CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-First Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 21 December 2011 at 12.00 noon for the following purposes:

AGENDA

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

2. To approve the payment of a first and final dividend of 1.0 sen per ordinary share tax exempt. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM240,000 (2010: RM205,000). **Resolution 2**

4. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

6. Special Business

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

6.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 5**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 29 November 2011 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 6**

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."

6.3 Proposed Renewal of Authority for Share Buy-Back

"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 RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 7**

(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 RM0.50 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

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

7. 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 22 December 2011 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 27 December 2011 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 13 January 2012 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 27 December 2011.

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
29 November 2011

Notes:

1. Proxy

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 December 2011 shall be eligible to attend the Meeting.*

- *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*

- *The instrument of proxy shall be deposited at the office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

- *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

2. *Circular to Shareholders dated 29 November 2011 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2011 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.

4. *Resolution 2*

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

5. *Resolution 5*

   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 24 November 2010 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 6*

   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 7*

   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.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat Y. Bhg. Dato' Ismail @ Mansor bin Said Mr Heah Sieu Lay Mr George Leong Chee Fook
Secretaries	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
Company No	:	9428-T
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/liondiv
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	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
Principal Bankers	:	RHB Bank Berhad Kuwait Finance House (Malaysia) Berhad The Bank of Nova Scotia Berhad China Construction Bank Co Ltd
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")

		Ordinary Shares	Irredeemable Convertible Unsecured Loan Stocks 2008/2013
Stock Name	:	LIONDIV	LIONDIV-LB
Bursa Securities Stock No	:	2887	2887LB
Reuters Code	:	LDIV.KL	LDIVc.KL
ISIN Code	:	MYL2887OO007	MYL2887LBNC7

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 68, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994.

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

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

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

- Chairman of Lion Forest Industries Berhad
- Chairman and Managing Director of Lion Corporation Berhad and Parkson Holdings Berhad

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

Tan Sri William Cheng has a direct shareholding of 121,356,607 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 286,428,888 LDHB Shares. In addition, he also has (i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 243,230,000 new LDHB Shares at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and (ii) an indirect interest in RM203,961,522 nominal value of ICULS convertible into 407,923,044 new LDHB Shares at the Conversion Price. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 141 and 142 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

Tan Sri William Cheng is the uncle of Y. Bhg. Tan Sri Cheng Yong Kim, the Managing Director and a major shareholder of the Company.

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 61, was appointed the Managing Director of the Company on 26 January 2007. Tan Sri Cheng is also a member of the 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, tyre, computer, motor and plantation. 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 Lion Industries Corporation Berhad 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 Federation of Malaysian Manufacturers.

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

- Managing Director of Lion Industries Corporation 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 7,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 248,259,135 LDHB Shares. In addition, he also has (i) a direct interest in RM1,000,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 2,000,000 new LDHB Shares at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and (ii) an indirect interest in RM30,014,916 nominal value of ICULS convertible into 60,029,832 new LDHB Shares at the Conversion Price. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 141 and 142 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company.

Tan Sri Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
Independent Non-Executive Director

Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, a Malaysian, aged 60, was appointed to the Board on 1 December 2007. He is also a member of the Audit Committee of the Company.

Tan Sri Dato' Seri Dr Aseh graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya and received his Masters degree in Public Administration from the University of Southern California in the United States of America and his PhD (Honorary) degree in Foreign Relations from Limkokwing University of Creative Technology, Cyberjaya, Malaysia.

Tan Sri Dato' Seri Dr Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his 8 years with the Commission. Since 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia. In February 2001, Tan Sri Dato' Seri Dr Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007.

Tan Sri Dato' Seri Dr Aseh is active in community service and is currently the Chairman of RELA Cooperative, Chairman of the University Council of Limkokwing University of Creative Technology, Cyberjaya, Trustee and Chairman of Football Association of Malaysia Vetting, Monitoring and Integrity Committee, President of Rifle Association of Malaysia, President of Tiara Golf & Country Club, Melaka and President of UMNO Club, Retired Senior Civil Servants. He was also active in the Administrative and Diplomatic Service (ADS) and was its longest serving President.

Tan Sri Dato' Seri Dr Aseh is the Chairman of MWE Holdings Berhad and Stemlife Berhad, both of which are public listed companies.

Tan Sri Dato' Seri Dr Aseh attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

Dato' Ismail @ Mansor bin Said
Independent Non-Executive Director

Y. Bhg. Dato' Ismail @ Mansor bin Said, a Malaysian, aged 62, was appointed to the Board on 15 September 1995. Dato' Ismail is also the Chairman of the Audit Committee and the Executive Share Option Scheme Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Ismail received his Bachelor of Economics degree from the University of Malaya. Dato' Ismail was a member of Parliament (1978 to 1995), the Chairman of Public Accounts Committee (1985 to 1990), the Chairman of Majlis Amanah Rakyat (1987 to 1990) and the Parliamentary Secretary of the Ministry of Youth and Sports (1990 to 1995).

He is also a Director of Ahmad Zaki Resources Berhad, a public listed company.

Dato' Ismail attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 58, was appointed to the Board on 5 June 2001. He is also a member of the Audit Committee, Nomination Committee and Remuneration 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 Industries Corporation Berhad, a public listed company.

Mr Heah attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

George Leong Chee Fook
Independent Non-Executive Director

Mr George Leong Chee Fook, a Malaysian, aged 65, was appointed to the Board on 5 June 2001. Mr George Leong is also the Chairman of the Nomination Committee and Remuneration Committee, and a member of the Audit Committee of the Company.

He received his Bachelor of Economics (Honours) degree from the University of Malaya. Mr George Leong was employed by the Malaysian Industrial Development Authority ("MIDA") after his graduation until December 2000 and was a Director of MIDA's offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA's headquarters.

Mr George Leong attended five (5) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2011 except where otherwise stated herein.

1. DIRECTORS

The Board

The Board is entrusted with the responsibility in leading and directing the Group towards realising long term shareholders' values. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Group's system of internal control.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2011, seven (7) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

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

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

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 20 of this Annual Report.

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment.

Directors' Training

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme.

The Directors are also encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

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

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Forum on "Activate Asia Insight Indonesia" • 2010 National Entrepreneurs Convention • Seminar on "Swiftlet Nest Farming Enterprise" • Forum on "Activate Asia: Vietnam in View" • Interaction Forum for Malaysian & Taiwanese Chambers of Commerce on "Trade between Malaysia and Taiwan" • Malaysia - International Chinese Business Forum • Forum on "Fight Corruption by Business Community" • University Tunku Abdul Rahman: Entrepreneurial Experience Sharing • Interaction Forum with Students of University of Malaya on "Prospect and Opportunity of Future Career" • Seminar on "Goods and Services Tax in Malaysia" • Seminar on "How You Can Participate & Benefit from Economic Transformation Programme" • Forum on "Family Business: The Next Generation" • The Associated Chinese Chambers of Commerce and Industry of Malaysia 4th Youth Conference on "Entrepreneurship"
Tan Sri Cheng Yong Kim	• Forum on "Activate Asia Insight Indonesia". Panel member for dialogue session • Seminar on "Business Opportunities in Malaysia" • 2010 The Boston Consulting Group Leaders' Forum Kuala Lumpur Adaptive Advantage - Winning in Turbulent Times • Trade and Investment Mission to Taiwan (Taipei & Kaohsiung) • Forum on "Activate Asia: Vietnam in View" • Malaysia - International Chinese Business Forum • Malaysia-Korea Business Forum • Sustainability Programme for Corporate Malaysia Industrial Products • Invest Malaysia 2011 • Axiata 8th Asean Leadership Forum • Business Mission to Jakarta, Indonesia
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	• Malaysia-Korea Business Forum • Training Seminar on Renewable Energy
Dato' Ismail @ Mansor bin Said	• Sustainability Programme for Corporate Malaysia - Trading Services & Industrial Products • Launch of the Corporate Integrity Pledge
Heah Sieu Lay	• Sustainability Programme for Corporate Malaysia - Industrial Products
George Leong Chee Fook	• Training Programme on "Board Effectiveness: Redefining the Roles & Functions of an Independent Director" • Training Programme on "Board Effectiveness: Understanding the Roles & Functions of the Nominating & Remuneration Committees"

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

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

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

The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to 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 20 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 2011 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	25	416	441
Non-executive Directors	215	–	215
	240	416	656

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

Range of Remuneration (RM)	Number of Directors Executive	Number of Directors Non-executive
50,000 & below	–	5
400,001 – 450,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 16 to 19 of this Annual Report.

Financial Reporting

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

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2011, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 15 of this Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. While the internal auditors attend all meetings of the Audit Committee, the external auditors meet with the Audit Committee at least twice a year and attend the annual general meeting of the Company.

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. Bhg. Dato' Ismail @ Mansor bin Said
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

  Mr George Leong Chee Fook
  (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 Diversified Holdings Berhad, Ms Lim Kwee Peng and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

(i) To assess the quality and effectiveness of the system of internal control and efficiency of operations, and to review the risk policy and implementation of the risk management framework.

(j) To promptly report to Bursa Securities on any matter where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Y. Bhg. Dato' Ismail @ Mansor bin Said and Mr Heah Sieu Lay attended all the seven (7) Meetings held whilst Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat and Mr George Leong Chee Fook were each absent for two (2) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM112,000.

NOMINATION COMMITTEE

Chairman : Mr George Leong Chee Fook
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

Mr Heah Sieu Lay
(Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Diversified Holdings 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 : Mr George Leong Chee Fook
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

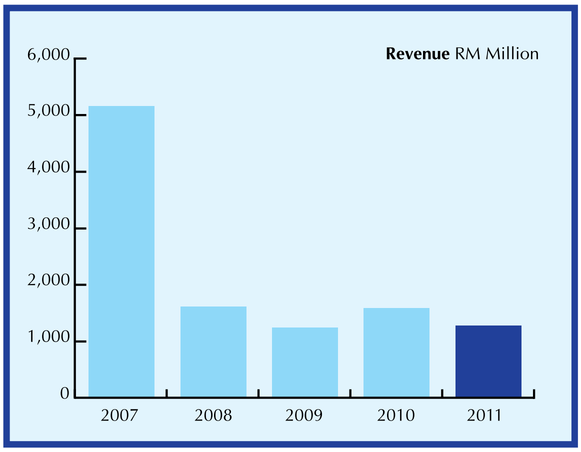
Mr Heah Sieu Lay
(Independent Non-Executive Director)

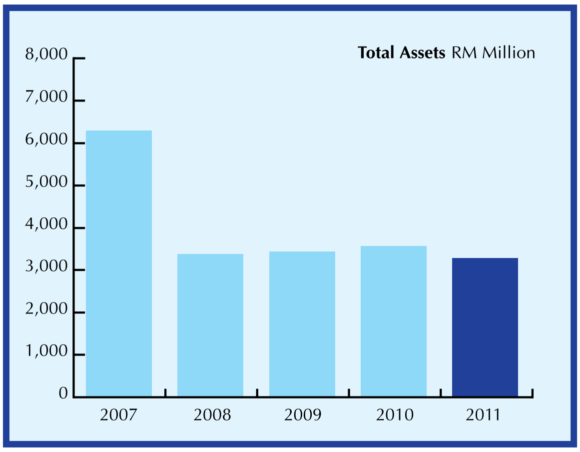
Terms of Reference :

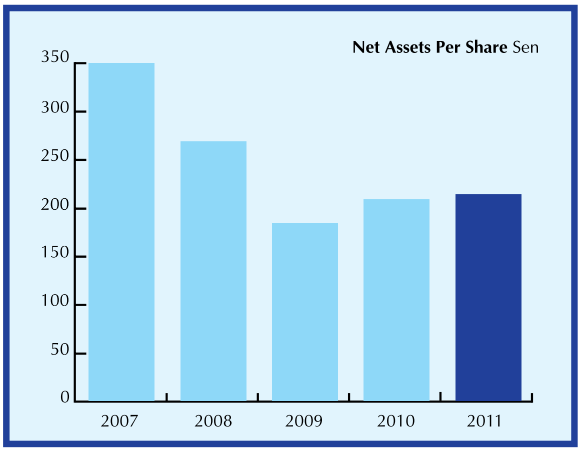
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

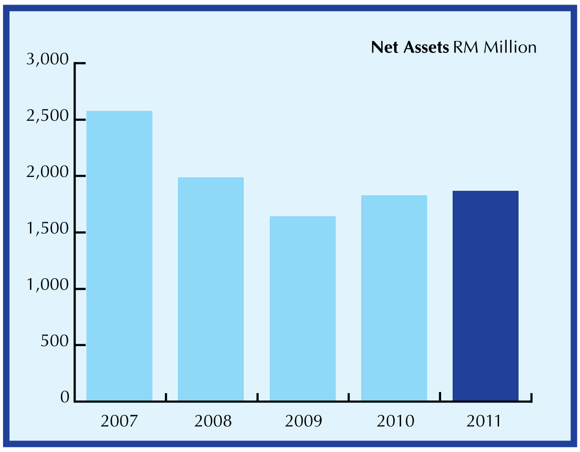
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**
Revenue	5,171,682	1,616,836	1,248,815	1,590,465	**1,279,211**
Profit/(Loss) before taxation	856,987	117,934	(576,706)	263,031	**(29,158)**
Profit/(Loss) after taxation	738,040	89,589	(623,731)	192,356	**(52,118)**
Dividends:					
Rate (%)	5.0	2.0	2.0	2.0	**2.0**
Amount (net of tax)	18,431	7,372	7,372	7,372	**7,372**
Total assets	6,309,175	3,392,564	3,443,183	3,572,558	**3,295,665**
Net assets	2,577,250	1,983,893	1,641,932	1,826,898	**1,864,502**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	350	269	184	209	**214**
Earnings/(Loss) per share	86.2	7.2	(44.8)	13.8	**(3.7)**









THE GROUP'S BUSINESSES

- The Direct Reduced Iron (DRI) plant in Banting, Selangor produces DRI (inset), a substitute raw material for scrap, to make high grade steel.
- *Kilang Besi Pengurangan Terus (DRI) di Banting, Selangor mengeluarkan DRI (gambar kecil), bahan mentah gantian bagi besi lusuh untuk menghasilkan besi bermutu tinggi.*



- Aerial view of Megasteel Sdn Bhd, the country's only integrated flat steel mill producing hot rolled and cold rolled coils (inset, left and right respectively), located next to the DRI plant in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang besi rata bersepadu di negara ini yang mengeluarkan gegelung gelekan panas dan sejuk (gambar kecil masing-masing kiri dan kanan), terletak bersebelahan kilang DRI di Banting, Selangor.*


Likom, Melaka


Likom, Mexico

- The Group's computer operations under Likom have manufacturing facilities in Melaka and Mexico.
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico.*




- Amongst the Group's property projects, 'Twins' at Damansara Heights in Kuala Lumpur (left) and D'Venice Residence in Changshu, China (right) recorded good sales.
- *Antara projek hartanah Kumpulan, 'Twins' di Damansara Heights, Kuala Lumpur (kiri) dan D'Venice Residence di Changshu, China (kanan) mencatat jualan yang baik.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad bagi tahun kewangan berakhir 30 Jun 2011.

PRESTASI KEWANGAN

Ekonomi global telah mula menunjukkan tanda-tanda kelembapan berikutan krisis hutang yang dihadapi oleh negara-negara Eropah, penurunan taraf kredit hutang dan bencana alam di Jepun.

Operasi keluli teras kita, di bawah Lion DRI Sdn Bhd ("Lion DRI"), juga menghadapi cabaran baru berikutan peningkatan harga bijih besi (yang digunakan sebagai stok suapan untuk pengeluaran besi pengurangan terus ("DRI")), kos bahan api yang lebih tinggi dan penurunan permintaan terhadap produk keluli. Pelaburan kita dalam perniagaan hiliran keluli di bawah Megasteel Sdn Bhd ("Megasteel") juga tidak menunjukkan prestasi yang baik kerana jualan gegelung gelekan panas ("HRC") domestik terjejas teruk akibat tindakan para pengimport yang tidak bertanggungjawab melambakkan HRC dengan mengeksploitasi kelemahan dalam peraturan import.

Kumpulan menutup tahun kewangan dengan mencatatkan perolehan lebih rendah berjumlah RM1.3 bilion berbanding RM1.6 bilion pada tahun lepas. Selari dengan perolehan Kumpulan yang lebih rendah, keuntungan operasi juga merosot kepada RM137 juta berbanding RM354 juta pada tahun lepas.

Selepas mengambil kira peningkatan ketara dalam bahagian kerugian syarikat sekutu berjumlah RM123 juta berbanding dengan RM57 juta sebelumnya, Kumpulan mencatatkan kerugian sebelum cukai berjumlah RM29 juta pada tahun kewangan dalam kajian.

PERKEMBANGAN KORPORAT

Berikut adalah perkembangan korporat utama yang dilaksanakan oleh Kumpulan:

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

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

(b) Cadangan pengambilalihan pelbagai bidang tanah pegangan bebas berhampiran oleh LBF daripada Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd dan Amsteel Mills Sdn Bhd (subsidiari 99% milik LICB) pada pertimbangan tunai berjumlah kira-kira RM52.3 juta; dan

(c) Cadangan LBF untuk menyewa tiga bidang tanah kosong pegangan bebas berhampiran daripada Megasteel untuk tempoh sewaan selama tiga puluh (30) tahun.

Cadangan berkenaan tertakluk kelulusan para pemegang saham dan pihak berkuasa berkaitan.

(ii) Pada bulan April 2011, Viroy Management Services Sdn Bhd, subsidiari milik penuh Syarikat, telah menjual keseluruhan 40% kepentingan ekuiti dalam Kairong Developments (S) Pte Ltd kepada Teck Chiang (International) Pte Ltd subsidiari milik penuh Lion Teck Chiang Limited untuk bayaran tunai SGD1.00 (bersamaan kira-kira RM2.39) dan penyelesaian tunai terhadap pendahuluan para pemegang saham berjumlah SGD13.5 juta (bersamaan kira-kira RM32.3 juta).

Butiran penuh cadangan-cadangan korporat di atas terkandung dalam muka surat 126 dan 127 Laporan Tahunan ini.

KAJIAN OPERASI

Kumpulan melibatkan diri terutamanya dalam aktiviti-aktiviti berikut:

- Pembuatan dan penjualan produk berkaitan keluli ("Keluli");
- Pembuatan dan penjualan produk berkaitan IT ("Komputer");
- Pembangunan dan pengurusan hartanah ("Hartanah"); dan
- Pegangan pelaburan, perdagangan dan lain-lain ("Lain-lain").

	Perolehan (RM'Juta)		Keuntungan Operasi (RM'Juta)	
	2011	**2010**	**2011**	**2010**
Keluli	**1,059**	1,400	**65**	252
Komputer	**131**	125	**5**	11
Hartanah	**79**	63	**21**	8
Lain-lain *	**10**	2	**46**	84
	1,279	1,590	**137**	355

* "Lain-lain" mewakili terutamanya pendapatan dividen dan pendapatan daripada perdagangan produk keluli. Keuntungan operasi yang tinggi bagi tahun kewangan 2010 sebahagian besarnya disumbangkan oleh keuntungan daripada pelupusan pelaburan-pelaburan Kumpulan.

Bahagian Keluli

Operasi keluli teras Kumpulan dikendalikan oleh Lion DRI, yang merupakan satu daripada hanya dua pengeluar DRI di negara ini dan penyumbang utama perolehan dan keuntungan kepada Kumpulan.

Kenaikan mendadak harga bijih besi telah membolehkan para pengeluar bijih besi untuk memaksa supaya satu perubahan dilakukan dalam mekanisme penentuan harga bahan mentah daripada kontrak tahunan kepada penanda aras berasaskan sukuan tahun. Dengan kos bahan api yang lebih mahal, kos input yang agak tinggi, perubahan dalam mekanisme penentuan harga telah mewujudkan satu lagi dimensi baru dalam pasaran keluli yang memangnya tidak menentu. Berikutan permintaan yang keseluruhannya perlahan, loji DRI kita mengambil kesempatan daripada perkembangan berkenaan untuk melakukan penutupan penyenggaraan yang pertama kali dijadualkan.

Perolehan dan keuntungan operasi, masing-masing berada di paras lebih rendah iaitu RM1,059 juta dan RM65 juta berbanding RM1,400 juta dan RM252 juta pada tahun sebelumnya.

Bahagian Komputer

Bahagian Komputer kita merupakan hentian setempat bersepadu bagi pembuatan kelengkapan asli ("OEM") yang menawarkan perkhidmatan secara kontrak pengeluaran komponen berkaitan teknologi maklumat (IT), 'enclosures' terutamanya pemasangan produk penyimpanan data dan kotak binaan untuk kegunaan industri elektronik, elektrik dan barangan pengguna. Rangkaian produk utama kita yang berkait dengan komponen IT termasuk bingkai dan komponen panel televisyen rata, alat kotak set-top TV protokol internet, kelengkapan audio visual, telekomunikasi, penggera keselamatan dan produk pensuisan elektrik. Fasiliti pengeluarannya terletak di Melaka, Malaysia dan Juarez, Mexico dengan sebuah pejabat wakil jualan di Amerika Syarikat untuk menyediakan khidmat sokongan pelanggan.

Bagi tahun kewangan dalam kajian, Bahagian Komputer kita berjaya mengekalkan perolehan sebanyak RM131 juta tetapi keuntungan operasi lebih rendah kepada RM5 juta.

Bahagian Hartanah

Bagi tahun kewangan dalam kajian, Bahagian Hartanah kita telah mencatat prestasi lebih baik melalui dua buah projek yang sedang dibangunkan seperti disenaraikan di bawah ini. Perolehan dan keuntungan operasi adalah lebih tinggi, masing-masing berjumlah RM79 juta dan RM21 juta.

(i) Projek Cheng Avenue, Melaka
Dengan lokasi berhampiran operasi komputer kita di Melaka, projek komersial yang terletak di kawasan tanah perindustrian seluas 20 ekar terdiri daripada kedai pejabat dua tingkat dan kilang separa berkembar 1½ tingkat. Projek ini telah mendapat sambutan yang menggalakkan dengan kadar pemilikan setakat ini sebanyak 92%.

