	**–**	**30,748**
Settlement arising from litigation claim against a former subsidiary	**–**	**–**	**(40,000)**	**–**	**(40,000)**
Impairment losses on quoted investments	**(3,516)**	**(4,839)**	**(8,738)**	**–**	**(17,093)**
Log extraction premium paid to State Government of Sabah	**–**	**–**	**(3,385)**	**–**	**(3,385)**
Profit before tax					**25,078**
Income tax expense					**(14,603)**
Profit for the year					**10,475**

37. SEGMENT INFORMATION (continued)

The Group 2012	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	**757,039**	**81,530**	**207,582**	**–**	**1,046,151**
Investment in associated companies	**–**	**–**	**74,816**	**–**	**74,816**
Unallocated corporate assets					**245,465**
Consolidated Total Assets					**1,366,432**
Liabilities					
Segment liabilities	**60,533**	**23,648**	**22,629**	**–**	**106,810**
Unallocated corporate liabilities					**19,996**
Consolidated Total Liabilities					**126,806**
Other Information					
Capital expenditure	**33**	**1,991**	**156**	**–**	**2,180**
Depreciation	**142**	**1,578**	**1,990**	**–**	**3,710**
Other non-cash expenses/(income)	**7,253**	**4,326**	**(22,200)**	**–**	**(10,621)**

37. SEGMENT INFORMATION (continued)

	Continuing operations			Discontinued operations			
The Group 2011	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Tyre RM'000**	**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	10,761	12,276	8,994	(1,843)	(7,151)	40,805
Unallocated expenses							(2,794)
Unallocated income							9,533
Profit from operations							47,544
Finance costs							(1,312)
Share in results of associated companies	–	–	(6,630)	–	–	–	(6,630)
Impairment losses on unquoted investments	–	–	(609)	–	–	–	(609)
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

37. 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)

37. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly located at Malaysia in the current financial year:

(i) Malaysia - building materials and steel products, petroleum, lubricant products and automotive products and other related products, provision of transportation services, treasury businesses, provision of training services and investment holding

(ii) Others - countries which are not sizable to be reported separately

As disclosed in Note 8, the Group had disposed of its tyre and sale and distribution of motor vehicles operations at both Malaysia and the People's Republic of China in the previous financial year.

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

	Revenue	
	2012 RM'000	2011 RM'000
Continuing operations		
Malaysia	**1,046,090**	932,931
Discontinued operations		
Malaysia	**–**	176,052
People's Republic of China	**–**	186,445
Other countries	**–**	81,370
	–	443,867
	1,046,090	1,376,798

	Total assets		Capital expenditures	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Continuing operations				
Malaysia	**1,178,690**	1,248,266	**2,180**	2,797
People's Republic of China	**18,648**	61,775	**–**	–
Other countries	**169,094**	95,924	**–**	–
	1,366,432	1,405,965	**2,180**	2,797
Discontinued operations				
Malaysia	**–**	–	**–**	6,959
People's Republic of China	**–**	–	**–**	6,985
	–	–	**–**	13,944
	1,366,432	1,405,965	**2,180**	16,741

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.

37. SEGMENT INFORMATION (continued)

Information about major customers

Revenue of the Group of approximately RM578,720,000 (RM529,920,000 in 2011) from the building materials, steel products and petroluem, lubricants and automotive products divisions are derived from two related parties and a related company.

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 25)	**107,149**	136,313	**74,577**	8,506
Cash and bank balances (unrestricted) (Note 25)	**24,075**	22,001	**790**	1,029
	131,224	158,314	**75,367**	9,535

39. SIGNIFICANT EVENTS

(a) 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).

On 30 August 2012, all parties have mutually agreed in writing to extend the Condition Period for a further period of 6 months from 3 September 2012 to 2 March 2013. The Company is of the view that the loan facility is critical to the successful implementation of the Project and hence, it would be crucial information for shareholders when considering the said proposed joint venture. LBF is currently in the process of securing the loan facility and is now pending the potential syndicated lenders' approvals for the granting of the said loan facility.

As of the date of this report, the proposals are pending the approvals from the shareholders and other relevant authorities.

(b) 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 planting rubber and/or oil palm ("Proposed Acquisition of Land"). Pursuant thereto, ten parcels of ELC for a total cost of USD41.5 million (equivalent to RM125.3 million) have been identified.

