LION INDUSTRIES CORPORATION BERHAD

2012

LION INDUSTRIES CORPORATION BERHAD

A Member of The Lion Group

(415-D)

Laporan Tahunan 2012 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty-Second Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 12 December 2012 at 3.00 pm 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 first and final single-tier dividend of 1%. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM265,000 (2011 : RM265,000). **Resolution 2**

4. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Mr Heah Sieu Lay retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam be and is hereby re-appointed an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 4**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

6. To re-appoint the following Directors as independent non-executive Directors of the Company:

   Y. Bhg. Tan Sri Asmat bin Kamaludin **Resolution 6**
   Mr Chong Jee Min **Resolution 7**

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

8. Special Business

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

8.1 Authority to Directors to issue shares

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

8.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   "THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 20 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 10**

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."

8.3 Proposed Renewal of Authority for Share Buy-Back

Resolution 11

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up capital of the Company at any point of time; and

(ii) the maximum funds to be allocated for the share buy-back shall not exceed the retained profits or the share premium account of the Company or both, based on its latest audited financial statements available up to the date of the share buy-back transaction

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

THAT authority conferred by this ordinary resolution shall commence immediately upon the passing of this resolution and will only continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM1.00 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

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

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 13 December 2012 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 17 December 2012 in respect of transfers; and

(c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 11 January 2013 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 17 December 2012.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
20 November 2012

Notes:

1. *Proxy*

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 5 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.*

2. *Circular to Shareholders dated 20 November 2012 ("Circular")*

Details on the following are set out in the Circular enclosed together with the 2012 Annual Report:

(i) Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

(ii) Part B - Proposed Renewal of Authority for Share Buy-Back

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.

Notes: (continued)

4. *Resolutions 4, 6 and 7*

   The Nomination Committee has assessed the independence of Y. A. Bhg. Tun Musa Hitam and Y. Bhg. Tan Sri Asmat bin Kamaludin who have served on the Board as independent non-executive Directors of the Company for a cumulative term of more than nine years and Mr Chong Jee Min who has served on the Board as an independent non-executive Director for a cumulative term of more than eight years and the Board has recommended that the approval of the shareholders be sought to re-appoint Tun Musa Hitam, Tan Sri Asmat and Mr Chong as independent non-executive Directors as they possess the following attributes necessary in discharging their roles and functions as independent non-executive Directors of the Company:

   (i) Have 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 challenge management in an effective and constructive manner.

   (iii) Keep a distance from management in overseeing and monitoring execution of strategy.

   (iv) Have good and thorough understanding of the main drivers of the business in a detailed manner.

   (v) Perform their duties as Directors without being subject to influence of management.

   (vi) Actively participate in board deliberations and decision making in an objective manner.

   (vii) Exercise due care in all undertakings of the Group and carry out their professional and fiduciary duties in the interest of the Company and minority shareholders.

5. *Resolution 9*

   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 27 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 10*

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

7. *Resolution 11*

   This approval will empower the Directors of the Company to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Eighty-Second Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2012 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. A. Bhg. Tun Musa Hitam *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Asmat bin Kamaludin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Cheng Yong Liang Mr Heah Sieu Lay Mr Chong Jee Min
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	415-D
Registered Office	:	Level 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/lionind
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	:	Malayan Banking Berhad OSK Investment Bank Berhad CIMB Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Tun Musa Hitam
Independent Non-Executive Chairman

Y. A. Bhg. Tun Musa Hitam, a Malaysian, aged 78, was appointed a Director and Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee.

Tun Musa Hitam received his Bachelor of Arts degree from the University of Malaya and Masters Degree in International Relations from the University of Sussex, United Kingdom. He also holds Honorary Doctorates from the University of Sussex, Universiti Malaysia Sabah, University of Malaya and University Technology MARA. He was a Fellow at the Centre for International Affairs, Harvard University, the United States of America and is currently a Fellow of the Malaysian Institute of Management.

Tun Musa Hitam had held various posts at international level. Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs from 1981 to 1986, he was a Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority (FELDA), Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and from 1995 to 2002, the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group (CMAG). Tun Musa Hitam also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the 52nd Session of the Commission in 1995. At national level, Tun Musa Hitam had served as the Chairman of Suhakam, the Malaysian National Commission on Human Rights from 2000 to 2002.

Tun Musa Hitam is the Chairman of United Malayan Land Berhad and Sime Darby Berhad, both public listed companies. He is also the founding Chairman of the CIMB Group's International Advisory Panel, a Joint-Chairman of the Malaysia-China Business Council, the Chairman of the World Islamic Economic Forum, Joint-Chairman of the Indonesia-Malaysia Eminent Persons Group, a member of the International Committee of the Red Cross (ICRC) International Advisors Group for Asia, the Chairman of the Eminent Persons Group on the ASEAN Charter, the Chairman of the Yayasan Sime Darby, Special Envoy of the Commonwealth Secretary-General to the Maldives, a member of the Advisory Board of the Malaysian "Journal of Diplomacy and Foreign Relations" and the Advisory Panel of the Iskandar Regional Development Authority.

Tun Musa Hitam attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 62, was appointed the Managing Director of the Company on 16 January 1995. Tan Sri Cheng is also a member of the Remuneration Committee and Executive Share Option Scheme Committee of the Company.

Tan Sri Cheng obtained a Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971. He has more than 30 years of experience in the business operations of The Lion Group encompassing steel, retail, property development, mining, tyre, motor, plantation and computer. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of the Company in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals. In 2010, Tan Sri Cheng was appointed a council member of the Federation of Malaysian Manufacturers.

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

- Managing Director of Lion Diversified Holdings Berhad, a public listed company
- Director of Lion Corporation Berhad, a public listed company
- Director of Lion AMB Resources Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 7,246,989 ordinary shares of RM1.00 each and an indirect interest in 1,687,013 ordinary shares of RM1.00 each in the Company.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Mr Cheng Yong Liang, is also a Director of the Company.

Tan Sri Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

Tan Sri Asmat bin Kamaludin
Independent Non-Executive Director

Y. Bhg. Tan Sri Asmat bin Kamaludin, a Malaysian, aged 68, was appointed to the Board on 26 February 2001. He is the Chairman of the Company's Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee of the Company.

Tan Sri Asmat obtained a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He also holds a Diploma in European Economic Integration from the University of Amsterdam. He had served in the Ministry of Trade and Industry, now known as the Ministry of International Trade and Industry (MITI) for approximately 35 years. During his tenure in the civil service, Tan Sri Asmat served on the board of various companies and corporations as MITI's representative, including Heavy Industries Corporation of Malaysia (HICOM), Malaysian Technology Development Corporation, Multimedia Development Corporation, Permodalan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, National Productivity Corporation, Malaysia External Trade Development Corporation (MATRADE), Small and Medium Industries Development Corporation (SMIDEC) and Perbadanan Johor. Between 1973 and 1976, he held the position of Senior Economic Counsellor to the European Community in Brussels. Tan Sri Asmat was appointed Secretary-General of MITI in May 1992 and held the position till his retirement in January 2001. He was appointed by MITI in 2008 to represent Malaysia as Governor on the Governing Board of The Economic Research Institute for ASEAN and East Asia (ERIA).

At the international level, Tan Sri Asmat had also served in committees of various international organisations such as the Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN) and the World Trade Organisation (WTO).

His other directorships in public companies are as follows:

- Chairman of UMW Holdings Berhad, Panasonic Manufacturing Malaysia Berhad, Scomi Group Berhad, Symphony House Berhad, Compugates Holdings Berhad, TASCO Berhad and Scomi Marine Bhd.
- Vice Chairman of YTL Cement Berhad
- Director of Malaysian Pacific Industries Berhad, Permodalan Nasional Berhad and The Royal Bank of Scotland Berhad

Save for Permodalan Nasional Berhad, YTL Cement Berhad and The Royal Bank of Scotland Berhad, all the above companies are public listed companies.

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

Tan Sri Asmat attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 74, was appointed to the Board on 20 July 1994. He is also the Chairman of the Executive Share Option Scheme Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

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

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

Dato' Kamaruddin has a direct shareholding of 8,000 ordinary shares of RM1.00 each in the Company.

Dato' Kamaruddin attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 55, was appointed to the Board on 6 April 1994.

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

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

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

Mr Cheng attended six (6) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 59, was appointed to the Board on 6 June 2001. He is also a member of the Audit Committee of the Company.

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

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

He is also a Director of Lion Diversified Holdings Berhad, a public listed company.

Mr Heah attended six (6) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2012.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 53, was appointed to the Board on 5 May 2004. He is also a member of the Company's Audit Committee.

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

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

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

Mr Chong attended all eight (8) 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 shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 10 years.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of practising and maintaining good corporate governance to direct the businesses of the Group towards enhancing business prosperity and long term value for its shareholders. The Board is fully committed in ensuring that 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, eight (8) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

The Board comprises seven (7) Directors, six (6) of whom are non-executive. The current Board composition complies with the 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 Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Board Committees

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

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

Supply of Information

The Board, 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 22 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**
Tun Musa Hitam	• Luncheon talk on environment issues by YAB Tun Jeanne Abdullah • The 8th Sime Darby Developing Sustainable Futures Lecture Series – "The True Costs of Terrorism: Can We Deal with It?" • The 4th World Islamic Economic Forum Foundation ("WIEF") - Universiti Teknologi MARA Global Discourse on "Nanotechnology: Engineering for a Better Future" • International Palm Oil Congress 2011: "New Research Development in Oil and Gas Sector" • Workshop with Mr Jonathon Porritt on the key future sustainability trends that could impact the business of Sime Darby Berhad and the strategic implications for the Sime Darby Berhad Group • The Edge Roundtable on Public-Private Partnerships – "Is It Working in Malaysia?" • Sime Darby Berhad Board Retreat – "My Five Journeys" • Talk on Competition Act 2010 on Plantation • The 1st WIEF Web Reach Internet Marketing Workshop Closing Ceremony • Economist CEO Lunch • The 3rd Royal Selangor Club Luncheon Talk • Premier Executive Talk on "Bicara Minda ke Arah Inovasi" • The 7th International Planters Conference 2012 – "The Future Direction of the Plantation Business"
Tan Sri Cheng Yong Kim	• Khazanah Megatrends Forum 2011 - Uncertainty as Normality: Navigating through complex interconnection • NUS Asian Business Series - The Rise of Asian Family Business: The Lippo's Experience • J.P. Morgan Seminar 2011 • Federation of Malaysian Manufacturers ("FMM") Leadership Luncheon Talk on "Managing a Competitive Global Business" • The Lion Group In-house Seminar on "Talk on Competition Act, 2010" • The Boston Consulting Group's Energy & Environment, Strategic Exchange - The New World of Global Gas • The Talent Roadmap 2020 Launch by the Prime Minister, YAB Dato' Seri Mohd Najib bin Tun Abdul Razak • Bursa - Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers • FMM Briefing on "Impact of Liquefied Natural Gas Imports on Pricing of Energy to Industrial Customers" • Invest Malaysia 2012 - Capitalise on ASEAN's Multinational Marketplace • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance

Name of Directors	Programmes
Tan Sri Asmat bin Kamaludin	• Economic Transformation Programme (ETP) Update • ICCA/MICPA Forum on "Improving Corporate Governance in Malaysian Capital Markets – The Role of the Audit Committee" • Briefing on New Corporate Governance Blueprint and Regulatory Updates • The 4th Annual Corporate Governance Summit KL 2012 – Bringing Asia onto the Board • Luncheon talk by Y.B. Dato' Sri Idris Jala on Sustaining Progress in the Face of Economic Uncertainty • Bursa Malaysia Mandatory Accreditation Programme • Seminar on "Optimising IFRS/MFRS Convergence"
Dato' Kamaruddin @ Abas bin Nordin	• Briefing on "Bridging a Gap in Developing Corporate Social Responsibility Capacity" • Securities Commission-Bursa Malaysia CG Week 2011 - ASEAN Corporate Governance Scorecard and the Corporate Governance Ranking of ASEAN Public Listed Companies • Securities Commission-Bursa Malaysia CG Week 2011 - The Continuing Corporate Governance Agenda - Next Steps for Asia • Securities Commission-Bursa Malaysia CG Week 2011 - Reporting on Corporate Governance Practices: What Do People Want to Know? • Securities Commission-Bursa Malaysia CG Week 2011 - Oxford Union Style Corporate Governance Debate : Independent Directors are a Myth • Securities Commission-Bursa Malaysia CG Week 2011 - Taking Socially Responsible Investment Practices Forward • The Lion Group In-house Seminar on "Talk on Competition Act, 2010" • Bursa Malaysia's Half Day Governance Programme Series on "Role of the Audit Committee in Assuring Audit Quality" • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance
Cheng Yong Liang	• Briefing on "Bridging a Gap in Developing Corporate Social Responsibility Capacity" • Securities Commission-Bursa Malaysia CG Week 2011 - ASEAN Corporate Governance Scorecard and the Corporate Governance Ranking of ASEAN Public Listed Companies • Securities Commission-Bursa Malaysia CG Week 2011 - The Continuing Corporate Governance Agenda - Next Steps for Asia • Securities Commission-Bursa Malaysia CG Week 2011 - Reporting on Corporate Governance Practices: What Do People Want to Know? • The Lion Group In-house Seminar on "Talk on Competition Act, 2010" • Bursa Malaysia's Half Day Governance Programme Series on "Role of the Audit Committee in Assuring Audit Quality" • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance

Name of Directors	Programmes
Heah Sieu Lay	• The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance
Chong Jee Min	• Briefing on "Bridging a Gap in Developing Corporate Social Responsibility Capacity" • Securities Commission-Bursa Malaysia CG Week 2011 - Corporate Governance, Corporate Responsibility and Innovation : The Building Blocks for Economic Sustainability • Securities Commission-Bursa Malaysia CG Week 2011 - Risk Management and Internal Controls : Are the Boards Aware What They Are Up Against? • Securities Commission-Bursa Malaysia CG Week 2011 - How Business Solutions will Deliver the Vision of a Sustainable World • Securities Commission-Bursa Malaysia CG Week 2011 - Nurture the Corporation, Assure the Stakeholders • The Lion Group In-house Seminar on "Talk on Competition Act, 2010" • The Lion Group In-house Directors' Training on: 1. Key Amendments to Listing Requirements 2011 2. Key Recommendations from Malaysian Code on Corporate Governance • Bursa Malaysia's Half Day Governance Programme Series on "Corporate Governance Blueprint and Malaysian Code on Corporate Governance 2012"

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 22 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	25	884	909
Non-executive Directors	240	144	384
	265	1,028	1,293

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
25,000 & below	–	1
25,001 – 50,000	–	3
50,001 – 100,000	–	1
100,001 – 150,000	–	1
900,001 – 950,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The annual general meeting is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session 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.

The Company's homepage at www.lion.com.my/lionind 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 17 to 21 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 16 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. Tan Sri Asmat bin Kamaludin
  (Chairman, Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

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

TERMS OF REFERENCE

- **Membership**

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

- **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, eight (8) Audit Committee Meetings were held. Except for Mr Heah Sieu Lay who was absent for one (1) Meeting, all other members attended all the eight (8) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

  (a) Reviewed the related party transactions entered into by the Group as set out below:

  1. Proposed further extension of the redemption/repayment of the RM bonds, the USD debts and the redeemable convertible secured loan stocks ("LCB RCSLS") issued by Lion Corporation Berhad ("LCB") and its subsidiary ("Proposed LCB Deferment") and the proposed indulgence incidental to the Proposed LCB Deferment.

  2. Proposed further deferment of the payment of the balance outstanding amount of the First Put Option LCB RCSLS pursuant to the revised terms of the Put and Call Option Agreement entered into with Tan Sri Cheng Heng Jem, a substantial shareholder of the Company.

  3. Proposed settlement scheme by Megasteel Sdn Bhd ("Megasteel"), a subsidiary of LCB, with its scheme creditors under a Scheme of Arrangement pursuant to Section 176 of the Companies Act, 1965 which involved the settlement of amounts owed by Megasteel to two subsidiaries of the Company by way of the issuance of new ordinary shares of RM1.00 each in LCB, and deferred cash payment payable by 31 December 2012.

  4. Proposed subscription by Slag Aggregate Sdn Bhd ("Slag Aggregate"), a wholly-owned subsidiary of the Company, of 4.80 million 5-year redeemable cumulative preference shares of RM0.01 each in Lion Titco Resources Sdn Bhd ("Lion Titco"), at a premium of RM0.99 per share for cash. Slag Aggregate holds 40% equity interest in Lion Titco.

  5. Proposed acquisition by the Company of the entire 100% equity interest in Lion Metal Industries Sdn Bhd which owns a piece of land together with the building erected thereon known as Wisma Amsteel, from Limbungan Emas Sdn Bhd for a cash consideration of RM24,136,000.

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

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 RM380,000.

NOMINATION COMMITTEE

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

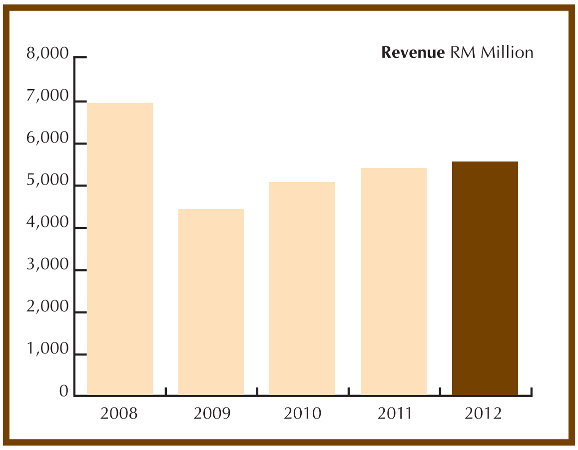
REMUNERATION COMMITTEE

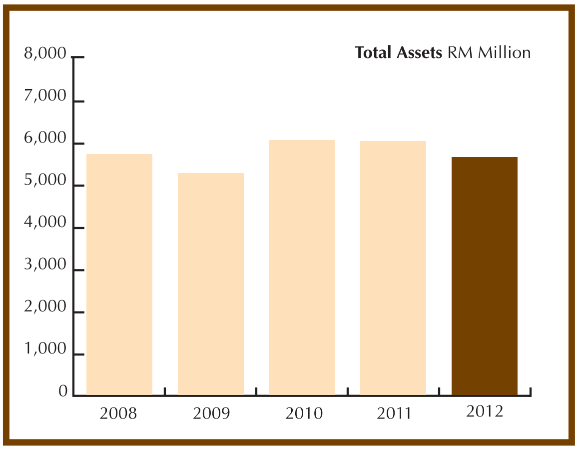
Chairman	:	Y. Bhg. Tan Sri Asmat bin Kamaludin *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Yong Kim *(Non-Independent Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board,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

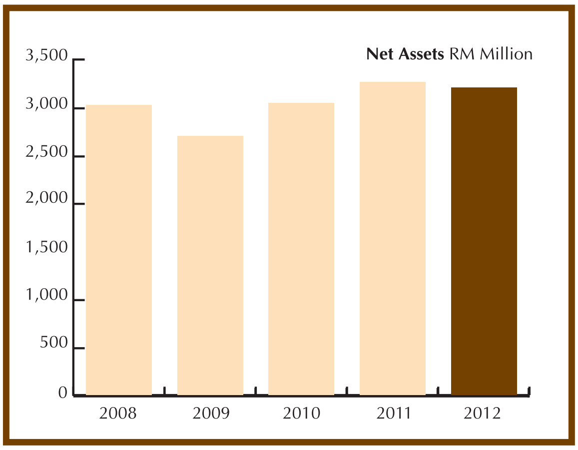
5 YEARS GROUP FINANCIAL HIGHLIGHTS

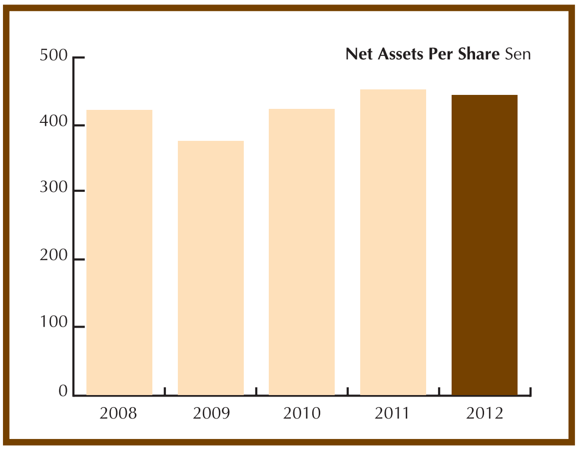
Financial years ended 30 June		2008	2009	2010	2011	2012
Revenue	(RM'000)	6,940,157	4,419,256	5,057,773	5,393,001	**5,544,080**
Profit/(Loss) before tax	(RM'000)	893,550	(374,767)	515,781	283,605	**(12,832)**
Profit/(Loss) after tax	(RM'000)	842,093	(242,778)	417,170	282,072	**(30,113)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	844,205	(278,298)	361,469	232,090	**(38,221)**
Total assets	(RM'000)	5,720,599	5,275,657	6,055,721	6,026,120	**5,654,210**
Net assets	(RM'000)	3,019,623	2,695,548	3,038,403	3,257,922	**3,198,420**
Total borrowings	(RM'000)	1,403,533	1,297,128	986,213	1,026,942	**920,398**
Earnings/(Loss) per share	(Sen)	119.0	(39.0)	50.7	32.4	**(5.3)**
Net assets per share	(Sen)	424	378	425	454	**446**
Dividends (Paid and Proposed):						
Rate	(Sen)	1.0	1.0	1.0	4.0	**1.0**
Amount	(RM'000)	5,346	5,349	5,383	23,326	**7,179**

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



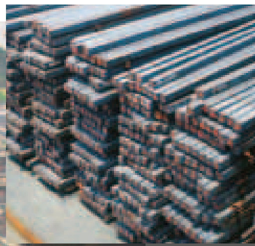


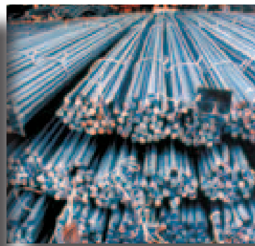


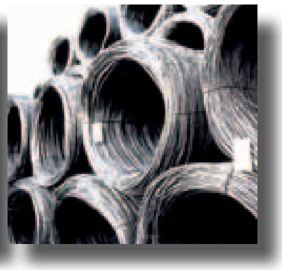


THE GROUP'S BUSINESSES

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







- Amsteel Mills Sdn Bhd in Banting produces long steel products namely billets, bars and wire rods for specialised applications.
- *Amsteel Mills Sdn Bhd di Banting menghasilkan produk besi panjang iaitu bilet, bar dan rod wayar untuk aplikasi khusus.*

- St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group, comprises 3 towers of 28-storey apartments, with retail, food and beverage theme outlets located at the site of the former St Mary's School in the Kuala Lumpur Central Business District.
- *St Mary Residences CBD, usahasama dengan Kumpulan Eastern & Oriental, terdiri daripada 3 menara pangsapuri 28-tingkat, dengan outlet runcit, makanan dan minuman bertema terletak di bekas tapak Sekolah St Mary di Kuala Lumpur Central Business District.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad ("LICB" atau "Kumpulan") bagi tahun kewangan berakhir 30 Jun 2012.