(ii) Projek "D' Venice Residence", China
Terletak di Bandar Changshu dalam Wilayah Jiangsu, China, projek ini dilaksanakan di atas empat bidang tanah seluas 20.1 hektar. Pembangunan Fasa 1A telah dijual sepenuhnya sejak pelancaran pertama dibuat. Berikutan sambutan yang hangat itu, pihak pengurusan telah melancarkan pembangunan Fasa 1B pada bulan Mei 2010 yang terdiri daripada 5 blok pangsapuri 6 tingkat mengandungi 228 unit, berjaya dijual sepenuhnya. Pembangunan Fasa 1C merangkumi 4 blok pangsapuri 6 tingkat mengandungi 195 unit, telah dilancarkan pada bulan Disember 2010 dan sehingga kini, telah mencatatkan kadar pemilikan yang memberangsangkan sekitar 91%.

Pihak pengurusan juga telah melancarkan lot kedai komersial di bawah Fasa 1A dan 1B berjumlah 67 unit, masing-masing pada bulan Oktober 2010 dan Februari 2011. Kadar pemilikan juga agak menggalakkan sebanyak 66%.

Kumpulan juga memegang 35% kepentingan ekuiti secara bersama dalam **Twins** yang terletak di kawasan kediaman berprestij Damansara Heights. Pembangunan kondominium mewah yang eksklusif ini melibatkan dua blok menara ikonik dengan 318 buah kediaman telah mendapat sambutan hangat daripada para pembeli sejak pelancarannya. Twins telah dinobatkan sebagai Projek Reka Bentuk Binaan Tinggi Terbaik Malaysia pada Majlis Penyampaian Anugerah Hartanah Kediaman Asia Pasifik 2010, iaitu satu pertandingan berprestij anjuran International Property Awards dengan kerjasama Bloomberg Television.

DIVIDEN

Lembaga Pengarah mencadangkan dividen pertama dan terakhir sebanyak 1.0 sen sesaham (2%), dikecualikan cukai, untuk kelulusan para pemegang saham di Mesyuarat Agung Tahunan akan datang. Dividen bersih boleh bayar berjumlah RM7.4 juta.

TANGGUNGJAWAB SOSIAL KORPORAT

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

Masyarakat

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

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

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

Alam sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk dalam mencari 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 yang ia mempunyai operasi. Ini termasuk pengurusan pelepasan bahan buangan yang bertujuan mengurangkan penggunaan tenaga, sisa buangan dan pelepasan asap.

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 perniagaan akan terus mencabar berikutan negara-negara maju berhempas pulas untuk mengelak kemelesetan dan negara-negara ekonomi baru muncul memperkenalkan dasar rangsangan fiskal selanjutnya untuk menggalakkan ekonomi mereka yang tidak bermaya.

Sektor keluli dijangka kekal tidak menentu dengan peningkatan tinggi kos input disebabkan harga bijih besi dan arang batu lebih tinggi serta semakan menaik bagi kos bahan api. Pihak pengurusan akan kekal memberi tumpuan ke arah memastikan sumber-sumber dan langkah-langkah diambil menjadi lebih cekap.

Di sebalik jangkaan kelembapan ekonomi dalam negara, bahagian hartanah dan komputer diramal mencatat hasil kewangan yang memuaskan.

LEMBAGA PENGARAH

Pada Mesyuarat Agung Tahunan yang akan datang, Encik George Leong Chee Fook akan bersara dan tidak memohon untuk pemilihan semula sebagai Pengarah Syarikat. Encik George Leong berkhidmat sebagai Ahli Jawatankuasa Audit dan Pengerusi bagi kedua-dua Jawatankuasa Pencalonan dan Jawatankuasa Imbuhan. Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan di atas kepimpinan dan sumbangan yang tidak ternilai beliau sepanjang tempoh sebagai Pengarah Syarikat, dan sebagai ahli serta pengerusi bagi jawatankuasa-jawatankuasa tersebut.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan tulus ikhlas dan terima kasih kepada semua pelanggan, pembiaya kewangan, sekutu perniagaan, pihak berkuasa Kerajaan dan pemegang saham yang dihargai atas sokongan berterusan, kerjasama dan keyakinan mereka terhadap Kumpulan.

Saya juga ingin menyatakan setinggi-tinggi penghargaan kepada rakan Pengarah atas bimbingan dan sumbangan yang tidak ternilai di sepanjang tahun kewangan. Tidak dilupakan, para pekerja atas sikap dedikasi, komitmen dan sumbangan yang tidak berbelah bagi kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
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 Diversified Holdings Berhad for the financial year ended 30 June 2011.

FINANCIAL PERFORMANCE

The global economy began to show signs of a slowdown following the debt crisis faced by European countries, the downgrade in credit rating of the US debts as well as the natural disasters in Japan.

Our core steel operation, under Lion DRI Sdn Bhd ("Lion DRI"), also faced new challenges amidst the spiralling prices of iron ore (used as feedstock for the production of DRI or direct reduced iron), higher energy cost and a softening in demand for steel products. Our investment in the downstream steel business under Megasteel Sdn Bhd ("Megasteel") also did not fare well as domestic sales of hot rolled coils ("HRC") was badly affected by unscrupulous importers who flooded the local HRC market by exploiting loopholes in the import regulations.

The Group ended the year with a lower revenue of RM1.3 billion as compared to RM1.6 billion achieved last year. In tandem with the lower Group revenue, profit from operations was lower at RM137 million as compared to RM355 million last year.

After accounting for a significant increase in share of associates' losses of RM123 million compared to RM57 million previously, the Group posted a loss before taxation of RM29 million for the year under review.

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 the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad in Lion Blast Furnace Sdn Bhd ("LBF") at an equity participation of 51% : 29% : 20% respectively;

(b) Proposed acquisitions by LBF of various parcels of contiguous freehold lands from Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd and Amsteel Mills Sdn Bhd (a 99%-owned subsidiary of LICB) for a total cash consideration of approximately RM52.3 million; and

(c) Proposed leasing by LBF of three parcels of contiguous freehold vacant lands from Megasteel for a lease tenure of thirty (30) years.

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

(ii) In April 2011, Viroy Management Services Sdn Bhd, a wholly-owned subsidiary of the Company, disposed of its entire 40% equity interest in Kairong Developments (S) Pte Ltd to Teck Chiang (International) Pte Ltd, a wholly-owned subsidiary of Lion Teck Chiang Limited, for a cash consideration of SGD1.00 (equivalent to approximately RM2.39) and a cash settlement of shareholder's advances of SGD13.5 million (equivalent to approximately RM32.3 million).

Full details of the above corporate proposals are contained in pages 126 and 127 of this Annual Report.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

- Manufacturing and sale of steel related products ("Steel");
- Manufacturing and sale of IT related products ("Computer");
- Property development and management ("Property"); and
- Investment holding, trading and others ("Others").

	Revenue (RM Million)		Operating Profit (RM Million)	
	2011	**2010**	**2011**	**2010**
Steel	**1,059**	1,400	**65**	252
Computer	**131**	125	**5**	11
Property	**79**	63	**21**	8
Others *	**10**	2	**46**	84
	1,279	1,590	**137**	355

* "Others" represents mainly the dividend income and income from trading of steel products. The higher operating profit for financial year 2010 was largely due to gain on disposal of the Group's investments.

Steel Division

The Group's core steel operation is undertaken by Lion DRI, which is one of the only two producers of DRI in the country and the main revenue and profit contributor to the Group.

The spike in iron ore prices has enabled iron ore producers to force a change in the raw material pricing mechanism from an annual contract basis to that of a quarterly benchmark basis. Coupled with higher energy cost, input costs were thus considerably higher and the change in pricing mechanism added a new dimension to the already volatile steel market. With the general slowdown in demand, our DRI plant took the opportunity to undertake its first scheduled plant maintenance shutdown.

Revenue and operating profit were correspondingly lower at RM1,059 million and RM65 million compared to last year's RM1,400 million and RM252 million respectively.

Computer Division

Our Computer Division is an integrated one-stop original equipment manufacturer ("OEM") which provides contract manufacturing services for the production of IT related components and enclosures especially the assembly of data storage and box build products for the electronics, electrical and consumer goods industries. Our main product range of IT related components include flat panel television frames and components, internet protocol TV set-top boxes, audio visual equipment, telecommunication, security alarm and electrical switching products. The production facilities are located in Melaka, Malaysia, and Juarez, Mexico with an additional sales representative office in the USA to provide customer support services.

For the financial year under review, our Computer Division managed to maintain its revenue of RM131 million but operating profit was lower at RM5 million.

Property Division

For the year under review, our Property Division posted a better performance from the two on-going property projects listed below. Revenue and operating profit were higher at RM79 million and RM21 million respectively.

(i) Cheng Avenue Project, Melaka
Located near to our computer operations in Melaka, this commercial project is situated on 20 acres of industrial land comprising double-storey shop offices and 1½-storey semi-detached factories. The project has been well received with a take-up rate of 92% todate.

(ii) "D' Venice Residence" Project, China
Located at Changshu City in Jiangsu Province, China, the project comprises four pieces of contiguous land totalling 20.1 hectares. Phase 1A development had been fully sold since its maiden launch. In view of the overwhelming response received, the management had launched Phase 1B development in May 2010 comprising 5 blocks of 6-storey apartments totalling 228 units which were also fully sold. Phase 1C development comprising 4 blocks of 6-storey apartments totalling 195 units was launched in December 2010, and todate it has chalked up an encouraging take-up rate of approximately 91%.

The management had also launched commercial shoplots, under Phases 1A and 1B developments totalling 67 units in October 2010 and February 2011 respectively. The take-up rate had also been quite encouraging at 66%.

The Group also has a 35% interest in a jointly controlled entity in **Twins**, which is located in the prestigious residential enclave of Damansara Heights. This exclusive high-end condominium development which comprises two iconic tower blocks with 318 residential units has received overwhelming response from buyers since its launch. Twins was named the Best High-Rise Architecture of Malaysia in the Asia Pacific Residential Property Awards 2010, a blue-chip competition of the celebrated International Property Awards in association with Bloomberg Television.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 1.0 sen per share (2%), tax exempt, for the approval of shareholders at the forthcoming Annual General Meeting. Net dividend payable will amount to RM7.4 million.

CORPORATE SOCIAL RESPONSIBILITY

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

Society

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

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

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

Environment

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

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 business environment will continue to remain challenging as advanced nations struggle to stay out of a recession and emerging economies introduce further fiscal stimulus policies to boost their faltering economies.

The steel sector is expected to remain volatile with increasingly higher input costs due to the higher iron ore and coking coal prices and the upward revision in energy cost. The management will remain focussed on ensuring that the resources and measures are in place to remain efficient.

Despite an anticipated slowdown in the local economy, our property and computer divisions are projected to turn in a set of satisfactory results.

BOARD OF DIRECTORS

At the forthcoming Annual General Meeting, Mr George Leong Chee Fook will be retiring and will not be seeking re-election as Director of the Company. Mr George Leong served as a member of the Audit Committee and the chairman of both the Nomination Committee and Remuneration Committee. On behalf of the Board, I would like to express my sincere appreciation for his able leadership and invaluable contributions during his tenure as a Director of the Company, and a member and the chairman of the Company's aforementioned committees.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our sincere appreciation and gratitude to all our valued customers, financiers, business associates, Government authorities and shareholders for their continued support, co-operation and confidence in the Group.

I would also like to express my deepest appreciation to my fellow Directors for their invaluable guidance and contributions throughout the year and to our employees for their untiring dedication, commitment and contributions to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司截至2011年6月30日会计年度的常年报告和经审计财务报表。

财务表现

随着欧洲国家面对债务危机、美国债务信贷评级下调，以及日本发生天灾，全球经济开始显示出衰退的迹象。

我们的核心钢铁业务也面对新挑战。这项业务由金狮直接还原铁私人有限公司（“金狮直接还原铁”）负责，它面对铁沙（在生产直接还原铁时充作给料）的价格不断上升、更高的能源成本，以及钢铁产品的需求疲软。我们投资在美佳钢铁有限公司（“美佳钢铁”）进行的钢铁下游业务的表现也不好，因为本地的热轧钢卷的市场受到唯利是图的入口商的行为严重影响，他们利用入口条例的漏洞，使本地的热轧钢卷市场泛滥。

在本会计年度结束时，本集团的营业额减少，只有13亿令吉，上一个年度是16亿令吉。由于营业额降低，营业利润也相应降低，只有1亿3,700万令吉；上一年度是3亿5,500万令吉。

在把在联号激增的亏损1亿2,300万令吉（上一年度只亏损5,700万令吉）计算在内之后，在本会计年度，本集团蒙受2,900万令吉的税前亏损。

企业发展

以下是本集团所进行的重大企业发展：

(i) 在2011年3月3日，本公司宣布下述建议：

(a) 建议由本公司、金狮工业有限公司（“金狮工业”）和金狮森林工业有限公司联营金狮高炉私人有限公司（“金狮高炉”），三者的股权分别是51% : 29% : 20%；

(b) 建议由金狮高炉向Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd以及Amsteel Mills Sdn Bhd（它是金狮工业拥有99%股权的子公司）收购几片相邻的永久地契土地，收购的现金总额接近5,230万令吉；以及

(c) 建议由金狮高炉向美佳钢铁租用3片相邻的永久地契空地，租用期为30年。

这些建议有待股东和有关当局批准。

(ii) 在2011年4月，本公司独资子公司Viroy Management Services Sdn Bhd，把它在Kairong Developments (S) Pte Ltd拥有的全部40%股权脱售给Lion Teck Chiang Limited的独资子公司 Teck Chiang (International) Pte Ltd，售价是1.00新元（相等于约2.39令吉），以及用现金解决股东的预付费用，总额1,350万新元（相等于约3,230万令吉）。

上述企业建议的详情，刊登在本年度报告的第126页和第127页。

业务检讨

本集团主要从事以下业务：

- 制造和销售与钢铁有关的产品（“钢铁”）；
- 制造和销售与资讯工艺有关的产品（“电脑”）；
- 产业发展与管理（“产业”）；以及
- 投资控股、贸易及其他（“其他”）。

	营业额（单位：百万令吉）		营业利润（单位：百万令吉）	
	2011	**2010**	**2011**	**2010**
钢铁	**1,059**	1,400	**65**	252
电脑	**131**	125	**5**	11
产业	**79**	63	**21**	8
其他 *	**10**	2	**46**	84
	1,279	1,590	**137**	355

* “其他”主要代表股息收入和来自贸易与钢铁产品的贸易收入。在2010会计年度取得更高的营业利润，主要是由于出售本集团的投资所取得的盈利。

钢铁组

本集团的核心钢铁业务由金狮直接还原铁进行，它是在我国生产直接还原铁的仅有的两家公司之一，也是本集团的营业额和营业利润的主要贡献者。

铁沙价格上涨，使到铁沙生产者能够迫使对原料的定价结构进行改变，从每年的合同基础改为每季的基准基础。加上能源价格上涨，从而使投入物的成本高出许多，而定价结构的改变，为原本已经变幻不定的钢铁市场加入新的特点。由于需求普遍放缓，我们的直接还原铁工厂借此机会第一次按预定时间表关厂，以进行维修。

本会计年度的营业额和营业利润相应减少，分别只有10亿5,900万令吉和6,500万令吉。上一个年度分别是14亿令吉和2亿5,200万令吉。

电脑组

我们的电脑组是综合性一站式原件加工制造商，它提供合约制造服务，生产与资讯工艺有关的部件和附件，尤其是替电子业、电器业和消费品工业装配资料储存和盒式产品。我们的主要产品是和资讯工艺有关的部件，包括平面电视框和配件、网络电视上盒、视听器材、电信器材、保安警铃以及电子开关产品。生产设施坐落在马来西亚的马六甲和墨西哥的朱利芝（Juarez），另外在美国设有一个销售代表办事处，以提供支援服务。

在本会计年度，我们的电脑组保持1亿3,100万令吉的营业额，但营业利润较低，只有500万令吉。

产业组

在本会计年度，我们的产业组在下列两个正在进行中的产业计划有更好的表现。营业额和营业利润都比较高，分别是7,900万令吉和2,100万令吉。

(i) 马六甲Cheng Avenue计划
这项商业计划靠近我们在马六甲的电脑营业地点，坐落在一片占地20英亩的工业地段，包括两层楼的店屋办公室和1½层的半独立式工厂。这项计划受到市场很好的接受，迄今购买率达到92%。

(ii) 在中国的“D’Venice Residence”计划
这项计划坐落在中国江苏省常熟市，包括4块相邻的土地，总面积20.1公顷。第1A期的发展计划在推出之后被抢购一空。由于反应热烈，管理层在2010年5月推出1B期发展计划，包括5座6层公寓，总共228个单位，完全售罄。1C期发展计划包括4座6层楼公寓，总共195个单位。在2010年12月推出，迄今售出率是将近91%。

管理层也分别在2010年10月和2011年2月推出的1A期和1B期，发售商业店屋，总共有67个单位。购买率达到66%，成绩相当令人鼓舞。

本集团在吉隆坡白沙罗高原高尚住宅区的一个称为**Twins**的发展计划拥有35%股权（被视为是共同控制实体）。这项独特的高档公寓发展，包括两座地标式塔楼，总共有318个住宅单位。自从销售推展以来，获得购买者热烈反应。在2010年亚太住宅产业奖中，Twins夺得马来西亚最佳高楼建筑风格奖。亚太住宅产业奖是与彭博电视台合作颁发的著名国际性产业奖项。

股息

董事部欣然建议颁发期初兼期末、每股1仙（2%）的免税股息，有待行将召开的常年股东大会批准。净应付股息总额740万令吉。

企业社会责任

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

社会

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

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

本集团也通过参与慈善及捐款活动为社会做出贡献以帮助有需要的人。

环境

在着重科技和工业发展之际，本集团也同时关心环境保护，包括选择环保作用的新技术与业务运作。本集团的业务运作完全严格遵守其所在领域的环境法律及条例管制。这包括扩散管理，旨在减低能源消耗、废料及扩散。

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，以确保员工们的安全和福利获得照顾。

展望

商业环境将继续具挑战性，因为先进国家正极力摆脱经济衰退，而新兴经济体采取进一步的财政刺激政策，以振兴它们遥遥欲坠的经济。

由于更高的投入成本，钢铁业预料将继续飘忽不定，而成本上升是由于铁沙和炼焦煤的价格上升，以及能源价格向上调整。管理层将专注于确保现有的资源和措施仍然有效率。

尽管预料本地经济将会放缓，我们的产业组和电脑组预料将会取得令人满意的业绩。

董事会

在行将召开的常年股东大会上，Mr George Leong Chee Fook将荣休并不寻求重新被选为本公司的董事。在担任本公司董事期间，Mr George Leong是审核委员会的委员，也是提名委员会和薪酬委员会的主席。我谨代表董事部，真诚感谢他在担任公司董事和委员以及主席期间，领导有方和宝贵的贡献。

鸣谢

我谨代表董事部、真诚感谢所有尊贵的客户、银行机构、商业伙伴、各政府机构以及股东们对本集团持继支持与合作，及对本集团有信心。

我也要真诚感谢董事们，在过去一年来给予的指导和所作的贡献。也要感谢我们的各级雇员的献身精神及对本集团的贡献。

主席
丹斯里锺廷森

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss, net of tax	(52,118)	(38,476)
Attributable to:		
Equity holders of the Company	(52,118)	(38,476)
Minority interests	–	–
	(52,118)	(38,476)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has resulted in a decrease in the Group's and the Company's loss net of tax by RM11.9 million and RM483,000 respectively as disclosed in Note 2.2 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2010 were as follows:

	RM'000
In respect of the financial year ended 30 June 2010 as reported in the Directors' Report of that year, a first and final dividend of 2% (1 sen per share), tax exempt was paid on 15 December 2010	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2011, of 2% (1 sen per share), tax exempt amounting to a dividend payable of RM7.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2012.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
Dato' Ismail @ Mansor bin Said
Heah Sieu Lay
George Leong Chee Fook

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr George Leong Chee Fook who is due to retire in accordance with Article 98 of the Company's Articles of Association at the forthcoming Annual General Meeting will not seek re-election at the forthcoming Annual General Meeting.

DIRECTORS' BENEFITS

Save for the 5-year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 of the Company ("ICULS") which are convertible into new ordinary shares of RM0.50 each in the Company, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 37 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2010	**Acquired**	**Disposed**	**30.6.2011**
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Tan Sri Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	290,013,688	–	(3,584,800)	286,428,888
Tan Sri Cheng Yong Kim	251,843,935	–	(3,584,800)	248,259,135

In addition, the following Directors were also deemed to have an interest in shares in the Company by virtue of the ICULS which are convertible into new ordinary shares of RM0.50 each in the Company at a conversion price of RM0.50 for each new ordinary share of RM0.50 each in the Company as follows:

	Number of RM1.00 Nominal Value of ICULS			
	1.7.2010	**Acquired**	**Converted**	**30.6.2011**
Direct Interest				
Tan Sri William H.J. Cheng	121,615,000	–	–	121,615,000
Tan Sri Cheng Yong Kim	1,000,000	–	–	1,000,000
Indirect Interest				
Tan Sri William H.J. Cheng	203,961,522	–	–	203,961,522
Tan Sri Cheng Yong Kim	30,014,916	–	–	30,014,916

DIRECTORS' INTERESTS (Continued)

The interests of Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1.7.2010	**Acquired**	**Disposed**	**30.6.2011**
Lion Corporation Berhad ("LCB")				
Direct Interest				
Tan Sri William H.J. Cheng	458,685	–	–	458,685
Tan Sri Cheng Yong Kim	2,709,517	–	–	2,709,517
Indirect Interest				
Tan Sri William H.J. Cheng	1,569,685,981	–	(99,314,266)	1,470,371,715
Tan Sri Cheng Yong Kim	414,494,096	–	(666)	414,493,430

Indirect Interest
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Nominal Value Per Share	**1.7.2010**	Number of Ordinary Shares **Acquired**	**Disposed**	**30.6.2011**
Bersatu Investments Company Limited	HK$10.00	42,644	–	–	42,644
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	–	–	11,420,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	–	–	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	–	–	91,000
Lyn (Pte) Ltd	*	1,225,555	–	–	1,225,555
Megasteel Sdn Bhd					
- Ordinary shares	RM1.00	600,000,001	–	–	600,000,001
- Preference "D" Shares	RM0.01	49,000,000	–	–	49,000,000
- Preference "E" Shares	RM0.01	11,000,000	–	–	11,000,000
- Preference "F" Shares	RM0.01	26,670,000	–	–	26,670,000
- Preference "G" Shares	RM0.01	100,000,000	–	–	100,000,000

Note:

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

DIRECTORS' INTERESTS (Continued)

In addition to the above, the following Directors were also deemed to have an interest in shares in LCB by virtue of:

(a) Options granted pursuant to LCB's Executive Share Option Scheme which expired on 31 August 2010

	Number of Options				
	As at 1.7.2010	Granted	Exercised	Lapsed	As at 30.6.2011
Tan Sri William H.J. Cheng	490,000	–	–	(490,000)	–

(b) Redeemable convertible secured loan stocks ("RCSLS") of nominal value of RM1.00 each convertible into new ordinary shares of RM1.00 each in LCB at a conversion price of RM1.00 for every one new ordinary share of RM1.00 each in LCB

	Number of RM1.00 Nominal Value of RCSLS			
	1.7.2010	Acquired	Converted	30.6.2011
Tan Sri William H.J. Cheng	275,214,524	–	–	275,214,524

(c) Warrants with a right to subscribe for one new ordinary share in LCB for every one warrant held

	Number of Warrants			
	1.7.2010	Acquired	Disposed	30.6.2011
Tan Sri William H.J. Cheng	10,203,307	–	(33,900)	10,169,407
Tan Sri Cheng Yong Kim	672,100	–	(33,900)	638,200

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of the Company which became effective on 1 September 2005, expired on 31 August 2010. The main features of the ESOS are set out in Note 33 to the financial statements.