39. SIGNIFICANT EVENTS (continued)

(c) 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 ("Nanjing Jincheng") for a cash consideration of RMB120 million (equivalent to RM58.82 million).

The said proposed disposal has been completed on 30 December 2011 and thereafter, Nanjing Jincheng ceased to be an associated company of the Group.

(d) Harapan Permai Sdn Bhd ("Harapan Permai") had on 24 February 2012 completely withdrawn and discontinued the claim against Sabah Forest Industries Sdn Bhd for alleged wrongful termination of the Timber Agreement without liberty to file afresh as disclosed in Note 35 and on 27 February 2012, the Company completed the acquisition of the entire equity interest in Harapan Permai, for a total cash consideration of RM40.0 million. Consequently, Harapan Permai became a wholly-owned subsidiary company of the Company. The Company has commenced members voluntary winding-up of Harapan Permai.

40. SUBSEQUENT EVENTS

(a) In relation to the Master Service Agreement entered into between Harta Impiana Sdn Bhd and Seng Enterprise Co Ltd ("Seng Enterprise") as disclosed in Note 39(b), the Group had on 14 September 2012 mutually agreed with Seng Enterprise, to cancel and terminate the Instruction Notices issued for identified land for the benefit of the Cambodian subsidiary companies, in respect of 4 of the 10 parcels of ELC.

(b) The Group had on 5 October 2012 entered into a conditional sale and purchase agreement ("SPA") with third parties to acquire 100% equity interest in PT Varita Majutama ("PT Varita"), company incorporated in Indonesia, for a cash consideration of USD63.75 million (equivalent to RM197.63 million).

Pursuant to the Indonesian laws, a foreigner is only allowed to own up to a maximum of 95% shareholding in a plantation company in Indonesia, and a plantation company must at least have a local Indonesian shareholder.

In view of the above, on or before the completion of the SPA, the Group will identify an Indonesian investor ("Indonesian Investor") to be the acquirer of 5% of the issued share capital of PT Varita, the terms of such acquisition to be negotiated commercially between the Group and the Indonesian Investor.

Upon completion of the proposed acquisitions, the Group and the Indonesian Investor shall hold 95% and 5% equity interest in PT Varita respectively.

SUPPLEMENTARY INFORMATION

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 30 June 2012 and 30 June 2011, into realised and unrealised profits is presented in accordance with the directive issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**218,001**	363,348	**(148,711)**	(154,790)
Unrealised	**(25,973)**	(25,178)	**(15,280)**	(15,280)
	192,028	338,170	**(163,991)**	(170,070)
Total retained earnings/(accumulated losses) from associated companies				
Realised	**28,154**	(73,942)	**–**	–
Unrealised	**2,855**	665	**–**	–
	31,009	(73,277)	**–**	–
Add: Consolidation adjustments	**50,619**	50,619	**–**	–
Total retained earnings/(accumulated losses)	**273,656**	315,512	**(163,991)**	(170,070)

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 2012 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 126, 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 financial position of the Group and of the Company as of 30 June 2012 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in page 127, 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

DATO' KALSOM BINTI ABD. RAHMAN

Kuala Lumpur
19 October 2012

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

I, **TAN SRI WILLIAM H.J. CHENG**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 126 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SRI WILLIAM H.J. CHENG

Subscribed and solemnly declared by the
abovenamed **TAN SRI WILLIAM H.J. CHENG**
at **KUALA LUMPUR** in the **FEDERAL TERRITORY**
this 19th day of October, 2012.

Before me,

W 530
TAN SEOK KETT
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2012

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 (18)	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 (27)	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 (14)	0.3	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 (14)	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 (13)	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 (10)	0.1	16.7.2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2012

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 15 October 2012

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	826	16.37	26,782	0.01
100 to 1,000	1,428	28.29	1,013,153	0.44
1,001 to 10,000	2,140	42.40	9,017,309	3.89
10,001 to 100,000	572	11.33	17,550,531	7.58
100,001 to less than 5% issued shares	79	1.57	35,204,017	15.20
5% and above of issued shares	2	0.04	168,759,940	72.88
	5,047	100.00	231,571,732	100.00