PRESTASI KEWANGAN

Untuk tempoh sepanjang tahun lalu, kita menyaksikan satu keadaan ketidakpastian yang berterusan dalam ekonomi global disebabkan terutamanya oleh krisis hutang di Eropah dan pemulihan yang berlaku secara tersekat-sekat dalam ekonomi Amerika Syarikat. Langkah jimat cermat yang dilaksanakan oleh kerajaan telah memberikan tekanan kuat terhadap permintaan berikutan terdapat kebimbangan kemungkinan berlaku kejatuhan ekonomi negara-negara berkaitan di zon Eropah sehingga mencetuskan penularannya telah menjejaskan sentimen di seluruh dunia. Begitu juga dengan industri besi, satu-satunya perniagaan teras Kumpulan turut terjejas teruk berikutan sentimen yang lemah. Permintaan yang rendah dan harga bahan mentah yang tidak menentu juga mencetuskan kegiatan untuk mengurangkan pegangan stok secara ketara pada sebahagian tempoh tahun kewangan.

Di dalam negara, pertumbuhan dalam sektor pembinaan telah menyokong permintaan untuk produk-produk besi. Bagaimanapun, harga besi yang rendah, kos bahan mentah yang tinggi dan kenaikan tarif tenaga elektrik, telah menjejaskan margin keuntungan para pengeluar besi tempatan.

Bagi tahun kewangan dalam kajian, Kumpulan mencapai kenaikan pendapatan sebanyak 12% kepada RM5.5 bilion, berbanding RM4.9 bilion pada tahun sebelumnya. Di sebalik catatan jualan lebih tinggi, Kumpulan mengalami kerugian operasi berjumlah RM6.3 juta berbanding keuntungan sebanyak RM37.9 juta pada tahun lalu. Kerugian ini berpunca terutamanya daripada kejatuhan berterusan dalam purata harga jualan untuk batang dan wayar besi manakala kos bahan mentah pula kekal agak tinggi.

Sementara itu, syarikat-syarikat bersekutu dan entiti yang dimiliki secara bersama oleh Kumpulan terus memberikan sumbangan yang positif, masing-masing berjumlah RM82.7 juta dan RM36.4 juta.

Dalam tahun kewangan, Kumpulan mengiktiraf perkara-perkara luar biasa termasuk keuntungan berjumlah RM39.8 juta daripada pelupusan syarikat-syarikat bersekutu, penyelesaian berjumlah RM40.0 juta daripada tuntutan litigasi terhadap Sabah Forest Industries Sdn Bhd, bekas anak syarikat, premium pembalakan yang dibayar kepada Kerajaan Negeri Sabah sebanyak RM3.4 juta dan rosot nilai kerugian dalam pelaburan saham yang disebut harga sebanyak RM122.0 juta.

Secara keseluruhan, Kumpulan mencatat kerugian sebelum cukai berjumlah RM12.8 juta dalam tahun kewangan berbanding keuntungan sebanyak RM106.0 juta setahun lalu. Setakat 30 Jun 2012, aset bersih Kumpulan adalah sebanyak RM3.2 bilion atau RM4.46 sesaham manakala kadar gearan atau nisbah hutang berbanding ekuiti kekal rendah pada 0.16 kali.

PERKEMBANGAN KORPORAT

Berikut adalah perkembangan korporat utama yang dilaksana oleh Kumpulan:

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

    (a) Cadangan usaha sama antara LICB, Lion Diversified Holdings Berhad dan Lion Forest Industries Berhad ("LFIB") dalam Lion Blast Furnace Sdn Bhd ("LBF") dengan pegangan saham masing-masing sebanyak 29%, 51% dan 20%.

    (b) Cadangan pelupusan sebidang tanah pegangan bebas oleh Amsteel Mills Sdn Bhd, subsidiari 99% kepentingan dimiliki Kumpulan kepada LBF pada pertimbangan harga sekitar RM16.2 juta; dan

    (c) Cadangan peruntukan bantuan kewangan oleh LICB kepada LBF dalam bentuk jaminan korporat dan akurjanji sekuriti mengikut kadar pemegangan saham dalam LBF untuk LBF dan subsidiarinay mendapatkan kemudahan pinjaman berhubung 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 hingga 2 Mac 2013. Cadangan-cadangan ini masih tertakluk kepada kelulusan para pemegang saham dan pihak berkuasa lain yang berkaitan.

(ii) Pada 30 Disember 2011, Kumpulan LFIB telah selesai melupuskan keseluruhan ekuiti kepentingan sebanyak 47.73% dalam Nanjing Jincheng Machinery Co Ltd melibatkan pertimbangan tunai berjumlah RMB120 juta (bersamaan RM58.8 juta).

(iii) Pada 5 Oktober 2012, Kumpulan LFIB telah 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 AS$63.8 juta (bersamaan RM197.6 juta).

Butiran penuh perkembangan korporat di atas terkandung dalam muka surat 53 hingga 54 dan 149 Laporan Tahunan ini.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen peringkat satu pertama dan akhir sebanyak 1% atau 1 sen sesaham (2011: 3% atau 3 sen sesaham ditolak 25% cukai pendapatan dan dividen peringkat satu sebanyak 1% atau 1 sen sesaham) bagi tahun kewangan berakhir pada 30 Jun 2012. Jumlah dividen bersih, jika diluluskan di Mesyuarat Agung Tahunan akan berjumlah RM7.2 juta (2011: RM23.3 juta).

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. Operasi-operasi Kumpulan mematuhi undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Kilang besinya di Klang dan Banting telah dianugerahi Sistem Pengurusan Alam Sekitar ISO 14001 : 2004 oleh SIRIM QAS International. Ini merupakan perakuan bahawa kilang-kilang berkenaan telah mencapai dan mengamalkan prestasi alam sekitar yang baik seiring dengan polisi dan objektif alam sekitar mereka.

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

PROSPEK

Persekitaran operasi perniagaan Kumpulan dijangka kekal mencabar berikutan ketidakpastian yang menyelubungi pemulihan ekonomi global, khususnya penyelesaian krisis hutang Eropah yang perlahan dan kelembapan dalam pertumbuhan ekonomi di China. Harga besi antarabangsa dijangka kekal rendah manakala harga bahan mentah terus tidak menentu.

Di dalam negara, lambakan berleluasa produk besi import telah memberi kesan buruk kepada industri besi tempatan. Sehubungan itu, para pengeluar besi tempatan telah mengemukakan petisyen kepada Kementerian Perdagangan Antarabangsa dan Industri ("MITI") yang kemudiannya memulakan siasatan untuk mengkaji kemungkinan pengenaan duti anti lambakan ke atas rod wayar besi yang import dari negara-negara tertentu. MITI juga telah menerima cadangan-cadangan Boston Consulting Group yang ditugaskan oleh Kerajaan untuk menjalankan kajian mendalam tentang rayuan yang dikemukakan oleh para pengeluar besi tempatan. Mengenai permintaan dalam negara, para pengeluar besi tempatan agak yakin yang pelaksanaan projek di bawah Program Transformasi Ekonomi dan kerja-kerja peluasan projek Aliran Transit Massa akan membantu meningkatkan permintaan terhadap bar besi dan bahan binaan lain. Berikutan itu, perniagaan besi dan bahan binaan dijangka akan mencapai hasil kewangan yang memuaskan pada tahun depan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyatakan penghargaan tulus ikhlas kepada semua pemegang saham, pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan tempatan atas sokongan dan keyakinan yang berterusan sepanjang tempoh yang mencabar ini.

Saya juga ingin mengucapkan terima kasih dan melahirkan rasa terhutang budi kepada rakan-rakan pengarah atas bimbingan, sokongan dan sumbangan mereka yang tidak ternilai di sepanjang tahun.

Akhir sekali, saya dengan ikhlasnya ingin merakamkan penghargaan kepada pihak pengurusan dan warga kerja atas dedikasi dan komitmen mereka kepada Kumpulan.

TUN MUSA HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB" or "the Group") for the financial year ended 30 June 2012.

FINANCIAL PERFORMANCE

Over the past one year, we witnessed the persistent uncertainties in the global economy caused mainly by the sovereign debt crisis in Europe and the faltering recovery of the United States economy. Government austerity measures weighed heavily on demand as concerns that the possible collapse of the affected eurozone countries could trigger a contagion effect had affected sentiments globally. Likewise, the steel industry, the core business of the Group, was adversely affected by weak sentiments. Soft demand and volatile raw material prices also led to significant de-stocking activities throughout most of the year.

On the domestic front, the growth in the construction sector supported the demand for steel products. However, weak steel prices, high raw material costs and the hike in electricity tariffs, had weighed down on the profit margins of the local steel producers.

For the financial year under review, the Group achieved a 12% increase in revenue of RM5.5 billion, as against RM4.9 billion recorded in the previous year. Despite recording higher sales, the Group posted an operating loss of RM6.3 million as against a profit of RM37.9 million for last year. This was attributed primarily to persistent weakness in average selling prices for steel bars and wire rods, while raw material costs remained relatively high.

Meanwhile, the Group's associated companies and jointly controlled entity continued to contribute positively with profits of RM82.7 million and RM36.4 million respectively.

During the year, the Group recognised exceptional items which comprised a gain of RM39.8 million on the disposal of associated companies, a settlement of RM40.0 million arising from the litigation claim against Sabah Forest Industries Sdn Bhd, a former subsidiary company; log extraction premium paid to the State Government of Sabah of RM3.4 million and an impairment loss of RM122.0 million on investment in quoted shares.

Overall, the Group posted a loss before tax of RM12.8 million for the year against a profit of RM106.0 million a year ago. As at 30 June 2012, the Group's net assets stood at RM3.2 billion or RM4.46 per share while net gearing remained low at 0.16 times.

CORPORATE DEVELOPMENTS

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

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

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

   (b) Proposed disposal by Amsteel Mills Sdn Bhd, a 99%-owned subsidiary company of the Group, to LBF of a parcel of freehold land for a cash consideration of approximately RM16.2 million; and

   (c) Proposed provision of financial assistance by LICB in favour of LBF in the form of a corporate guarantee and pledge of security proportionate to its shareholding 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 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 proposals are pending the approvals from the shareholders and other relevant authorities.

(ii) On 30 December 2011, the LFIB Group completed the disposal of its entire 47.73% equity interest in Nanjing Jincheng Machinery Co Ltd for a cash consideration of RMB120 milllion (equivalent to RM58.8 million).

(iii) The LFIB 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 plantation land 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 above are contained in pages 53 to 54 and 149 of this Annual Report.

DIVIDEND

The Board of Directors is pleased to recommend a first and final single-tier dividend of 1% or 1 sen per share (2011: 3% or 3 sen per share less 25% income tax and a single-tier dividend of 1% or 1 sen per share) for the financial year ended 30 June 2012. Total net dividend payable, if approved at the Annual General Meeting, will amount to RM7.2 million (2011: RM23.3 million).

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, optimise 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. Its steel mills in Klang and Banting have been awarded Environmental Management System ISO 14001:2004 by SIRIM QAS International. This is testimony of the mills achieving and demonstrating sound environmental performance consistent with their environmental policy and objective.

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

PROSPECTS

The operating environment for the Group's businesses is expected to remain challenging due to uncertainties surrounding the recovery of the global economy, in particular the slow pace in resolving the European debt crisis and the slowdown in economic growth in China. International steel prices are expected to remain soft while raw material prices continue to be volatile.

On the domestic front, the rampant dumping of imported steel products has adversely affected the local steel industry. In view of this, a petition by the domestic producers was submitted to the Ministry International Trade and Industry ("MITI") which subsequently initiated an investigation to study the possibility of imposing anti-dumping duty on steel wire rod imports from certain countries. MITI has also accepted the recommendations of Boston Consulting Group tasked by the Government to undertake an in-depth study on the current plight faced by the local steel manufacturers. On domestic demand, local steel producers are cautiously optimistic that the implementation of the projects under the Economic Transformation Programme and the Mass Rapid Transit extension works will help to boost the demand for steel bars and other building materials. Under such circumstances, the Group's steel and building materials businesses are expected to achieve a satisfactory set of results next year.

ACKNOWLEDMENT

On behalf of the Board, I wish to express our heartfelt appreciation to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group throughout these challenging times.

I would also like to convey my deepest appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contribution throughout the year.

Last but not least, I would like to place on record my sincere thanks to the management and staff for their dedication and commitment to the Group.

TUN MUSA HITAM
Chairman

主席报告

我谨代表董事部，欣然提呈截至2012年6月30日的会计年度，金狮工业机构有限公司（Lion Industries Corporation Berhad）的常年报告及经审核财务报告。

业绩

过去一年来，我们见到全球经济继续充满变数，主要是欧洲主权债务危机及美国经济复苏蹒跚迟缓所造成。政府的紧缩措施严重影响市场需求，引起人们关注受影响的欧元区国家是否可能崩盘，进而引发骨牌效应。这些皆影响全球市场的情绪。因此，本集团的核心业务—钢铁业，受到市场这股疲弱情绪的不利影响。疲弱需求与波动的原料价格也造成全年大部分时候都出现显著减少存货的活动。

国内市场方面，建筑领域的成长为钢铁产品提供支援。不过，疲弱的钢铁价格、高企的原料成本及电费调涨，一再打压本地钢铁生产商的利润。

检讨的会计年度内，本集团的营业额增长12%至55亿令吉，比较之前一年则为49亿令吉。尽管取得更高的销售额，本集团仍然蒙受630万令吉的营运亏损，比较去年则为3千790万令吉的盈利。这需归咎于钢条与线材平均售价持续疲弱，而原料成本维持相对的高水平。

另一方面，本集团的联号公司及联合控制的企业持续做出积极贡献，分别取得8千270万令吉与3千640万令吉的盈利。

检讨年度内，本集团认可并接纳了一些特殊项目，包括脱售联号公司取得的3千980万令吉盈利、针对前子公司沙巴森林工业私人有限公司的法律诉讼所做出的4千万令吉庭外和解金、支付给沙巴州政府的340万令吉伐木金，及投资在上市股票的1亿2千200万令吉减值损失。

整体上，本集团蒙受1千280万令吉的税前亏损，比较一年前的1亿零600万令吉盈利。截至2012年6月30日，本集团的净资产总值为32亿令吉或相等于每股4令吉46仙，而负债率则保持只有0.16倍的低水平。

企业发展

本集团进行的重大企业发展如下：

(i) 2011年3月3日，本公司宣布以下建议：

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

(b) 建议本集团持有99%股权的子公司合营制钢私人有限公司（Amsteel Mills Sdn Bhd）以现金约1千622万令吉的代价，脱售一块永久地契的土地给LBF；和

(c) 金狮工业机构有限公司按其在LBF的股权比例，为LBF提供财务协助，并施予企业保证及提供担保以便LBF及子公司能够为其高炉计划取得贷款便利。

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当局的批准。

(ii) 2011年12月30日，金狮森林工业有限公司以1亿2千万人民币（相等于5千880万令吉）的现金代价，完成脱售在南京金城機械公司持有的47.73%股权。

(iii) 金狮森林工业有限公司于2012年10月5日与卖方签署有条件买卖合约，以6千380万美元（相等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。

上述企业发展的完整详情，陈列在本常年报告的第53页至第54页及第149页。

股息

董事部欣然建议，在截至2012年6月30日止会计年度内，发出第一次兼最终股息1%或每股1仙的股息（2011：3%或每股3仙的股息，必须扣除25%所得税和单层股息1%或每股1仙）。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为720万令吉（2011年：2千330万令吉）。

企业社会责任

我们意识到企业社会责任（Corporate Social Responsibility）的重要性，并把它视为公司治理框架中不可或缺的一部分，并将继续承诺支持那些带来积极社会与环境影响的企业社会责任活动。

社会

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

金狮百盛基金（Lion-Parkson Foundation）拨款供各种用途，诸如教育，慈善与科学研究；每年都提供奖学金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马来西亚人提供财务援助，包括手术、购置器仪和药物。这项基金也赞助社区保健计划如医疗营，并且为那些向不幸社群提供津贴治疗服务的洗肾中心添购洗肾机器。

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关心环境保护，充分利用资源与促进能源效益。本集团的业务运作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。位於巴生和万津的钢铁厂曾荣获国际SIRIM QAS颁发的环境管理系统ISO 14001:2004奖状。这足以证明这些钢铁厂已达致预定的完善环境政策和目标。

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

本集团业务的运作环境料将继续充满挑战，主要是因为全球经济复苏仍然存有变数，尤其是欧元债务危机的解决步伐缓慢及中国经济成长放缓。国际钢铁价格料保持疲弱，而原料价格继续保持波动。

国内市场方面，入口钢铁产品的猖獗倾销对本地钢铁业造成不利影响。有鉴于此，国内生产商向国际贸易与工业部（“MITI”）提呈请愿书，而后者较后展开调查，以探讨向从一些国家进口的钢铁线材征收反倾销税的可能性。贸工部也接纳政府所委任的 Boston Consulting 集团针对本地钢铁厂商面对的现有困境进行深层研究后，所做出的建议。 国内的市场需求方面，本地钢铁厂商谨慎乐观地认为，经济转型计划与地铁延长线工程的实行，有助刺激钢条和其他建材的需求。这种情况下，本集团的钢铁与建材业务料可在明年内取得令人满意的业绩表现。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东、顾客、银行机构、商业伙伴及各政府与执法机构，在具挑战的时刻继续给予本集团支持与信心。

我也至诚感谢董事部成员，感谢他们在过去一年里所给予的珍贵指导、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
TUN MUSA HITAM

REVIEW OF OPERATIONS

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

Steel

	2012 RM Million	2011 RM Million
Revenue	**4,743.5**	4,202.0
Profit	**14.4**	79.6

Product	Annual Rated Capacity (Million Metric Tons)
Hot Briquetted Iron ("HBI")	0.9
Billets/Molten Steel	3.1
Steel Bars and Wire Rods	2.4

The steel market conditions for the year under review had been very challenging. The steel industry was adversely affected by a deterioration of the global economy mainly caused by the sovereign debt crisis in Europe and government austerity measures weighing on demand. A combination of weak sentiments, falling demand and high raw material prices had triggered significant de-stocking throughout most of the year. Nevertheless, our Steel Division remained profitable largely due to contribution from HBI operations. The Steel Division recorded a 13% higher revenue of RM4.7 billion compared to RM4.2 billion in the same period last year. Although sales volume and average selling prices had improved, the inventory cost of raw materials remained relatively high which resulted in lower profit margin. As such, the Division posted a lower operating profit of RM14.4 million against RM79.6 million a year ago.