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

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

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

The main features of the New ESOS are set out in Note 33 to the financial statements.

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

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

OTHER STATUTORY INFORMATION

(a) 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:

(i) 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

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any 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; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances 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.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the Directors:

(i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) 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 the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 October 2011.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 41 to 135 are drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and their results and cash flows for the year then ended.

The supplementary information set out in Note 44 to the financial statements on page 136 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa 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 dated 20 October 2011.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 136 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.

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at Kuala Lumpur in the Federal Territory
on 20 October 2011

TAN SRI CHENG YONG KIM

Before me,

W259
AHMAD B. LAYA
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lion Diversified Holdings Berhad, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, 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 notes, as set out on pages 41 to 135.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine are 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 about 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the 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 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 at 30 June 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

(i) Note 11 to the financial statements which describes the uncertainty related to the resumption of the construction of the Blast Furnace Project; and

(ii) Note 21 to the financial statements which describes the uncertainty related to the repayment of material long outstanding debts by a related party.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("Act") 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 44 to the financial statements on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa 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.

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 to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No. 2518/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
20 October 2011

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	3	**1,279,211**	1,590,465	**17,308**	202,078
Other income	4	**123,399**	172,458	**1,584**	1,415
Changes in inventories		**16,271**	(2,964)	**–**	–
Raw materials and consumables used		**(1,069,922)**	(1,196,011)	**–**	–
Property development expenditure	13(b)	**(56,025)**	(46,807)	**–**	–
Employee benefits expense	5	**(44,051)**	(38,882)	**(1,786)**	(1,787)
Depreciation and amortisation		**(35,473)**	(37,145)	**(275)**	(246)
Other expenses		**(76,242)**	(86,283)	**(38,470)**	(216,952)
Profit/(Loss) from operations	6	**137,168**	354,831	**(21,639)**	(15,492)
Finance costs	7	**(81,676)**	(96,416)	**(14,245)**	(22,481)
Gain on disposal of associates		**19,905**	56,155	**–**	51,726
Loss on disposal of a jointly controlled entity	16	**(4,784)**	–	**–**	–
Share of results of associates		**(123,477)**	(57,105)	**–**	–
Share of results of jointly controlled entities		**23,706**	5,566	**–**	–
(Loss)/Profit before taxation		**(29,158)**	263,031	**(35,884)**	13,753
Income tax expense	8	**(22,960)**	(70,675)	**(2,592)**	(2,423)
(Loss)/Profit, net of tax		**(52,118)**	192,356	**(38,476)**	11,330
Attributable to:					
Equity holders of the Company		**(52,118)**	192,356	**(38,476)**	11,330
Minority interests		**–**	–	**–**	–
		(52,118)	192,356	**(38,476)**	11,330
(Loss)/Earnings per share (sen):					
Basic	9(a)	**(3.7)**	13.8		
Diluted	9(b)	**(3.7)**	13.8		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(Loss)/Profit, net of tax		**(52,118)**	192,356	**(38,476)**	11,330
Other comprehensive income/(loss)					
Foreign currency translations	24	**9,181**	(50)	**–**	–
Net gain/(loss) on available-for-sale financial assets:					
- Gain on fair value changes	24	**59,970**	–	**10,137**	–
- Transfer to profit or loss upon derecognition	24	**(15,546)**	–	**(483)**	–
Other comprehensive income/(loss) for the year, net of tax		**53,605**	(50)	**9,654**	–
Total comprehensive income/(loss) for the year		**1,487**	192,306	**(28,822)**	11,330
Attributable to:					
- Equity holders of the Company		**1,487**	192,306	**(28,822)**	11,330
- Minority interests		**–**	–	**–**	–
		1,487	192,306	**(28,822)**	11,330

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (Restated)	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,404,323**	1,418,460	**774**	770
Investment properties	12	**11,945**	13,585	**–**	–
Land held for property development	13(a)	**132,137**	142,758	**–**	–
Investments in subsidiaries	14	**–**	–	**347,991**	347,991
Investments in associates	15	**148,501**	279,278	**274,660**	285,228
Investments in jointly controlled entities	16	**33,334**	9,864	**–**	–
Investment securities	17	**367,787**	287,790	**41,479**	32,507
Intangible assets	18	**10,484**	18,814	**–**	–
Deferred tax assets	19	**8,296**	11,069	**7,286**	9,878
		2,116,807	2,181,618	**672,190**	676,374
Current assets					
Property development costs	13(b)	**13,425**	19,544	**–**	–
Inventories	20	**150,281**	251,212	**–**	–
Investment securities	17	**–**	3,158	**–**	2,882
Trade and other receivables	21	**806,434**	903,539	**1,230,321**	1,276,062
Tax recoverable		**7,620**	9,573	**3,382**	4,397
Cash and cash equivalents	22	**201,098**	203,914	**9,245**	15,494
		1,178,858	1,390,940	**1,242,948**	1,298,835
TOTAL ASSETS		**3,295,665**	3,572,558	**1,915,138**	1,975,209

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011 (Continued)

	Note	Group 2011 RM'000	Group 2010 RM'000 (Restated)	Company 2011 RM'000	Company 2010 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	23	**368,612**	368,612	**368,612**	368,612
Share premium		**330,967**	330,967	**330,967**	330,967
Other reserves	24	**424,776**	290,392	**299,731**	288,212
Retained profits	25	**740,147**	836,927	**283,545**	326,813
		1,864,502	1,826,898	**1,282,855**	1,314,604
Minority interests		**–**	–	**–**	–
Total equity		**1,864,502**	1,826,898	**1,282,855**	1,314,604
Non-current liabilities					
Loans and borrowings	26	**285,847**	98,535	**16,469**	26,758
Long term payables	27	**–**	–	**–**	–
Deferred tax liabilities	19	**109,646**	99,942	**–**	–
Derivative liability	28	**42,603**	–	**–**	–
		438,096	198,477	**16,469**	26,758
Current liabilities					
Trade and other payables	29	**611,490**	676,426	**584,829**	602,900
Provisions	30	**39,695**	34,695	**17,695**	17,695
Product financing liabilities	31	**80,699**	147,649	**–**	–
Loans and borrowings	26	**243,625**	680,225	**13,290**	13,252
Tax payable		**17,558**	8,188	**–**	–
		993,067	1,547,183	**615,814**	633,847
Total liabilities		**1,431,163**	1,745,660	**632,283**	660,605
TOTAL EQUITY AND LIABILITIES		**3,295,665**	3,572,558	**1,915,138**	1,975,209

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Share Capital RM'000 (Note 23)	Share Premium RM'000	Other Reserves RM'000 (Note 24)	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		← Attributable to Equity Holders of the Company →						
			← Non-Distributable →					
Group								
2011								
At 1 July 2010		**368,612**	**330,967**	**290,392**	**836,927**	**1,826,898**	**–**	**1,826,898**
Effects arising from adoption of FRS 139		**–**	**–**	**79,109**	**(35,620)**	**43,489**	**–**	**43,489**
		368,612	**330,967**	**369,501**	**801,307**	**1,870,387**	**–**	**1,870,387**
Total comprehensive income/(loss) for the year		**–**	**–**	**53,605**	**(52,118)**	**1,487**	**–**	**1,487**
		368,612	**330,967**	**423,106**	**749,189**	**1,871,874**	**–**	**1,871,874**
Transactions with equity holders								
Equity-settled share option arrangements		**–**	**–**	**(1,030)**	**1,030**	**–**	**–**	**–**
Transfer to capital reserve		**–**	**–**	**2,700**	**(2,700)**	**–**	**–**	**–**
Dividends	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**	**–**	**(7,372)**
Total transactions with equity holders		**–**	**–**	**1,670**	**(9,042)**	**(7,372)**	**–**	**(7,372)**
At 30 June 2011		**368,612**	**330,967**	**424,776**	**740,147**	**1,864,502**	**–**	**1,864,502**
2010								
At 1 July 2009		368,612	330,967	290,512	651,841	1,641,932	–	1,641,932
Total comprehensive (loss)/income for the year		–	–	(50)	192,356	192,306	–	192,306
		368,612	330,967	290,462	844,197	1,834,238	–	1,834,238
Transactions with equity holders								
Equity-settled share option arrangements		–	–	(70)	102	32	–	32
Dividends	10	–	–	–	(7,372)	(7,372)	–	(7,372)
Total transactions with equity holders		–	–	(70)	(7,270)	(7,340)	–	(7,340)
At 30 June 2010		368,612	330,967	290,392	836,927	1,826,898	–	1,826,898

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	Note	Share Capital RM'000 (Note 23)	Share Premium RM'000	Other Reserves RM'000 (Note 24)	Retained Profits RM'000	Total RM'000
			← Non-Distributable	→		
Company						
2011						
At 1 July 2010		**368,612**	**330,967**	**288,212**	**326,813**	**1,314,604**
Effects arising from adoption of FRS 139		**–**	**–**	**2,895**	**1,550**	**4,445**
		368,612	**330,967**	**291,107**	**328,363**	**1,319,049**
Total comprehensive income/(loss) for the year		**–**	**–**	**9,654**	**(38,476)**	**(28,822)**
		368,612	**330,967**	**300,761**	**289,887**	**1,290,227**
Transactions with equity holders						
Equity-settled share option arrangements		**–**	**–**	**(1,030)**	**1,030**	**–**
Dividends	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**
Total transactions with equity holders		**–**	**–**	**(1,030)**	**(6,342)**	**(7,372)**
At 30 June 2011		**368,612**	**330,967**	**299,731**	**283,545**	**1,282,855**
2010						
At 1 July 2009		368,612	330,967	288,282	322,753	1,310,614
Total comprehensive income for the year		–	–	–	11,330	11,330
		368,612	330,967	288,282	334,083	1,321,944
Transactions with equity holders						
Equity-settled share option arrangements		–	–	(70)	102	32
Dividends	10	–	–	–	(7,372)	(7,372)
Total transactions with equity holders		–	–	(70)	(7,270)	(7,340)
At 30 June 2010		368,612	330,967	288,212	326,813	1,314,604

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	**(29,158)**	263,031	**(35,884)**	13,753
Adjustments for:				
Depreciation and amortisation	**35,473**	37,145	**275**	246
Employee share-based payment	**–**	32	**–**	32
Property, plant and equipment written off	**72**	6	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(69)**	2	**–**	–
Gain on disposal of quoted investments	**(23)**	(45,058)	**(16)**	(1,043)
Gain on disposal of associates	**(19,905)**	(56,155)	**–**	(51,726)
Loss on disposal of a jointly controlled entity	**4,784**	–	**–**	–
Gain on conversion of Exchangeable Bonds	**(599)**	–	**–**	–
Gain on disposal of investment property	**–**	(2,825)	**–**	–
Gain on disposal of rights	**–**	(3,900)	**–**	–
Net fair value gain on available-for-sale financial assets (Note 24)	**(15,546)**	–	**(483)**	–
Impairment loss in:				
- Investments in associates	**–**	–	**26,000**	68,400
- Unquoted bonds	**4,283**	–	**4,283**	–
- Property, plant and equipment	**–**	934	**–**	–
- Investment properties	**–**	1,100	**–**	–
- Intangible assets	**8,330**	14,662	**–**	–
Net fair value loss on derivative liability	**3,684**	–	**–**	–
Allowances for impairment loss on trade and other receivables	**3,755**	166	**716**	132,631
Bad debts recovered	**–**	(4)	**–**	–
Provision for potential claims	**5,000**	10,000	**–**	–
(Reversal)/Write down of inventories	**(620)**	383	**–**	–
Reversal of impairment loss of investment properties	**(239)**	–	**–**	–
Unrealised foreign exchange (gain)/loss	**(21,968)**	(30,586)	**3,076**	11,942
Interest expense	**81,676**	96,416	**14,245**	22,481
Interest income	**(53,060)**	(54,572)	**(1,085)**	(372)
Dividend income	**(9,479)**	(1,131)	**(17,308)**	(202,078)
Share of results of associates	**123,477**	57,105	**–**	–
Share of results of jointly controlled entities	**(23,706)**	(5,566)	**–**	–
Operating profit/(loss) before working capital changes	**96,162**	281,185	**(6,181)**	(5,734)
Changes in working capital:				
Inventories	**101,551**	(177,547)	**–**	–
Receivables	**57,829**	(203,173)	**10**	605
Payables	**(36,158)**	102,986	**(19,763)**	(70,266)
Property development costs	**12,412**	(64,603)	**–**	–
Cash generated from/(used in) operations	**231,796**	(61,152)	**(25,934)**	(75,395)
Interest received	**43,583**	46,323	**82**	131
Interest paid	**(50,907)**	(61,928)	**(44)**	(18,973)
Taxes (paid)/refund	**(1,112)**	(6,483)	**1,592**	–
Net cash generated from/(used in) operating activities	**223,360**	(83,240)	**(24,304)**	(94,237)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities				
Proceed from disposal of a jointly controlled entity	**32,670**	–	**–**	–
Proceeds from disposal of associates	**33,421**	16,838	**–**	14,036
Proceeds from disposal of property, plant and equipment	**69**	44	**–**	–
Proceeds from disposal of investment securities	**13,065**	374,023	**5,228**	247,487
Proceeds from disposal of investment property	**–**	7,200	**–**	–
Proceeds from disposal of rights	**–**	3,900	**–**	–
Purchase of property, plant and equipment	**(19,288)**	(22,303)	**(12)**	(18)
Advances from/(to) subsidiaries	**–**	–	**128,182**	(148,726)
Acquisition of associates	**–**	(9,551)	**(15,432)**	(9,551)
Deferred payment of acquisition of associates	**(96,022)**	(102,608)	**(96,022)**	(102,608)
Dividends received	**9,479**	1,040	**16,731**	199,987
Net cash (used in)/generated from investing activities	**(26,606)**	268,583	**38,675**	200,607
Cash flows from financing activities				
Dividends paid	**(7,372)**	(7,372)	**(7,372)**	(7,372)
Repayment of bank borrowings	**(208,304)**	(177,844)	**(13,098)**	(94,291)
Proceeds from bank borrowings	**19,471**	39,380	**–**	–
Repayment of obligation under finance leases	**(150)**	(175)	**(150)**	(175)
Net cash used in financing activities	**(196,355)**	(146,011)	**(20,620)**	(101,838)
Net increase/(decrease) in cash and cash equivalents	**399**	39,332	**(6,249)**	4,532
Effects of changes in foreign exchange rates	**(3,215)**	(3,238)	**–**	–
Cash and cash equivalents at beginning of year	**203,914**	167,820	**15,494**	10,962
Cash and cash equivalents at end of year (Note 22)	**201,098**	203,914	**9,245**	15,494

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 14. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and the principal place of business of the Company are both located at Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 October 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2010, the Group and the Company adopted the following applicable new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2010:

- FRS 1 *First-time Adoption of Financial Reporting Standards**
- FRS 3 *Business Combinations (Revised)*
- FRS 4 *Insurance Contracts**
- FRS 7 *Financial Instruments: Disclosures*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards and* FRS 127 *Consolidated and Separate Financial Statements: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 2 *Share-based Payment*
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations**
- Amendments to FRS 127 *Consolidated and Separate Financial Statements*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 132 *Classification of Right Issues**
- Amendments to FRS 138 *Intangible Assets*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement,* FRS 7 *Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

- Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRSs issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 12 *Service Concession Arrangements**
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
- IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation**
- IC Interpretation 17 *Distributions of Non-cash Assets to Owners**
- TR i-3 *Presentation of Financial Statements of Islamic Financial Institutions**

* These new and amended FRSs and IC Interpretations are, however, not applicable to the Group and the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below:

<u>FRS 7 *Financial Instruments: Disclosures*</u>

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk).

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

<u>FRS 101 *Presentation of Financial Statements (Revised)*</u>

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 July 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard have been accounted for by adjusting the opening balance of retained profits as at 1 July 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

  Prior to 1 July 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 July 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM54.1 million. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained profits as at 1 July 2010. Investments in equity instruments whose fair value cannot be reliably measured amounting to RM52,000 as at 1 July 2010 continued to be carried at cost less impairment losses.

- Debt securities

  Prior to 1 July 2010, investments in debt securities were stated at amortised cost using the effective interest rate method. Upon the adoption of FRS 139, these investments are designated as at 1 July 2010 as available-for-sale financial assets or classified as held-to-maturity investments. The fair values of available-for-sale and carrying values of held-to-maturity debt securities are recognised as at 1 July 2010 amounted to RM311.7 million and RM7.4 million respectively. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained profits as at 1 July 2010.

- Inter-company loans

  During the current and prior years, the Company granted interest-free or low-interest loans and advances to its subsidiaries. Prior to 1 July 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the Company has assessed and concluded that these inter-company loans approximated their carrying amounts.

- Financial guarantee contracts

  During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 July 2010, the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 July 2010.

  The Company has assessed the financial guarantee contracts and concluded that the guarantees are more likely not to be called upon by the banks.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

FRS 139 *Financial Instruments: Recognition and Measurement* (Continued)

- Embedded derivative

Prior to 1 July 2010, the Group regarded Guaranteed Secured Exchangeable Bonds ("Exchangeable Bonds") as compound instruments, consisting of a liability component and an equity component. The Group then regarded Exchangeable Bonds as predominantly a liability component as the embedded option for the holder is to exchange each bond into an asset of the Group and not an equity instrument of the subsidiary company which issued the Exchangeable Bonds and classified Exchangeable Bonds as a financial liability.

Upon the adoption of FRS 139, the Group now regards this exchange feature embedded in Exchangeable Bonds (host contract) as a derivative that is not closely related to the host contract and must be separated from the host contract. The separated embedded derivative is designated as financial liability at fair value through profit or loss and measured at its fair value as at 1 July 2010. The adjustment to its carrying value is recognised as adjustments to the opening balance of retained profits.

- Impairment of trade receivables

Prior to 1 July 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original interest rate. As at 1 July 2010, the Group and the Company have re-measured the allowance for impairment losses as at that date in accordance with FRS 139 but no adjustment is required to be made to the opening balance of retained profits as at that date due to the short term nature and insignificant impact of accounting.

The following are effects arising from the above changes in accounting policies:

	Balance as at 1 July 2010 before adopting FRS 139 RM'000	Effect of adopting FRS 139 RM'000	Balance as at 1 July 2010 after adopting FRS 139 RM'000
Statements of financial position			
Group			
Investment securities (current & non-current) – available-for-sale financial assets	283,452	82,408	365,860
Derivative liability	–	38,919	38,919
Retained profits	836,927	(35,620)	801,307
Other reserves – fair value adjustment reserve	–	79,109	79,109
Company			
Investment securities (current & non-current) – available-for-sale financial assets	27,945	4,445	32,390
Retained profits	326,813	1,550	328,363
Other reserves – fair value adjustment reserve	288,212	2,895	291,107

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

FRS 139 *Financial Instruments: Recognition and Measurement* (Continued)

The following are effects arising from the above changes in accounting policies: (Continued)

	Increase/(Decrease)	
	Group RM'000 2011	**Company RM'000 2011**
Income statements		
Other income	15,546	483
Other operating expenses	(3,684)	–
Profit before taxation	11,862	483
Statements of comprehensive income		
Other comprehensive income for the year, net of tax	44,424	9,654

Amendments to FRS 117 *Leases*

Prior to 1 July 2010, all leases of land and buildings when the title is not expected to pass to the lessee by the end of the lease term and the lessee normally does not receive substantially all of the risks and rewards incidental to ownership and were classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 *Leases* clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statements of financial position as at 30 June 2011 arising from the above change in accounting policy:

	Group 2011 RM'000
Increase/(Decrease) in:	
Property, plant and equipment	7,569
Prepaid land lease payment	(7,569)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

Amendments to FRS 117 *Leases* (Continued)

The following comparatives have been restated:

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Group			
Statements of financial position			
30 June 2010			
Property, plant and equipment	1,410,804	7,656	1,418,460
Prepaid land lease payment	7,656	(7,656)	–
1 July 2009			
Property, plant and equipment	1,424,112	8,024	1,432,136
Prepaid land lease payment	8,024	(8,024)	–

2.3 Standards and Interpretations issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters**
- Amendments to FRS 2 *Group Cash-settled Share Based Payments Transactions*
- Amendments to FRS 3 *Business Combinations*
- Amendments to FRS 7 *Improving Disclosures about Financial Instruments*
- Improvements to FRSs issued in 2010
- IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*
- IC Interpretation 18 *Transfer of Assets from Customers**

Effective for financial periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*
- IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Effective for financial periods beginning on or after 1 January 2012

- FRS 124 *Related Party Disclosures*
- IC Interpretation 15 *Agreements for the Construction of Real Estate*

* These FRSs are not applicable to the Group and the Company.

Except for the changes in accounting policies arising from the adoption of IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of IC Interpretation 15 are described below.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.3 **Standards and Interpretations issued but not yet effective** (Continued)

IC Interpretation 15 *Agreements for the Construction of Real Estate*

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 *Construction Contracts* or FRS 118 *Revenue*.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.4 **Summary of significant accounting policies**

(a) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 2.4(f).

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquirees are reassessed on acquisition unless the business combination results in a change on the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(b) **Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.4 **Summary of significant accounting policies** (Continued)

(c) Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(d) Associates

Associates are entities, not being subsidiaries or joint ventures, in which the Group has significant influence. Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are measured in the statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities, and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates' profit or loss for the period in which the investments are acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired.

If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(e) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.4(d).

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities.