Substantial Shareholders as at 15 October 2012

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Sri William H.J. Cheng	400	*	182,475,287	78.80
2. Lion Corporation Berhad	180	*	180,018,445	77.74
3. Lion Industries Corporation Berhad	45,127,236	19.49	134,891,389	58.25
4. Amsteel Mills Sdn Bhd	123,632,704	53.39	11,258,685	4.86
5. LLB Steel Sdn Bhd	–	–	180,018,625	77.74
6. Steelcorp Sdn Bhd	–	–	180,018,625	77.74
7. Lion Diversified Holdings Berhad	–	–	180,018,625	77.74
8. Graimpi Sdn Bhd	–	–	180,018,625	77.74
9. Lion DRI Sdn Bhd	–	–	180,018,625	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	6,500,670	2.81
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)	2,059,532	0.89
6.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,639,964	0.71
7.	Lim Boon Liat	1,500,000	0.65
8.	Lion Holdings Sdn Bhd	1,334,745	0.58
9.	Wu Teng Siong	1,047,000	0.45
10.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	959,500	0.41
11.	Ng Teng Song	865,900	0.37
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)	755,885	0.33
14.	Amsteel Equity Capital Sdn Bhd	598,405	0.26
15.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	561,060	0.24
16.	Pacific & Orient Insurance Co Berhad	504,700	0.22
17.	Tirta Enterprise Sdn Bhd	494,868	0.21
18.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
19.	Teoh Hooi Bin	455,452	0.20
20.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yuk Fen	432,000	0.19
21.	Ong Sai Hoon	415,000	0.18
22.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17
23.	Wong Fook Inn	358,893	0.15
24.	Wong Shak On	347,800	0.15
25.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	325,000	0.14
26.	ECML Nominees (Asing) Sdn Bhd Pledged Securities Account for Yap Pak Leong	322,800	0.14
27.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for See Kim Chong	320,000	0.14
28.	Wilfred Koh Seng Han	316,000	0.14
29.	Sivash Holdings Berhad	305,000	0.13
30.	Chin Kian Fong	303,200	0.13

Directors' Interest in Shares in the Company and its Related Corporations as at 15 October 2012

The Directors' interest in shares in the Company and its related corporations as at 15 October 2012 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	236,209,236	32.90
Dato' Mohamad bin Haji Ahmad		3,276	–	–	–
Lin Chung Dien		25,320	–	–	–
Tan Sri William H.J. Cheng					
Inspirasi Elit Sdn Bhd	RM1.00	–	–	212,500	100.00
Lion AMB Resources Berhad	RM1.00			300,750,401	88.44
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00
Marvenel Sdn Bhd	RM1.00	–	–	100	100.00
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00
P.T. Lion Intimung Malinau	USD1.00	–	–	4,750,000	95.00
Soga Sdn Bhd	RM1.00	–	–	4,502,389	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
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 15 October 2012.

MATERIAL CONTRACTS
INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

(a) Conditional Share Subscription Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012 and 30 August 2012 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.

(b) Conditional Shareholders' Agreement dated 3 March 2011 entered into among the Company, LDHB and LICB to, amongst others, 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 supplemented by agreements dated 26 August 2011, 2 March 2012 and 30 August 2012, 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 RM5,000 (RM8,000 in 2011).

(II) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2012 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 Industries Corporation Berhad Group ("LICB Group")	105,362
	Lion Corporation Berhad Group ("LCB Group")	68,828
	Lion Holdings Private Limited Group	19,002
	Lion Diversified Holdings Berhad Group ("LDHB Group")	3,999
		197,191
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	LDHB Group	248,360
	LICB Group	164,634
	LCB Group	154,265
	Parkson Holdings Berhad Group	771
		568,030
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	3,872
	LCB Group	3,160
	LDHB Group	66
	Lion Asiapac Limited Group ("LAP Group")	35
		7,133
(b) Others		
(i) Provision of transportation and forwarding services	LCB Group	10,323
	LICB Group	4,610
	LDHB Group	59
	LAP Group	3
		14,995

Notes:

i) "Group" includes subsidiary and associated companies

ii) The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

LION FOREST INDUSTRIES BERHAD
(Incorporated in Malaysia) (82056-X)

CDS ACCOUNT NUMBER

			–				–									

FORM OF PROXY

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 Thirtieth 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 11 December 2012 at 10.30 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, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-appoint as an Independent Non-Executive Director, Y. Bhg. Dato' Kalsom binti Abd. Rahman		
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 2012

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 4 December 2012 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.