HBI

HBI, which is a form of scrap substitute used in the manufacture of high grade steel, is produced by Antara Steel Mills Sdn Bhd at its plant in the Federal Territory of Labuan. HBI is produced from iron ore pellet. During the year, the price of iron ore had been volatile and witnessed a rise before drifting downwards on the back of falling consumption in China, the world's largest importer of iron ore, and the weak growth prospects in Europe. Likewise, the selling price of HBI followed a similar pattern but with some lag time. Our HBI operation which is largely for the export market saw its revenue reduced to RM805.4 million this year from RM925.8 million last year and operating profit reduced to RM86.9 million from RM142.4 million.

Long Products (Molten Steel, Billets, Steel Bars & Wire Rods)

For the financial year under review, the long products performance was adversely affected by the uncertainties in the global economy. Although sales volume and average selling prices had improved, the relatively high cost of scrap metal, a key raw material for steel making used in the electric arc furnace, and higher electricity costs had resulted in upstream steel producers suffering from tight margins. In addition, the local production of steel wire rods was negatively affected by the influx of cheap imports at dumping prices. Under such difficult market conditions, the long products operations recorded a revenue of RM3.9 billion and a loss of RM103.4 million (2011: Revenue of RM3.2 billion and loss of RM88.9 million).

The inland waterway transportation system ("IWTS") project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river had contributed positively to the Division. For the year under review, the IWTS recorded a revenue of RM50.0 million and an operating profit of RM30.9 million (2011: Revenue of RM43.2 million and profit of RM26.1 million).

Property Development

	2012 RM Million	2011 RM Million
Revenue	**14.6**	37.0
Operating loss	**(2.6)**	(5.1)
Share in results of jointly controlled entity	**36.4**	14.1
Profit	**33.8**	9.0

The main contributor to the performance of the Division was the St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group. This joint-venture of mixed integrated development project comprises 3 towers of 28-storey apartments each, with retail, and food and beverage theme outlets located at the site of the former St Mary's School in the Kuala Lumpur Central Business District. Since its launch in 2009, the project, offering 457 apartment units, has been well received with a take-up rate of over 80% due to its strategic location in the prime CBD-KLCC area, competitive pricing, developers' track record and attractive end-financing package.

Building Materials

	2012 RM Million	2011 RM Million
Revenue	**955.1**	848.0
Profit	**24.4**	17.8

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 United States 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

	2012 RM Million	2011 RM Million
Revenue	**73.6**	70.5
Profit	**10.4**	10.8

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.

FINANCIAL STATEMENTS

2012

For The Financial Year Ended 30 June 2012

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** hereby submit 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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 46 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year except as disclosed in Note 18 to the financial statements.

SIGNIFICANT AND SUBSEQUENT CORPORATE EVENTS

Significant corporate events and events subsequent to the end of the financial year are disclosed in Notes 2 and 48 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
(Loss)/Profit for the year	(30,113)	10,079
(Loss)/Profit attributable to:		
Owners of the Company	(38,221)	
Non-controlling interests	8,108	
	(30,113)	

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

A first and final dividend of 3%, less 25% tax and a single-tier dividend of 1%, amounting to RM23.3 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report were paid by the Company during the current financial year.

The Directors propose a first and final single-tier dividend of 1%, amounting to RM7.2 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the financial year, the Company repurchased 69,900 of its ordinary shares from the open market at an average price of RM1.48 per share. The total consideration paid for the repurchase including transaction costs was RM103,799. The repurchase transactions were financed by internally generated funds.

As of 30 June 2012, the Company held 219,900 treasury shares at a carrying amount of RM342,799. Further relevant details are disclosed in Note 31 to the financial statements.

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 five years. The main features of the ESOS are disclosed in Note 30 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in Note 43 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 financial year in which this report is made other than the subsequent corporate events as disclosed in Note 48 to the financial statements.

DIRECTORS

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

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

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

Pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam who has also served on the Board as an independent non-executive Director for more than nine years, retires and the Company shall seek shareholders' approval for his re-appointment as an independent non-executive Director.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

Y. Bhg. Tan Sri Asmat bin Kamaludin who has served on the Board as an independent non-executive Director for more than nine years and Mr Chong Jee Min who has served on the Board as an independent non-executive Director for more than eight years, retire and the Company shall seek shareholders' approval for their re-appointment as independent non-executive Directors.

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 Cheng Yong Kim	3,294,789	3,952,200	–	**7,246,989**
Dato' Kamaruddin @ Abas bin Nordin	80,000	–	(72,000)	**8,000**
Cheng Yong Liang	47,880	–	–	**47,880**
Indirect interest				
Tan Sri Cheng Yong Kim	199,349,058	150,000	(190,139,625)	**9,359,433**

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

	Nominal value per ordinary share	As of 1.7.2011	Number of shares Additions	Disposals	As of 30.6.2012
Tan Sri Cheng Yong Kim					
Direct interest					
Lion Forest Industries Berhad	RM1.00	130	–	–	**130**
Indirect interest					
Lion Forest Industries Berhad	RM1.00	182,561,046	–	(180,143,225)	**2,417,821**
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	4,079,550	(300,675,710)	**–**
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	*	25,400,080	–	(25,400,080)	**–**
Zhongsin Biotech Pte Ltd	*	1,000,000	–	(1,000,000)	**–**

Investments in the People's Republic of China

	Currency	As of 1.7.2011	Additions	Disposals	As of 30.6.2012
Tan Sri Cheng Yong Kim					
Indirect interest					
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	(5,000,000)	**–**
Tianjin Hua Shi Auto Meter Co Ltd (in voluntary liquidation)	USD	10,878,944	–	(10,878,944)	**–**

	Nominal value per preference share	As of 1.7.2011	Number of shares Additions	Disposals	As of 30.6.2012
Tan Sri Cheng Yong Kim					
Indirect interest					
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 interests 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 balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies have interests as disclosed in Note 41 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.

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 CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur
19 October 2012

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

Report on the Financial Statements

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2012, and the income statements, 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 40 to 149.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation 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 the 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 Notes 5(ii)(f) and 37 to the financial statements, which further explain an uncertainty regarding the provision for damages arising from a litigation claim; and to Note 5(ii)(d) regarding the credit risk with a related party.

Report on Other Legal and Regulatory Requirements

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

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 46 to the financial statements being accounts that have been included in the financial statements of the Group;

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

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

Other Reporting Responsibilities

The supplementary information set out on page 150 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors 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 Disclosures 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.

Other Matters

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

NG YEE HONG
Partner - 2886/04/13 (J)
Chartered Accountant

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	6	**5,544,080**	4,949,134	**18,824**	56,459
Other income		**60,480**	112,715	**2,320**	12,802
Net change in inventories		**39,331**	(33,238)	**–**	–
Raw materials and consumables used		**(4,040,981)**	(3,659,950)	**–**	–
Purchase of trading merchandise		**(977,879)**	(632,473)	**–**	–
Property development costs	17(b)	**(10,227)**	(22,756)	**–**	–
Staff costs	7	**(156,627)**	(144,626)	**(7,187)**	(5,763)
Directors' remuneration	8	**(1,293)**	(1,122)	**(1,173)**	(1,007)
Depreciation of property, plant and equipment	14	**(112,999)**	(108,463)	**(685)**	(438)
Amortisation of prepaid land lease payments	16	**(1,838)**	(1,838)	**–**	–
Other expenses		**(315,120)**	(362,003)	**(21,618)**	(26,758)
Investment income	9	**38,648**	31,255	**2,442**	2,223
Finance costs	10	**(71,891)**	(88,717)	**(7,046)**	(7,267)
(Loss)/Profit from operations	7	**(6,316)**	37,918	**(14,123)**	30,251
Share in results of:					
Associated companies		**82,691**	54,579	**–**	–
Jointly controlled entity		**36,420**	14,088	**–**	–
Gain on disposal of associated companies	19	**39,800**	–	**26,072**	–
Settlement arising from litigation claim against a former subsidiary company	18(i)(b) & 43(b)	**(40,000)**	–	**–**	–
Impairment losses on:					
Quoted investments	21	**(122,042)**	–	**(1,848)**	–
Unquoted investments		**–**	(609)	**–**	–
Log extraction premium paid to the State Government of Sabah		**(3,385)**	–	**–**	–
(Loss)/Profit before tax		**(12,832)**	105,976	**10,101**	30,251
Tax (expense)/credit	11	**(17,281)**	2,334	**(22)**	(2,950)
(Loss)/Profit for the year from continuing operations		**(30,113)**	108,310	**10,079**	27,301
Discontinued operations					
Profit for the year from discontinued operations	12	**–**	173,762	**–**	–
(Loss)/Profit for the year		**(30,113)**	282,072	**10,079**	27,301

(Forward)

	The Group 2012 RM'000	The Group 2011 RM'000
(Loss)/Profit attributable to:		
Owners of the Company	**(38,221)**	232,090
Non-controlling interests	**8,108**	49,982
	(30,113)	282,072

	Note	The Group 2012	The Group 2011
(Loss)/Earnings per ordinary share attributable to owners of the Company (sen):			
Basic			
For continuing operations		**(5.32)**	17.38
For discontinued operations		**–**	14.97
	13(a)	**(5.32)**	32.35
Diluted			
For continuing operations		**(5.32)**	17.38
For discontinued operations		**–**	14.97
	13(b)	**(5.32)**	32.35

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 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/Profit for the year	**(30,113)**	282,072	**10,079**	27,301
Other comprehensive income/(loss)				
Exchange differences on translation of foreign operations	**15,323**	(16,811)	**–**	–
Net gain/(loss) on fair value changes on available-for-sale financial assets and assets classified as held for sale	**510**	(7,673)	**1,072**	161
Other comprehensive gain/(loss) for the year, net of tax	**15,833**	(24,484)	**1,072**	161
Total comprehensive (loss)/income for the year	**(14,280)**	257,588	**11,151**	27,462

	The Group	
	2012 RM'000	2011 RM'000
(Loss)/Profit attributable to:		
Owners of the Company	**(30,284)**	210,749
Non-controlling interests	**16,004**	46,839
	(14,280)	257,588

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	14	**1,288,871**	1,316,699	**2,686**	3,006
Investment properties	15	**4,627**	44,226	**–**	42,500
Prepaid land lease payments	16	**51,551**	53,389	**–**	–
Land held for property development	17(a)	**79,001**	34,839	**113**	113
Investment in subsidiary companies	18	**–**	–	**166,409**	182,550
Investment in associated companies	19	**822,845**	789,431	**56,269**	38,740
Investment in jointly controlled entity	20	**56,741**	20,321	**–**	–
Long-term investments	21	**133,641**	84,767	**12,087**	13,485
Deferred tax assets	22	**56,367**	46,603	**–**	–
Goodwill	23	**130,443**	130,443	**–**	–
Total Non-Current Assets		**2,624,087**	2,520,718	**237,564**	280,394
Current Assets					
Property development costs	17(b)	**14,426**	20,536	**–**	–
Inventories	24	**1,030,604**	1,153,575	**43**	43
Short-term investments	25	**20,063**	20,726	**4,414**	3,270
Trade receivables	26(a)	**849,609**	846,271	**–**	–
Other receivables, deposits and prepayments	26(b)	**479,545**	395,631	**33,042**	25,205
Accrued billings for property development projects		**1,398**	–	**–**	–
Amount owing by jointly controlled entity	20	**27,247**	24,383	**–**	–
Amount owing by subsidiary companies	27(a)	**–**	–	**1,058,405**	1,046,972
Deposits, cash and bank balances	28	**584,838**	1,030,016	**14,469**	31,661
		3,007,730	3,491,138	**1,110,373**	1,107,151
Assets classified as held for sale	29	**22,393**	14,264	**–**	9,500
Total Current Assets		**3,030,123**	3,505,402	**1,110,373**	1,116,651
Total Assets		**5,654,210**	6,026,120	**1,347,937**	1,397,045

(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	30	**717,909**	717,909	**717,909**	717,909
Reserves	31	**2,480,511**	2,540,013	**422,382**	434,660
Equity attributable to owners of the Company		**3,198,420**	3,257,922	**1,140,291**	1,152,569
Non-controlling interests		**386,828**	382,582	**–**	–
Total Equity		**3,585,248**	3,640,504	**1,140,291**	1,152,569
Non-Current and Deferred Liabilities					
RCCPS	32	**–**	12,833	**–**	–
Long-term borrowings	33	**297,762**	527,831	**–**	–
Finance lease payables	34	**121,408**	135,003	**–**	–
Hire-purchase obligations	35	**3,486**	4,290	**443**	372
Deferred tax liabilities	22	**16,268**	20,467	**–**	–
Total Non-Current and Deferred Liabilities		**438,924**	700,424	**443**	372
Current Liabilities					
Trade payables	36(a)	**548,663**	748,832	**169**	169
Other payables, deposits and accrued expenses	36(b)	**542,016**	552,399	**1,647**	3,262
Provisions	37	**15,000**	15,000	**–**	–
Advance billings of property development projects		**1,200**	1,597	**–**	–
Amount owing to subsidiary companies	27(a)	**–**	–	**120,240**	143,725
Finance lease payables	34	**13,717**	12,497	**–**	–
Hire-purchase obligations	35	**2,883**	2,661	**147**	123
Short-term borrowings	38	**468,754**	331,827	**85,000**	95,000
RCCPS	32	**12,388**	–	**–**	–
Tax liabilities		**25,417**	20,379	**–**	1,825
Total Current Liabilities		**1,630,038**	1,685,192	**207,203**	244,104
Total Liabilities		**2,068,962**	2,385,616	**207,646**	244,476
Total Equity and Liabilities		**5,654,210**	6,026,120	**1,347,937**	1,397,045

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

The Group

			← Non–Distributable Reserves →					Distributable			
	Note	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Translation adjustment account RM'000**	**Equity compensation reserve RM'000**	**Capital 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		715,344	529,706	(147)	2,748	6,364	8,666	6,176	1,777,734	3,046,591	382,016	3,428,607
Profit for the year		–	–	–	–	–	–	–	232,090	232,090	49,982	282,072
Other comprehensive loss		–	–	–	(13,668)	–	–	(7,673)	–	(21,341)	(3,143)	(24,484)
Total comprehensive income/(loss) for the year		–	–	–	(13,668)	–	–	(7,673)	232,090	210,749	46,839	257,588
Issue of shares	30	2,565	798	–	–	–	–	–	–	3,363	–	3,363
Purchase of treasury shares	31	–	–	(92)	–	–	–	–	–	(92)	–	(92)
Effect of discontinued operations		–	–	–	(2,608)	–	–	–	3,452	844	(42)	802
Acquisition of non-controlling interests		–	–	–	–	–	–	–	1,671	1,671	(18,986)	(17,315)
Share-based payments		–	2,123	–	–	(6,364)	4,420	–	–	179	(86)	93
Effect of dilution on equity interest in a subsidiary company		–	–	–	–	–	–	–	–	–	573	573
Dividend paid	39	–	–	–	–	–	–	–	(5,383)	(5,383)	–	(5,383)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	–	(27,732)	(27,732)
As of 30 June 2011		717,909	532,627	(239)	(13,528)	–	13,086	(1,497)	2,009,564	3,257,922	382,582	3,640,504

(Forward)

The Group

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment account RM'000	Capital 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					→	Distributable			
As of 1 July 2011		717,909	532,627	(239)	(13,528)	13,086	(1,497)	2,009,564	3,257,922	382,582	3,640,504
(Loss)/Profit for the year		–	–	–	–	–	–	(38,221)	(38,221)	8,108	(30,113)
Other comprehensive income		–	–	–	7,427	–	510	–	7,937	7,896	15,833
Total comprehensive income/ (loss) for the year		–	–	–	7,427	–	510	(38,221)	(30,284)	16,004	(14,280)
Purchase of treasury shares	31	–	–	(103)	–	–	–	–	(103)	–	(103)
Disposal of associated companies		–	–	–	11,325	–	–	(17,848)	(6,523)	6,523	–
Acquisition of non–controlling interests		–	–	–	–	–	–	734	734	(10,904)	(10,170)
Dividend paid	39	–	–	–	–	–	–	(23,326)	(23,326)	–	(23,326)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	(7,377)	(7,377)
As of 30 June 2012		**717,909**	**532,627**	**(342)**	**5,224**	**13,086**	**(987)**	**1,930,903**	**3,198,420**	**386,828**	**3,585,248**

(Forward)

The Company

	Note		← Non-Distributable Reserves				→		
		Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Fair value reserve RM'000**	**Equity compensation reserve RM'000**	**Capital reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
As of 1 July 2010		715,344	529,706	(147)	(1,234)	6,364	782	(123,718)	1,127,097
Profit for the year		–	–	–	–	–	–	27,301	27,301
Other comprehensive income		–	–	–	161	–	–	–	161
Total comprehensive income for the year		–	–	–	161	–	–	27,301	27,462
Issue of shares	30	2,565	798	–	–	–	–	–	3,363
Purchase of treasury shares	31	–	–	(92)	–	–	–	–	(92)
Share-based payments		–	2,123	–	–	(6,364)	4,363	–	122
Dividend paid	39	–	–	–	–	–	–	(5,383)	(5,383)
As of 30 June 2011		717,909	532,627	(239)	(1,073)	–	5,145	(101,800)	1,152,569

	Note		← Non-Distributable Reserves			→		
		Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Fair value reserve RM'000**	**Capital reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
As of 1 July 2011		717,909	532,627	(239)	(1,073)	5,145	(101,800)	1,152,569
Profit for the year		–	–	–	–	–	10,079	10,079
Other comprehensive income		–	–	–	1,072	–	–	1,072
Total comprehensive income for the year		–	–	–	1,072	–	10,079	11,151
Purchase of treasury shares	31	–	–	(103)	–	–	–	(103)
Dividend paid	39	–	–	–	–	–	(23,326)	(23,326)
As of 30 June 2012		**717,909**	**532,627**	**(342)**	**(1)**	**5,145**	**(115,047)**	**1,140,291**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

The Group	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit for the year	**(30,113)**	282,072
Adjustments for:		
Depreciation of property, plant and equipment	**112,999**	129,670
Finance costs	**71,891**	89,647
Impairment loss on:		
Property, plant and equipment	**2,196**	10,743
Investment properties	**–**	9,300
Long-term investments	**122,042**	609
Assets classified as held for sale	**–**	312
Allowance for:		
Doubtful trade and other receivables	**5,083**	5,603
Obsolescence of inventories	**4,433**	4,065
Amortisation of prepaid land lease payments	**1,838**	1,956
Tax expense recognised in profit or loss	**17,281**	1,533
Property, plant and equipment written off	**1,780**	1,275
Inventories written off	**–**	1,030
Share-based payments	**–**	93
Gain on disposal/partial disposal of:		
Subsidiary company (Note 12)	**–**	(171,407)
Prepaid land lease payments	**–**	(6,856)
Property, plant and equipment	**(8,300)**	(615)
Associated companies (Note 19)	**(39,800)**	–
Investments properties	**(3,329)**	–
Share in results of:		
Associated companies	**(82,691)**	(54,579)
Jointly controlled entity	**(36,420)**	(14,088)
Interest income	**(39,141)**	(31,954)
Unrealised loss/(gain) on foreign exchange	**7,557**	(11,498)
Settlement arising from litigation claim against a former subsidiary company	**40,000**	–
Log extraction premium paid to the State Government of Sabah	**3,385**	–
Allowance no longer required for:		
Cost of completion	**–**	(8,879)
Obsolescence of inventories	**–**	(1)
Doubtful trade and other receivables	**(670)**	(927)
Gain on acquisition of RCCPS issued by a subsidiary company	**(13)**	(797)
Fair value adjustments on investment properties	**(61)**	(740)
Impairment loss no longer required for property development cost	**(191)**	–
Operating Profit Before Working Capital Changes	**149,756**	235,567

(Forward)

The Group	2012 RM'000	2011 RM'000
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	**9,851**	22,051
Inventories	**118,538**	193,756
Amount due by contract customers	**–**	2,761
Trade and other receivables, deposits and prepayments	**(287,804)**	(590,633)
Amount owing by jointly controlled entity	**(2,864)**	(5,617)
Increase/(Decrease) in:		
Trade and other payables, deposits and accrued expenses	**(203,194)**	21,731
Amount due to contract customers	**–**	1,597
Movements in translation adjustment account	**–**	7,633
Cash Used In Operations	**(215,717)**	(111,154)
Finance costs paid	**–**	(5,058)
Tax paid	**(21,585)**	(4,537)
Net Cash Used In Operating Activities	**(237,302)**	(120,749)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Net cash inflow from disposal of subsidiary companies (Notes 12 and 18)	**–**	483,167
Dividends received from associated companies	**42,531**	64,560
Interest received	**36,868**	20,753
Proceeds from disposal/partial disposal of:		
Prepaid land lease payments	**–**	13,405
Property, plant and equipment	**10,287**	1,287
Investment in associated companies	**86,824**	–
Investment properties	**47,000**	–
Proceeds from disposal/redemption of investments	**10,515**	8,642
Purchase of:		
Associated companies	**(29,455)**	(20,599)
Non-controlling interests	**(10,170)**	(24,510)
Property, plant and equipment (Note)	**(89,163)**	(8,981)
Increase in land held for property development	**(47,712)**	(100)
Log extraction premium paid to the State Government of Sabah	**(3,385)**	–
Settlement arising from litigation claim against a former subsidiary company	**(40,000)**	–
Net Cash From Investing Activities	**14,140**	537,624