In the Company's separate financial statements, its investments in jointly controlled entities are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(f) Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4(z)(iii).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at cost less any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold lands are depreciated over the period of the respective leases which range from 77 to 89 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	2% - 8%
Land improvements and infrastructure	3% - 4%
Plant and machinery	2% - 20%
Motor vehicles	13% - 20%
Office equipment, furniture and fittings	10% - 33.33%
Renovation	10% - 20%

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(h) Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.4(g) up to the date of change in use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(i) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(j) Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(k) Inventories

Industrial land and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and conditions. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value is the estimated selling price in ordinary course of business less estimated costs to completion and estimated costs necessary to make the sale.

(l) Financial assets

Financial assets 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 instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets 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 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 method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, the date that the Group and the Company commit to purchase or sell the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(m) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. 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 and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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 becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term investments that are readily convertible to known amount of cash and which are subject to an investments insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(o) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

(p) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, 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 instrument.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(p) Financial liabilities (Continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(q) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(s) ICULS

The convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

(t) Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions made to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(t) Employee benefits (Continued)

(ii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained profits upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

(u) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.4(y).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(v) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

(y) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Sale of industrial land and completed properties

Revenue from sale of industrial land and completed properties is recognised upon the signing of the sale and purchase agreements.

(iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Rental income and sales commission

Rental and sales commission are recognised on the accrual basis.

(v) Dividend income

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

(vi) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.4 **Summary of significant accounting policies** (Continued)

(z) **Foreign currencies**

(i) **Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) **Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) **Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2011 RM	**2010 RM**
United States Dollar ("USD")	3.02	3.27
Singapore Dollar ("SGD")	2.45	2.33
Chinese Renminbi ("Rmb")	0.47	0.48
Hong Kong Dollar ("HKD")	0.39	0.42

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(aa) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(bb) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.5 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Classification of financial assets

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity.

The Group classified its investments in quoted shares of RM367.7 million (2010: RM48.5 million) as available-for-sale. Management does not have intention to hold the investments for trading purposes.

(ii) Impairment of available-for-sale investments

The Group reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Group impaired quoted and unquoted equity instruments with "significant" decline in fair value greater than 20% and 30% respectively, and "prolonged" period as greater than 12 months or more.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(a) Critical judgements made in applying accounting policies (Continued)

(iii) Classification between investment properties and property, plant and equipment

The Group has developed certain criterias based on FRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(iv) Jointly controlled entities

The Group has interest in several investments which it regards as jointly controlled entities although the Group owns less than half of the equity interest in these entities. These entities have not been regarded as subsidiaries of the Group as management has assessed that the contractual arrangements with the respective joint venture parties have given rise to joint control over these entities in accordance with FRS 131 *Interest in Joint Ventures*.

(v) Financial guarantee contracts

At each reporting date, the Group determines the fair value of the guarantees based on the likelihood of the guaranteed party defaulting within the guaranteed period and estimate the loss exposure (after taking into account of the value of assets pledged for the loans).

For the financial year ended 30 June 2011, the Group and the Company have assessed the financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the banks. Financial impact of such guarantees is not material.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Details of property development cost are disclosed in Note 13(b).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 8.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses and capital allowances of the Group and of the Company are disclosed in Note 19.

(iv) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 18.

(v) Share-based payment

The Group measures the cost of equity-settled transactions with employees by reference to fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of option, volatility and dividend yield and making assumptions about them. The assumptions and valuation model used are disclosed in Note 33.

(vi) Recoverability of trade receivables from an associate

Included in amounts due from related parties is an amount due from Megasteel Sdn Bhd ("Megasteel"), an associate of the Group and also a related party, which represent approximately 93% (2010: 90%) of the total trade receivables balances as at the reporting date. The Directors are of the opinion that this amount is recoverable, after taking into account of reasonable possible changes in corporate strategies and Megasteel has proposed a settlement agreement that is currently still in negotiation with its creditors. The Directors expect the proposed settlement agreement to be completed within the next 12 months.

Management exercised significant judgement in the assessment of the recoverability of the amount outstanding from the said related party, which will have significant financial impact if the amount is not recoverable. Further details of recoverability of trade receivables from an associate are disclosed in Note 21.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.5 **Significant accounting estimates and judgements** (Continued)

(b) **Key sources of estimation uncertainty** (Continued)

(vii) **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Included in Note 11, Property, plant and equipment (construction in progress) is a sum of RM533.2 million incurred on the Blast Furnace Project ("Project"). The Project has been put on hold due to insufficient funds to complete the Project. The Group has entered into negotiation with the potential lender(s) on the funding. The Directors are of the opinion that the required funding will be secured in the foreseeable future and the carrying value of the construction in progress is not impaired as the total amount will be recoverable when the Project is resumed in the future.

(viii) **Useful lives and residual value of plant and machinery**

The cost of plant and machinery for the manufacture of direct reduced iron products is depreciated on straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 25 years. The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration, maintenance programmes and usage capacity of the assets in addition to any legal restriction on usage. Residual values of the plant and machinery are estimated by the management based on the assets commercial value at end of their useful lives. These are common life expectancies applied in the steel industry until there is technological development which could impact the economic useful lives and the residual values of these assets. The management will review the estimated useful lives and residual values of plant and machinery at each financial year-end and adjustments to useful lives are made when considered necessary. Therefore, future depreciation charges could be revised.

(ix) **Impairment assessment for investments in associates**

Management determines whether the carrying amounts of its investments are impaired at the reporting date. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include, amongst others, discounted cash flows analysis and in some cases, are based on current market indicators and estimates that provide reasonable approximations to the detailed computation.

Management determined the recoverable amount of these investments based on the individual asset's value-in-use. The present value of the future cash flows to be generated by these assets is the asset's value-in-use. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

It is in the opinion of the Directors that adequate impairment losses have been recognised in the profit or loss and the management's assumptions are reasonable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(x) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the reporting date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group.

(xi) Derivative liability

The Group measures the derivative liability by reference to the fair value of the derivative liability at reporting date. Estimating fair value of the derivative liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the derivative liability. This estimate also requires determining the most appropriate inputs into the valuation model including the expected life of the derivative liability, expected volatility and making relevant assumptions about them. The assumptions and models used for estimating fair value of derivative liability and its carrying amount are disclosed in Note 28.

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Sale of goods	**1,189,686**	1,525,013	**–**	–
Property development	**78,958**	61,566	**–**	–
Sales commission	**545**	1,401	**–**	–
Rental income	**543**	1,354	**–**	–
Dividend income from investment securities - quoted	**9,479**	1,131	**208**	1,078
Dividend income from subsidiaries	**–**	–	**17,100**	201,000
	1,279,211	1,590,465	**17,308**	202,078

4. OTHER INCOME

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Interest income from:				
Unquoted investments	**2,188**	8,249	**1,003**	241
Late payment interest	**46,961**	35,102	**–**	–
Short term deposits and others	**3,911**	11,221	**82**	131
	53,060	54,572	**1,085**	372
Rental income	**205**	106	**–**	–
Gain on disposal of quoted investments	**23**	45,058	**16**	1,043
Net fair value gain on available-for-sale financial assets (Note 24)	**15,546**	–	**483**	–
Gain on disposal of investment property	**–**	2,825	**–**	–
Gain on disposal of rights	**–**	3,900	**–**	–
Gain on conversion of Exchangeable Bonds	**599**	–	**–**	–
Foreign exchange gain:				
- Realised	**14,603**	10,871	**–**	–
- Unrealised	**26,382**	44,567	**–**	–
Compensation claim (Note i)	**6,944**	52	**–**	–
Other income	**6,037**	10,507	**–**	–
	123,399	172,458	**1,584**	1,415

(i) This amount arose from the claims from Megasteel as disclosed in Note 37(i).

5. EMPLOYEE BENEFITS EXPENSE

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Wages, salaries and bonuses	**34,643**	29,570	**1,558**	1,532
Pension costs - defined contribution plans	**2,898**	2,890	**176**	185
Employee share-based payment	**–**	32	**–**	32
Other staff related expenses	**6,510**	6,390	**52**	38
	44,051	38,882	**1,786**	1,787

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 6(a).

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is stated after charging/(crediting):

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Auditors' remuneration:				
- Company	**25**	25	**25**	25
- Subsidiaries	**473**	465	**–**	–
- Overprovision in prior year	**–**	(4)	**–**	–
Directors' remuneration (Note a)	**656**	667	**656**	667
Depreciation:				
- Property, plant and equipment	**35,139**	36,777	**275**	246
- Investment properties	**334**	368	**–**	–
Direct operating expenses of investment properties	**168**	39	**–**	–
Property, plant and equipment:				
- Impairment loss	**–**	934	**–**	–
- Written off	**72**	6	**–**	–
Impairment loss on trade and other receivables:				
- Subsidiaries	**–**	–	**716**	132,631
- Others	**3,755**	166	**–**	–
Provision for potential claims	**5,000**	10,000	**–**	–
Impairment loss in:				
- Investments in associates	**–**	–	**26,000**	68,400
- Investment properties	**–**	1,100	**–**	–
- Unquoted bond	**4,283**	–	**4,283**	–
- Intangible assets	**8,330**	14,662	**–**	–
Net fair value loss on derivative liability (Note 28)	**3,684**	–	**–**	–
Bad debts recovered	**–**	(4)	**–**	–
(Reversal)/Write down of inventories	**(620)**	383	**–**	–
Foreign exchange loss:				
- Realised	**753**	165	**–**	–
- Unrealised	**4,414**	13,981	**3,076**	11,942
Foreign exchange gain:				
- Realised	**(14,603)**	(10,871)	**–**	–
- Unrealised	**(26,382)**	(44,567)	**–**	–
Rental expenses	**7,936**	8,795	**–**	–
Gain on conversion of Exchangeable Bonds	**(599)**	–	**–**	–
Gain on disposal of rights	**–**	(3,900)	**–**	–
Gain on disposal of investment property	**–**	(2,825)	**–**	–
Reversal of impairment loss on investment property	**(239)**	–	**(322)**	–
(Gain)/Loss on disposal of property, plant and equipment	**(69)**	2	**–**	–

6. PROFIT/(LOSS) FROM OPERATIONS (Continued)

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Executive Director:				
Fees	**25**	20	**25**	20
Salary and other emoluments	**380**	412	**380**	412
Pension costs - defined contribution plans	**36**	50	**36**	50
	441	482	**441**	482
Non-executive Directors:				
Fees	**215**	185	**215**	185
	656	667	**656**	667

The number of Directors of the Company whose remuneration during the year fell within the following ranges are analysed below:

	Number of Directors	
	2011	**2010**
Executive Director:		
RM400,001 - RM450,000	**1**	–
RM450,001 - RM500,000	**–**	1
Non-executive Directors:		
RM50,000 and below	**5**	5

7. FINANCE COSTS

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Interest expense on:				
Exchangeable Bonds	**26,479**	28,469	**–**	–
Loans and borrowings	**24,864**	35,511	**–**	5,906
Amounts owing to related parties	**1,429**	1,228	**22**	21
ICULS (Note 32)	**2,730**	3,408	**2,730**	3,408
Deferred payments (Note 27)	**11,471**	13,124	**11,471**	13,124
Product financing liabilities	**14,681**	14,654	**–**	–
Obligations under finance leases	**22**	22	**22**	22
	81,676	96,416	**14,245**	22,481

8. INCOME TAX EXPENSE

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current income tax:				
- Malaysian tax	**5,643**	4,664	**–**	–
- Foreign tax	**4,917**	5,394	**–**	–
	10,560	10,058	**–**	–
Over provision in respect of previous years:				
- Malaysian income tax	**(68)**	(25)	**–**	–
- Foreign income tax	**–**	(92)	**–**	–
	(68)	(117)	**–**	–
Deferred income tax (Note 19):				
- Origination and reversal of temporary differences	**14,131**	60,011	**2,592**	2,423
- (Over)/Under provision in respect of previous years	**(1,663)**	723	**–**	–
	12,468	60,734	**2,592**	2,423
Income tax expense recognised in profit or loss	**22,960**	70,675	**2,592**	2,423

The Group is subject to income tax on an entity basis on the profit arising or derived from the tax jurisdictions in which members of the Group are domiciled and operates.

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2011 and 30 June 2010 is as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(Loss)/Profit before taxation	**(29,158)**	263,031	**(35,884)**	13,753
Tax at Malaysian statutory rate of 25% (2010: 25%)	**(7,290)**	65,758	**(8,971)**	3,438
Different tax rates in other countries	**7,613**	3,189	**–**	–
Adjustments:				
Non-deductible expenses	**12,750**	21,795	**15,438**	61,179
Income not subject to taxation	**(18,308)**	(39,502)	**(3,875)**	(62,194)
Benefits from previously unrecognised tax losses	**(1,903)**	(734)	**–**	–
Over provision of income tax in respect of previous years	**(68)**	(117)	**–**	–
(Over)/Under provision of deferred tax in respect of previous years	**(1,663)**	723	**–**	–
Deferred tax assets not recognised in current year	**6,887**	6,679	**–**	–
Share of results of associates	**30,869**	14,276	**–**	–
Share of results of jointly controlled entities	**(5,927)**	(1,392)	**–**	–
Tax expense for the year	**22,960**	70,675	**2,592**	2,423

8. INCOME TAX EXPENSE (Continued)

Domestic current income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2010: 25%) on their respective taxable income.

On 30 June 2011, Lion DRI Sdn Bhd was granted Pioneer Status incentive with full tax exemption for 5 years effective from 1 September 2008. The Company has the option to re-apply for exemption for another 5 years through a fresh application to the authority by 1 August 2013.

Tax savings during the financial year arising from:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Utilisation of previously unrecognised tax losses	**1,903**	734

9. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share ("(LPS)/EPS") is calculated by dividing the net (loss)/profit for the year, net of tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2011	**2010**
(Loss)/Profit, net of tax attributable to ordinary equity holders of the Company (RM'000)	**(52,118)**	192,356
Weighted average number of ordinary shares in issue ('000)	**737,223**	737,223
Adjustment for conversion of ICULS ('000)	**654,924**	654,924
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**1,392,147**	1,392,147
Basic (LPS)/EPS (sen)	**(3.7)**	13.8

(b) Diluted

Diluted earnings per share amounts are calculated by dividing (loss)/profit for the year, net of tax, attributable to equity holders of the Company (after adjusting for interest expense on convertible redeemable preference shares) by weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There is no dilutive event other than the conversion of ICULS which has already been taken into account in the basic EPS calculation.

10. DIVIDENDS

	Dividends in respect of year			Dividends recognised in year	
	2011 RM'000	2010 RM'000	2009 RM'000	2011 RM'000	2010 RM'000
Recognised during the year:					
Dividends on ordinary shares:					
- First and final dividend for 2009, tax exempt (1.0 sen per ordinary share)	**–**	–	7,372	**–**	7,372
- First and final dividend for 2010, tax exempt (1.0 sen per ordinary share)	**–**	7,372	–	**7,372**	–
Proposed but not recognised as at 30 June:					
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:					
- First and final dividend for 2011, tax exempt (1.0 sen per ordinary share)	**7,372**	–	–	**–**	–
	7,372	7,372	7,372	**7,372**	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2011, of 2% (1.0 sen per share), tax exempt amounting to a dividend payable of RM7,372,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2012.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000 Note (d)	Construction In Progress RM'000	Total RM'000
Cost										
At 1 July 2010, as previously stated	115,591	–	14,763	134,199	730,705	3,776	4,929	1,258	523,790	1,529,011
Effects arising from adoption of the Amendments to FRS 117	–	8,174	–	–	–	–	–	–	–	8,174
At 1 July 2010, as restated (carried forward)	115,591	8,174	14,763	134,199	730,705	3,776	4,929	1,258	523,790	1,537,185

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000 Note (d)	Construction in Progress RM'000	Total RM'000
Cost										
At 1 July 2010, as restated (brought forward)	115,591	8,174	14,763	134,199	730,705	3,776	4,929	1,258	523,790	1,537,185
Additions	–	–	–	3,014	4,094	848	1,101	–	10,620	19,677
Disposals	–	–	–	–	–	(343)	–	–	–	(343)
Written off	–	–	–	–	(689)	(7)	(443)	–	–	(1,139)
Reclassification	–	–	–	1,157	99	–	–	–	(1,256)	–
Transfer from property development cost (Note 13(b))	–	–	291	–	–	–	–	–	–	291
Transfer from investment properties (Note 12)	–	–	4,069	–	–	–	–	–	–	4,069
Transfer to investment properties (Note 12)	–	–	(3,106)	–	–	–	–	–	–	(3,106)
Exchange differences	–	–	(54)	–	(2,233)	(41)	(110)	(94)	–	(2,532)
At 30 June 2011	115,591	8,174	15,963	138,370	731,976	4,233	5,477	1,164	533,154	1,554,102
Accumulated depreciation and impairment										
At 1 July 2010, as previously stated	–	–	1,991	7,645	101,632	2,573	3,114	1,252	–	118,207
Effects arising from adoption of the Amendments to FRS 117	–	518	–	–	–	–	–	–	–	518
At 1 July 2010, as restated	–	518	1,991	7,645	101,632	2,573	3,114	1,252	–	118,725
Charge for the year	–	87	166	3,923	29,971	418	574	–	–	35,139
Disposals	–	–	–	–	–	(343)	–	–	–	(343)
Written off	–	–	–	–	(661)	(7)	(399)	–	–	(1,067)
Transfer from investment properties (Note 12)	–	–	283	–	–	–	–	–	–	283
Transfer to investment properties (Note 12)	–	–	(865)	–	–	–	–	–	–	(865)
Exchange differences	–	–	–	–	(1,872)	(31)	(96)	(94)	–	(2,093)
At 30 June 2011	–	605	1,575	11,568	129,070	2,610	3,193	1,158	–	149,779
Net carrying amount										
At 30 June 2011	115,591	7,569	14,388	126,802	602,906	1,623	2,284	6	533,154	1,404,323

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000 Note (d)	Construction in Progress RM'000	Total RM'000
Cost										
At 1 July 2009, as previously stated	115,566	–	12,480	130,656	730,963	3,474	4,747	1,358	508,458	1,507,702
Effects arising from adoption of the Amendments to FRS 117	–	8,141	–	–	–	–	–	–	–	8,141
At 1 July 2009, as restated	115,566	8,141	12,480	130,656	730,963	3,474	4,747	1,358	508,458	1,515,843
Additions	25	33	–	3,543	2,137	410	963	–	15,332	22,443
Disposals	–	–	–	–	(13)	(41)	(59)	–	–	(113)
Written off	–	–	–	–	(40)	(14)	(586)	–	–	(640)
Transfer from property development cost (Note 13(b))	–	–	2,283	–	–	–	–	–	–	2,283
Exchange differences	–	–	–	–	(2,342)	(53)	(136)	(100)	–	(2,631)
At 30 June 2010	115,591	8,174	14,763	134,199	730,705	3,776	4,929	1,258	523,790	1,537,185
Accumulated depreciation and impairment										
At 1 July 2009, as previously stated	–	–	1,119	3,899	71,630	2,104	3,486	1,352	–	83,590
Effects arising from adoption of the Amendments to FRS 117	–	117	–	–	–	–	–	–	–	117
At 1 July 2009, as restated	–	117	1,119	3,899	71,630	2,104	3,486	1,352	–	83,707
Charge for the year	–	90	249	3,746	31,780	453	459	–	–	36,777
Disposals	–	–	–	–	(8)	(6)	(53)	–	–	(67)
Written off	–	–	–	–	(37)	(14)	(583)	–	–	(634)
Impairment loss	–	311	623	–	–	–	–	–	–	934
Reclassification	–	–	–	–	–	70	(70)	–	–	–
Exchange differences	–	–	–	–	(1,733)	(34)	(125)	(100)	–	(1,992)
At 30 June 2010	–	518	1,991	7,645	101,632	2,573	3,114	1,252	–	118,725
Net carrying amount										
At 30 June 2010	115,591	7,656	12,772	126,554	629,073	1,203	1,815	6	523,790	1,418,460
At 1 July 2009	115,566	8,024	11,361	126,757	659,333	1,370	1,261	6	508,458	1,432,136

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
At 30 June 2011			
Cost			
At 1 July 2010	**1,779**	**7**	**1,786**
Additions	**277**	**2**	**279**
At 30 June 2011	**2,056**	**9**	**2,065**
Accumulated depreciation			
At 1 July 2010	**1,012**	**4**	**1,016**
Charge for the year	**274**	**1**	**275**
At 30 June 2011	**1,286**	**5**	**1,291**
Net carrying amount			
At 30 June 2011	**770**	**4**	**774**
At 30 June 2010			
Cost			
At 1 July 2009	1,621	7	1,628
Addition	158	–	158
At 30 June 2010	1,779	7	1,786
Accumulated depreciation			
At 1 July 2009	767	3	770
Charge for the year	245	1	246
At 30 June 2010	1,012	4	1,016
Net carrying amount			
At 30 June 2010	767	3	770

(a) Included in land improvements and infrastructure, plant and machinery is a direct reduced iron ("DRI") plant of a wholly-owned subsidiary, Lion DRI Sdn Bhd. The DRI plant constructed on a piece of land leased from a related party for an initial term of thirty (30) years commencing 1 June 2008 and expiring on 31 May 2038, with an option for renewal for a further period of thirty (30) years.

(b) As at 30 June 2011, the property, plant and equipment of the Group with a net book value of RM793.5 million (2010: RM818.1 million) was pledged for bank borrowings, as disclosed in Note 26(b).

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM19,677,000 (2010: RM22,443,000) and RM279,000 (2010: RM158,000) respectively of which RM389,000 (2010: RM140,000) and RM267,000 (2010: RM140,000) respectively were acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under obligations under finance leases as at the reporting date are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Motor vehicles	**859**	584	**718**	584

(d) Included in construction in progress is a sum of RM533.2 million incurred on the Blast Furnace Project ("Project"). The Project has been put on hold pending the finalisation of financing from lenders that is being sought by the Group. The Directors are of the opinion that the required funding will be secured in the foreseeable future and the carrying value of the construction in progress is not impaired as the total amount will be recoverable when the Project is resumed in the future.

The Project is constructed on land which is under lease arrangement with related party. Under the arrangement, the related party will only commence charging the Group lease rental at a mutually agreed date.

12. INVESTMENT PROPERTIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
Cost		
At 1 July	**14,358**	23,216
Impairment	**–**	(1,100)
Transfer to property, plant and equipment (Note 11)	**(4,069)**	–
Transfer from property, plant and equipment (Note 11)	**3,106**	–
Disposal	**–**	(7,758)
At 30 June	**13,395**	14,358
Accumulated depreciation		
At 1 July	**773**	3,788
Charge for the year	**334**	368
Transfer to property, plant and equipment (Note 11)	**(283)**	–
Transfer from property, plant and equipment (Note 11)	**865**	–
Reversal of impairment loss	**(239)**	–
Disposal	**–**	(3,383)
At 30 June	**1,450**	773
Net carrying amount		
At 30 June	**11,945**	13,585
Fair value at 30 June		
Office premises and factory	**14,432**	13,585

Fair value for office premises and factory were arrived at by reference to market evidence of transaction prices for similar properties.

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2011 RM'000	2010 RM'000
At cost		
At 1 July	**142,758**	78,351
Transfer to property development costs	**(9,158)**	(2,270)
Additions	**2,171**	72,081
Exchange differences	**(3,634)**	(5,404)
At 30 June	**132,137**	142,758

(b) Property development costs

	Group	
	2011 RM'000	2010 RM'000
Property development costs at 1 July:		
Leasehold land	**23,200**	24,526
Development costs	**45,652**	5,010
	68,852	29,536
Costs incurred during the year:		
Development costs	**43,028**	40,725
	43,028	40,725
Costs recognised in income statement:		
At 1 July	**(49,308)**	(2,501)
Recognised during the year	**(56,025)**	(46,807)
At 30 June	**(105,333)**	(49,308)
Transferred from land held for property development	**9,158**	2,270
Transferred to property, plant and equipment (Note 11)	**(291)**	(2,283)
Unsold units transferred to inventories	**(1,584)**	–
Exchange difference	**(405)**	(1,396)
Property development costs at 30 June	**13,425**	19,544

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	**515,638**	515,638
Less: Accumulated impairment losses	**(167,647)**	(167,647)
	347,991	347,991

As at 30 June 2011, the unquoted shares of subsidiaries with a carrying value of RM181.98 million (2010: RM181.98 million) were pledged for bank borrowings, as disclosed in Note 26.

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	Equity interest 2010 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Property holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Property development and management	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**100**	100
Likom CMS Sdn Bhd *	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**100**	100
Likom Caseworks Sdn Bhd *	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	**100**	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Glomart Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Management Pte Ltd *	Singapore	Investment holding	**100**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	**(1) 60**	(1) 60
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100
Well Morning Limited *	Hong Kong SAR	Investment holding	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	Equity interest 2010 %
Excel Step Investments Limited	British Virgin Islands	Investment holding	**100**	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	100
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	**100**	100
Ara Seri Bangun Sdn Bhd	Malaysia	Dormant	**100**	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	**100**	100
Pioneer Glory International Limited	British Virgin Islands	Investment holding	**100**	–
Lion Corporation Berhad *@#	Malaysia	Investment holding	**(2) 53.4**	(3) 58.6
Subsidiaries of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
CPB Investment AG * (Dissolved on 29.3.2011)	Switzerland	Investment holding	**–**	100
Subsidiaries of Graimpi Sdn Bhd				
Pavlova Investment Pte Ltd * (Dissolved on 8.12.2010)	Singapore	Dormant	**–**	100
Gemmo Pte Ltd * (Dissolved on 8.12.2010)	Singapore	Investment holding	**–**	100
Subsidiary of Gemmo Pte Ltd				
Gesto Pte Ltd * (Dissolved on 8.12.2010)	Singapore	Dormant	**–**	100
Subsidiary of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	**100**	100
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding, project management and property development	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	2010 %
Subsidiaries of LDH Management Sdn Bhd				
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**100**	100
Shanghai DEbier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	**100**	100
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Parkson Management Pte Ltd				
Sichuan Parkson Retail Development Co Ltd * (Wound up on 11.7.2011)	People's Republic of China	Ceased operations	**100**	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd	Malaysia	Provision of chartering services	**100**	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	Equity interest 2010 %
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Lion Blast Furnace Sdn Bhd				
LBF Enterprise (L) Limited	Malaysia	Dormant	**100**	–
Subsidiaries of Temasek Potensi Sdn Bhd				
Gempower Sdn Bhd	Malaysia	Dormant	**100**	100
Ara Aspirasi Sdn Bhd	Malaysia	Dormant	**100**	100
Subsidiaries of Lion Corporation Berhad				
Kinabalu Motor Assembly Sendirian Berhad *#	Malaysia	Sale of commercial vehicles	**–**	50.01
LCB Harta (M) Sdn Bhd *#	Malaysia	Managing of debts novated from Lion Corporation Berhad ("LCB") and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries	**100**	100
Limpahjaya Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Lion Construction & Engineering Sdn Bhd *#	Malaysia	Construction and civil engineering work	**100**	100
Lion General Trading & Marketing (S) Pte Ltd *#	Singapore	General merchant	**100**	100
Lion Rubber Works Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Lion Steelworks Sdn Bhd *#	Malaysia	Manufacture and distribution of office equipment, security equipment and steel related products	**100**	100
Lion Trading & Marketing Sdn Bhd *#	Malaysia	Trading and marketing of security equipment, office equipment and steel related products	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	2010 %
Subsidiaries of Lion Corporation Berhad (Continued)				
Total Triumph Investments Limited *#	British Virgin Islands	Investment holding	**100**	100
LCB Harta (L) Limited *#	Malaysia	Acquisition and management of USD denominated consolidated and rescheduled debts	**100**	100
Subsidiary of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *#	Malaysia	Trading and distribution of commercial vehicles, vehicle parts and provision of related services	**–**	100
Subsidiary of KMA Marketing Sdn Bhd				
Kinabalu Car Distributors Sdn Bhd *#	Malaysia	Dormant	**–**	100
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *#	Hong Kong SAR	Ceased operations	**71**	71
Lion Com Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Lyn (Pte) Ltd *#	Singapore	Investment holding	**79**	79
Megasteel Sdn Bhd #	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**(4) 100**	(4) 100
Umevest Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Logic Concepts (M) Sdn Bhd *#	Malaysia	Ceased operations	**71**	71
Logic Furniture (M) Sdn Bhd *#	Malaysia	Ceased operations	**91**	91
Subsidiary of Bersatu Investments Company Limited				
Glit Investments Company Limited *#	Hong Kong SAR	Dormant	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	Equity interest 2010 %
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd *#	Malaysia	Share registration and secretarial services	**100**	100
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *#	Singapore	Ceased operations	**100**	100
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited #	Malaysia	To issue and manage bonds pursuant to its parent company's debt financing exercise	**100**	100
Secomex Manufacturing (M) Sdn Bhd #	Malaysia	Manufacturing and marketing of industrial gases	**100**	100
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd *#	Malaysia	Manufacturing and marketing of hot rolled steel plates	**100**	100
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd *#	Malaysia	Manufacturing, sale and distribution of steel and iron products	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2011 %	2010 %
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Bright Steel Service Centre Sdn Bhd *#	Malaysia	Processing and selling of steel coils and sheets	**57.1**	57.1
Bright Enterprise (Sdn) Berhad *#	Malaysia	Ceased operations	**100**	100
Century Container Industries Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Omali Corporation Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd *#	Malaysia	Property development	**100**	100

All the companies are audited by Ernst & Young Malaysia except for those marked (*) which are audited by other firms.

(1) 30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

(2) The Group holds in total 53.4% equity interest in Lion Corporation Berhad ("LCB") via the Company (24.0%), Teraju Varia Sdn Bhd (18.4%), LDH (S) Pte Ltd (5.8%), LDH Management Sdn Bhd (4.7%) and Lion DRI Sdn Bhd (0.5%).

(3) The Group holds in total 58.6% equity interest in LCB via the Company (21.2%), Teraju Varia Sdn Bhd (21.2%), LDH (S) Pte Ltd (11.0%), LDH Management Sdn Bhd (4.7%) and Lion DRI Sdn Bhd (0.5%).

(4) 78.9% held by Limpahjaya Sdn Bhd and 21.1% held by the Company as disclosed in Note 15.

@ Listed on the Main Market of Bursa Malaysia Securities Berhad.

Despite the 53.4% (2010: 58.6%) shareholding, the Group does not have the power to control LCB due to the existence of potential voting rights that are currently exercisable or convertible, issued by LCB to other parties. Upon conversion of the said potential voting rights, the Group's interest in LCB will be diluted to below 50%. Consequently, LCB is not regarded as a subsidiary of the Company pursuant to FRS 127 *Consolidated and Separate Financial Statements*.

(i) The Company had on 18 May 2011, subscribed for 1 ordinary share of USD1.00 each in the capital of Pioneer Glory International Limited for a cash consideration of USD1 (approximately RM3).

(ii) Lion Blast Furnace Sdn Bhd, a wholly-owned subsidiary of the Company, had on 1 July 2010 incorporated a wholly-owned subsidiary in Labuan, LBF Enterprise (L) Limited.

(iii) In the previous financial year, the Group completed the acquisitions of 100% equity interest in Temasek Potensi Sdn Bhd, Ara Aspirasi Sdn Bhd and Gempower Sdn Bhd for a total cash consideration of RM2 for each company.

The effects of the above acquisitions on the financial results have not been disclosed as it was not material to the Group.

15. INVESTMENTS IN ASSOCIATES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Quoted shares, at cost:				
In Malaysia	**611,186**	710,500	**215,897**	200,465
Less: Accumulated impairment losses	**–**	–	**(89,700)**	(89,700)
Share of post acquisition reserves	**(611,186)**	(632,474)	**–**	–
	–	78,026	**126,197**	110,765
Unquoted shares, at cost:				
In Malaysia	**324,463**	324,463	**324,463**	324,463
Outside Malaysia	**5,078**	5,078	**–**	–
Less: Accumulated impairment losses	**–**	–	**(176,000)**	(150,000)
Share of post acquisition reserves	**(181,040)**	(128,289)	**–**	–
	148,501	201,252	**148,463**	174,463
	148,501	279,278	**274,660**	285,228
Market value of quoted shares:				
In Malaysia	**294,480**	306,549	**132,239**	110,779

The Group's share of losses of an associate has been recognised to the extent of the carrying amount of the investments. The current year's unrecognised share of losses amounting to RM45.6 million (2010: RMNil).

Name of associates	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011 %	2010 %
Held by the Company:				
Lion Corporation Berhad @*^	Malaysia	Investment holding	**24.0**	21.2
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot roll coils, cold roll coils, bands, plates and sheets	**21.1**	21.1
Held through subsidiaries:				
Lion Corporation Berhad @*^	Malaysia	Investment holding	**29.4**	37.4
Inner Mongolia Leadar Parkson Plaza Co Ltd *	People's Republic of China	Ceased operations	**25.0**	25.0

@ Listed on the Main Market of Bursa Malaysia Securities Berhad.

^ As at 30 June 2011, the Group holds in total 53.4% equity interest in Lion Corporation Berhad ("LCB") via the Company (24.0%), Teraju Varia Sdn Bhd (18.4%), LDH (S) Pte Ltd (5.8%), LDH Management Sdn Bhd (4.7%) and Lion DRI Sdn Bhd (0.5%).

Despite the 53.4% shareholding, the Group does not have the power to control LCB due to the existence of potential voting rights that are currently exercisable or convertible, issued by LCB to other parties. Upon conversion of the said potential voting rights, the Group's interest in LCB will be diluted to below 50%. Consequently, LCB is not regarded as a subsidiary of the Company pursuant to FRS 127 *Consolidated and Separate Financial Statements*.

* Audited by firms other than Ernst & Young.

15. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information of the associates are as follows:

	2011 RM'000	2010 RM'000
Assets and liabilities		
Current assets	**1,308,643**	1,999,311
Non-current assets	**4,458,705**	4,597,861
Total assets	**5,767,348**	6,597,172
Current liabilities	**(3,442,166)**	(3,551,669)
Non-current liabilities	**(2,016,873)**	(2,442,314)
Total liabilities	**(5,459,039)**	(5,993,983)
Results		
Revenue	**3,118,646**	3,703,121
Loss for the year	**(285,850)**	(152,095)

Included in investments in associates are investment in quoted shares of LCB amounting to RM75 million (2010: RM150 million) which were acquired under deferred payment terms as disclosed in Note 27(ii).

Included in the investments in associates' unquoted shares are investment in Preference "E" Shares and Preference "G" Shares of Megasteel Sdn Bhd ("Megasteel") amounting to RM100.0 million with the following salient features:

Terms of Preference "E" Shares

The Preference "E" Shares of RM0.01 each of Megasteel include the following salient features:

(i) The Preference "E" Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference "E" Share;

(ii) The Preference "E" Shares shall carry the right to preference dividend (cumulative) of RM0.05 per Preference "E" Share after the Preference "G" Shares but in priority to the Preference "D" Shares, the Preference "F" Shares and the ordinary shares in Megasteel;

(iii) The Preference "E" Shares shall rank both as regards dividend and return of capital after the Preference "G" Shares but in priority to the Preference "D" Shares, the Preference "F" Shares and the ordinary shares in Megasteel;

(iv) The Preference "E" Shares shall not be entitled to any right of voting at any general meeting of Megasteel nor receipt of any notices of meetings of Megasteel;

(v) The Preference "E" Shares shall be subordinated to:

    (a) the Syndicated Term Loans of Megasteel; and

    (b) the full redemption of the Preference "G" Shares;

(vi) The Preference "E" Shares shall be redeemed at the par value of RM0.01 with a premium of RM0.99 per Preference "E" Share, at the option of Megasteel in priority to the Preference "D" Shares and the Preference "F" Shares subject to the full settlement of the Syndicate Term Loans of Megasteel and the full redemption of the Preference "G" Shares; and

(vii) The Preference "E" Shares shall be transferable but not convertible.

15. INVESTMENTS IN ASSOCIATES (Continued)

Terms of Preference "G" Shares

The Preference "G" Shares of RM0.01 each of Megasteel include the following salient features:

(i) The Preference "G" Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference "G" Share;

(ii) The Preference "G" Shares shall carry the right to a fixed cumulative preference dividend of RM0.05 per share per annum, subject to the availability of profits;

(iii) The Preference "G" Shares shall rank in priority to the ordinary shares and the existing Preference "D", "E" and "F" Shares of Megasteel in the event of liquidation, dissolution, winding-up or other repayment of capital of Megasteel and dividends declared (if any) provided that there shall be no further right to participate in the surplus assets or profits of Megasteel;

(iv) The Preference "G" Shares shall be subordinated to the existing Syndicated Term Loans of Megasteel and in the event of a refinancing of the existing Syndicated Term Loans, the Preference "G" Shares shall be subordinated up to the amount utilised to repay the existing Syndicated Term Loans from the proceeds of the refinancing ("Subordination"). The Preference "G" Shares shall rank *pari passu* with all other present and future indebtedness;

(v) The Preference "G" Shares shall be for an initial tenure of five years ("Initial Tenure"). On the fourth anniversary of the date of issue, Megasteel has the option to extend the tenure of the Preference "G" Shares for a further five years from the maturity date of the Initial Tenure ("Extended Tenure").

During the Extended Tenure, the Preference "G" Shares shall bear a fixed cumulative preference dividend per preference share per annum calculated based on the issue price of RM1.00 multiplied by the base lending rate of Malayan Banking Berhad at the date of declaration of dividend plus 1.5% per annum subject to availability of profits;

(vi) The Preference "G" Shares may be converted into new ordinary shares of RM1.00 each in Megasteel at any time throughout their tenure on the basis of 1.50 Preference "G" Shares for every one ordinary share of RM1.00 each in Megasteel during the Initial Tenure by surrendering the relevant number of Preference "G" Shares.

The conversion ratio during the Extended Tenure shall be:

(i) 1.50 Preference "G" Shares for every one ordinary share of RM1.00 each; or
(ii) 25% discount based on the then latest audited net tangible assets of Megasteel;

whichever is lower, subject to a minimum of RM1.00 by surrendering the Preference "G" Shares of at least equivalent to the conversion ratio.

Fractional shares arising from the conversion will be rounded down to the nearest share.

The new ordinary shares of RM1.00 each in Megasteel to be issued pursuant to the conversion of the Preference "G" Shares shall rank *pari passu* in all respects with the then existing issued and paid-up shares of Megasteel, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the issuance of the new shares;

15. INVESTMENTS IN ASSOCIATES (Continued)

Terms of Preference "G" Shares (Continued)

(vii) The Preference "G" Shares shall be redeemed in the following manner where applicable:

(a) Redemption upon maturity subject to the Subordination provision;

(b) Mandatory Early Redemption

Within one year of the full settlement of the Syndicated Term Loans during the Extended Tenure of the Preference "G" Shares;

(c) Optional Redemption

Megasteel will have the option to redeem any of the Preference "G" Shares in whole, or in part in multiples of 1,000,000 Preference "G" Shares by giving a two weeks' written notice ("Notice Period") to the holders at any time, if Megasteel repays all the Syndicated Term Loans of Megasteel within the Initial Tenure of the Preference "G" Shares. The redemption shall take effect on the next business day after the expiry of the Notice Period ("Optional Redemption Date"). Notwithstanding the Notice Period, the holder is entitled to convert the Preference "G" Shares at any time before the Optional Redemption Date;

(d) Mandatory Redemption

In the case of the occurrence of a shareholders' or creditors' winding-up of Megasteel, mandatory redemption is required by Megasteel subject to Subordination provision.

(viii) The Preference "G" Shares carry no right to vote at general meetings nor receipt of any notices of meetings of Megasteel unless the general meeting is for any resolution (i) which varies or is deemed to vary the rights and privileges of the Preference "G" Shareholder; (ii) for a capital reduction; and (iii) for winding-up of Megasteel; and

(ix) The Preference "G" Shares shall not be transferable.

Pursuant to the completion of the sale and purchase agreement in the previous financial year, the Group became the registered and beneficial owner of 42% equity interest in LCB as disclosed in Note 27(i).

As at 30 June 2011, the Company has deposited 455,633,500 (2010: 402,503,500) of LCB shares with the security trustee of the respective vendors' lenders to secure the settlement of the deferred payments as disclosed in Note 27(ii).

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**88**	180
Unquoted preference shares, at cost	**11,947**	11,947
Share of post-acquisition reserves	**21,299**	(2,263)
	33,334	9,864

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entities are as follows:

	2011 RM'000	2010 RM'000
Assets and liabilities		
Current assets	**44,014**	39,523
Non-current assets	**18**	58,661
Total assets	**44,032**	98,184
Current liabilities	**(10,705)**	(49,352)
Non-current liabilities	**–**	(32,432)
Total liabilities	**(10,705)**	(81,784)
Results		
Revenue	**113,204**	36,926
Expenses, including finance costs and income tax	**(89,498)**	(31,360)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011 %	2010 %
Panareno Sdn Bhd *	Malaysia	Property development and property investment	**35**	35
Kairong Developments (S) Pte Ltd *	Singapore	Investment holding	**–**	40
North Plaza Sdn Bhd *	Malaysia	Property development	**42.5**	42.5

* Audited by firms other than Ernst & Young.

In the previous financial year, investment in the jointly controlled entity amounting to RM92,240 was pledged to a foreign bank for the term loan facilities granted to the jointly controlled entity.

Disposal of a jointly controlled entity

On 23 February 2011, Viroy Management Services Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire 40% equity interest in Kairong Developments (S) Pte Ltd to Teck Chiang (International) Pte Ltd, a wholly-owned subsidiary of Lion Teck Chiang Limited, for a cash consideration of SGD1 (equivalent to approximately RM2.39) and a cash settlement of shareholder's advances of SGD13.50 million (equivalent to approximately RM32.26 million).

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Disposal of a jointly controlled entity (Continued)

The disposal of the jointly controlled entity has been completed on 29 April 2011 and had the following effects on the financial position of the Group for the financial year:

	2011 RM'000
Total disposal proceeds (Note 37)	**32,670**
Less:	
Net amount due from jointly controlled entity	**(38,165)**
Cost of investment	**(92)**
Share of results of jointly controlled entity	**803**
	(37,454)
Loss on disposal	**(4,784)**

17. INVESTMENT SECURITIES

		Group		Company	
		2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Current					
Held-to-maturity investments					
Unquoted:					
- Bonds	(a)	–	2,316	–	2,316
Available-for-sale financial assets					
Quoted, representing marketable securities:					
- Shares in Malaysia	(b)	–	842	–	566
		–	3,158	–	2,882
Non-current					
Held-to-maturity investments					
Unquoted:					
- Bonds	(a)	–	5,128	–	5,128
- Shares in Malaysia	(d)	**52**	52	–	–
Available-for-sale financial assets					
Quoted:					
- Shares in Malaysia		**366,887**	46,846	**40,631**	26,558
- Shares outside Malaysia		**848**	821	**848**	821
	(e)	**367,735**	47,667	**41,479**	27,379
Unquoted:					
- Loan stocks	(c)	–	234,943	–	–
Total non-current investment securities		**367,787**	287,790	**41,479**	32,507
Total investment securities		**367,787**	290,948	**41,479**	35,389

17. INVESTMENT SECURITIES (Continued)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current (Continued)				
Market value of quoted shares:				
In Malaysia	**366,887**	54,302	**40,631**	31,445
Outside Malaysia	**848**	935	**848**	935

Prior to 1 July 2010, the current investments were carried at lower of cost and market value, determined on aggregate basis. The non-current investments are stated at costs less impairment.

(a) Held-to-maturity - unquoted bonds

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted bonds, at cost	**36,451**	36,451	**36,451**	36,451
Accrued interests	**11,581**	10,578	**11,581**	10,578
	48,032	47,029	**48,032**	47,029
Less: Redeemed	**(33,749)**	(29,585)	**(33,749)**	(29,585)
Less: Accumulated impairment losses	**(14,283)**	(10,000)	**(14,283)**	(10,000)
	–	7,444	**–**	7,444
Less: Bonds redeemable within one year	**–**	(2,316)	**–**	(2,316)
	–	5,128	**–**	5,128

The unquoted bonds, issued by the former holding companies of the Company, bear a yield to maturity which ranges from 4.0% to 4.75% (2010: 4.0% to 5.75%) per annum.

(b) Quoted shares, representing marketable securities - current

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Available-for-sale financial assets				
Shares quoted in Malaysia:				
At cost	**–**	842	**–**	–
At net realisable value	**–**	–	**–**	566
	–	842	**–**	566
Market value	**–**	1,411	**–**	982

17. INVESTMENT SECURITIES (Continued)

(c) Loan stocks

The loan stocks represented the 3-year 3.5% redeemable convertible secured loan stocks ("RCSLS") issued by Parkson Holdings Berhad ("Parkson"), a related party, as part settlement of the consideration for the disposal by the Company of its retail assets to East Crest International Limited, a wholly-owned subsidiary of Parkson, which had been completed on 19 September 2007.