(Forward)

The Group	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of:			
BaIDS		**–**	(240,000)
Short-term borrowings		**(123,508)**	(145,320)
Finance lease liabilities		**(25,567)**	(12,660)
Hire-purchase obligations		**(3,144)**	(2,886)
Decrease in security deposits received from customers		**–**	(119,923)
Redemption/Repayment of:			
LICB Bonds and USD Debts		**–**	(51,751)
RCCPS		**(432)**	–
Increase/(Decrease) in cash and cash equivalents - restricted		**299,335**	(32,555)
Dividend paid to non-controlling interests of the Group		**(7,377)**	(27,732)
Interest and profit element paid		**(32,214)**	(12,858)
Dividend paid to equity holders of the Company		**(23,326)**	(5,383)
Purchase of treasury shares		**(103)**	(92)
Proceeds from borrowings		**–**	393,238
Proceeds from issue of shares		**–**	3,363
Net Cash From/(Used In) Financing Activities		**83,664**	(254,559)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(139,498)**	162,316
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**457,383**	295,540
Effects of changes in exchange rates		**(144)**	(473)
CASH AND CASH EQUIVALENTS AT END OF YEAR	40	**317,741**	457,383

Note: Purchase of property, plant and equipment is financed through:

	2012 RM'000	2011 RM'000
Cash	**89,163**	8,981
Finance lease	**–**	69,906
Hire-purchase	**2,122**	1,420
	91,285	80,307

(Forward)

The Company	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**10,079**	27,301
Adjustments for:		
Allowance for doubtful amount owing by subsidiary companies	**–**	12,943
Finance costs	**7,046**	7,267
Impairment loss on:		
Investment properties	**–**	9,300
Assets classified as held for sale	**–**	312
Investment in subsidiary companies	**16,141**	6
Long-term investments	**1,848**	–
Tax expense recognised in profit or loss	**22**	2,950
Depreciation of property, plant and equipment	**685**	438
Share-based payments	**–**	122
Gain on disposal of associated company	**(26,072)**	–
Loss/(Gain) on disposal of property, plant and equipment	**6**	(5)
Dividend income	**(18,824)**	(54,374)
Allowance no longer required for:		
Doubtful amount owing by subsidiary companies	**(2,100)**	(4,118)
Cost of completion	**–**	(1,594)
Doubtful other receivables	**–**	(90)
Unrealised loss/(gain) on foreign exchange	**1,588**	(3,444)
Impairment loss no longer required for investment in subsidiary companies	**–**	(2,728)
Interest income	**(2,611)**	(2,397)
Fair value adjustments on investment properties	**–**	(612)
Operating Loss Before Working Capital Changes	**(12,192)**	(8,723)
Movements in working capital:		
Decrease in other receivables, deposits and prepayments	**960**	20,566
(Decrease)/Increase in trade and other payables, deposits and accrued expenses	**(1,765)**	1,894
Cash (Used In)/Generated From Operations	**(12,997)**	13,737
Finance costs paid	**(6,858)**	(3,840)
Tax refunded/(paid)	**716**	(81)
Net Cash (Used In)/From Operating Activities	**(19,139)**	9,816
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
(Increase)/Decrease in amount owing by subsidiary companies	**(9,333)**	20,523
Dividends received	**15,290**	21,877
Proceeds from redemption of investments	**–**	3,246
Interest received	**741**	551
Proceeds from disposal of an associated company	**27,997**	–
Proceeds from disposal of property, plant and equipment	**43**	41
Purchase of:		
An associated company	**(19,454)**	(18,599)
Property, plant and equipment (Note)	**(117)**	(65)
Increase in other investment	**328**	–
Proceeds from disposal of investment property	**42,000**	–
Net Cash From Investing Activities	**57,495**	27,574

(Forward)

The Company	**Note**	**2012 RM'000**	**2011 RM'000**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings		**–**	100,000
Proceeds from issue of shares		**–**	3,363
(Increase)/Decrease in cash and cash equivalents - restricted		**(2,247)**	721
Redemption/Repayment of LICB Bonds and USD Debts		**–**	(60,357)
Decrease in amount owing to subsidiary companies		**(21,879)**	(57,441)
Dividend paid to owners of the Company		**(23,326)**	(5,383)
Repayment of borrowings		**(10,000)**	(5,000)
Repayment of hire-purchase obligations		**(240)**	(85)
Purchase of treasury shares		**(103)**	(92)
Net Cash Used In Financing Activities		**(57,795)**	(24,274)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(19,439)**	13,116
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**29,253**	16,137
CASH AND CASH EQUIVALENTS AT END OF YEAR	40	**9,814**	29,253

Note: Purchase of property, plant and equipment is financed through:

	2012 RM'000	**2011 RM'000**
Cash	**117**	65
Hire-purchase	**297**	360
	414	425

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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 46.

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

The principal place of business of the Company is located at Level 2-5, Office Tower, No.1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

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. SIGNIFICANT CORPORATE 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 Forest Industries Berhad ("LFIB") in the equity participation of 29:51:20 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 USD92 million (equivalent to RM281 million);

(ii) Proposed disposal by Amsteel Mills Sdn Bhd (a 99% owned subsidiary of the Company) to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million for the Project; and

(iii) Proposed provision of corporate guarantee and pledge of securities by the Group and the Company in favour of LBF on the loan of USD740 million (equivalent to RM2,257 million) granted to LBF in relation to the Project proportionate to the Group's and the Company's shareholding of 49% and 29% in LBF amounting to USD363 million (equivalent to RM1,107 million) and USD215 million (equivalent to RM656 million) respectively.

On 30 August 2012, all parties have mutually agreed in writing to extend the conditional 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 Lion Forest Industries Berhad ("LFIB"), 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.

2. SIGNIFICANT CORPORATE EVENTS (continued)

(c) The LFIB 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 LFIB 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 43. On 27 February 2012, LFIB completed the acquisition of the entire equity interest in Harapan Permai for a total cash consideration of RM40 million. Consequently, Harapan Permai became a wholly-owned subsidiary company of LFIB. LFIB has commenced members' voluntary winding-up of Harapan Permai.

(e) On 4 May 2011, the Company announced the proposed acquisition of 50% equity interest in Angkasa Amsteel Pte Ltd ("Angkasa Amsteel"), a company incorporated in Singapore, comprising 11,517,999 ordinary shares from Hong Leong Asia Ltd for a cash consideration of SGD15.3 million (equivalent to approximately RM36.56 million) of which the acquisition of 25% equity interest comprising 5,758,999 ordinary shares for a cash consideration of SGD7.65 million (equivalent to approximately RM18.28 million) had been completed on 13 May 2011.

The acquisition of the remaining 25% equity interest comprising 5,759,000 ordinary shares for a cash consideration of SGD7.65 million (equivalent to approximately RM18.28 million) plus 5% simple interest per annum has been completed on 4 January 2012 following the exercise of the call option by the Company on 28 December 2011.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee Interpretations ("IC Interpretation") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 July 2011 as follows:

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	Extinguishing 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.

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

FRSs and Amendments to FRSs issued but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards 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]

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 IASB 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

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

FRSs and Amendments to FRSs issued but not yet effective (continued)

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.

In addition, 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, being a Transitioning Entity, has availed itself of this transitional arrangement and will continue to apply FRSs in its next two sets of financial statements. Therefore, the Group will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) in its 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 adoption of 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 Income Taxes and FRS 119 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 Share-based Payment; and

- 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 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

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

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

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

(i) Steel Division

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

(ii) Property Development Division

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

Sales of land under development and completed property units - when the significant risks and rewards of ownership have passed to the buyer.

Rental income - on accrual basis.

(iii) Tyre Division

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

(iv) Building Materials Division

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

(v) Other Divisions

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

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

Foreign Currency

(i) Functional and Presentation Currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each 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.

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.

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

Employee Benefits

(i) Short-term Employee Benefits

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

(ii) Defined Contribution Plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plans, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity Compensation Benefits (continued)

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 equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

Income Tax

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

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted 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 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realised, based on the 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 and the Company expect, at the reporting date, to recover or settle the carrying amount of their 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

The tax effects of the unutilised reinvestment allowances are recognised only upon actual realisation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 5%
Plant, machinery and equipment	2% - 20%
Prime movers and trailers	15%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Floating cranes	5%
Tug boats and barges	10%
Infrastructure	7%
Renovations	2% - 10%

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 42 to 85 years (2011: 43 to 86 years).

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included at the end of the reporting period as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group’s incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment under Hire-Purchase

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

Land held for Property Development

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

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

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

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.

Subsidiary Companies

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

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

Associated Companies

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associated Companies (continued)

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

Jointly Controlled Entity

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

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

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

Goodwill on Consolidation

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Property Development Activities

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

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

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

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

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

Property Development Activities (continued)

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

Inventories

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

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

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

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

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

Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") and Islamic Securities Programme ("Sukuk")

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

The bonds are initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the bonds in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively. The BaIDS were fully repaid during the financial year ended 30 June 2011.

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

The LICB Bonds and USD Debts are stated at the net present value plus accreted interest and net of amortised issuance expenses. The accretion of interest on LICB Bonds and USD Debts are recognised as finance costs on the basis of their underlying cash yield to maturity. The LICB Bonds and USD Debts were fully redeemed/repaid during the financial year ended 30 June 2011.

Redeemable Cumulative Convertible Preference Shares ("RCCPS")

The RCCPS are recorded at the amount of proceeds received, net of transaction costs.

The RCCPS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in profit or loss in the year in which they are incurred.

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

Provisions

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

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 assets are 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.

Financial Assets

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

Effective interest rate method

The effective interest rate 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 through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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 and the Company manage 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.

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.

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

Financial Assets (continued)

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 and the Company have 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 rate method less any impairment, with revenue recognised on an effective yield basis.

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 rate 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.

AFS financial assets

AFS financial assets are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest rate method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest rate method is recognised in profit or loss.

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

AFS financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

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.

(a) Loans and receivables

Receivables 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 and the Company'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.

In respect of receivables 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.

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

Financial Assets (continued)

Impairment of financial assets (continued)

(a) Loans and receivables (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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.

(b) AFS financial assets

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are classified 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 previous recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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

Financial Liabilities and Equity Instruments (continued)

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 and the Company manage 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.

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 the statements of comprehensive income/profit or loss.

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and accrued expenses, amount owing to subsidiary companies and borrowings.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate 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 and the Company derecognise financial liabilities when, and only when, the Group's and the Company'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 and cash equivalents comprise deposits, cash and bank balances, and bank overdrafts are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the 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 period except for the following:

(a) Impairment of Assets

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

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**2,196**	10,743	**–**	–
Investment properties	**–**	9,300	**–**	9,300
Assets classified as held for sale	**–**	312	**–**	312
Long-term investments	**122,042**	609	**1,848**	–
Investment in subsidiary companies	**–**	–	**16,141**	6

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 the recoverable amounts involves a number of 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 the Group's financial position and results.

(b) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2011: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 23.

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

(ii) Key sources of estimation uncertainty(continued)

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounted to RM56,367,000 (2011: RM46,603,000).

(d) Allowances 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, additional allowance may be required.

As of 30 June 2012, the Group has trade receivables of RM477,160,000 (2011: RM454,737,000) due by a related party, Megasteel Sdn Bhd ("Megasteel") which constitutes approximately 55% (2011: 53%) of the Group's trade receivables, of which RM346,773,000 (2011: RM174,613,000) is past due but not impaired. During the 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 that 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.

(e) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment except for freehold land and capital work-in-progress, is depreciated on a straight-line basis over the assets' useful lives. The Group reviews the remaining useful lives of property, plant and equipment at the end of each 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.

(f) Provisions

As mentioned in Note 37, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a subsidiary company of Lion Forest Industries Berhad at the time the litigation claim was made, the Group has provided for liquidated damages from the litigation claims amounting to RM15,000,000. The provision is made based on the management's best judgement and estimate using information currently available. As the legal case has been remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

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

(ii) Key sources of estimation uncertainty(continued)

(g) 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 manufacturers in order to improve on the efficiency and the profitability of the steel business.

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, the 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.

6. 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	**5,529,444**	4,912,128	**–**	–
Revenue from:				
Property development	**9,072**	34,553	**–**	–
Sales of land under development and completed property units	**5,564**	368	**–**	–
Gross rental income	**–**	2,085	**–**	2,085
Gross dividend income from:				
Associated companies (quoted in Malaysia)	**–**	–	**9,763**	7,692
Subsidiary companies	**–**	–	**9,061**	46,682
	5,544,080	4,949,134	**18,824**	56,459

7. (LOSS)/PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impairment loss on:				
Investment properties (Note 15)	**–**	(9,300)	**–**	(9,300)
Property, plant and equipment (Note 14)	**(2,196)**	(7,510)	**–**	–
Assets classified as held for sale (Note 29)	**–**	(312)	**–**	(312)
Investment in subsidiary companies (Note 18)	**–**	–	**(16,141)**	(6)
Allowance for:				
Doubtful trade and other receivables (Note 26)	**(5,083)**	(4,798)	**–**	–
Obsolescence of inventories	**(4,433)**	(2,323)	**–**	–
Doubtful amount owing by subsidiary companies (Note 27)	**–**	–	**–**	(12,943)
Rental expense of:				
Jetties and leasehold land	**(4,221)**	(4,188)	**–**	–
Premises	**(1,109)**	(466)	**–**	–
Plant, machinery and equipment	**(6,307)**	(6,966)	**–**	–
Premises payable to related parties	**(1,114)**	(1,276)	**–**	–
Property, plant and equipment written off	**(1,780)**	(1,135)	**–**	–
Inventories written off	**–**	(1,030)	**–**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(786)**	(794)	**(95)**	(85)
Underprovision in prior years	**(61)**	(108)	**(10)**	(10)
Other auditors:				
Current year	**(3)**	(22)	**–**	–
Non-audit services:				
Auditors of the Company	**–**	(330)	**–**	(316)
Other auditors	**–**	(438)	**–**	(55)
Gain/(Loss) on foreign exchange (net):				
Realised	**26,216**	50,057	**–**	–
Unrealised	**(7,557)**	9,695	**(1,588)**	3,444
Rental income from premises	**9,190**	9,519	**–**	–
Allowance no longer required for:				
Cost of completion	**–**	8,879	**–**	1,594
Doubtful trade and other receivables (Note 26)	**670**	927	**–**	90
Obsolescence of inventories	**–**	1	**–**	–
Doubtful amount owing by subsidiary companies (Note 27)	**–**	–	**2,100**	4,118

7. (LOSS)/PROFIT FROM OPERATIONS (continued)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Gain/(Loss) on disposal/partial disposal of:				
Prepaid land lease payments	**–**	6,856	**–**	–
Property, plant and equipment	**8,300**	537	**(6)**	5
Investment properties	**3,329**	–	**–**	–
Gain on acquisition of RCCPS issued by a subsidiary company	**13**	797	**–**	–
Fair value adjustments on investment properties (Notes 12 and 15)	**61**	769	**–**	612
Interest income from Housing Development Accounts	**493**	607	**169**	174
Bad debts recovered	**91**	453	**–**	–
Impairment loss no longer required for:				
Property development cost	**191**	–	**–**	–
Investment in subsidiary companies (Note 18)	**–**	–	**–**	2,728

Analysis of staff costs is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries, bonuses and allowances	**142,736**	131,260	**6,511**	5,132
Defined contribution plans	**13,891**	13,299	**676**	564
Share-based payments	**–**	67	**–**	67
	156,627	144,626	**7,187**	5,763

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

	The Group	
	2012 RM'000	2011 RM'000
Salaries, bonuses and allowances	**2,931**	2,549
Defined contribution plans	**248**	211
	3,179	2,760

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group as disclosed in Note 8, otherwise than in cash from the Group amounted to RM95,318 (2011: RM136,503).

8. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Executive Director:				
Fee	**25**	25	**25**	25
Salary and other emoluments	**816**	631	**816**	631
Defined contribution plans	**68**	61	**68**	61
Share-based payments	**–**	26	**–**	26
	909	743	**909**	743
Non-executive Directors:				
Fees	**240**	240	**240**	240
Salary and other emoluments	**131**	127	**24**	24
Defined contribution plans	**13**	12	**–**	–
	384	379	**264**	264
Total	**1,293**	1,122	**1,173**	1,007

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM97,620 (2011: RM97,529).

9. INVESTMENT INCOME

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Fixed deposits	**24,575**	20,060	**428**	377
Related parties	**1,109**	427	**1,020**	416
Long-term investments	**2,152**	3,752	**994**	1,430
Associated companies	**2,147**	3,588	**–**	–
Others	**8,665**	3,428	**–**	–
	38,648	31,255	**2,442**	2,223

10. FINANCE COSTS

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Interest expense on:				
Term loans	**26,045**	26,639	**6,858**	3,840
Security deposits received from customers	**4,621**	13,559	**–**	–
Bills payable	**8,440**	7,621	**–**	–
Bank overdrafts	**1,463**	1,892	**–**	–
Finance lease and hire-purchase	**13,632**	13,144	**38**	9
LICB Bonds and USD Debts	**–**	736	**–**	1,406
RCCPS	**124**	389	**–**	–
Advances from subsidiary companies	**–**	–	**–**	135
Others	**3,511**	3,751	**150**	–
Product financing liabilities	**2,391**	6,251	**–**	–
Profit element on Sukuk/BaIDS	**11,664**	12,858	**–**	–
Borrowing costs	**–**	1,877	**–**	1,877
	71,891	88,717	**7,046**	7,267

11. TAX (EXPENSE)/CREDIT

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

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
From continuing operations				
Estimated tax payable:				
Current year	**(30,783)**	(16,484)	**–**	(1,825)
(Under)/Over provision in prior years	**(461)**	(652)	**(22)**	1
	(31,244)	(17,136)	**(22)**	(1,824)
Deferred taxation (Note 22):				
Current year	**(316)**	18,004	**–**	(718)
Over/(Under)provision in prior years	**14,279**	1,466	**–**	(408)
	13,963	19,470	**–**	(1,126)
Total tax (expense)/credit relating to continuing operations	**(17,281)**	2,334	**(22)**	(2,950)
From discontinued operations				
Estimated tax payable:				
Overprovision in prior years	**–**	41	**–**	–
Deferred tax (Note 22)	**–**	(3,908)	**–**	–
Total tax expense relating to discontinued operations (Note 12)	**–**	(3,867)	**–**	–
Total tax expense	**(17,281)**	(1,533)	**(22)**	(2,950)

11. TAX (EXPENSE)/CREDIT (continued)

The tax (expense)/credit varied from the amount of tax (expense)/credit determined by applying the applicable income tax rate to (loss)/profit before tax as a result of the following differences:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
(Loss)/Profit before tax:				
Continuing operations	**(12,832)**	105,976	**10,101**	30,251
Discontinued operations	**–**	177,629	**–**	–
	(12,832)	283,605	**10,101**	30,251
Tax at statutory tax rate of 25% (2011: 25%)	**3,208**	(70,901)	**(2,525)**	(7,563)
Effect of differential tax rates in other countries	**–**	21	**–**	–
Tax effects of:				
Non-taxable income	**49,820**	64,495	**10,885**	14,083
Non-deductible expenses	**(83,676)**	(42,187)	**(9,799)**	(7,047)
Tax effect on share in results of associated companies and jointly controlled entity	**–**	17,167	**–**	–
Deferred tax assets not recognised	**(705)**	(2,388)	**–**	(2,016)
Realisation of deferred tax assets previously not recognised	**254**	31,405	**1,439**	–
(Under)/Overprovision in prior years:				
Current tax	**(461)**	(611)	**(22)**	1
Deferred taxation	**14,279**	1,466	**–**	(408)
	(17,281)	(1,533)	**(22)**	(2,950)

As of 30 June 2012, two subsidiary companies have tax exempt income accounts of RM450,712,000 (2011: RM450,712,000) arising from investment tax allowances claimed under the Promotion of Investments Act, 1986 and reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967. These tax exempt income accounts, which are subject to approval by the tax authorities, are available for distribution as tax-exempt dividends to the shareholders.

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	**21,170**	21,170
Tax-exempt dividends received	**17,469**	63,581
Total	**38,639**	84,751

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to the same amounts. As of 30 June 2012, the Company has not distributed any of its tax-exempt accounts as tax-exempt dividends.