The salient terms and conditions of the RCSLS were as follows:

(i) Conversion rights and price

The RCSLS are convertible into new ordinary shares of RM1.00 each in Parkson during the conversion period at the conversion price of RM4.00 nominal amount of the RCSLS for every new ordinary share of RM1.00 each in Parkson.

(ii) Conversion period

The RCSLS are convertible for a period of 3 years maturing on 17 September 2010.

(iii) Coupon rate

The RCSLS shall bear interest at the rate of 3.5% (less any income tax payable), payable on the nominal amount of the RCSLS outstanding as at the end of each annual anniversary of the issue date during the 3-year period that they remained outstanding and the last interest payment date shall be the maturity date of the RCSLS.

(iv) Redeemability

The redemption of the RCSLS at RM1.00 for every RM1.00 nominal value of RCSLS is as follows:

(I) Optional Redemption - Parkson had an option to redeem at any time.

(II) Redemption Upon Maturity - any unconverted RCSLS on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.

(III) Mandatory Redemption - upon the occurrence of a shareholders' or creditors' winding-up of Parkson.

(v) Security

Secured against 124,200,000 ordinary shares of HK$0.02 each in Parkson Retail Group Limited ("Parkson Retail") (taking into account the subdivision of every ordinary share of HK$0.10 each in Parkson Retail into five new subdivided ordinary shares of HK$0.02 each) and 50,000,002 ordinary shares of RM1.00 each in Parkson Corporation Sdn Bhd.

(vi) Ranking of new Parkson shares to be issued

The new ordinary shares of RM1.00 each fully paid in Parkson issued pursuant to the conversion of the RCSLS shall rank *pari passu* in all respects with the then existing issued and paid-up shares of Parkson, except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the crediting of the new shares into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd.

During the financial year ended 30 June 2008, the Group converted RM271.2 million nominal value of RCSLS into 67.8 million new ordinary shares of RM1.00 each in Parkson ("Parkson Shares") at the conversion price of RM4.00 nominal amount of the RCSLS for every new Parkson Share ("Conversion Price").

On 23 August 2010, the Group converted the remaining RM228.8 million nominal value of RCSLS into 57.2 million new Parkson Shares at the Conversion Price ("Conversion of RCSLS"). The 57.2 million new Parkson Shares from the Conversion of RCSLS shall continue to be pledged to secure against the Exchangeable Bonds as disclosed in Note 26(a).

17. INVESTMENT SECURITIES (Continued)

(d) Unquoted shares - non-current

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Unquoted shares in Malaysia, at cost	**52**	52	**–**	–
Less: Amortisation of premium	*****	*	**–**	–
	52	52	**–**	–

* Negligible. Represent the amortisation of premium for two units of preference shares of RM1,000 each. The preference shares are redeemable at least six months before 5 December 2090 at a redemption price of RM1,000 per share.

(e) Quoted shares - non-current

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Quoted shares				
In Malaysia	**366,887**	46,846	**40,631**	26,558
Outside Malaysia	**848**	2,371	**848**	2,371
	367,735	49,217	**41,479**	28,929
Less: Accumulated impairment losses	**–**	(1,550)	**–**	(1,550)
	367,735	47,667	**41,479**	27,379

The Group's investments in quoted shares in Malaysia with fair value amounting to RM69.0 million (2010: carrying amount of RM49.0 million) have been pledged as security for banking facilities extended to the Group, as disclosed in Note 26(b)(iii) and (iv).

Included in investment in quoted shares are shares in Malaysia with fair value of RM296.4 million (2010: RMNil) pledged as security for Exchangeable Bonds, as disclosed in Note 26(a).

18. INTANGIBLE ASSETS

	Goodwill on Consolidation RM'000	**Purchased Goodwill RM'000**	**Total RM'000**
Group			
Cost			
At 1 July 2009/2010 and 30 June 2010/2011	**14,662**	**18,814**	**33,476**
Accumulated impairment			
At 1 July 2009	–	–	–
Impairment	14,662	–	14,662
At 30 June 2010/1 July 2010	**14,662**	**–**	**14,662**
Impairment	**–**	**8,330**	**8,330**
At 30 June 2011	**14,662**	**8,330**	**22,992**

18. INTANGIBLE ASSETS (Continued)

	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
Group			
Net carrying amount			
At 30 June 2010	–	18,814	18,814
At 30 June 2011	**–**	**10,484**	**10,484**

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the country of operation and business segment as follows:

	Total RM'000
Malaysia	
Computer manufacturing and trading	
At 30 June 2010	18,814
At 30 June 2011	**10,484**

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flows projections from financial budgets approved by management covering a five-year period.

Key assumptions used in value-in-use calculations

The following describes the key assumptions of the cash flow projections:

Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the relevant industry.

Gross margins : gross margins are based on the average gross margin achieved in the past two years.

Operating expenses : the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.

Discount rates : discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable borrowing rates for each unit.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the unit to materially exceed its recoverable amount.

19. DEFERRED TAX

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 July	**(88,873)**	(28,065)	**9,878**	12,301
Recognised in income statements	**(12,468)**	(60,734)	**(2,592)**	(2,423)
Dissolution of a subsidiary	**(8)**	–	**–**	–
Exchange differences	**(1)**	(74)	**–**	–
At 30 June	**(101,350)**	(88,873)	**7,286**	9,878
Presented after appropriate offsetting as follows:				
Deferred tax assets	**8,296**	11,069	**7,286**	9,878
Deferred tax liabilities	**(109,646)**	(99,942)	**–**	–
	(101,350)	(88,873)	**7,286**	9,878

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Provisions RM'000	ICULS RM'000	Total RM'000
At 1 July 2010	**1,191**	**9,878**	**11,069**
Recognised in income statements	**(172)**	**(2,592)**	**(2,764)**
Dissolution of a subsidiary	**(8)**	**–**	**(8)**
Exchange differences	**(1)**	**–**	**(1)**
At 30 June 2011	**1,010**	**7,286**	**8,296**
At 1 July 2009	1,006	12,301	13,307
Recognised in income statements	259	(2,423)	(2,164)
Exchange differences	(74)	–	(74)
At 30 June 2010	1,191	9,878	11,069

Deferred tax liabilities of the Group:

	Property, Plant and Equipment RM'000	Total RM'000
At 1 July 2010	**(99,942)**	**(99,942)**
Recognised in income statements	**(9,704)**	**(9,704)**
At 30 June 2011	**(109,646)**	**(109,646)**
At 1 July 2009	(41,372)	(41,372)
Recognised in income statements	(58,570)	(58,570)
At 30 June 2010	(99,942)	(99,942)

19. DEFERRED TAX (Continued)

Deferred tax assets of the Company:

	ICULS RM'000
At 1 July 2010	**9,878**
Recognised in income statements	**(2,592)**
At 30 June 2011	**7,286**
At 1 July 2009	12,301
Recognised in income statements	(2,423)
At 30 June 2010	9,878

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2011 RM'000	**2010 RM'000**
Unused tax losses	**90,987**	71,090
Unabsorbed capital allowances	**7,004**	6,964
	97,991	78,054

The unabsorbed capital allowances and unused tax losses of the Group are available indefinitely for offsetting against future taxable profits of the respective subsidiaries, subject to no substantial changes in shareholdings of the respective subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. INVENTORIES

	Group	
	2011 RM'000	**2010 RM'000**
Cost		
Industrial land	**3,191**	1,783
Properties held for sale	**1,584**	–
Raw materials	**90,259**	77,345
Raw materials in-transit	**–**	133,873
Work-in-progress	**357**	464
Finished goods	**19,737**	5,050
Consumables	**26,192**	21,998
	141,320	240,513
Net realisable value		
Work-in-progress	**958**	736
Raw materials	**8,003**	9,963
	8,961	10,699
Total	**150,281**	251,212

20. INVENTORIES (Continued)

The cost of inventories carried at net realisable value at end of the financial year are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Work-in-progress	**982**	841
Raw materials	**8,868**	11,703

Included in raw materials of the Group are amounting to RM80.7 million (2010: RM149.5 million) is related to the product financing liabilities as disclosed in Note 31.

A subsidiary is the beneficial owner of the industrial land of which the land title is pending transfer to the subsidiary as at 30 June 2011.

As disclosed in Note 26(b)(ii), inventories of a subsidiary of RM133.3 million (2010: RM234.1 million) were pledged for bank borrowings.

21. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current					
Trade receivables:					
- Third parties	(a)	**32,520**	25,882	**–**	–
- Related parties	(a)	**700,946**	760,692	**–**	–
		733,466	786,574	**–**	–
Less: Allowance for impairment					
- Third parties		**(1,785)**	(1,884)	**–**	–
		731,681	784,690	**–**	–
Other receivables:					
Amounts owing by subsidiaries	(b)	**–**	–	**1,411,177**	1,458,717
Sundry receivables	(c)	**24,093**	21,409	**–**	–
Deposits		**797**	365	**3**	3
Prepaid operating expenses		**48,340**	50,903	**27**	37
Amounts owing by related parties	(b)	**1,739**	2,872	**378**	378
Amounts owing by jointly controlled entities	(b)	**3,884**	43,645	**–**	–
		78,853	119,194	**1,411,585**	1,459,135
Less: Allowance for impairment					
- Sundry receivables		**(3,755)**	–	**–**	–
- Amounts owing by subsidiaries		**–**	–	**(180,919)**	(182,728)
- Amounts owing by related parties		**(345)**	(345)	**(345)**	(345)
		(4,100)	(345)	**(181,264)**	(183,073)
		74,753	118,849	**1,230,321**	1,276,062

21. TRADE AND OTHER RECEIVABLES (Continued)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Total trade and other receivables	**806,434**	903,539	**1,230,321**	1,276,062
Less: Prepaid operating expenses	**(48,340)**	(50,903)	**(27)**	(37)
Add: Cash and cash equivalents (Note 22)	**201,098**	203,914	**9,245**	15,494
Total loans and receivables	**959,192**	1,056,550	**1,239,539**	1,291,519

(a) Trade receivables

The Group has a significant concentration of credit risk of trade receivables due from Megasteel Sdn Bhd ("Megasteel"), a related party, which constitute approximately 93% (2010: 90%) of the total trade receivables balances. The total exposure of the Group arising from debts due from Megasteel amounting to RM678.1 million, of which RM631.0 million has exceeded the credit period given to Megasteel. The amount of RM678.1 million owing from Megasteel is secured by a RM45.0 million deposits ("Offtake Deposit") as disclosed in Note 29(d).

The relationship between Megasteel and the Group is disclosed in Note 37. Included in the balance due from Megasteel are the overdue interests and compensation claims charged to Megasteel in accordance with the Offtake Agreement signed between both parties on 16 July 2007. The amount due from Megasteel bears late payment interest at rates ranging from 8.3% to 8.9% (2010: 3.9% to 9.0%) per annum.

During the financial year, Megasteel has proposed a settlement agreement ("Proposed Settlement Agreement") to the Group to settle material portion of the long outstanding debts. Megasteel is currently in discussion with its creditors for their approval on this Proposed Settlement Agreement. The Directors expect the Proposed Settlement Agreement to be completed within the next 12 months. As such, the Directors are of the opinion that these amounts are recoverable with no impairment required as at financial year end.

Other than the amount owing from Megasteel, the Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

As disclosed in Note 26(b)(i) and (b)(ii), trade receivables of subsidiaries of RM486.9 million (2010: RM371.0 million) were pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 37.

<u>Aging analysis of trade receivables</u>

The aging analysis of the Group's trade receivables is as follows:

	Group 2011 RM'000
Neither past due nor impaired	**77,231**
1 to 30 days past due but not impaired	**126,086**
31 to 60 days past due but not impaired	**68,904**
61 to 90 days past due but not impaired	**45,137**
91 to 120 days past due but not impaired	**24,505**
More than 121 days past due but not impaired	**389,818**
	654,450
	731,681
Impaired	**1,785**
	733,466

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

Included in trade receivables that are neither past due nor impaired are amount owing from Megasteel amounting to RM47.2 million which will be recoverable through the normal course of business.

Other than that, trade receivables that are neither past due nor impaired amounting to RM30.0 million are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been re-negotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM654.5 million that are past due but not impaired as at the reporting date.

Included in the amounts are RM631.0 million due from Megasteel. As at the reporting date, Megasteel is in discussions with its creditors for their approval on a Proposed Settlement Agreement. The Directors expect the Proposed Settlement Agreement to be completed within the next 12 months from the reporting date. As such, the Directors are of the opinion that these amounts are recoverable with no impairment required as at year end.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	2011	**2010**
	RM'000	**RM'000**
Trade receivables - nominal amounts	**1,785**	1,884
Less: Allowance for impairment	**(1,785)**	(1,884)
	–	–

Movement in allowance accounts:

	2011
	RM'000
At 1 July	**1,884**
Written off	**(78)**
Exchange differences	**(21)**
At 30 June	**1,785**

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Related party balances

The amounts owing by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amount owing by a former subsidiary is unsecured, interest free and has no fixed terms of repayment.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2010: 8.0%) per annum. Related parties refer to companies in which certain Directors and certain substantial shareholders of the Company are directors and/or substantial shareholders.

The amounts owing by jointly controlled entities represent shareholders' advance made pursuant to the Joint Venture Agreement. The amounts are unsecured, interest free and have no fixed terms of repayment.

Further details on related party transactions are disclosed in Note 37.

(c) Included in the sundry receivables are dividend income from investments securities of RM9.15 million (2010: RMNil) held by the trustees on behalf of the holders of Exchangeable Bonds.

22. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Deposits, cash and bank balances:				
Cash on hand and at banks	**29,108**	48,404	**1,215**	6,842
Cash management funds	**4,025**	7,017	**–**	–
Deposits with licensed banks	**167,965**	148,493	**8,030**	8,652
Cash and cash equivalents	**201,098**	203,914	**9,245**	15,494

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China which amounted to RM102.6 million (2010: RM58.3 million) at reporting date are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

Included in cash at banks is an Escrow Account of RM1.3 million (2010: RM0.7 million) maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 26(b)(iii).

Deposits, cash and bank balances amounting to RM59.7 million (2010: RM68.8 million) are pledged with financial institutions for banking facilities extended to the Group.

Included in deposits with licensed banks of the Group is deposit in a sinking fund account amounting to RM50.3 million (2010: RM60.1 million) maintained by a wholly-owned subsidiary, for the purpose of borrowings granted to the subsidiary.

The cash management funds provide daily liquidity without any restriction on redemption limit with the redemption notice of 1 day.

22. CASH AND CASH EQUIVALENTS (Continued)

The range of interest rates of deposits at the reporting date were as follows:

	Group 2011	Group 2010	Company 2011	Company 2010
Licensed banks	**0.04% - 2.85%**	0.30% - 2.50%	**0.14% - 2.85%**	0.30% - 2.35%
Cash management funds	**2.08% - 2.89%**	1.90% - 2.50%	**–**	–

Deposits of the Group and of the Company have maturity days range from 1 to 359 days (2010: 1 to 364 days). Bank balances are deposits held at call with licensed banks.

23. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each 2011	Number of ordinary shares of RM0.50 each 2010	Amount 2011 RM'000	Amount 2010 RM'000
Authorised:				
At 1 July/30 June	**9,000,000**	9,000,000	**4,500,000**	4,500,000
Issued and fully paid:				
At 1 July/30 June	**737,223**	737,223	**368,612**	368,612

24. OTHER RESERVES

	Fair Value Adjustment Reserve RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000	Equity Components of ICULS RM'000	Total RM'000
Group						
At 1 July 2009	–	–	2,230	1,100	287,182	290,512
Other comprehensive income:						
Foreign currency translation difference	–	–	(50)	–	–	(50)
Transaction with equity holders:						
Equity-settled share option arrangements	–	–	–	(70)	–	(70)
At 30 June 2010	–	–	2,180	1,030	287,182	290,392

24. OTHER RESERVES (Continued)

	Fair Value Adjustment Reserve RM'000	Capital Reserve RM'000	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000	Equity Components of ICULS RM'000	Total RM'000
Group (Continued)						
At 1 July 2010	**–**	**–**	**2,180**	**1,030**	**287,182**	**290,392**
Effects arising from adoption of FRS 139	**79,109**	**–**	**–**	**–**	**–**	**79,109**
	79,109	**–**	**2,180**	**1,030**	**287,182**	**369,501**
Other comprehensive income:						
Available-for-sale investments:						
- Gain on fair value changes	**59,970**	**–**	**–**	**–**	**–**	**59,970**
- Transfer to profit or loss upon derecognition	**(15,546)**	**–**	**–**	**–**	**–**	**(15,546)**
Foreign currency translation difference	**–**	**–**	**9,181**	**–**	**–**	**9,181**
Transaction with equity holders:						
Equity-settled share option arrangements	**–**	**–**	**–**	**(1,030)**	**–**	**(1,030)**
Transfer from retained profits	**–**	**2,700**	**–**	**–**	**–**	**2,700**
At 30 June 2011	**123,533**	**2,700**	**11,361**	**–**	**287,182**	**424,776**
Company						
At 1 July 2009	–	–	–	1,100	287,182	288,282
Equity-settled share option arrangements	–	–	–	(70)	–	(70)
At 30 June 2010	–	–	–	1,030	287,182	288,212
At 1 July 2010	**–**	**–**	**–**	**1,030**	**287,182**	**288,212**
Effects arising from adoption of FRS 139	**2,895**	**–**	**–**	**–**	**–**	**2,895**
	2,895	**–**	**–**	**1,030**	**287,182**	**291,107**
Other comprehensive income:						
Available-for-sale investments:						
- Gain on fair value changes	**10,137**	**–**	**–**	**–**	**–**	**10,137**
- Transfer to profit or loss upon derecognition	**(483)**	**–**	**–**	**–**	**–**	**(483)**
Transaction with equity holders:						
Equity-settled share option arrangements	**–**	**–**	**–**	**(1,030)**	**–**	**(1,030)**
At 30 June 2011	**12,549**	**–**	**–**	**–**	**287,182**	**299,731**

24. OTHER RESERVES (Continued)

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax of available-for-sale financial assets until they are disposed of or impaired.

(b) Capital reserve

Capital reserve represents the transfer from distributable earnings of a wholly-owned subsidiary company arising from its bonus issue of shares.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Share option reserve

The share option reserve represents the fair value of equity-settled share options granted to employees by the Company as set out in Note 33.

(e) Equity component of ICULS

The reserve represents the fair value of the equity component of ICULS, net of deferred tax, as determined on the date of issue. Further details of ICULS are disclosed in Note 32.

25. RETAINED PROFITS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2011, the Company has sufficient tax credit in the 108 balance to frank the payment of dividends amounting to RM25,402,000 (2010: RM25,402,000) out of its retained profits. Tax exempt profits available for distribution as at reporting date is approximately RM790,537,000 (2010: RM797,909,000), subject to the agreement of the Inland Revenue Board.

26. LOANS AND BORROWINGS

		Group		Company	
		2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Current					
Secured:					
Exchangeable Bonds	(a)	**15,219**	475,500	**–**	–
Term loans	(b)	**214,895**	191,223	**–**	–
Obligations under finance leases (Note 35)	(c)	**213**	154	**192**	154
		230,327	666,877	**192**	154
Unsecured:					
Bankers' acceptances	(d)	**200**	250	**–**	–
ICULS (Note 32)		**13,098**	13,098	**13,098**	13,098
		13,298	13,348	**13,098**	13,098
		243,625	680,225	**13,290**	13,252
Non-current					
Secured:					
Exchangeable Bonds	(a)	**243,620**	–	**–**	–
Term loans	(b)	**25,652**	71,777	**–**	–
Obligations under finance leases (Note 35)	(c)	**454**	269	**348**	269
		269,726	72,046	**348**	269
Unsecured:					
ICULS (Note 32)		**16,121**	26,489	**16,121**	26,489
		285,847	98,535	**16,469**	26,758
Total borrowings					
Exchangeable Bonds	(a)	**258,839**	475,500	**–**	–
Term loans	(b)	**240,547**	263,000	**–**	–
Obligations under finance leases (Note 35)	(c)	**667**	423	**540**	423
Bankers' acceptances	(d)	**200**	250	**–**	–
ICULS (Note 32)		**29,219**	39,587	**29,219**	39,587
		529,472	778,760	**29,759**	40,010

26. LOANS AND BORROWINGS (Continued)

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2011 are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
On demand or within one year	**243,412**	680,071	**13,098**	13,098
More than one year and less than two years	**282,370**	53,848	**13,098**	13,098
More than two years and less than five years	**3,023**	44,418	**3,023**	13,391
	528,805	778,337	**29,219**	39,587

(a) Exchangeable Bonds

On 16 November 2007, Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, issued USD132,110,000 nominal value 5-year 2.5% Exchangeable Bonds.

The Group's Exchangeable Bonds of nominal value of USD132,110,000 are constituted by a Trust Deed dated 16 November 2007 between Excel Step ("Issuer"), the Company ("Guarantor") and AmTrustee Berhad ("Security Trustee") ("Trust Deed").

The principal terms, *inter alia*, of the Exchangeable Bonds are as follows:

(i) Exchange rights

The Exchangeable Bonds are exchangeable into approximately 40 million new ordinary shares of RM1.00 each in Parkson ("Parkson Shares") to be issued by way of conversion of RM160 million nominal value of the RCSLS held by Excel Step, at an initial exchange price of RM11.0361 per Parkson Share, at any time during the Exchange Period referred to below.

In accordance with the terms and conditions of the Trust Deed, the exchange price had been adjusted to RM7.72 per Parkson Share on 16 May 2010.

(ii) Exchange period

The Exchangeable Bonds are exchangeable, at the option of the holders, at any time on and after 27 December 2007 up to the close of business on 9 November 2012 with the holders' option to redeem on 16 November 2010. The Exchangeable Bonds shall mature on 16 November 2012.

(iii) Interest rate

The Exchangeable Bonds bear interest from and including the issue date at a rate of 2.5% per annum, on the principal amount of the Exchangeable Bonds, payable semi-annually in arrear on 16 November and 16 May in each year.

(iv) Security

The Exchangeable Bonds are secured by, among others:

(i) a first priority fixed charge on an equivalent of 57.2 million Parkson Shares to be issued pursuant to the conversion of part of the RCSLS held by Excel Step, including any future dividends and any other cash receivables attributable to these shares;

(ii) negative pledge over certain assets of Excel Step and of the Company; and

(iii) guarantee from the Company.

26. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds (Continued)

The holders of the Exchangeable Bonds, had at the meeting held on 27 August 2010, approved an Extraordinary Resolution, in accordance with the provisions of the Trust Deed, which relates to certain amendments proposed by the Issuer to the terms and conditions of the Bonds and the Trust Deed ("Proposed Amendments"). The Proposed Amendments had been effected by way of a supplemental trust deed executed by the parties to the Trust Deed on 2 September 2010 ("Supplemental Trust Deed").

The Proposed Amendments include, amongst others, the following:

(i) the removal of the put option exercisable on 16 November 2010 wherein the maturity date remains on 16 November 2012;

(ii) three pro rata partial redemptions on 16 November 2010, 16 February 2011 and 16 June 2011, totaling approximately 25% of the outstanding Exchangeable Bonds; and

(iii) Exchange price

During the financial year, the exchange prices have been adjusted ranging from RM7.72, RM7.52, RM6.58 and RM5.76 per Parkson Share. The exchange price of RM5.76 per Parkson Share will be used up to the expiry of the Exchange Period,

with each of the Proposed Amendments to be effective from the date the Supplemental Trust Deed was executed, and

(i) an increase in the interest rate payable from 2.5% to 6%; and

(ii) an increase in gross yield from 6% to 9%

of the Exchangeable Bonds with effect from the date of payment of the first pro rata partial redemption on 16 November 2010.

During the financial year, the bondholders have converted USD14,750,000 bonds where USD170,000 bonds have been converted at an exchange price of approximately RM6.58 per Parkson Share and the remaining USD14,580,000 bonds have been converted at an exchange price of approximately RM5.76 per Parkson Share.

The yield to maturity for the Exchangeable Bonds is 9% (2010: 6%) per annum.

(b) Term loans

		Group	
		2011	**2010**
		RM'000	**RM'000**
Current			
RM loan at cost of fund ("COF") + 2.5% per annum	(i)	**16,206**	10,804
RM loan at base lending rate ("BLR") + 1.75% per annum	(ii)	**30,000**	30,000
RM loan at BLR + 1.25% per annum	(ii)	**148,161**	141,501
Letter of Credit-i Facility	(iii)	**20,528**	8,918
		214,895	191,223
Non-current			
RM loan at COF + 2.5% per annum	(i)	**10,652**	26,777
RM loan at BLR + 1.75% per annum	(ii)	**15,000**	45,000
		25,652	71,777
		240,547	263,000

26. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(i) RM loan at COF + 2.5% per annum

The following are provided to a financial institution to secure the term loan of a wholly-owned subsidiary of the Company:

(I) first legal charge over 6 parcels of land of the subsidiary;

(II) debenture over fixed and floating assets of the subsidiary:

	A subsidiary	
	2011	**2010**
	RM'000	**RM'000**
Property, plant and equipment	**72,779**	72,817
Trade and other receivables	**415**	401
Tax recoverable	**12**	–
Cash and cash equivalents	**358**	65
Total	**73,564**	73,283

(III) corporate guarantee from the Company; and

(IV) memorandum of deposits over shares of the subsidiary.

During the year, the subsidiary of the Company had obtained approval for the deferment of RM5.5 million under the facility due on 15 June 2011 for a period of six months to 15 December 2011.

(ii) RM loan at BLR + 1.75% per annum and RM loan at BLR +1.25% per annum

The following are provided to a financial institution to secure the term loans of a wholly-owned subsidiary of the Company:

(I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of the subsidiary as follows:

	A subsidiary	
	2011	**2010**
	RM'000	**RM'000**
Property, plant and equipment	**720,718**	745,259
Investment securities	**32,774**	25,194
Inventories	**133,302**	234,096
Trade and other receivables	**535,545**	422,953
Cash and cash equivalents	**59,704**	68,766
Total	**1,482,043**	1,496,268

(II) irrevocable and unconditional corporate guarantee from the Company;

(III) first legal charge over the Company's 100% shareholding in the subsidiary;

(IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of the subsidiary;

26. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(ii) RM loan at BLR + 1.75% per annum and RM loan at BLR +1.25% per annum (Continued)

(V) legal assignment on all present and future rights, title, interests and benefits of the subsidiary in and under the Offtake Agreement dated 16 July 2007 entered into between the subsidiary and a related party ("related party"), and of the lease between the subsidiary and the related party of all those pieces and parcels of land;

(VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45 million to be maintained) with the lenders; and

(VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable the subsidiary to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease land.

(iii) Letter of Credit-i Facility

In May 2006, a subsidiary of the Company, entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35 million. In December 2009, the credit facility has been reduced to a maximum aggregate sum up to RM25 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").

The Letter of Credit-i Facility bears Murabahah profit margin of 5.5% to 6.5% per annum and has a tenure of 180 days.

The Letter of Credit-i Facility is secured by the following:

(I) All issued and paid-up shares of the subsidiary;

(II) 20.8 million quoted shares with carrying value of RM39.1 million (2010: RM26.6 million) owned by the Company as disclosed in Note 17(e);

(III) Corporate guarantee by the Company; and

(IV) Assignment over a designated escrow account identified to the Kuwait Finance House with a power of attorney in relation thereto.

(c) Obligations under finance leases

These obligations are mostly secured by charge over the Group's motor vehicles, bearing interest ranging from 2.1% to 3.3% (2010: 2.1% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

(d) Bankers' acceptances

Bankers' acceptances are unsecured and bear interest rates at rates ranging from 5.11% to 5.45% (2010: 4.36% to 4.91%) per annum.

27. LONG TERM PAYABLES

	Group/Company	
	2011	**2010**
	RM'000	**RM'000**
Deferred payments	**165,952**	255,436
Interest expenses recognised during the year (Note 7)	**11,471**	13,124
	177,423	268,560
Payment made during the year	**(96,022)**	(102,608)
	81,401	165,952
Amount due within one year (Note 29)	**(81,401)**	(165,952)
Amount due after one year	**–**	–

(i) Deferred payments represent the balance of the purchase consideration for the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of Excel Step which is in turn a wholly-owned subsidiary of the Company, of RM denominated bonds issued by LCB ("LCB Bonds") from Amsteel Corporation Berhad (now known as ACB Resources Berhad) for a cash consideration of RM400 million which had been completed on 27 February 2009 and on the same date, the Company and Teraju Varia converted the LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB, representing 42% of the then enlarged issued and paid-up capital of LCB.

(ii) The deferred payments include an amount of RM75 million (2010: RM150 million) which bears interest at the rate of 9% (2010: 8%) per annum.

During the year, the Company proposed to the lenders for a deferment of the repayment of RM75 million on or before 31 October 2011. In this regard, the Company had on 23 February 2011, pledged additional 53.1 million ordinary shares of RM1.00 each in LCB to the security trustee for the benefit of the lenders as additional security. The total LCB shares pledged for this deferred payment amounted to 455,633,500 shares (2010: 402,503,500 shares) as disclosed in Note 15.

28. DERIVATIVE LIABILITY

	Group	
	2011	**2010**
	RM'000	**RM'000**
At beginning of the year, as previously stated	**–**	–
Effects arising from adoption of FRS 139	**38,919**	–
At beginning of the year, as restated	**38,919**	–
Changes in fair value recognised in income statements during the year (Note 6)	**3,684**	–
At end of the year	**42,603**	–

This represents the exchange feature which is a separate embedded derivative contained in Exchangeable Bonds. Bondholders are able to exchange the Exchangeable Bonds into Parkson Shares at a fixed Exchange Price as disclosed in Note 26(a). The derivative liability is carried at fair value through profit or loss.

The fair value changes are calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

28. DERIVATIVE LIABILITY (Continued)

The list of inputs to the option pricing model is as follows:

	2011
Parkson Share price (RM)	**6.02**
Exchange Price (RM)	**5.76**
Expected volatility (%)	**30**
Expected life of exchange feature (Years)	**1.4**
Risk free rate (% per annum)	**3.6**

The expected life of exchange feature is based on the contractual life of the Exchangeable Bonds. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the exchange feature, is indicative of future trends, which may not necessarily be the actual outcome.

29. TRADE AND OTHER PAYABLES

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	(a)	**286,342**	223,547	**–**	–
Other payables					
Sundry payables		**79,953**	112,199	**–**	–
Deposit		**1,091**	727	**–**	–
Accruals		**66,515**	89,998	**24,713**	44,118
Project payables	(b)	**14,702**	25,161	**–**	–
Amounts due to customers		**34,868**	8,481	**–**	–
Amounts owing to subsidiaries	(c)	**–**	–	**478,217**	391,975
Amounts owing to related parties	(d)	**46,618**	50,361	**498**	855
Deferred payments (Note 27)		**81,401**	165,952	**81,401**	165,952
		325,148	452,879	**584,829**	602,900
Total trade and other payables		**611,490**	676,426	**584,829**	602,900
Less: Accruals		**(66,515)**	(89,998)	**(24,713)**	(44,118)
Add: Loans and borrowings (Note 26)		**529,572**	778,760	**29,759**	40,010
Total financial liabilities carried at amortised cost		**1,074,547**	1,365,188	**589,875**	598,792

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group ranges from 30 to 90 days (2010: 30 to 60 days).

Included in trade payables were amount due to related parties amounting to RM159.3 million (2010: RM97.1 million) arising from transactions as further disclosed in Note 37.

(b) Project payables

Project payables represent construction costs for plant and machinery which are unsecured and interest free.

(c) Amounts owing to subsidiaries

The amounts owing to subsidiaries are unsecured, interest free and repayable on demand.

29. TRADE AND OTHER PAYABLES (Continued)

(d) Amounts owing to related parties

The amounts owing to related parties are unsecured and repayable on demand. The amount of RM25,145 bears interest at the rate of 8.0% (2010: 8.0%) per annum. The remaining balance are interest free.

Included in the amounts owing to related parties of the Group is an amount of RM45.0 million (2010: RM45.0 million) of deposits ("Offtake Deposit") received from Megasteel Sdn Bhd ("Megasteel") for sales of hot briquetted iron and hot direct reduced iron as security against the debts owed by Megasteel as disclosed in Note 21. In the event the outstanding debts are not settled within the credit period given, the Company shall be entitled to withdraw from the Offtake Deposit such amount as may be due from the related party towards settlement of the overdue debts.

The normal credit terms granted to the Group range from 30 to 90 days (2010: 30 to 120 days). Other credit terms are assessed on a case-by-case basis.

Further details on related party transactions are disclosed in Note 37.

30. PROVISIONS

Group	**Provision for liabilities RM'000 (a)**	**Provision for potential claims RM'000 (b)**	**Total RM'000**
At 1 July 2010	**17,695**	**17,000**	**34,695**
Additional provisions	**–**	**5,000**	**5,000**
At 30 June 2011	**17,695**	**22,000**	**39,695**
At 1 July 2009	17,695	7,000	24,695
Additional provisions	–	10,000	10,000
At 30 June 2010	17,695	17,000	34,695

Company	**Provision for liabilities RM'000 (a)**
At 1 July 2010/At 30 June 2011	**17,695**
At 1 July 2009/At 30 June 2010	17,695

(a) Provision for liabilities

This relates to the estimated quantum of the potential liabilities that may arise from the closure of an operation which is subject to the Company's indemnity.

(b) Provision for potential claims

This relates to the estimated quantum of potential claims arising from the service arrangement entered with certain contractors of the Group.

31. PRODUCT FINANCING LIABILITIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
Payable within 1 year		
- with external parties	**80,699**	147,649

The liabilities represent trade financing arrangements contracted by a subsidiary with third parties to purchase raw materials. The terms of trade financing arrangements are 120 days (2010: 120 days), bearing interest rates ranging from 2.2% to 7.5% (2010: 2.2% to 4.1%) per annum. The amount of inventories under such arrangements is disclosed in Note 20.

The trade financing arrangements are denominated in US Dollar. Further details of foreign exchange currency risk are as disclosed in Note 40(d).

32. ICULS

In 2008, the Company issued RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 ("ICULS") at 100% of its nominal value.

The salient terms of the ICULS are as follows:

(a) Conversion rights and rate

The ICULS are convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") during the conversion period at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price").

(b) Conversion period

The ICULS are convertible at any time during the period of 5 years maturing on the date which is the fifth (5th) anniversary of the date of issue of the ICULS.

(c) Coupon rate

The ICULS bear a coupon rate of 4% per annum based on the nominal value of the ICULS payable semi-annually in arrears on every 6 months from the date of issue up to the maturity date.

(d) Redeemability

There will not be any redemption of the ICULS. All remaining ICULS on the maturity date shall be mandatorily converted into new LDHB Shares at the Conversion Price.

(e) Ranking

The new LDHB Shares to be issued upon conversion of the ICULS shall rank *pari passu* in all respects with the then existing LDHB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date on which the new LDHB Shares issued pursuant to the conversion of the ICULS are credited into the securities account of the holder of ICULS maintained with Bursa Malaysia Depository Sdn Bhd.

The ICULS are listed on the Main Market of Bursa Malaysia Securities Berhad.

As at 30 June 2011, RM327,462,064 (2010: RM327,462,064) nominal value of ICULS remained outstanding.

32. ICULS (Continued)

The value of the ICULS has been split into the liability component and the equity component, representing the fair value of the conversion option. The ICULS are accounted for in the statements of financial position as follows:

	Group/Company	
	2011	**2010**
	RM'000	**RM'000**
Nominal value	**327,462**	327,462
Less: Unamortised discount	**(298,243)**	(287,875)
Net amount	**29,219**	39,587
Amount due within one year (Note 26)	**(13,098)**	(13,098)
Amount due after one year (Note 26)	**16,121**	26,489

The amount recognised in the statements of financial position may be analysed as follows:

	Group/Company	
	2011	**2010**
	RM'000	**RM'000**
Liability component at 1 July	**39,587**	49,203
Interest expenses recognised during the year (Note 7)	**2,730**	3,408
Interest paid during the year	**(13,098)**	(13,024)
Liability component at 30 June	**29,219**	39,587

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7% (2010: 7%) per annum.

33. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme ("ESOS"), which became effective on 1 September 2005, are as follows:

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

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

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

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

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

33. EMPLOYEE SHARE-BASED PAYMENT (Continued)

The main features of the Executive Share Option Scheme ("ESOS"), which became effective on 1 September 2005, are as follows: (Continued)

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

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

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

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

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the years:

2011			**Number of Options**			
Grant date	**Balance as at 1 July 2010**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30 June 2011**	**Exercisable as at 30 June 2011**
29.5.2008	**1,984,100**	**–**	**–**	**(1,984,100)**	**–**	**–**
WAEP (RM)	**1.23**	**–**	**–**	**1.23**	**–**	**–**

2010			**Number of Options**			
Grant date	**Balance as at 1 July 2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30 June 2010**	**Exercisable as at 30 June 2010**
29.5.2008	2,211,700	–	–	(227,600)	1,984,100	1,984,100
WAEP (RM)	1.23	–	–	1.23	1.23	1.23

The ESOS expired on 31 August 2010.

The fair value of the options granted is estimated at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of options granted on 29 May 2008 was estimated on the date of grant using the following assumptions:

Fair value at grant date 29 May 2008 (RM)	1.26
Dividend yield (%)	1.0
Expected volatility (%)	50.0
Risk-free interest rate (%)	3.0
Expected life (years)	2.2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

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

33. EMPLOYEE SHARE-BASED PAYMENT (Continued)

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 and each grant of options shall be in multiples of 100 ordinary shares.

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

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

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

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

34. COMMITMENTS

(a) Capital commitments

	Group	
	2011	**2010**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
Approved and contracted for	**2,538,570**	1,434,596
Approved but not contracted for	**425,487**	210,714
	2,964,057	1,645,310

34. COMMITMENTS (Continued)

(b) Non-cancellable operating lease commitments

	Group	
	2011 RM'000	**2010 RM'000**
Future minimum rentals payable:		
Not later than one year	**3,820**	3,638
Later than one year and not later than five years	**9,819**	12,130
Later than five years	**23,884**	25,121
	37,523	40,889

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

(c) Acquisition commitments

The acquisition of investments in bonds issued by Lion Corporation Berhad and equity interest in Megasteel were completed in February 2009. As at 30 June 2011, the balance purchase consideration of RM75 million (2010: RM150 million) outstanding has been recognised as a liability as disclosed in Note 27(ii).

35. OBLIGATIONS UNDER FINANCE LEASES

The Group has finance leases for motor vehicles as disclosed in Note 11. These leases do not have terms of renewal, but have purchase option at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Minimum lease payments:				
Not later than one year	**241**	172	**217**	172
Later than one year and not later than five years	**409**	304	**400**	304
Later than five years	**113**	–	**–**	–
	763	476	**617**	476
Less: Future finance charges	**(96)**	(53)	**(77)**	(53)
Present value of finance lease liabilities	**667**	423	**540**	423
Present value of finance lease liabilities:				
Not later than one year	**213**	154	**192**	154
Later than one year and not later than five years	**353**	269	**268**	269
Later than five years	**101**	–	**80**	–
	667	423	**540**	423

35. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Analysed as:				
Due within one year (Note 26)	**213**	154	**192**	154
Due after one year (Note 26)	**454**	269	**348**	269
	667	423	**540**	423

The obligations under finance leases bore interest at the reporting date at rates ranging from 2.1% to 3.3% (2010: 2.1% to 3.3%) per annum.

36. CONTINGENT LIABILITIES

	Company	
	2011 RM'000	2010 RM'000
Secured		
Corporate guarantees given to:		
- financial institutions for credit facilities granted to subsidiaries	**519,766**	738,750

Upon adoption of FRS 139 effective 1 July 2010, the financial guarantees provided to financiers for subsidiaries are no longer disclosed as contingent liabilities but would instead be recorded as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is not material.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with other related parties

		Group	
Related Parties	**Nature**	2011 RM'000	2010 RM'000
Amsteel Mills Sdn Bhd	Sale of steel products	**94,367**	287,402
Antara Steel Mills Sdn Bhd	Purchase of steel products	**40,042**	205,662
Megasteel	Sale of steel products (a)	**955,515**	1,112,459
Megasteel	Purchase of consumables	**19,407**	59,676
Megasteel	Lease of land	**1,142**	1,142
Megasteel	Compensation claim	**6,944**	52
Megasteel	Commission, management and finance income from trading of steel products (b)	**23,859**	13,877
Posim Marketing Sdn Bhd	Purchase of steel products	**191,365**	–
Posim Marketing Sdn Bhd	Sales of steel products	**5,979**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of consumables	**10,222**	11,625
Lion Waterway Logistics Sdn Bhd	Transportation services	**59,943**	31,914
Likom Plastic Industries Sdn Bhd	Purchase of raw materials	**20**	2,575
Teck Chiang (International) Pte Ltd (Note 16)	Disposal of a jointly controlled entity	**32,670**	–

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with other related parties (Continued)

(a) On 16 July 2007, a wholly-owned subsidiary of the Company, Lion DRI Sdn Bhd (''Lion DRI'') entered into an agreement with Megasteel, to supply to Megasteel its entire production of 1.54 million metric tonnes per annum of the hot direct reduced iron and/or hot briquetted iron ("steel products") upon the terms and conditions of the agreement ("Offtake Agreement") as follows:

(I) The selling price of the steel products for the 10 years term shall be based on the formula of a cost plus certain margin ("selling price");

(II) In the event the average scrap price for 3 months period is higher than the selling price, Lion DRI shall invoice Megasteel the selling price together with 50% of the price difference;

(III) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's ("Maybank") base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement; and

(IV) Lion DRI shall be free to dispose of the steel products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the steel products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered.

On 20 October 2009, the credit terms under the above mentioned Offtake Agreement was amended to a 7-day term pursuant to a Supplemental Offtake Agreement.

(b) Graimpi Sdn Bhd ("Graimpi"), a wholly-owned subsidiary of the Company, had the following arrangements with Megasteel:

(I) Graimpi agreed to supply to Megasteel scrap iron, direct reduced iron, hot briquetted iron, pig iron and/or such other steel materials. Megasteel shall pay Graimpi at cost of purchase, plus 0.9% commission on materials, and interest at the rate of 1.25% per annum over and above the prevailing Maybank base lending rate.

(II) Graimpi agreed to purchase prime hot rolled coils ("HRC") from Megasteel at the prevailing market price. In turn, Megasteel agreed to participate in the trading of the HRC by Graimpi by purchasing the HRC from Graimpi. The purchase price to be paid by Megasteel shall be at HRC price, plus 0.9% commission on HRC price, and interest at the rate of 1.25% per annum over and above the prevailing Maybank base lending rate.

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd and Lion Waterway Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company.

Megasteel and Secomex Manufacturing (M) Sdn Bhd are subsidiaries of Lion Corporation Berhad, an associate of the Company wherein certain Directors of the Company are also substantial shareholders.

Likom Plastic Industries Sdn Bhd is a company in which certain Directors of the Company are also substantial shareholders of its holding company.

Posim Marketing Sdn Bhd, a wholly-subsidiary of Lion Forest Industries Berhad wherein certain Directors of the Company are also substantial shareholders.

Teck Chiang (International) Pte Ltd, a wholly-subsidiary of Lion Teck Chiang Limited wherein certain Directors of the Company are also substantial shareholders.

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

Information regarding outstanding balances arising from related party transactions as at 30 June 2011 are disclosed in Notes 21 and 29.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Wages, salaries and bonuses	**672**	671	**380**	412
Pension costs - defined contribution plans	**36**	50	**36**	50
	708	721	**416**	462

38. SIGNIFICANT EVENTS

(a) The holders of the USD132,110,000 nominal value 5-year 2.5% Exchangeable Bonds due 2012 ("Bonds") issued by Excel Step Investments Limited ("Issuer"), a wholly-owned subsidiary of the Company, had at the meeting held on 27 August 2010, approved an Extraordinary Resolution, in accordance with the provisions of the Trust Deed dated 16 November 2007 ("Trust Deed"), which relates to certain amendments proposed by the Issuer to the terms and conditions of the Bonds and the Trust Deed ("Proposed Amendments"). The Proposed Amendments had been effected by way of a supplemental trust deed executed by the parties to the Trust Deed on 2 September 2010 ("Supplemental Trust Deed").

The Proposed Amendments include, amongst others, the following:

(i) the removal of the put option exercisable on 16 November 2010 wherein the maturity date remains on 16 November 2012; and

(ii) three pro rata partial redemptions on 16 November 2010, 16 February 2011 and 16 June 2011, totalling approximately 25% of the outstanding Bonds

with each of the Proposed Amendments to be effective from the date the Supplemental Trust Deed was executed, and

(i) an increase in the interest rate payable from 2.5% to 6%; and

(ii) an increase in gross yield from 6% to 9%

of the Bonds with effect from the date of payment of the first pro rata partial redemption on 16 November 2010.