12. 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
Gain on disposal of discontinued operations	–	171,407
Other operating income	–	9,327
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 (Note 14)	–	(21,207)
Amortisation of prepaid land lease payments (Note 16)	–	(118)
Other operating expenses	–	(74,693)
Finance costs	–	(930)
Profit before tax	–	177,629
Tax expense (Note 11)	–	(3,867)
Profit for the year	–	173,762
Profit attributable to:		
Owners of the Company	–	107,420
Non-controlling interests	–	66,342
	–	173,762
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

12. DISCONTINUED OPERATIONS (continued)

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

	The Group	
	2012 RM'000	2011 RM'000
Gain on foreign exchange:		
Realised	–	2,875
Unrealised	–	1,803
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 (Note 14)	–	(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 on bank overdrafts and other borrowings	–	(918)
Interest on hire-purchase obligations	–	(12)
Property, plant and equipment written off	–	(140)
Auditors' remuneration:		
Statutory audit:		
Current year	–	(66)
Underprovision in prior year	–	(21)
Non-statutory audit	–	(3)
Fair value adjustments on investment properties	–	(29)
Hire of plant and machinery	–	(27)

12. DISCONTINUED OPERATIONS (continued)

Details of the assets, liabilities and net cash inflow arising from the disposals of the above subsidiary companies are as follows:

	The Group	
	2012 RM'000	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
Deposits, cash and bank balances	–	75,846
Non-Current Liabilities		
Hire-purchase obligations	–	(52)
Deferred tax liabilities	–	(7,791)
Current Liabilities		
Trade and other payables	–	(184,898)
Tax liabilities	–	(941)
Bank borrowings and hire-purchase obligations	–	(12,434)
	–	400,916
Non-controlling interests	–	(13,147)
Net assets disposed	–	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:		
As per agreements	–	530,300
Adjustments 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

13. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2012 RM'000	2011 RM'000
(Loss)/Profit attributable to owners of the Company:		
From continuing operations	**(38,221)**	124,670
From discontinued operations	**–**	107,420
	(38,221)	232,090

	2012 '000	2011 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**717,759**	715,244
Effect of the exercise of ESOS	**–**	2,233
Effect of treasury shares	**(30)**	(29)
	717,729	717,448

	2012	2011
Basic (loss)/earnings per share (sen):		
From continuing operations	**(5.32)**	17.38
From discontinued operations	**–**	14.97
	(5.32)	32.35

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

(b) Diluted (loss)/earnings per share

	2012 RM'000	2011 RM'000
(Loss)/Profit attributable to owners of the Company:		
From continuing operations	**(38,221)**	124,670
From discontinued operations	**–**	107,420
	(38,221)	232,090
Weighted average number of ordinary shares in issue	**717,729**	717,448

	2012	2011
Diluted (loss)/earnings per share (sen)		
From continuing operations	**(5.32)**	17.38
From discontinued operations	**–**	14.97
	(5.32)	32.35

The basic and diluted (loss)/earnings per share are the same for 2012 and 2011 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 30.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	COST										
	As of 1 July 2010 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Effect of discontinued operations RM'000	Transfer to investment properties (Note 15) RM'000	Transfer to assets held for sale (Note 29) RM'000	Transfer from prepaid land lease payments (Note 16) RM'000	Write-offs RM'000	Reclass-ification RM'000	As of 30 June 2011 RM'000
Freehold land	84,365	–	–	–	(6,570)	–	–	–	–	–	77,795
Freehold buildings	380,605	258	–	–	(77,424)	–	–	–	–	72	303,511
Buildings under long lease	126,350	706	(1,423)	–	(55,057)	(886)	(908)	31,943	(3)	6,891	107,613
Buildings under short lease	7,357	–	–	–	–	–	–	–	–	(6,891)	466
Plant, machinery and equipment	1,980,387	11,937	(2,889)	(5,431)	(514,070)	–	–	–	(1,687)	6,060	1,474,307
Prime movers and trailers	32,077	–	–	(380)	–	–	–	–	–	–	31,697
Motor vehicles	16,873	1,970	(25)	(1,933)	(6,287)	–	–	–	–	–	10,598
Furniture and office equipment	83,010	3,237	(15)	(421)	(14,164)	–	–	–	(1,616)	–	70,031
Computer equipment	8,520	686	(106)	(32)	(3,188)	–	–	–	(980)	–	4,900
Floating cranes	32,911	–	–	–	–	–	–	–	–	54,705	87,616
Tug boats and barges	71,580	–	–	–	–	–	–	–	–	–	71,580
Infrastructure	107,100	–	–	–	–	–	–	–	–	–	107,100
Renovations	1,555	–	–	–	–	–	–	–	–	–	1,555
Construction work-in-progress	89,888	61,513	–	–	(10,119)	–	–	–	–	(60,837)	80,445
Total	3,022,578	80,307	(4,458)	(8,197)	(686,879)	(886)	(908)	31,943	(4,286)	–	2,429,214

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST						
	As of 1 July 2011 RM'000	**Additions RM'000**	**Disposals RM'000**	**Transfer to investment properties (Note 15) RM'000**	**Write-offs RM'000**	**Reclass-ification RM'000**	**As of 30 June 2012 RM'000**
Freehold land	77,795	–	(694)	–	–	–	**77,101**
Freehold buildings	303,511	354	(447)	–	–	–	**303,418**
Buildings under long lease	107,613	53	–	(454)	–	203	**107,415**
Buildings under short lease	466	–	–	–	–	–	**466**
Plant, machinery and equipment	1,474,307	8,073	(17,832)	–	–	47,498	**1,512,046**
Prime movers and trailers	31,697	–	–	–	–	–	**31,697**
Motor vehicles	10,598	2,375	(1,087)	–	–	–	**11,886**
Furniture and office equipment	70,031	2,606	(432)	–	(757)	157	**71,605**
Computer equipment	4,900	347	(80)	–	(17)	–	**5,150**
Floating cranes	87,616	–	–	–	–	–	**87,616**
Tug boats and barges	71,580	–	–	–	–	–	**71,580**
Infrastructure	107,100	–	–	–	–	–	**107,100**
Renovations	1,555	72	(27)	–	–	–	**1,600**
Construction work-in-progress	80,445	77,405	–	–	(1,762)	(47,858)	**108,230**
Total	2,429,214	91,285	(20,599)	(454)	(2,536)	–	**2,496,910**

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION								
	As of 1 July 2010 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effect of discontinued operations RM'000	Transfer to investment properties (Note 15) RM'000	Transfer to assets held for sale (Note 29) RM'000	Write-offs RM'000	As of 30 June 2011 RM'000
Freehold land	–	–	–	–	–	–	–	–	–
Freehold buildings	115,676	15,912	–	–	(32,185)	–	–	–	99,403
Buildings under long lease	86,752	5,503	(228)	–	(11,351)	(549)	(621)	–	79,506
Buildings under short lease	466	–	–	–	–	–	–	–	466
Plant, machinery and equipment	1,015,760	84,832	(1,194)	(5,072)	(290,302)	–	–	(528)	803,496
Prime movers and trailers	12,463	1,921	–	(54)	–	–	–	–	14,330
Motor vehicles	13,843	1,037	(17)	(1,802)	(5,489)	–	–	(15)	7,557
Furniture and office equipment	65,018	3,339	(17)	(563)	(13,044)	–	–	(1,587)	53,146
Computer equipment	3,936	663	(34)	(29)	(731)	–	–	(881)	2,924
Floating crane	3,517	2,430	–	–	–	–	–	–	5,947
Tug boats and barges	12,427	6,814	–	–	–	–	–	–	19,241
Infrastructure	7,140	7,140	–	–	–	–	–	–	14,280
Renovations	937	79	–	–	–	–	–	–	1,016
Construction work-in-progress	–	–	–	–	–	–	–	–	–
Total	1,337,935	129,670	(1,490)	(7,520)	(353,102)	(549)	(621)	(3,011)	1,101,312

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION					
	As of 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 15) RM'000	Write-offs RM'000	As of 30 June 2012 RM'000
Freehold land	–	–	–	–	–	**–**
Freehold buildings	99,403	14,872	–	–	–	**114,275**
Buildings under long lease	79,506	2,853	–	(303)	–	**82,056**
Buildings under short lease	466	–	–	–	–	**466**
Plant, machinery and equipment	803,496	68,769	(17,344)	–	–	**854,921**
Prime movers and trailers	14,330	1,892	–	–	–	**16,222**
Motor vehicles	7,557	1,459	(1,002)	–	–	**8,014**
Furniture and office equipment	53,146	4,498	(162)	–	(741)	**56,741**
Computer equipment	2,924	463	(77)	–	(15)	**3,295**
Floating crane	5,947	4,162	–	–	–	**10,109**
Tug boats and barges	19,241	6,814	–	–	–	**26,055**
Infrastructure	14,280	7,140	–	–	–	**21,420**
Renovations	1,016	77	(27)	–	–	**1,066**
Construction work-in-progress	–	–	–	–	–	**–**
Total	1,101,312	112,999	(18,612)	(303)	(756)	**1,194,640**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES							NET BOOK VALUE	
	As of 1 July 2010 RM'000	Charge for the year RM'000	Effect of discontinued operations RM'000	Disposals RM'000	As of 30 June 2011 RM'000	Charge for the year RM'000	As of 30 June 2012 RM'000	As of 30 June 2011 RM'000	As of 30 June 2012 RM'000
Freehold land	–	1,754	–	–	1,754	–	**1,754**	76,041	**75,347**
Freehold buildings	–	–	–	–	–	–	**–**	204,108	**189,143**
Buildings under long lease	–	–	–	–	–	–	**–**	28,107	**25,359**
Buildings under short lease	–	–	–	–	–	–	**–**	–	**–**
Plant, machinery and equipment	23,776	1,818	(25,111)	(5)	478	–	**478**	670,333	**656,647**
Prime movers and trailers	3,215	–	–	–	3,215	–	**3,215**	14,152	**12,260**
Motor vehicles	–	–	–	–	–	–	**–**	3,041	**3,872**
Furniture and office equipment	–	18	(18)	–	–	–	**–**	16,885	**14,864**
Computer equipment	–	–	–	–	–	–	**–**	1,976	**1,855**
Floating crane	–	–	–	–	–	–	**–**	81,669	**77,507**
Tug boats and barges	–	–	–	–	–	–	**–**	52,339	**45,525**
Infrastructure	–	–	–	–	–	–	**–**	92,820	**85,680**
Renovations	–	–	–	–	–	–	**–**	539	**534**
Construction work-in-progress	–	7,153	(1,397)	–	5,756	2,196	**7,952**	74,689	**100,278**
Total	26,991	10,743	(26,526)	(5)	11,203	2,196	**13,399**	1,316,699	**1,288,871**

(Forward)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST			
	As of 1 July 2010 RM'000	**Additions RM'000**	**Disposals RM'000**	**As of 30 June 2011 RM'000**
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	1,646	379	(110)	1,915
Furniture and office equipment	1,429	2	–	1,431
Computer equipment	2,671	44	–	2,715
Renovations	638	–	–	638
Total	8,489	425	(110)	8,804

	COST			
	As of 1 July 2011 RM'000	**Additions RM'000**	**Disposals RM'000**	**As of 30 June 2012 RM'000**
Plant, machinery and equipment	2,105	–	(2,105)	**–**
Motor vehicles	1,915	272	(144)	**2,043**
Furniture and office equipment	1,431	27	–	**1,458**
Computer equipment	2,715	43	(9)	**2,749**
Renovations	638	72	–	**710**
Total	8,804	414	(2,258)	**6,960**

	ACCUMULATED DEPRECIATION			
	As of 1 July 2010 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**As of 30 June 2011 RM'000**
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	773	157	(64)	866
Furniture and office equipment	1,233	29	–	1,262
Computer equipment	1,270	188	–	1,458
Renovations	43	64	–	107
Total	5,424	438	(64)	5,798

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As of 1 July 2011 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**As of 30 June 2012 RM'000**	**As of 30 June 2011 RM'000**	**As of 30 June 2012 RM'000**
Plant, machinery and equipment	2,105	–	(2,105)	**–**	–	**–**
Motor vehicles	866	396	(97)	**1,165**	1,049	**878**
Furniture and office equipment	1,262	29	–	**1,291**	169	**167**
Computer equipment	1,458	190	(7)	**1,641**	1,257	**1,108**
Renovations	107	70	–	**177**	531	**533**
Total	5,798	685	(2,209)	**4,274**	3,006	**2,686**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation charge for the year:				
Continuing operations	**112,999**	108,463	**685**	438
Discontinued operations (Note 12)	**–**	21,207	**–**	–
	112,999	129,670	**685**	438
Impairment loss for the year:				
Continuing operations	**2,196**	7,510	**–**	–
Discontinued operations (Note 12)	**–**	3,233	**–**	–
	2,196	10,743	**–**	–

As of 30 June 2012, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,168.9 million (2011: RM1,191.7 million) have been charged as collaterals to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 33, 34, 35 and 38).

Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM138,750,000 (2011: RM149,767,000) and RM728,000 (2011: RM675,000) respectively.

15. INVESTMENT PROPERTIES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**44,226**	66,334	**42,500**	61,000
Fair value adjustments during the year (Note 7)	**61**	740	**–**	612
Transfer from property, plant and equipment (Note 14)	**151**	337	**–**	–
Transfer to assets classified as held for sale (Note 29)	**–**	(13,885)	**–**	(9,812)
Impairment loss (Note 7)	**–**	(9,300)	**–**	(9,300)
Disposal during the year	**(39,811)**	–	**(42,500)**	–
At end of year	**4,627**	44,226	**–**	42,500

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

The rental income earned by the Group and the Company from their investment properties amounted to RM12,000 (2011: RM2,128,000) and RMNil (2011: RM2,085,000) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM563,000 (2011: RM522,000) and RM561,900 (2011: RM521,000) respectively.

15. INVESTMENT PROPERTIES (continued)

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 RM29,600 (2011: RM40,200) and RMNil (2011: RM12,000) respectively.

As of 30 June 2012, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM4,576,000 (2011: RM4,364,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Notes 33 and 38).

As of 30 June 2012, the titles to all parcels of leasehold land and buildings of the Company included as part of investment properties with carrying values totalling RMNil (2011: RM42,500,000) have not been registered in the name of the Company.

Investment properties amounting to RM3,380,000 (2011: RM42,950,000) and RMNil (2011: RM42,500,000) for the Group and the Company respectively are held under leasehold interest.

16. PREPAID LAND LEASE PAYMENTS

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Cost:		
At beginning of year	**83,749**	133,854
Exchange differences	**–**	(122)
Effect of discontinued operations	**–**	(9,758)
Transfer to property, plant and equipment (Note 14)	**–**	(31,943)
Disposal during the year	**–**	(8,282)
At end of year	**83,749**	83,749
Cumulative amortisation:		
At beginning of year	**30,360**	31,474
Exchange differences	**–**	(9)
Amortisation for the year	**1,838**	1,956
Effect of discontinued operations	**–**	(1,328)
Disposal during the year	**–**	(1,733)
At end of year	**32,198**	30,360
Unamortised portion:		
At beginning of year	**53,389**	102,380
At end of year	**51,551**	53,389

Amortisation of prepaid land lease payments charge for the year is allocated as follows:

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Continuing operations	**1,838**	1,838
Discontinued operations (Note 12)	**–**	118
	1,838	1,956

16. PREPAID LAND LEASE PAYMENTS (continued)

Prepaid land lease payments relate to:

(a) Lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor, Pasir Gudang Industrial Estate, Johor and Kamunting, Perak, and the leases will expire between the years 2025 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period; and

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

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

As of 30 June 2012, certain parcels of leasehold land of the Group with carrying values totalling RM51.6 million (2011: RM53.4 million) have been charged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 33 and 38).

17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
At beginning of year:				
Land costs	**43,552**	45,196	**53**	53
Development costs	**7,253**	7,717	**60**	60
	50,805	52,913	**113**	113
Costs incurred:				
Land costs	**35,279**	–	**–**	–
Development costs	**9,354**	100	**–**	–
Cost transferred to property development costs – net (Note 17(b))	**(2,208)**	(2,208)	**–**	–
At end of year	**93,230**	50,805	**113**	113
Accumulated impairment losses:				
At beginning of year	**(15,966)**	(17,703)	**–**	–
Transferred to property development costs (Note 17(b))	**1,737**	1,737	**–**	–
At end of year	**(14,229)**	(15,966)	**–**	–
Net	**79,001**	34,839	**113**	113

17. **LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)**

b) **Property Development Costs**

	The Group	
	2012	**2011**
	RM'000	**RM'000**
At beginning of year:		
Land cost	**11,407**	32,791
Development costs	**44,697**	47,697
	56,104	80,488
Costs incurred:		
Land cost	**1,993**	–
Development costs	**1,086**	705
	3,079	705
Transfer from land held for property development - net (Note 17(a))	**2,208**	2,208
	61,391	83,401
Costs recognised as expenses in profit or loss:		
Previous years	**(32,988)**	(36,774)
Current year	**(10,227)**	(22,756)
Eliminated due to completion of projects	**–**	26,542
	(43,215)	(32,988)
Cost transferred to completed units	**–**	(376)
Cost eliminated due to completion of project	**–**	(27,297)
Accumulated impairment losses:		
At beginning of year	**(2,204)**	(976)
Transfer from land held for property development (Note 17(a))	**(1,737)**	(1,737)
Transfer to completed units	**–**	(246)
Reversal of impairment loss	**191**	–
Closed out due to completion of projects	**–**	755
At end of year	**(3,750)**	(2,204)
Net	**14,426**	20,536

18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2012 RM'000	2011 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**285,359**	285,359
Deemed capital contribution	**13,629**	13,629
	298,988	298,988
Accumulated impairment losses	**(174,811)**	(158,670)
	124,177	140,318
Total	**166,409**	182,550
Market value of quoted shares	**61,373**	72,204

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the carrying amounts of certain subsidiary companies are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM16,141,000 (2011: reversal of impairment loss of RM2,722,000) in respect of the investment in these subsidiary companies.

Acquisition of subsidiary companies

(i) During the current financial year, the Lion Forest Industries Berhad ("LFIB") Group completed the following acquisitions:

(a) Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of LFIB, 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 LFIB Group.

During the financial year, 23 Cambodian Companies were incorporated by the 18 BVI Companies acquired during the current financial year and the 5 BVI Companies acquired in the previous financial year to undertake the Proposed Acquisition of Land as disclosed in Note 2. Consequent thereupon, these Cambodian Companies became wholly-owned subsidiary companies of the LFIB Group.

(b) LFIB had on 27 February 2012 completed the acquisition of the entire issued and paid-up capital of Harapan Permai Sdn Bhd ("Harapan Permai") for a cash consideration of RM40 million. Consequently, Harapan Permai became a wholly-owned subsidiary company of LFIB.

18. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

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

(a) The LFIB 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 LFIB 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 LFIB 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 LFIB Group completed the following disposals:

(i) On 21 October 2010, Lion AMB Resources Berhad, a subsidiary company of the LFIB Group, 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 LFIB.

(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 LFIB.

(iii) The LFIB 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 LFIB Group had on 29 June 2011 completed the said disposal and consequent thereupon, Shandong Silverstone ceased to be a subsidiary company of LFIB.

The effects on net profit and net assets contributed by the disposals are disclosed in Note 12.

19. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At cost:				
Quoted investments	**378,479**	380,404	**18,215**	20,141
Unquoted investments	**138,041**	164,746	**38,054**	18,599
	516,520	545,150	**56,269**	38,740
Share in post-acquisition results less dividends received	**306,325**	244,281	**–**	–
	822,845	789,431	**56,269**	38,740
Market value of quoted investments	**963,043**	1,299,771	**199,318**	297,164

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

	The Group	
	2012 RM'000	2011 RM'000
Assets and Liabilities		
Current assets	**5,686,570**	5,984,752
Non-current assets	**5,916,220**	5,856,032
Total Assets	**11,602,790**	11,840,784
Current liabilities	**3,910,102**	4,727,770
Non-current liabilities	**1,643,824**	1,391,285
Total Liabilities	**5,553,926**	6,119,055
Results		
Revenue	**5,607,626**	5,393,542
Profit for the year	**148,893**	298,361

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

	The Group	
	2012 RM'000	2011 RM'000
Share of net assets (excluding goodwill)	**598,659**	570,688
Share of goodwill of associated companies	**224,186**	218,743
	822,845	789,431

19. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The Group's share in losses of certain associated companies has been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of profit/(losses) are as follows:

	The Group	
	2012 RM'000	2011 RM'000
At beginning of year	**(110,085)**	(114,900)
Current year	**(60,927)**	4,815
At end of year	**(171,012)**	(110,085)

As of 30 June 2012, the investment in quoted associated companies of the Company with carrying value of RM15,242,000 (2011: RM17,167,000) has been pledged as collaterals to certain financial institutions for borrowings granted to the Group (Notes 33 and 38).

During the financial year, the Group disposed of certain equity interest with carrying value amounting to RM18,945,000 in an associated company, Parkson Holdings Berhad, for a total consideration of RM27,997,000. This disposal gave rise to a gain on disposal of RM9,052,000 and RM26,072,000 to the Group and the Company respectively.

The LFIB 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 LFIB Group. This disposal gave rise to a gain on disposal of RM30,748,000 to the Group.

LFIB 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.

20. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group	
	2012 RM'000	2011 RM'000
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results	**56,616**	20,196
	56,741	20,321

20. INVESTMENT IN JOINTLY CONTROLLED ENTITY (continued)

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

Name of Jointly Controlled Entity	Financial Year End	Effective Percentage Ownership 2012 %	2011 %	Principal Activity
Mergexcel Property Development Sdn Bhd	31 March	**49**	49	Property development

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

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

	The Group 2012 RM'000	2011 RM'000
Assets and Liabilities		
Current assets	**413,292**	378,703
Non-current assets	**2,568**	1,005
Total Assets	**415,860**	379,708
Current liabilities	**313,267**	342,952
Non-current liabilities	**–**	–
Total Liabilities	**313,267**	342,952
Results		
Revenue	**303,490**	130,992
Profit for the year	**65,835**	27,640

Amount owing by jointly controlled entity arose mainly from advances granted and payments made on behalf of the jointly controlled entity. The said amount is interest-free (2011: interest-free) and repayable on demand.

21. LONG-TERM 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				
Quoted investments in Malaysia:				
At fair value				
Shares	**81,556**	862	**129**	518
Warrants	**736**	1,656	**310**	698
ICULS*	**26,413**	30,015	**–**	–
	108,705	32,533	**439**	1,216
Quoted investments outside Malaysia:				
Shares - at fair value	**161**	157	**40**	39
Unquoted investments:				
Shares - at cost	**1,377**	21,101	**400**	400
Total	**110,243**	53,791	**879**	1,655
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**81,175**	86,902	**–**	–
Less: Accumulated impairment losses	**(70,287)**	(70,287)	**–**	–
	10,888	16,615	**–**	–
Redeemable within one year (Note 25)	**(10,888)**	(11,265)	**–**	–
	–	5,350	**–**	–
Loans and receivables				
At amortised cost				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")**	**32,573**	35,087	**15,622**	15,100
Redeemable within one year (Note 25)	**(9,175)**	(9,461)	**(4,414)**	(3,270)
	23,398	25,626	**11,208**	11,830
Total	**133,641**	84,767	**12,087**	13,485

* Represents irredeemable convertible unsecured loan stocks issued by Lion Diversified Holdings Berhad.
** Represents redeemable convertible secured loan stocks issued by Lion Corporation Berhad.

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM122,042,000 (2011: RM609,000) and RM1,848,000 (2011: RMNil) in profit or loss of the Group and of the Company respectively (Note 7).

Certain of the Group's investments with carrying values totalling RM67.12 million (2011: RM11.44 million) had been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 33 and 38).

21. LONG-TERM INVESTMENTS (continued)

The investment in unquoted bonds, ICULS and RCSLS of the Company and of certain subsidiary companies bear a yield-to-maturity at rates ranging from 4.00% to 7.00% (2011: 4.00% to 7.00%) per annum.

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 LFIB Group in Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone") (now known as Toyo Tire (Zhucheng) Co Ltd). The Group did not exercise significant influence over Shandong Silverstone as of 30 June 2011.

On 12 April 2011, the LFIB Group entered into a Put and Call Option Agreement with Toyo Tire & Rubber Co Ltd ("Toyo Tire"), pursuant to which:

(a) The LFIB 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 LFIB Group of 75% equity interest in Shandong Silverstone; and

(b) The LFIB Group had granted Toyo Tire a call option to require the LFIB 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 LFIB 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 29.

Included in quoted investments of the Group is an amount of RM78,069,000, representing quoted shares held in Lion Corporation Berhad ("LCB Shares") by the Group, being settlement of trade receivables totalling RM250,139,586, 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 250,139,586 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 RM122,042,000 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 represents a significant decline, the cumulative loss was reclassified to profit or loss.

22. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) of the Group and of the Company are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of year	**26,136**	2,783	**–**	1,126
Transfer to/(from) profit or loss (Note 11):				
Property, plant and equipment	**15,731**	(18,529)	**1,381**	1,883
Investment properties	**2,075**	(305)	**2,075**	(305)
Property development activities	**9,010**	(1,252)	**8,297**	(1,218)
Others	**(2,917)**	2,184	**(397)**	–
Provision	**106**	–	**106**	–
Unused tax losses and unabsorbed capital allowances	**(10,042)**	33,464	**(11,462)**	(1,486)
	13,963	15,562	**–**	(1,126)
Effect of discontinued operations	**–**	7,791	**–**	–
At end of year	**40,099**	26,136	**–**	–

22. 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 the statements of financial position purposes:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**56,367**	46,603	**–**	–
Deferred tax liabilities	**(16,268)**	(20,467)	**–**	–
	40,099	26,136	**–**	–

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

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
Temporary differences arising from:				
Others	**(19,516)**	(15,400)	**–**	–
Provision	**106**	–	**106**	–
Unused tax losses and unabsorbed capital allowances	**191,343**	201,385	**613**	12,075
	171,933	185,985	**719**	12,075
Offsetting	**(115,566)**	(139,382)	**(719)**	(12,075)
Deferred tax assets (after offsetting)	**56,367**	46,603	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**128,859**	144,590	**322**	1,703
Investment properties	**–**	2,075	**–**	2,075
Property development activities	**4**	9,014	**–**	8,297
Others	**2,971**	4,170	**397**	–
	131,834	159,849	**719**	12,075
Offsetting	**(115,566)**	(139,382)	**(719)**	(12,075)
Deferred tax liabilities (after offsetting)	**16,268**	20,467	**–**	–

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

As mentioned in Note 4, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets 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 temporary differences, unused tax losses and unabsorbed capital allowances, for which the tax effects is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Temporary differences arising from:				
Property, plant and equipment	**33**	43	**–**	–
Property development activities	**3,609**	3,449	**–**	–
Others	**1,918**	(12,515)	**–**	–
Unused tax losses and unabsorbed capital allowances	**48,559**	61,338	**6,813**	12,568
	54,119	52,315	**6,813**	12,568

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

23. GOODWILL

	The Group	
	2012 RM'000	**2011 RM'000**
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 5% (2011: 4%) per annum. The discount rate used is 8% (2011: 8%) per annum.

24. INVENTORIES

Inventories consist of the following:

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Property:				
Completed units for sale (net of provision for write down of RM3,072,000 (2011: RM3,718,000) for the Group)	**8,727**	9,495	**43**	43
Products at cost:				
Raw materials	**206,456**	222,407	**–**	–
Finished goods	**403,125**	398,219	**–**	–
General and consumable stores	**165,971**	171,432	**–**	–
Trading merchandise	**34,548**	58,517	**–**	–
Goods-in-transit	**226,515**	329,870	**–**	–
	1,036,615	1,180,445	**–**	–
Less: Allowance for inventory obsolescence	**(14,738)**	(36,365)	**–**	–
	1,021,877	1,144,080	**–**	–
Net	**1,030,604**	1,153,575	**43**	43

Certain of the Group's inventories with carrying values totalling RM982.4 million (2011: RM1,079.3 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 33 and 38) and for trade financing arrangement with a third party as disclosed in Note 36(a).

25. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, redeemable within one year (Note 21)	**10,888**	11,265	**–**	–
Loans and receivables				
At amortised cost				
RCSLS, redeemable within one year (Note 21)	**9,175**	9,461	**4,414**	3,270
	20,063	20,726	**4,414**	3,270

26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group	
	2012 RM'000	2011 RM'000
Trade receivables	**867,479**	861,676
Less: Allowance for doubtful debts	**(18,794)**	(16,329)
	848,685	845,347
Retention monies	**924**	924
	849,609	846,271

Trade receivables comprise amounts receivable for the sale of goods and services rendered. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted to customers ranges from 30 to 90 days (2011: 30 to 90 days). Allowances 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 has trade receivables amounting to RM449,688,000 (2011: RM519,611,000) that are past due at the end of the reporting period but against which the Group has not recognised allowance for doubtful debts as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The age for these receivables ranges from 31 to more than 120 days (2011: ranges from 31 to more than 120 days).

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

(a) Trade receivables (continued)

As of 30 June 2012, the Group has trade receivables of RM477,160,000 (2011: RM454,737,000) due by a related party, Megasteel Sdn Bhd ("Megasteel"), which constitutes approximately 55% (2011: 53%) of the Group's trade receivables, of which RM346,773,000 (2011: RM174,613,000) is past due but not impaired. During the 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 that 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 Sdn Bhd, a related party of the Group, 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 is 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	
	2012	**2011**
	RM'000	**RM'000**
Neither past due nor impaired	**399,921**	326,660
31 - 60 days past due but not impaired	**64,408**	51,958
61 - 90 days past due but not impaired	**19,271**	239,901
91 - 120 days past due but not impaired	**24,619**	142,564
More than 120 days past due but not impaired	**341,390**	85,188
	849,609	846,271
Past due and impaired	**18,794**	16,329
Total trade receivables	**868,403**	862,600

Movements in the allowance for doubtful debts are as follows:

	The Group	
	2012	**2011**
	RM'000	**RM'000**
At beginning of the year	**16,329**	15,941
Impairment losses recognised on receivables	**5,083**	4,896
Effect of discontinued operations	**–**	(805)
Amount recovered during the year	**(578)**	(672)
Amount written off during the year as uncollectible	**(2,040)**	(3,031)
At end of year	**18,794**	16,329

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

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

(a) Trade receivables (continued)

The currency profile of trade receivables is as follows:

	The Group 2012 RM'000	The Group 2011 RM'000
Ringgit Malaysia	**826,644**	827,000
United States Dollar	**14,923**	11,394
Singapore Dollar	**8,042**	7,877
	849,609	846,271

As of 30 June 2012, the trade receivables of the Group amounting to RM299.1 million (2011: RM386.3 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for borrowings obtained by the Group (Notes 33 and 38).

(b) Other receivables, deposits and prepayments

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Other receivables	**351,809**	299,405	**24,871**	27,185
Less: Allowance for doubtful debts	**(19,957)**	(31,105)	**(940)**	(11,996)
	331,852	268,300	**23,931**	15,189
Tax recoverable	**18,312**	5,652	**2,679**	4,902
Refundable deposits	**50,197**	8,697	**689**	689
Prepayments	**79,184**	112,982	**5,743**	4,425
	479,545	395,631	**33,042**	25,205

Movements in the allowance for doubtful debts are as follows:

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
At beginning of the year	**31,105**	30,653	**11,996**	12,086
Impairment losses recognised on receivables	**–**	707	**–**	–
Amount recovered during the year	**(92)**	(255)	**–**	(90)
Amount written off during the year	**(11,056)**	–	**(11,056)**	–
At end of year	**19,957**	31,105	**940**	11,996

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

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

(i) As of 30 June 2012, other receivables, deposits and prepayments of the Group with carrying values of RM209.6 million (2011: RM208.8 million) have been pledged as collaterals for the borrowings obtained by the Group (Notes 33 and 38).

(ii) Included in other receivables of the Group is an amount of:

(a) 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 is repayable by 12 monthly instalments commencing from 31 March 2012.

Graimpi undertakes to dispose of a sufficient numbers 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;

(b) 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 was sales proceeds 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

(c) RM50,028,000 (RMNil in 2011) receivable from Megasteel Sdn Bhd by December 2012, representing deferred cash payment from a settlement scheme implemented to settle its outstanding trade amount.

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

(iv) The currency profile of other receivables, deposits and prepayments is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	**336,938**	262,343	**33,042**	25,205
Chinese Renminbi	**11,203**	15,039	**–**	–
United States Dollar	**130,250**	115,197	**–**	–
Others	**1,154**	3,052	**–**	–
	479,545	395,631	**33,042**	25,205

27. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company 2012 RM'000	The Company 2011 RM'000
Amount owing by subsidiary companies	**1,199,594**	1,190,261
Less: Allowance for doubtful debts	**(141,189)**	(143,289)
Net	**1,058,405**	1,046,972
Amount owing to subsidiary companies	**120,240**	143,725

Movement in the allowance for doubtful debts for the current financial year is as follows:

	The Company 2012 RM'000	The Company 2011 RM'000
At beginning of the year	**143,289**	134,464
Impairment losses recognised on receivables	**–**	12,943
Amounts recovered during the year	**(2,100)**	(4,118)
At end of year	**141,189**	143,289

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

The amount owing by/to subsidiary companies is either interest-free or bears interest at 8% (2011: either interest-free or bears interest at 8%) per annum and repayable on demand.

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

	The Company 2012 RM'000	The Company 2011 RM'000
Ringgit Malaysia	**1,058,367**	1,046,971
Singapore Dollar	**38**	1
	1,058,405	1,046,972

27. RELATED COMPANY TRANSACTIONS (continued)

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

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

	The Company	
	2012 RM'000	2011 RM'000
Ringgit Malaysia	**101,206**	110,926
United States Dollar	**339**	14,849
Singapore Dollar	**9,859**	9,695
Chinese Renminbi	**8,836**	8,255
	120,240	143,725

(b) Amount owing by an associated company

	The Group	
	2012 RM'000	2011 RM'000
Amount owing by an associated company	**24,465**	24,465
Less: Allowance for doubtful debts	**(24,465)**	(24,465)
Net	**–**	–

The amount owing by an associated company, which arose from advances, is denominated in United States Dollar, interest-free (2011: interest-free) and repayable on demand.

28. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks and financial institutions:				
Restricted	**214,302**	510,838	**4,456**	2,403
Unrestricted (Note 40)	**184,493**	381,417	**2,350**	13,200
	398,795	892,255	**6,806**	15,603
Housing Development Accounts (Note 40)	**25,747**	35,318	**7,079**	9,909
Cash and bank balances:				
Restricted	**39,974**	42,773	**199**	5
Unrestricted (Note 40)	**120,322**	59,670	**385**	6,144
	584,838	1,030,016	**14,469**	31,661

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

28. DEPOSITS, CASH AND BANK BALANCES (continued)

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

(a) amounts totalling RM88.8 million (2011: RM214.3 million) and RM4.7 million (2011: RM2.4 million) of the Group and the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings (Notes 33 and 38) and pledged as collaterals for bank guarantees granted.

(b) an amount of RM165.5 million (2011: RM339.3 million) of the Group held under Escrow Account for the purpose of indemnifying Sabah Forest Industries Sdn Bhd ("SFI") and the purchasers of SFI for the legal claims as mentioned in Note 43(b).

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

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
Deposits with licensed banks and financial institutions	**1.35% to 3.15%**	1.15% to 2.85%	**2.00% to 2.60%**	2.20% to 2.60%

Deposits of the Group and of the Company have an average maturity of 96 days (2011: 41 days).

The currency profile of 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	**538,563**	1,018,919	**14,469**	31,661
Chinese Renminbi	**5,172**	7,467	**–**	–
United States Dollar	**40,814**	3,338	**–**	–
Indonesian Rupiah	**269**	267	**–**	–
Singapore Dollar	**20**	25	**–**	–
	584,838	1,030,016	**14,469**	31,661

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

29. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of year	**14,264**	404	**9,500**	–
Transfer from long-term investment (Note 21)	**21,989**	–	**–**	–
Transfer from investment properties (Note 15)	**–**	13,885	**–**	9,812
Impairment loss (Note 7)	**–**	(312)	**–**	(312)
Transfer from property, plant and equipment (Note 14)	**–**	287	**–**	–
Disposals	**(13,860)**	–	**(9,500)**	–
	22,393	14,264	**–**	9,500

On 30 May 2012, Toyo Tire & Rubber Co, Ltd ("Toyo Tire") exercised its call option to require the LFIB Group to dispose of the remaining 25% stake in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("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.

In the previous financial year, the Company and Antara Steel Mills Sdn Bhd ("Antara") entered into conditional Sale and Purchase Agreements to dispose of a parcel of land and building for a cash consideration of RM9,500,000 and RM5,560,000 respectively. The said disposals have been completed as of 30 June 2012.

30. SHARE CAPITAL

Share capital of the Group and of the Company is presented by:

	The Group and The Company	
	2012 RM'000	2011 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
At beginning of year:		
717,909,365 as of 1 July 2011; 715,344,265 as of 1 July 2010	**717,909**	715,344
Issued during the year:		
2,565,100 in 2011	**–**	2,565
At end of year:		
717,909,365 as of 30 June 2012 and 30 June 2011	**717,909**	717,909

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each to RM717,909,365 divided into 717,909,365 ordinary shares of RM1.00 each by the issuance of 164,700 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 2,400,400 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company. The resulting share premium of RM798,226 arising from the issue of shares has been credited to the share premium account.

30. SHARE CAPITAL (continued)

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.

A new ESOS was implemented on 2 February 2011 for the benefit of the executive and non-executive Directors of the Company and executive employees of the Group for a period of five years ("New ESOS").

The main features of the New ESOS are as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the New ESOS.

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

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

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

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

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

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

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

31. RESERVES

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Non-distributable reserves:				
Share premium	**532,627**	532,627	**532,627**	532,627
Treasury shares	**(342)**	(239)	**(342)**	(239)
Capital reserve	**13,086**	13,086	**5,145**	5,145
Fair value reserve	**(987)**	(1,497)	**(1)**	(1,073)
Translation adjustment account	**5,224**	(13,528)	**–**	–
	549,608	530,449	**537,429**	536,460
Retained earnings/(Accumulated losses)	**1,930,903**	2,009,564	**(115,047)**	(101,800)
	2,480,511	2,540,013	**422,382**	434,660

31. RESERVES (continued)

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.

Treasury shares

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 69,900 (2011: 50,000) of its ordinary shares from the open market at an average price of RM1.48 (2011: RM1.85) per share. The total consideration paid for the repurchase including transaction costs was RM103,799 (2011: RM92,500). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Equity compensation reserve

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

Capital reserve

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

Fair value reserve

Fair value reserve comprises fair value changes on revaluation of available-for-sale investments.

Translation adjustment account

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

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

	The Group	
	2012 RM'000	2011 RM'000
Issued and fully paid:		
At beginning of year	**129**	137
Acquisition by the Group from third party holders	**(5)**	(8)
At end of year	**124**	129
Share premium:		
At beginning of year	**12,704**	13,535
Acquisition by the Group from third party holders	**(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% (2011: 58.03%) of the RCCPS had been acquired by the LFIB 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) their 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 holder 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.

32. 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.

33. LONG-TERM BORROWINGS

	The Group 2012 RM'000	2011 RM'000
Long-term borrowings		
Outstanding loans (secured)	**240,590**	311,315
Less : Portion due within one year (Note 38)	**(240,590)**	(76,722)
Non-current portion	**–**	234,593
Islamic Securities ("Sukuk")		
Outstanding principal	**300,000**	300,000
Debts issuance cost	**(2,238)**	(6,762)
Non-current portion	**297,762**	293,238
Total non-current portion	**297,762**	527,831

The non-current portion is repayable as follows:

	The Group 2012 RM'000	2011 RM'000
Financial years ending 30 June:		
2013	**–**	234,593
2014	**59,552**	58,648
2015 and thereafter	**238,210**	234,590
	297,762	527,831

33. LONG-TERM BORROWINGS (continued)

(a) Long-term borrowings

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 14), investment properties (Note 15), leasehold land (Note 16), fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 5.85% to 6.60% (2011: 5.85% to 6.60%) per annum.

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

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Ringgit Malaysia	–	93,812
United States Dollar	–	140,781
	–	234,593

(b) Islamic Securities ("Sukuk")

The Sukuk is denominated in Ringgit Malaysia and bears interest at rates ranging from 4.02% to 4.62% (2011: Nil) per annum.

On 28 and 29 June 2011, Antara Steel Mills Sdn. Bhd ("Antara"), a subsidiary company of the Company, issued RM300 million 7-year Islamic securities ("Sukuk"):

i. to redeem the outstanding notes under Antara's existing RM500 million BaIDS;
ii. to finance the purchase of machinery and equipment as replacement parts;
iii. to pre-fund the Finance Service Reserve Account; and
iv. to finance the purchase of raw materials.

The payment of profit which is assumed to be paid semi-annually commencing six months from the date of issue and the payment of redemption sum under the Sukuk are as follows:

Series	**Redemption sum due (RM)**	**Tenure**	**Profit rates**
A	60,000,000	3	4.02%
B	60,000,000	4	4.17%
C	60,000,000	5	4.32%
D	60,000,000	6	4.47%
E	60,000,000	7	4.62%
	300,000,000		

33. LONG-TERM BORROWINGS (continued)

(b) Islamic Securities ("Sukuk") (continued)

The Sukuk is secured by the following:

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

(ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara ("Debenture").

(iii) Assignment and first charge over the designated accounts opened and maintained by Antara.

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

(v) Corporate guarantee from the Company.

34. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amounts payable under finance lease:				
Within one year	**25,949**	26,219	**13,717**	12,497
In the second to third year inclusive	**149,234**	176,339	**121,408**	135,003
	175,183	202,558	**135,125**	147,500
Less: Future finance charges	**(40,058)**	(55,058)	**NA**	NA
Present value of lease payables	**135,125**	147,500	**135,125**	147,500
Less: Amount due within the next 12 months (shown under current liabilities)			**(13,717)**	(12,497)
Non-current portion			**121,408**	135,003

34. FINANCE LEASE PAYABLES (continued)

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

	The Group 2012 RM'000	The Group 2011 RM'000
Financial years ending 30 June:		
2013	–	13,702
2014	**15,070**	15,024
2015	**16,556**	16,474
2016 and thereafter	**89,782**	89,803
	121,408	135,003

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 9.75% (2011: 9.25% to 9.80%) per annum.

The finance lease obligations above are secured by charges on certain of the property, plant and equipment (Note 14).

35. HIRE-PURCHASE OBLIGATIONS

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Total outstanding	**7,017**	7,671	**666**	570
Less: Interest-in-suspense	**(648)**	(720)	**(76)**	(75)
Principal outstanding	**6,369**	6,951	**590**	495
Less: Portion payable within one year (shown under current liabilities)	**(2,883)**	(2,661)	**(147)**	(123)
Non-current portion	**3,486**	4,290	**443**	372

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

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Financial years ending 30 June:				
2013	–	4,027	–	109
2014	**2,974**	263	**95**	263
2015 and thereafter	**512**	–	**348**	–
	3,486	4,290	**443**	372

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.20% to 5.55% (2011: 2.80% to 5.55%) and 2.20% to 2.70% (2011: 2.20% to 2.85%) per annum, respectively.

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

(a) Trade payable

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables	**545,417**	745,500	**139**	139
Retention monies	**3,246**	3,332	**30**	30
	548,663	748,832	**169**	169

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2011: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**513,670**	447,681	**169**	169
United States Dollar	**30,212**	278,950	**–**	–
Singapore Dollar	**929**	21,013	**–**	–
Chinese Renminbi	**165**	203	**–**	–
Others	**3,687**	985	**–**	–
	548,663	748,832	**169**	169

Included in trade payables is an amount of RM129,167,735 (2011: RM122,225,908) representing product financing liabilities which arose from trade financing arrangement with a third party where titles to the inventories pertaining to this arrangement are legally with the third party, and of which the subsidiary companies have obligation to purchase. The obligation to purchase ranges from 30 to 90 days (2011: 30 to 90 days), with an average interest rate of 4% (2011: 4%) per annum. The inventories under such arrangement are disclosed in Note 24.

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Other payables and deposits	**245,140**	264,713	**1,223**	2,698
Accrued expenses	**296,876**	287,686	**424**	564
	542,016	552,399	**1,647**	3,262

Included in other payables of the Group, is an amount of RM59,663,000 (2011: RM56,878,000) representing security deposits received from customers, which bear interest at rates ranging from 9.50% to 9.75% (2011: 8.75% to 10.00%) per annum and have an average repayment period of 90 days (2011: 90 days).

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

(b) Other payables, deposits and accrued expenses (continued)

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	**499,421**	422,252	**1,647**	3,262
United States Dollar	**36,066**	124,251	**–**	–
Chinese Renminbi	**4,798**	3,520	**–**	–
Others	**1,731**	2,376	**–**	–
	542,016	552,399	**1,647**	3,262

37. PROVISIONS

	The Group	
	2012 RM'000	2011 RM'000
Provision for damages arising from litigation claim	**15,000**	15,000

As part of the terms for the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Group, 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, LFIB 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 and various external valuation reports compiled. The balance of the amount claimed in the statement of claim by UNP is disclosed as contingent liabilities in Note 43(b).

38. SHORT-TERM BORROWINGS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term loans from financial institutions – Secured	**85,000**	95,000	**85,000**	95,000
Bank overdrafts – Secured (Note 40)	**12,821**	19,022	**–**	–
Bills payable	**130,343**	141,083	**–**	–
Portion of long-term loans due within one year – Secured (Note 33)	**240,590**	76,722	**–**	–
	468,754	331,827	**85,000**	95,000

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

The short-term borrowings bear interest at rates ranging from 2.83% to 10.00% (2011:2.83% to 10.00%) per annum.

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 19).

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	**356,051**	263,671	**85,000**	95,000
United States Dollar	**112,703**	68,156	**–**	–
	468,754	331,827	**85,000**	95,000

39. DIVIDENDS

	The Group and The Company	
	2012 RM'000	2011 RM'000
A first and final dividend of 3%, less 25% tax and a single-tier dividend of 1% (2011: 1%, less 25% tax)	**23,326**	5,383

The Directors propose a first and final single-tier dividend of 1%, amounting to RM7.2 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

40. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances (unrestricted) (Note 28)	**120,322**	59,670	**385**	6,144
Deposits with licensed banks and financial institutions (unrestricted) (Note 28)	**184,493**	381,417	**2,350**	13,200
Housing Development Accounts (Note 28)	**25,747**	35,318	**7,079**	9,909
Bank overdrafts (Note 38)	**(12,821)**	(19,022)	**–**	–
Total	**317,741**	457,383	**9,814**	29,253

41. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 18, 19, 20 and 27.

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:

Sales and purchase of goods and services and interest

		The Group		The Company	
Name of Company	Nature	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Megasteel Sdn Bhd	Sales of goods	**1,261,063**	850,027	**–**	–
	Purchase of goods, raw materials and consumables	**816,804**	752,377	**–**	–
	Provision of transportation services	**20,456**	18,348	**–**	–
	Rental income	**928**	935	**–**	–
Angkasa Amsteel Pte Ltd	Sales of goods	**59,397**	25,874	**–**	–
Lion DRI Sdn Bhd	Sales of goods	**248,373**	191,672	**–**	–
	Purchase of raw materials	**114,818**	101,754	**–**	–
	Rental income	**253**	127	**–**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	**11,233**	7,761	**–**	–
Lion Blast Furnace Sdn Bhd	Rental income	**146**	73	**–**	–
Bright Steel Sdn Bhd	Sales of goods	**13,623**	8,346	**–**	–
Lion Tooling Sdn Bhd	Purchase of toolings	**1,664**	2,387	**–**	–

41. RELATED PARTY TRANSACTIONS (continued)

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

		The Group		The Company	
Name of Company	Nature	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Likom Plastic Industries Sdn Bhd	Rental income	–	1,515	–	1,515
	Interest income	**121**	113	**121**	113
Likom CMS Sdn Bhd	Rental income	–	570	–	570
	Interest income	**544**	–	**544**	–
Parkson Corporation Sdn Bhd	Sales of goods	**1,353**	794	–	–
Compact Energy Sdn Bhd	Purchase of consumables	**25,148**	19,160	–	–
	Rental income	**320**	183	–	–
Lion Steelworks Sdn Bhd	Sales of goods	–	493	–	–
	Provision of transportation services	–	37	–	–
Panareno Sdn Bhd	Sales of goods	**167**	3,487	–	–
Lion Holdings Pte Ltd	Purchase of goods	**19,002**	28,565	–	–
Bright Steel Service Centre Sdn Bhd	Sales of goods	**9**	1,501	–	–
Lion Metal Industries Sdn Bhd	Rental expenses	**1,114**	1,276	–	–
Lion Plate Mills Sdn Bhd	Sales of goods	**6,547**	4,137	–	–
	Provision of transportation services	**361**	385	–	–

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	**597,531**	572,150	–	–
Included in other receivables	**214,463**	63,656	**6,326**	11,205
Payables:				
Included in trade payables	**6,882**	32,879	–	–
Included in other payables	**51,236**	23,896	–	–

The outstanding balances with related parties are either interest-free or bear interest at 8% (2011: either interest-free or bore interest at 8%) per annum and repayable on demand.

42. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transaction are within the Group.

(a) Business Segments:

The Group's activities are classified into four major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services;
- Property development - property development and management;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs and provision of transportation services, none of which is of a sufficient size to be reported separately.

As disclosed in Note 12, the Group disposed of its tyre operations and sales and distribution of motor vehicles in the previous financial year.

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

Capital additions comprise additions to property, plant and equipment, investment properties and prepaid land lease payments.

42. SEGMENTAL INFORMATION (continued)

(a) Business Segments:

The Group
2012

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	4,645,908	14,636	792,498	91,038	–	5,544,080
Inter-segment revenue	97,570	–	162,554	–	(260,124)	–
Total revenue	4,743,478	14,636	955,052	91,038	(260,124)	5,544,080
Results						
Segment results	14,357	(2,645)	24,415	(1,549)	–	34,578
Unallocated costs						(7,651)
Finance costs						(71,891)
Share in results of:						
Associated companies	8,903	–	–	73,788	–	82,691
Jointly controlled entity	–	36,420	–	–	–	36,420
Investment income						38,648
Gain on disposal of associated companies	–	–	–	39,800	–	39,800
Settlement arising from litigation claim against a former subsidiary	–	–	–	(40,000)	–	(40,000)
Impairment losses on quoted investment	(103,101)	(1,848)	(3,516)	(13,577)	–	(122,042)
Log extraction premium paid to the State Government of Sabah	–	–	–	(3,385)	–	(3,385)
Loss before tax						(12,832)
Tax expense						(17,281)
Loss for the year						(30,113)

42. SEGMENTAL INFORMATION (continued)

(a) Business Segments:

The Group
2012

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	3,411,502	241,968	631,326	289,266	–	4,574,062
Investment in associated companies and jointly controlled entity	46,957	56,741	–	775,888	–	879,586
Unallocated corporate assets						200,562
Consolidated Total Assets						5,654,210
Liabilities						
Segment liabilities	1,717,805	126,107	60,533	110,444	–	2,014,889
Unallocated liabilities						54,073
Consolidated Total Liabilities						2,068,962
Other Information						
Capital expenditure	88,681	424	33	2,147	–	91,285
Depreciation and amortisation	110,326	830	142	3,539	–	114,837
Other non-cash expenses/(income)	101,393	(10,400)	3,737	(14,134)	–	80,596

(Forward)

42. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

	Continuing operations				Discontinued operations			
The Group 2011	**Steel RM'000**	**Property development RM'000**	**Building materials RM'000**	**Others RM'000**	**Tyre RM'000**	**Others RM'000**	**Eliminations and adjustments to exclude discontinued operations RM'000**	**Consolidated RM'000**
Revenue								
External revenue	4,138,399	37,008	688,805	84,922	440,698	3,169	(443,867)	4,949,134
Inter-segment revenue	63,698	–	159,205	–	–	–	(222,903)	–
Total revenue	4,202,097	37,008	848,010	84,922	440,698	3,169	(666,770)	4,949,134
Results								
Segment results	79,625	(5,125)	17,768	6,925	8,994	(1,843)	(6,309)	100,035
Unallocated costs								(5,264)
Finance costs								(88,717)
Share in results of:								
Associated companies	–	–	–	54,579	–	–	–	54,579
Jointly controlled entity	–	14,088	–	–	–	–	–	14,088
Investment income								31,255
Proft before tax								105,976
Tax expense								2,334
Profit for the year from:								
Continuing operations								108,310
Discontinued operations (Note 12)								173,762
								282,072

42. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

	Continuing operations				Discontinued operations			
The Group 2011	**Steel RM'000**	**Property development RM'000**	**Building materials RM'000**	**Others RM'000**	**Tyre RM'000**	**Others RM'000**	**Eliminations and adjustments to exclude discontinued operations RM'000**	**Consolidated RM'000**
Consolidated Statement of Financial Position								
Segment assets	3,822,400	270,410	399,869	228,875	–	–	–	4,721,554
Investment in associated companies and jointly controlled entity	–	20,321	–	789,431	–	–	–	809,752
Unallocated corporate assets								494,814
Consolidated Total Assets								6,026,120
Liabilities								
Segment liabilities	2,073,963	125,559	73,650	71,598	–	–	–	2,344,770
Unallocated liabilities								40,846
Consolidated Total Liabilities								2,385,616
Other Information								
Capital expenditure	62,857	709	387	2,410	13,944	–	–	80,307
Depreciation and amortisation	106,332	532	84	3,353	21,242	83	(21,325)	110,301
Other non-cash expenses/(income)	(3,743)	(3,433)	2,417	(1,338)	(165,748)	(1,591)	4,653	(168,783)

42. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services; and

- Others - countries which are not sizable to be reported separately.

As disclosed in Note 12, the Group disposed of its tyre operations in both Malaysia and the People's Republic of China, and the sales and distribution of motor vehicles in Malaysia in the previous financial year.

	Revenue 2012 RM'000	Revenue 2011 RM'000
Continuing operations		
Malaysia	**4,528,940**	3,806,186
Other countries	**1,015,140**	1,142,948
	5,544,080	4,949,134
Discontinued operations		
Malaysia	**–**	176,052
People's Republic of China	**–**	186,445
Other countries	**–**	81,370
	–	443,867
	5,544,080	5,393,001

	Total assets 2012 RM'000	Total assets 2011 RM'000	Capital expenditure 2012 RM'000	Capital expenditure 2011 RM'000
Continuing operations				
Malaysia	**5,466,339**	5,862,488	**91,285**	66,363
People's Republic of China	**23,820**	67,683	**–**	–
Other countries	**164,051**	95,949	**–**	–
	5,654,210	6,026,120	**91,285**	66,363
Discontinued operations				
Malaysia	**–**	–	**–**	6,959
People's Republic of China	**–**	–	**–**	6,985
	–	–	**–**	13,944
	5,654,210	6,026,120	**91,285**	80,307

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

Information about major customers

Revenue of the Group for the current financial year amounting to RM1,509 million (2011:RM1,041 million) from the building materials and steel divisions are derived from two related parties.

43. CONTINGENT LIABILITIES

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

	The Company	
	2012	**2011**
	RM'000	**RM'000**
Unsecured:		
Subsidiary company	**300,000**	300,000

(b) As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Group, 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. In this connection, the following are contingent liabilities of SFI:

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**128,874**	313,331
Less: Provision (Note 37)	**(15,000)**	(15,000)
	113,874	298,331
Back pay labour claims from SFI's employees	**23,427**	23,427
	137,301	321,758

<u>Litigation claims in respect of the termination of contracts for the extraction and sales of timber</u>

Included in the litigation claims are as follows:

Litigation claim in 2012 represents a 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 37, 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, LFIB 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 the process of hearing for assessment of damages.

Included in the litigation claims in 2011 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 2.

43. CONTINGENT LIABILITIES (continued)

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

Indemnity contracts have also been signed in 1997 between LFIB and Avenel Sdn Bhd ("Avenel"), the immediate holding company of SFI then, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation 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.

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 dismissed SFI's appeal with costs. Thereafter, SFI had filed on 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 LFIB, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

44. CAPITAL COMMITMENTS

As of the end of the financial year, 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:				
Acquisition of plant and machinery	**61,573**	75,540	**–**	–
Purchase of prepaid land lease payments	**84,656**	–	**–**	–
Additional investments	**–**	20,999	**–**	18,599
	146,229	96,539	**–**	18,599
Approved but not contracted for:				
Additional investments	**475,000**	475,000	**281,000**	281,000
Acquisition of prepaid land lease payments	**–**	79,917	**–**	–
Acquisition of plant and machinery	**27,842**	43,542	**–**	–
	502,842	598,459	**281,000**	281,000
Total	**649,071**	694,998	**281,000**	299,599

45. 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 (borrowings offset by cash and cash equivalents) 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)	**920,398**	1,026,942	**85,590**	95,495
Cash and cash equivalents (excluding bank overdrafts)	**(330,562)**	(476,405)	**(9,814)**	(29,253)
Net debt	**589,836**	550,537	**75,776**	66,242
Equity (ii)	**3,585,248**	3,640,504	**1,140,291**	1,152,569
Debt to equity ratio	**16.45%**	15.12%	**6.65%**	5.75%

(i) Debt is defined as RCCPS, finance lease, hire-purchase obligations, long-term and short-term borrowings as disclosed in Notes 32, 33, 34, 35, and 38.

(ii) Equity includes issued 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 4.

45. 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	**110,243**	53,791	**879**	1,655
Held-to-maturity investments	**10,888**	16,615	**–**	–
Loans and receivables:				
Investments	**32,573**	35,087	**15,622**	15,100
Trade receivables	**849,609**	846,271	**–**	–
Other receivables and refundable deposits	**382,049**	276,997	**24,620**	15,878
Amount owing by subsidiary companies	**–**	–	**1,058,405**	1,046,972
Amount owing by jointly controlled entity	**27,247**	24,383	**–**	–
Deposits, cash and bank balances	**584,838**	1,030,016	**14,469**	31,661
Total	**1,997,447**	2,283,160	**1,113,995**	1,111,266
Financial liabilities				
At amortised cost:				
RCCPS	**12,388**	12,833	**–**	–
Finance lease payables	**135,125**	147,500	**–**	–
Hire-purchase obligations	**6,369**	6,951	**590**	495
Trade payables	**548,663**	748,832	**169**	169
Other payables, deposits and accrued expenses	**542,016**	552,399	**1,647**	3,262
Amount owing to subsidiary companies	**–**	–	**120,240**	143,725
Borrowings	**766,516**	859,658	**85,000**	95,000
Total	**2,011,077**	2,328,173	**207,646**	242,651

Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

The Group and the Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

45. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

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 as follows:

	The Group		The Company	
	Assets 2012 RM'000	**Liabilities 2012 RM'000**	**Assets 2012 RM'000**	**Liabilities 2012 RM'000**
United States Dollar	**185,987**	**178,981**	**–**	**339**
Chinese Renminbi	**16,375**	**4,963**	**–**	**8,836**
Singapore Dollar	**8,062**	**929**	**38**	**9,859**
	210,424	**184,873**	**38**	**19,034**

	The Group		The Company	
	Assets 2011 RM'000	**Liabilities 2011 RM'000**	**Assets 2011 RM'000**	**Liabilities 2011 RM'000**
United States Dollar	129,929	612,138	–	14,849
Chinese Renminbi	22,506	3,723	–	8,255
Singapore Dollar	7,902	21,013	1	9,695
	160,337	636,874	1	32,799

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currencies of United States Dollar, Chinese Renminbi and Singapore 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 currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a profit 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 profit or loss, the balances below would be negative.

	The Group		The Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
United States Dollar	**(701)**	48,221	**34**	1,485
Chinese Renminbi	**(1,141)**	(1,878)	**884**	826
Singapore Dollar	**(713)**	1,311	**982**	969
	(2,555)	47,654	**1,900**	3,280

45. FINANCIAL INSTRUMENTS (continued)

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 Notes 33 and 38 respectively.

The interest rates for the Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 33, 34 and 35 respectively.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 30 June 2012 would increase or decrease by as follows:

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Floating rate liabilities		
Bank overdrafts	**64**	95
Bills payable	**652**	705
Borrowings	**1,203**	1,557
	1,919	2,357

The Group's and the Company's exposure to interest rate on certain borrowings, finance lease payables and hire-purchase obligations are limited because the interest rate is fixed upon inception.

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 Company is exposed to credit risk mainly from subsidiaries and related parties. The Company monitors on an ongoing basis the results of the subsidiaries and related parties, and repayments made by the subsidiaries and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their 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.

45. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Credit risk concentration profile

As of 30 June 2012, the Group has a significant concentration of credit risk as trade receivables of RM477,160,000 (2011: RM454,737,000) due by a related party, Megasteel Sdn Bhd ("Megasteel"), which constitutes approximately 55% (2011: 53%) of the Group's trade receivables, of which RM346,773,000 (2011: RM174,613,000) is past due but not impaired. During the 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 that 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.

Financial assets that are neither past due nor impaired

Information regarding trade receivables and other receivables that are neither past due nor impaired is disclosed in Note 26. Deposits and short-term placements with licensed banks and financial insitutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 26.

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 and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage 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 and the Company practise 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.

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The tables below summarise 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	**485,154**	**–**	**–**	**–**	**485,154**	**–**
Other payables, deposits and accrued expenses	**482,352**	**–**	**–**	**–**	**482,352**	**–**
Interest bearing:						
Trade payables	**63,509**	**–**	**–**	**–**	**63,509**	**4.00**
Other payables, deposits and accrued expenses	**59,664**	**–**	**–**	**–**	**59,664**	**9.50 – 9.75**
Hire-purchase obligations	**2,883**	**4,134**	**–**	**–**	**7,017**	**2.20 – 5.55**
Finance lease payables	**25,949**	**25,949**	**123,285**	**–**	**175,183**	**9.25 – 9.75**
RCCPS	**12,388**	**–**	**–**	**–**	**12,388**	**1.00**
Bank borrowings:						
Bank overdrafts	**12,821**	**–**	**–**	**–**	**12,821**	**2.80 – 10.00**
Bills payable	**130,343**	**–**	**–**	**–**	**130,343**	**2.80 – 6.60**
Borrowings	**344,645**	**62,412**	**187,776**	**62,772**	**657,605**	**6.25 – 8.75**
	1,619,708	**92,495**	**311,061**	**62,772**	**2,086,036**	

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	688,953	–	–	–	688,953	–
Other payables, deposits and accrued expenses	495,521	–	–	–	495,521	–
Interest bearing:						
Trade payables	59,879	–	–	–	59,879	4.00
Other payables, deposits and accrued expenses	56,878	–	–	–	56,878	8.75 - 10.00
Hire-purchase obligations	2,661	5,010	–	–	7,671	2.80 - 5.55
Finance lease payables	26,219	26,219	120,662	29,458	202,558	9.25 - 9.80
RCCPS	–	12,833	–	–	12,833	1.00
Bank borrowings:						
Bank overdrafts	19,022	–	–	–	19,022	2.80 - 6.60
Bills payable	141,083	–	–	–	141,083	2.80 - 6.60
Borrowings	191,736	246,670	187,194	125,208	750,808	6.25 - 8.75
	1,681,952	290,732	307,856	154,666	2,435,206	

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (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	**169**	**–**	**–**	**–**	**169**	**–**
Other payables, deposits and accrued expenses	**1,647**	**–**	**–**	**–**	**1,647**	**–**
Amount owing to subsidiary companies	**120,240**	**–**	**–**	**–**	**120,240**	**–**
Interest bearing:						
Hire-purchase obligations	**177**	**110**	**379**	**–**	**666**	**2.20 - 2.70**
Borrowings	**85,000**	**–**	**–**	**–**	**85,000**	**7.00 - 7.50**
	207,233	**110**	**379**	**–**	**207,722**	

At the end of the reporting period, it was not probable that the counter parties to the financial guarantee contracts will claim under the contracts. Consequently, the amount included above is nil.

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	169	–	–	–	169	–
Other payables, deposits and accrued expenses	3,262	–	–	–	3,262	–
Amount owing to subsidiary companies	143,725	–	–	–	143,725	–
Interest bearing:						
Hire-purchase obligations	149	129	292	-	570	2.20 - 2.85
Borrowings	95,000	-	-	-	95,000	7.00
	242,305	129	292	-	242,726	

At the end of the reporting period, it was not probable that the counter parties to the financial guarantee contracts will claim under the contracts. Consequently, the amount included above is nil.

45. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

2012	**The Group** Carrying amount RM'000	Fair value RM'000		**The Company** Carrying amount RM'000	Fair value RM'000	
Financial assets						
Held-to-maturity investments:						
Unquoted bonds	**10,888**	**–**	#	**–**	**–**	
Loan and receivables:						
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**32,573**	**32,573**	+	**15,622**	**15,622**	+
Financial liabilities						
Redeemable cumulative convertible preference shares ("RCCPS")	**12,388**	**12,291**	*	**–**	**–**	
Finance lease payables	**135,125**	**135,127**	*	**–**	**–**	
Hire-purchase obligations	**6,369**	**6,369**	*	**590**	**645**	*
Borrowings	**766,516**	**766,516**	*	**85,000**	**85,000**	

2011	**The Group** Carrying amount RM'000	Fair value RM'000		**The Company** Carrying amount RM'000	Fair value RM'000	
Financial assets						
Held-to-maturity investments:						
Unquoted bonds	16,615	-	#	–	–	
Loan and receivables:						
Unquoted RCSLS	35,087	35,087	+	15,100	15,100	+
Financial liabilities						
RCCPS	12,833	12,770	*	–	–	
Finance lease payables	147,500	147,373	*	–	–	
Hire-purchase obligations	6,951	6,951	*	495	554	*
Borrowings	859,658	859,658	*	95,000	95,000	

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 the RCSLS are estimated using discounted cash flow analysis based on current base lending rate.

* 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.

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

45. FINANCIAL INSTRUMENTS (continued)

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	**108,866**	**–**	**–**	**108,866**
The Company				
2012				
Financial Assets				
Available-for-sale financial assets	**479**	**–**	**–**	**479**

46. SUBSIDIARY COMPANIES

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

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Property Division			
* Amble Legacy Sdn Bhd	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	**98**	98	Dormant
Berkat Timor Sdn Bhd	**100**	100	Dormant
Citibaru Sendirian Berhad	**100**	100	Dormant
* Crest Wonder Sdn Bhd	**100**	100	Investment holding
Inspirasi Elit Sdn Bhd	**85**	–	Property development
JOPP Builders Sdn Bhd	**100**	100	Contractor for construction and civil engineering works, and property development

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Property Division			
Kisan Agency Sdn Bhd	**100**	100	Property development
Lion Courts Sdn Bhd	**100**	100	Property development
LLB Bina Sdn Bhd	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	**100**	100	Investment holding and management company
LLB Indah Permai Sdn Bhd	**100**	100	Dormant
Malim Courts Property Development Sdn Bhd	**100**	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	**100**	100	Property development
* Matrix Control Sdn Bhd	**100**	100	Ceased operations
Mcken Sdn Bhd	**100**	100	Ceased operations
PM Holdings Sdn Bhd	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	**100**	100	Ceased operations
Soga Sdn Bhd	**98**	98	Property development
Sucorp Enterprise Sdn Bhd	**100**	100	Investment holding
Sumber Realty Sdn Bhd	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	**100**	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	**95**	95	Property development

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Steel Division			
Amsteel Mills Sdn Bhd	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	**99**	99	Ceased operations
Antara Steel Mills Sdn Bhd	**99**	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2012)
* LLB Steel Industries Sdn Bhd	**100**	100	Investment holding
* Steelcorp Sdn Bhd	**99**	99	Investment holding
Others			
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	**80**	80	Investment holding
Lion Forest Industries Berhad	**72**	72	Investment holding, trading and distribution of building materials, and trading of steel products
* Lion Motor Venture Sdn Bhd	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	**69**	69	Dormant
LLB Harta (L) Limited	**100**	100	Treasury business
LLB Harta (M) Sdn Bhd	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	**100**	100	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Others			
LLB Strategic Holdings Berhad	**100**	100	Dormant
LLB Suria Sdn Bhd	**100**	100	Investment holding
* LLB Venture Sdn Bhd	**100**	100	Dormant
Marvenel Sdn Bhd	**70**	70	Investment holding
* Slag Aggregate Sdn Bhd	**100**	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) (in voluntary liquidation)	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd	**100**	100	Ceased operations
* Zhongsin Biotech Pte Ltd (incorporated in Singapore)	**67**	67	Investment holding
Subsidiary Companies of Lion Forest Industries Berhad			
Building Materials Division			
Posim Marketing Sdn Bhd	**72**	72	Trading and distribution of building materials and consumer products
Others			
^ Alpha Deal Group Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Brilliant Elite Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Brilliant Elite (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Bright Triumph (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Bright Triumph Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
^ Classy Elite Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Classy Elite (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Distinct Harvest Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
^ Double Merits (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Double Merits Enterprise Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Dynamic Shine (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Dynamic Shine Holdings Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Elite Harvest (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Elite Harvest Group Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Elite Image (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Elite Image Investments Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
^ Eminent Elite (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Eminent Elite Investments Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
^ Eminent Prosper (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
^ Eminent Prosper Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Gama Harta Sdn Bhd	**72**	72	Investment holding
^ Grand Ray (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Grand Ray Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Great Zone (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Great Zone Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Green Choice (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Green Choice Holdings Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Harta Impiana Sdn Bhd	**72**	72	Investment holding
* Harapan Permai Sdn Bhd (in members' voluntary winding up)	**72**	–	Dormant
^ Harvest Boom (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Harvest Boom Investments Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Intra Inspirasi Sdn Bhd	**72**	72	Investment holding
^ Jadeford International Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
^ Jade Harvest (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Jade Harvest International Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Jade Power (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
^ Jade Power Holdings Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
LFIB Plantations Sdn Bhd	**72**	72	Investment holding
* Lion AMB Resources Berhad	**64**	63	Investment holding
Lion Rubber Industries Sdn Bhd	**72**	72	Investment holding
Lion Petroleum Products Sdn Bhd	**72**	72	Manufacturing of petroleum products
^ Mile Treasure (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Mile Treasure Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Ototek Sdn Bhd	**51**	51	Trading and distribution of spark plugs, lubricants and automotive components
^ Pinnacle Treasure Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Posim EMS Sdn Bhd	**58**	58	Provision of energy management and conservation services
Posim Petroleum Marketing Sdn Bhd	**72**	72	Trading and distribution of petroleum products
* P.T. Lion Intimung Malinau (incorporated in the Republic of Indonesia)	**69**	69	Dormant
^ Quay Class Ltd (incorporated in the British Virgin Islands) (struck off)	**–**	72	Dormant
^ Radiant Elite (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Radiant Elite Holdings Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
* Singa Logistics Sdn Bhd	**72**	72	Provision of transportation services
^ Sky Yield (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Sky Yield Group Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad			
Others			
^ Superb Harvest (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Superb Harvest Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Superb Reap (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Superb Reap Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
^ Ultra Strategy (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Ultra Strategy Limited (incorporated in the British Virgin Islands)	**72**	72	Investment holding
^ Up Reach (Cambodia) Co., Limited (incorporated in Cambodia)	**72**	–	Investment and development in agriculture
^ Up Reach Limited (incorporated in the British Virgin Islands)	**72**	–	Investment holding
Subsidiary Companies of Lion AMB Resources Berhad			
Others			
^ AMB Aerovest Limited (incorporated in the British Virgin Islands)	**64**	63	Investment holding
AMB Harta (L) Limited	**64**	63	Treasury business
* AMB Harta (M) Sdn Bhd	**64**	63	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	**64**	63	Investment holding
* CEDR Corporate Consulting Sdn Bhd	**64**	63	Provision of training services

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Effective Percentage Ownership 2012 %	2011 %	Principal Activities
Subsidiary Companies of Lion AMB Resources Berhad			
Others			
* Chrome Marketing Sdn Bhd	**64**	63	Investment holding
* Innovasi Istimewa Sdn Bhd	**64**	63	Investment holding
* Innovasi Selaras Sdn Bhd	**64**	63	Investment holding
* Lion AMB Holdings Pte Ltd (incorporated in Singapore)	**51**	50	Investment holding
* Lion Rubber Industries Pte Ltd (incorporated in Singapore)	**46**	45	Investment holding
* Lion Tyre Venture Sdn Bhd	**64**	63	Investment holding
* Range Grove Sdn Bhd	**64**	63	Investment holding
* Seintasi Sdn Bhd	**64**	63	Investment holding
* Shanghai AMB Management Consulting Co. Ltd. (incorporated in the People's Republic of China)	**64**	63	Provision of management services
* Willet Investment Pte Ltd (incorporated in Singapore)	**64**	54	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.

47. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**75**	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2012)
Kamiya Corporation Sdn Bhd (in members' voluntary winding up)	30 June	Malaysia	**19**	19	Property development (yet to commence operations as of 30 June 2012)
Renor Pte Ltd (formerly known as Lion Asia Investment Pte Ltd)	30 June	Singapore	**33**	33	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	**21**	21	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**37**	37	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	**17**	17	Investment holding
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**50**	50	Mixed commercial property development cum cash and carry retail business
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	25	Manufacturing and distribution of fabricated steel reinforcement bars
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction

47. ASSOCIATED COMPANIES (continued)

Name of Company	Financial Year-end	Place 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	31 December	People's Republic of China	**32**	32	Manufacture of automotive engine
Lion Asiapac Limited	30 June	Singapore	**23**	23	Investment holding
Nanjing Jincheng Machinery Co Ltd	31 December	People's Republic of China	**–**	27	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	**13**	13	Investment holding

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

Except for Lion Insurance Company Limited and Lion Titco Resources Sdn Bhd, the financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

48. SUBSEQUENT EVENTS

(a) In relation to the Master Service Agreement entered into between Harta Impiana Sdn Bhd, a wholly-owned subsidiary company of LFIB, and Seng Enterprise Co Ltd ("Seng Enterprise") as dislcosed in Note 2, the LFIB 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 economic land concession.

(b) The LFIB 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"), a company incorporated in Indonesia, for a cash consideration of USD63.75 million (equivalent to RM197.63 million) ("Proposed Acquisitions").

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 have at least one local Indonesian shareholder.

In view of the above, on or before the completion of the SPA, the LFIB 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 LFIB Group and the Indonesian Investor.

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

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 30 June 2012 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**1,535,419**	1,717,397	**(113,459)**	(105,856)
Unrealised	**7,581**	23,375	**(1,588)**	4,056
	1,543,000	1,740,772	**(115,047)**	(101,800)
Total retained earnings/(accumulated losses) from associated companies and jointly controlled entity				
Realised	**384,724**	267,893	**–**	–
Unrealised	**(1,136)**	(3,416)	**–**	–
	383,588	264,477	**–**	–
Consolidation adjustments	**4,315**	4,315	**–**	–
Total retained earnings/(accumulated losses)	**1,930,903**	2,009,564	**(115,047)**	(101,800)

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to profit or loss of a legal entity is deemed realised when it is resulting from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities and is not made for any other purposes.

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of 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 the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out on page 150 which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur
19 October 2012

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

I, **TAN SRI CHENG YONG KIM,** the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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 CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 19th day of October, 2012.

Before me,

W 626
HAJJAH JAMILAH ISMAIL
COMMISSIONER FOR OATHS
Kuala Lumpur

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

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

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

As at 15 October 2012, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

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 Forest Industries Berhad ("LFIB") (a subsidiary of the Company) 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 29%, 51% and 20% respectively, in LBF's enlarged issued and paid-up share capital of up to RM970 million comprising up to 970 million ordinary shares of RM1.00 each. LDHB is a company wherein a Director and certain major shareholders of the Company have interests.

(b) Conditional Shareholders' Agreement dated 3 March 2011 entered into among the Company, LDHB and LFIB 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.

(c) Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012 and 30 August 2012 entered into between Amsteel Mills Sdn Bhd ("AMSB"), a subsidiary of the Company, and LBF for the disposal by AMSB to LBF of a parcel of freehold land being part of the land held under title no. H.S.(D) 13425 P.T. 17216 located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres (approximately 1,801,642 sq ft) for a total cash consideration of approximately RM16.22 million.

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/ Last Revaluation
1.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.1 hectares	Land	For future development	0.1	30 October 1992
2.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land	For future development	7.5	June 1991
3.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.0 hectares	Land	Property under development	2.4	June 1991
4.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	1.4	June 1991
5.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
6.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.2	June 1991
7.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (35)	26.8	22 October 1994
8.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (35)	0.7	22 October 1994
9.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (17)	7.3	22 October 1994
10.	Lot 12180, Mukim 12 Barat Daya Pulau Pinang	Leasehold 11.01.2098	1.2 hectares	Land	For future development	44.2	August 2011
11.	Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land and buildings	Office and factory (7-12)	284.5	1996

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
12.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	 6.3) 4.4) 6.5) hectares	 Industrial land and buildings	Office and factory (21) (17) (34)	 9.0) 11.6) 10.3)	 September 2002
13.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (17)	5.8	September 2002
14.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	1,287.6 sq metres	Single and double storey houses	Rental (26)	0.9	June 2008
15.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	1,099.2 sq metres	Apartments/ flats	Rental (20)	0.5	June 2008
16.	Blok 17 & 18 Taman Cendana 81700 Pasir Gudang, Johor	Leasehold 28.4.2093	8,281 sq metres	Apartments/ flats	Rental (15-17)	2.6	June 2008
17.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (18)	1.1	June 2008
18.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (18)	9.2	March 2003
19.	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	March 2003
20.	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	March 2003
21.	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	March 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
22.	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	March 2003
23.	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 July 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2012

Authorised Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM717,909,365
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	2,806	15.14	126,101	0.02
100 to 1,000	6,178	33.33	3,646,818	0.51
1,001 to 10,000	7,749	41.81	29,693,303	4.14
10,001 to 100,000	1,527	8.24	45,149,320	6.29
100,001 to less than 5% of issued shares*	271	1.46	339,823,914	47.35
5% and above of issued shares	3	0.02	299,200,009	41.69
	18,534	100.00	717,639,465	100.00

Note:

* *Excluding a total of 269,900 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2012.*

Substantial Shareholders as at 15 October 2012

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares#	Indirect Interest No. of Shares	Indirect Interest % of Shares#
1. Tan Sri Cheng Heng Jem	102,000,000	14.21	236,166,218	32.91
2. Lion Corporation Berhad	180,576,909	25.16	9,562,716	1.33
3. Lion Diversified Holdings Berhad	20,820,000	2.90	206,039,625	28.71
4. Lion DRI Sdn Bhd	15,900,000	2.22	190,139,625	26.50
5. Graimpi Sdn Bhd	–	–	190,139,625	26.50
6. Lembaga Tabung Haji	44,223,100	6.16	–	–

Note:

\# *Based on the issued and paid-up capital of the Company excluding a total of 269,900 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2012.*

Thirty Largest Registered Shareholders as at 15 October 2012

	Registered Shareholders	No. of Shares	% of Shares*
1.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Corporation Berhad	180,576,909	25.16
2.	Cheng Heng Jem	74,400,000	10.37
3.	Lembaga Tabung Haji	44,223,100	6.16
4.	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Cheng Heng Jem	27,600,000	3.85
5.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund	22,781,583	3.17
6.	Mayban Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.90
7.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	16,197,300	2.26
8.	Lion DRI Sdn Bhd	15,900,000	2.22
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	14,686,300	2.05
10.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	10,182,000	1.42
11.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	8,954,000	1.25
12.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,705,781	1.07
13.	Bright Steel Sdn Bhd	7,481,316	1.04
14.	Cheng Yong Kim	7,228,239	1.01
15.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund OHPS for Public Employees Retirement System of OHIO	7,143,400	1.00
16.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	6,757,100	0.94
17.	Mayang Jati (M) Sdn Bhd	6,723,472	0.94
18.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for APS Asia Pacific Master Hedge Fund	6,254,800	0.87
19.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	4,792,400	0.67
20.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	4,791,000	0.67
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Australia)	3,658,400	0.51
22.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Market Equity Fund L.P.	3,595,900	0.50
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon ACCT)	3,534,100	0.49
24.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	3,387,200	0.47
25.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	3,290,000	0.46
26.	Mayang Jati (M) Sdn Bhd	3,100,000	0.43
27.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund JY64 for The Emerging Markets Equity Fund (RIC PLC)	3,064,500	0.43
28.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	2,977,700	0.41
29.	Malaysian Trustees Berhad LLB Scheme	2,966,311	0.41
30.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASM Asia Recovery (Master) Fund	2,672,400	0.37

Note:

* *Based on the issued and paid-up capital of the Company excluding a total of 269,900 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2012.*

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

The Directors' interests 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 Cheng Yong Kim		7,246,989	1.01	1,687,013	0.24
Dato' Kamaruddin @ Abas bin Nordin		8,000	#	–	–
Cheng Yong Liang		47,880	#	–	–
Related Corporations					
Tan Sri Cheng Yong Kim					
Lion Forest Industries Berhad	RM1.00	130	#	154,970	0.07

Notes:

^ *Based on the issued and paid-up capital of the Company excluding a total of 269,900 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2012.*

Negligible.

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.

OTHER INFORMATION

(I) 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
Steel related		
(i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")(1)	1,281,242
	Lion Diversified Holdings Berhad Group ("LDHB Group")(1)	248,373
	Lion Teck Chiang Limited Group(2)	59,397
		1,589,012
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group	828,037
	LDHB Group	114,818
	Lion Asiapac Limited Group ("LAP Group")(1)	25,148
		968,003
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group(1)	1,664
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group	928
	LAP Group	320
	LDHB Group	399
		1,647
(v) Obtaining of storage, leasing and rental of properties, management and support, and other related services	LCB Group	1,114
(vi) Provision of transportation and other related services	LDHB Group	34,096
	LCB Group	20,456
		54,552

Notes:

"Group" includes subsidiary and associated companies.

(1) Companies in which certain major shareholders of the Company have substantial interests.
(2) Companies in which a Director and certain major shareholders of the Company have substantial interests.

(II) SCHEDULE OF SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Monthly Breakdown	No. of Shares Purchased and Retained as Treasury Share	Purchase Price per Share (RM) Lowest	Purchase Price per Share (RM) Highest	Average Price per Share* RM	Total Consideration RM
October 2011	20,000	1.60	1.60	1.60	32,233.60
February 2012	49,900	1.42	1.43	1.42	71,565.72
Purchased during the financial year	69,900			1.48	103,799.32

* Including transaction cost.

All the shares purchased by the Company were retained as treasury shares. As at 30 June 2012, the Company held 219,900 treasury shares. None of the treasury shares were resold or cancelled during the financial year.

LION INDUSTRIES CORPORATION BERHAD
(Incorporated in Malaysia) (415-D)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

I.C. No./Company No. ....

of ....

being a member/members of LION INDUSTRIES CORPORATION BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Eighty-Second 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 12 December 2012 at 3.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a first and final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Mr Heah Sieu Lay		
4. To re-appoint as independent non-executive Director, Y. A. Bhg. Tun Musa Hitam		
5. To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
6. To re-appoint as independent non-executive Director, Y. Bhg. Tan Sri Asmat bin Kamaludin		
7. To re-appoint as independent non-executive Director, Mr Chong Jee Min		
8. To re-appoint Auditors		
9. Authority to Directors to issue shares		
10. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
11. Proposed Renewal of Authority for Share Buy-Back		

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 5 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.