(b) On 23 February 2011, the Company announced the proposed disposal by Viroy Management Services Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 40% equity interest in Kairong Developments (S) Pte Ltd to Teck Chiang (International) Pte Ltd, a wholly-owned subsidiary of Lion Teck Chiang Limited, for a cash consideration of SGD1.00 (equivalent to approximately RM2.39) and a cash settlement of shareholder's advances for an amount of approximately SGD13.50 million (equivalent to approximately RM32.26 million) ("Proposed Disposal").

The Proposed Disposal has been completed on 29 April 2011.

38. SIGNIFICANT EVENTS (Continued)

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

(i) Proposed joint venture in the blast furnace project among the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad in the equity participation of 51:29:20 by the subscription of new ordinary shares of RM1.00 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd ("LBF") to the value of USD162.2 million (equivalent to approximately RM494.7 million) ("Proposed Joint Venture");

(ii) Proposed acquisitions by LBF of various parcels of contiguous freehold lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 147.76 acres from Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd and Amsteel Mills Sdn Bhd (a 99%-owned subsidiary of LICB) for a total cash consideration of approximately RM52.28 million ("Proposed Land Acquisitions"); and

(iii) Proposed leasing by LBF of three parcels of contiguous freehold vacant lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 202.89 acres from Megasteel Sdn Bhd for a lease tenure of thirty (30) years.

As at 30 June 2011, the aforesaid proposals have not been completed.

Subsequent to the financial year end, the respective parties to the Subscription Agreement in respect of the Proposed Joint Venture and the Sale and Purchase Agreements for the Proposed Land Acquisitions have mutually agreed in writing to extend the period for fulfilment of conditions precedent as set out in the aforesaid agreements for a further period of six (6) months from 3 September 2011 to 2 March 2012.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's investments in equity instrument that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

(b) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

	Note
Trade and other receivables (current)	21
Loans and borrowings (current and non-current)	26
Trade payables (current)	29
Product financing liabilities (current)	31
ICULS	32
Obligations under finance lease	35

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (Continued)

The carrying amount of the current portion of loans and borrowings, obligations under finance lease and product financing liabilities are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of non-current loans and borrowings, obligations under finance lease, ICULS and long-term payables are estimated by discounting expected future cash flows at current interest rates for similar types of lending or borrowing arrangements/liabilities with similar risk profiles at the reporting date.

(ii) Amounts due from/to subsidiaries, related parties and jointly controlled entities

It is not practical to estimate the fair values of the amounts owing by/to subsidiaries and related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

(iii) Quoted equity instruments

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business day on the reporting date.

(iv) Derivatives

The fair value of embedded derivative liability is calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

(v) Financial guarantees

The fair values of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;

- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

- the estimated loss exposure if the party guaranteed were to default.

(vi) Cash and cash equivalents, trade and other receivables

The fair values approximate to their carrying amounts due to the relatively short term maturity of these financial instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for managing each of these risks, which are executed by the Group's key management personnel. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. It is the Group's policy not to engage in speculative transactions. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) 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's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit risk is controlled by the application of credit approval limits, monitoring procedures and assessment of collateral values. In addition, receivables balances are monitored on an ongoing basis via management reporting procedures and internal credit review procedures.

<u>Exposure to credit risk</u>

As at the reporting date, the Group has no significant concentration credit risk except for an amount of RM678.1 million included in trade and other receivables which are owing by Megasteel. During the financial year, Megasteel proposed settlement agreement to the Group to settle material portion of the long outstanding debts as disclosed in Note 21(a). The Directors expect the Proposed Settlement Agreement to be completed within the next 12 months. As such, the Directors are of the opinion that these amounts are recoverable with no impairment required as at financial year end.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21.

Deposits with licensed banks and quoted investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages its operating cash flows and the availability of fund so as to ensure that all funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2011				
Group				
Financial liabilities				
Trade and other payables	**611,490**	**–**	**–**	**611,490**
Loans and borrowings	**251,480**	**306,903**	**113**	**558,496**
Product financing liabilities	**80,699**	**–**	**–**	**80,699**
Total undiscounted financial liabilities	**943,669**	**306,903**	**113**	**1,250,685**
Company				
Financial liabilities				
Trade and other payables	**584,829**	**–**	**–**	**584,829**
Loans and borrowings	**13,290**	**16,350**	**184**	**29,824**
Total undiscounted financial liabilities	**598,119**	**16,350**	**184**	**614,653**

(c) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rates debts. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

<u>Sensitivity analysis for interest rate risk</u>

A reasonably possible change of 100 basis points in interest rates, with all other variables held constant, would have no material impacts on the Group's profit or loss. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in United States Dollars ("USD") and Singapore Dollar ("SGD"), the Group's foreign currency exchange risk is primarily due to USD and SGD. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD and SGD exchange rates against the functional currencies of the Group, with all other variables held constant:

		Group 2011 Loss net of tax RM'000	Company 2011 Loss net of tax RM'000
USD/RM	- strengthened 3%	(15,549)	(5,441)
	- weakened 3%	15,549	5,441
SGD/RM	- strengthened 3%	–	6,026
	- weakened 3%	–	(6,026)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Main Market of Bursa Malaysia Securities Berhad, whereas the quoted equity instruments outside Malaysia are listed on the Australian Securities Exchange ("ASX") in Australia. These instruments are classified as available-for-sale financial assets.

To manage its market price risk arising from investments in quoted equity instruments, the Group diversifies and manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis for equity price risk

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 2% higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM7.4 million higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale. As at the reporting date, the impact of changes in 3% on the ASX, with all other variables constant, is immaterial to the Group's loss net of tax and equity.

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure and make adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2011 and 30 June 2010.

	Group	
	2011	**2010**
	RM'000	**RM'000**
Loans and borrowings	**529,472**	778,760
Trade and other payables	**611,490**	676,426
Less: Cash and cash equivalents	**(201,098)**	(203,914)
Net debts	**939,864**	1,251,272
Equity attributable to equity holders of the Company	**1,864,502**	1,826,898
Less: ICULS equity component	**(287,182)**	(287,182)
	1,577,320	1,539,716
Total capital and net debts	**2,517,184**	2,790,988
Gearing ratio	**37%**	45%

42. SEGMENT INFORMATION

(a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business segments

The Group is organised on a worldwide basis into four major business segments:

(i) Steel - Manufacturing and sale of steel products
(ii) Property - Property development and management
(iii) Computer - Manufacturing and sale of computer and related products
(iv) Others - Investment holding, trading and others

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2011

	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,059,187	79,501	130,618	9,905	–	1,279,211
Inter-segment sales	–	1,300	–	–	(1,300)	–
Total revenue	1,059,187	80,801	130,618	9,905	(1,300)	1,279,211
Results						
Segment results	54,653	22,195	3,698	8,942	–	89,488
Net fair value gain on available-for-sale financial assets						15,546
Net fair value loss on derivative liability						(3,684)
Realised foreign exchange gain, net						13,850
Unrealised foreign exchange gain, net						21,968
Profit from operations						137,168
Finance costs						(81,676)
Gain on disposal of associates						19,905
Loss on disposal of a jointly controlled entity						(4,784)
Share of results of associates						(123,477)
Share of results of jointly controlled entities						23,706
Income tax expense						(22,960)
Loss for the year						(52,118)
Assets						
Segment assets	2,220,307	383,728	78,669	415,210	–	3,097,914
Investments in associates						148,501
Investments in jointly controlled entities						33,334
Unallocated corporate assets						15,916
Consolidated total assets						3,295,665
Liabilities						
Segment liabilities	718,791	77,598	22,386	485,184	–	1,303,959
Unallocated corporate liabilities						127,204
Consolidated total liabilities						1,431,163
Other information						
Capital expenditure	17,127	795	1,774	279	–	19,975
Depreciation and amortisation	31,174	459	3,324	516	–	35,473
Impairment losses	–	–	8,330	8,038	–	16,368
Other non-cash expense	–	–	–	1,259	–	1,259

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2010

	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,399,950	62,920	125,062	2,533	–	1,590,465
Inter-segment sales	–	1,049	–	–	(1,049)	–
Total revenue	1,399,950	63,969	125,062	2,533	(1,049)	1,590,465
Results						
Segment results	233,454	8,368	10,628	61,089	–	313,539
Realised foreign exchange gain, net						10,706
Unrealised foreign exchange gain, net						30,586
Profit from operations						354,831
Finance costs						(96,416)
Gain on disposal of associates						56,155
Share of results of associates						(57,105)
Share of results of jointly controlled entities						5,566
Income tax expense						(70,675)
Profit for the year						192,356
Assets						
Segment assets	2,293,628	377,918	104,145	487,083	–	3,262,774
Investments in associates						279,278
Investments in jointly controlled entities						9,864
Unallocated corporate assets						20,642
Consolidated total assets						3,572,558
Liabilities						
Segment liabilities	765,600	62,932	25,809	783,189	–	1,637,530
Unallocated corporate liabilities						108,130
Consolidated total liabilities						1,745,660
Other information						
Capital expenditure	20,666	497	1,089	158	–	22,410
Depreciation and amortisation	30,799	913	5,322	111	–	37,145
Impairment losses	–	2,034	–	14,662	–	16,696

42. SEGMENT INFORMATION (Continued)

(c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

(i) Malaysia - Steel, property, computer and others
(ii) People's Republic of China - Property and others
(iii) Others - Computer and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		**Segment Assets**		**Capital Expenditure**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Malaysia	**1,103,406**	1,439,851	**2,499,325**	2,716,405	**18,706**	21,401
People's Republic of China	**69,319**	41,289	**268,793**	246,326	**795**	472
Others	**106,486**	109,325	**329,796**	300,043	**474**	537
Total	**1,279,211**	1,590,465	**3,097,914**	3,262,774	**19,975**	22,410

(d) Information about major customers

Revenue from two customers (being related parties as disclosed in Note 37) amounting to approximately RM955.5 million (2010: RM1,112.5 million) and RM94.3 million (2010: RM287.4 million) respectively, arising from sales by the Steel segment.

43. COMPARATIVE

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

44. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

	Group 2011 RM'000	Company 2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,612,294	270,996
- Unrealised	(35,301)	12,549
	1,576,993	283,545
Total share of accumulated losses from associated companies:		
- Realised	(682,449)	–
- Unrealised	(104,698)	–
	(787,147)	–
Total share of retained profits/(accumulated losses) from jointly controlled entities:		
- Realised	21,327	–
- Unrealised	(27)	–
	21,300	–
Less: Consolidated adjustments	(70,999)	–
Total Group retained profits	740,147	283,545

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2011

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (13)	2.5	June 2004
2. Melaka Technology Park PN 20575 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	19.8 acres	Buildings	Factory (19)	25.5	December 2007
3. Geran 64183, Lot 32889 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	63.4 hectares	Land	Vacant	15.1	December 2007
4. GRN 39954, Lot 2324 HS(D) 5379, PT 6341 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	100.5	June 2008
5. PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.3	June 2008
6. 33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (2)	2.6	March 2008

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 31 October 2011

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM368,611,613.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 31 October 2011

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	147	1.34	4,455	0.00
100 to 1,000	2,480	22.64	2,175,052	0.30
1,001 to 10,000	5,141	46.93	27,014,424	3.66
10,001 to 100,000	2,725	24.88	91,917,726	12.47
100,001 to less than 5% of issued shares	457	4.17	251,645,518	34.13
5% and above of issued shares	4	0.04	364,466,052	49.44
	10,954	100.00	737,223,227	100.00

Substantial Shareholders as at 31 October 2011

	← Direct Interest →		← Indirect Interest →		
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	Nominal Value of ICULS# (RM)
1. Tan Sri William H.J. Cheng	121,356,607	16.46	286,209,888	38.82	325,401,322 [a]
2. Tan Sri Cheng Yong Kim	7,841,337	1.06	244,759,135	33.20	31,014,916 [b]
3. Lion Realty Pte Ltd	–	–	244,759,135	33.20	30,014,916 [c]
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.14	243,697,246	33.06	30,014,916 [c]
5. Narajaya Sdn Bhd	89,997,801	12.21	–	–	–
6. Horizon Towers Sdn Bhd	–	–	153,699,445	20.85	30,014,916 [c]
7. Lion Corporation Berhad	–	–	153,699,445	20.85	30,014,916 [c]
8. Amsteel Mills Sdn Bhd	116,180,800	15.76	–	–	30,014,916 [c]
9. Lion Industries Corporation Berhad	37,518,645	5.09	116,180,800	15.76	30,014,916 [c]
10. LLB Steel Industries Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [c]
11. Steelcorp Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [c]
12. Deluxe Venture International Limited	17,400,000	2.36	–	–	170,000,000 [d]

Notes:

\# *5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share.*

a *Direct interest in RM121,615,000 nominal value of ICULS and indirect interest in RM203,786,322 nominal value of ICULS.*

b *Direct interest in RM1,000,000 nominal value of ICULS and indirect interest in RM30,014,916 nominal value of ICULS.*

c *Indirect interest.*

d *Direct interest.*

Thirty Largest Registered Shareholders as at 31 October 2011

Registered Shareholders		No. of Shares	% of Shares
1.	Cheng Heng Jem	121,356,607	16.46
2.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	116,180,800	15.76
3.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	89,410,000	12.13
4.	Lion Industries Corporation Berhad	37,518,645	5.09
5.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ributasi Holdings Sdn Bhd	17,980,000	2.44
6.	Deluxe Venture International Limited	17,400,000	2.36
7.	Cheng Yong Kim	7,841,337	1.06
8.	Universal Trustee (Malaysia) Berhad CIMB Islamic Small Cap Fund	5,093,000	0.69
9.	RHB Nominees (Tempatan) Sdn Bhd RHB Investment Management Sdn Bhd for Ng Siong Ket (EPF)	5,033,000	0.68
10.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	4,759,800	0.65
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)	4,754,700	0.64
12.	Lion Holdings Private Limited	4,715,258	0.64
13.	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Lee Sai Sing (PB)	4,700,000	0.64
14.	Tan Boon Har	4,658,900	0.63
15.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	3,241,900	0.44
16.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Yap Yang (8074441)	2,770,000	0.38
17.	Yong Swee Hing	2,700,000	0.37
18.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Siong Ket	2,688,800	0.36
19.	RHB Capital Nominees (Tempatan) Sdn Bhd Gan Seong Liam	2,500,000	0.34
20.	Tan Boon Har	2,483,100	0.34
21.	Cheng Yong Kwang	2,272,173	0.31
22.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irene Toh Lai Ping (04IR014Q-004)	2,250,100	0.31
23.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,115,400	0.29
24.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	2,101,866	0.29
25.	Chua Ming Chee	2,100,000	0.28
26.	Wilfred Koh Seng Han	2,014,300	0.27
27.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,004,100	0.27
28.	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	1,978,300	0.27
29.	Daniel Koh Seng Yong	1,936,000	0.26
30.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Equity Fund	1,897,936	0.26

5-Year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 ("ICULS")

No. of ICULS as at 31 October 2011	:	327,462,064
Nominal Value	:	RM1.00 each
Coupon Rate	:	4% per annum payable semi-annually
Conversion Period	:	17 December 2008 to 16 December 2013
Conversion Price	:	RM0.50 for each new ordinary share of RM0.50 each
Conversion Right	:	ICULS holders will have the right to convert the ICULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of ICULS Holdings as at 31 October 2011

Size of ICULS Holdings	No. of ICULS Holders	% of ICULS Holders	No. of ICULS	% of ICULS
Less than 100	2	1.22	100	0.00
100 to 1,000	121	73.78	33,400	0.01
1,001 to 10,000	30	18.29	104,631	0.03
10,001 to 100,000	3	1.83	63,200	0.02
100,001 to less than 5% of issued ICULS	4	2.44	5,630,817	1.72
5% and above of issued ICULS	4	2.44	321,629,916	98.22
	164	100.00	327,462,064	100.00

Thirty Largest ICULS Holders as at 31 October 2011

Registered ICULS Holders	No. of ICULS	% of ICULS
1. Deluxe Venture International Limited	170,000,000	51.91
2. Cheng Heng Jem	86,615,000	26.45
3. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	35,000,000	10.69
4. Antara Steel Mills Sdn Bhd	30,014,916	9.17
5. Lion Holdings Private Limited	3,771,406	1.15
6. Cheng Yong Kim	1,000,000	0.31
7. Cheng Chai Hai	699,411	0.21
8. HDM Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients)	160,000	0.05
9. Lee Hau Hian	32,000	0.01
10. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Kim Chye @ Teoh Kim Chai (E-KLC)	16,000	Negligible
11. Chan Chau Ha @ Chan Chow Har	15,200	Negligible
12. Lim Sang Sen	10,000	Negligible
13. Chan Yee Sang	8,000	Negligible
14. Lee Siew Nong	8,000	Negligible

Thirty Largest ICULS Holders as at 31 October 2011 (Continued)

Registered ICULS Holders	No. of ICULS	% of ICULS
15. Mayban Securities Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	8,000	Negligible
16. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kok Woo	6,600	Negligible
17. Pan Yok Eng	5,600	Negligible
18. Chan Pheng Hock	5,000	Negligible
19. Chuah Boon Kiang	4,800	Negligible
20. Nor Hafizah binti Ahmad Marzuki	4,000	Negligible
21. Ooi Kean Hin	4,000	Negligible
22. Tan Gee Siew	4,000	Negligible
23. Teu Liak Chey	3,200	Negligible
24. Ng Say Kong @ Ng Seah Yew	3,000	Negligible
25. Cheong Seng Tin	2,400	Negligible
26. Tang Wei Chum	2,400	Negligible
27. Teh Peng Tin	2,320	Negligible
28. Aw May Fah	2,000	Negligible
29. Ee Tee Gin	2,000	Negligible
30. Koh Sun @ Wong Koh Sang	2,000	Negligible

Directors' Interests in Shares in the Company and its Related Corporations as at 31 October 2011

The Directors' interests in shares in the Company and its related corporations as at 31 October 2011 are as follows:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM0.50				
Tan Sri William H.J. Cheng		121,356,607	16.46	286,428,888 (1)	38.85
Tan Sri Cheng Yong Kim		7,841,337	1.06	248,259,135 (2)	33.67

Related Corporations

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
Lion Corporation Berhad ("LCB")	RM1.00				
Tan Sri William H.J. Cheng		458,685	0.02	1,470,371,715 (3)	77.35
Tan Sri Cheng Yong Kim		2,709,517	0.14	414,493,430 (4)	21.80

Directors' Interests in Shares in the Company and its Related Corporations as at 31 October 2011 (Continued)

Related Corporations (Continued)

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Nominal Value per Ordinary Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Bersatu Investments Company Limited	HK$10.00	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	57.10
LDH Investment Pte Ltd	*	4,500,000	100.00
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	91.00
Lyn (Pte) Ltd	*	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	600,000,001	100.00

	Nominal Value per Preference Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Megasteel Sdn Bhd			
- "D" Shares	RM0.01	49,000,000	100.00
- "E" Shares	RM0.01	11,000,000	100.00
- "F" Shares	RM0.01	26,670,000	100.00
- "G" Shares	RM0.01	100,000,000	100.00

Notes:

(1) Also deem interested in the following:

(i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 243,230,000 new ordinary shares of RM0.50 each in the Company ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and

(ii) an indirect interest in RM203,961,522 nominal value of ICULS convertible into 407,923,044 new LDHB Shares at the Conversion Price.

(2) Also deem interested in the following:

(i) a direct interest in RM1,000,000 nominal value of ICULS convertible into 2,000,000 new LDHB Shares at the Conversion Price; and

(ii) an indirect interest in RM30,014,916 nominal value of ICULS convertible into 60,029,832 new LDHB Shares at the Conversion Price.

(3) Also deem interested in 10,169,407 warrants with a right to subscribe for one new ordinary shares of RM1.00 each in LCB ("LCB Share") for every one warrant held at the exercise price of RM1.00 per LCB Share ("Warrants") and RM275,214,524 redeemable convertible secured loan stocks of nominal value RM1.00 each convertible into new LCB Shares at a conversion price of RM1.00 for every one new LCB Share.

(4) Also deem interested in 638,200 Warrants.

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 31 October 2011.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Sale and Purchase Agreement dated 23 February 2011 entered into between Viroy Management Services Sdn Bhd ("Viroy"), a wholly-owned subsidiary of the Company, and Teck Chiang (International) Pte Ltd ("Teck Chiang"), a wholly-owned subsidiary of Lion Teck Chiang Limited ("LTC"), a company wherein certain Directors and certain major shareholders of the Company have interests, for the proposed disposal by Viroy of its entire 40% equity interest in Kairong Developments (S) Pte Ltd comprising 40,000 ordinary shares to Teck Chiang for a cash consideration of SGD1.00 (equivalent to approximately RM2.39) and a cash settlement of shareholder's advances of SGD13.50 million (equivalent to approximately RM32.26 million).

2. Conditional Share Subscription Agreement dated 3 March 2011 and supplemented on 26 August 2011 entered into among the Company, Lion Industries Corporation Berhad ("LICB"), Lion Forest Industries Berhad ("LFIB"), a subsidiary of LICB, and Lion Blast Furnace Sdn Bhd ("LBF"), a wholly-owned subsidiary of the Company, for the proposed joint venture in LBF in the equity participation of 51%, 29% and 20% respectively, in the enlarged issued and paid-up share capital of LBF of up to RM970 million comprising up to 970 million ordinary shares of RM1.00 each. LICB is a major shareholder of the Company. Both LICB and LFIB are companies wherein certain Directors and certain major shareholders of the Company have interests.

3. Conditional Shareholders' Agreement dated 3 March 2011 entered into among the Company, LICB and LFIB for the purpose of, amongst others, to govern and regulate their relationship with each other under the proposed joint venture pursuant to the Conditional Share Subscription Agreement dated 3 March 2011 and to record the terms and conditions of the parties' relationship and participation as shareholders in LBF, the conduct of LBF's business and the management of LBF and its subsidiary.

4. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented on 26 August 2011 entered into between LBF and Andalas Development Sdn Bhd ("Andalas"), a wholly-owned subsidiary of Amble Bond Sdn Bhd, a company wherein certain Directors and certain major shareholders of the Company have interests, for the acquisition by LBF from Andalas of various parcels of contiguous freehold vacant lands held under various land titles all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 97.92 acres (approximately 4,265,395 square feet ("sq ft")) for a total cash consideration of RM32.00 million.

5. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented on 26 August 2011 entered into between LBF and Che Kiang Realty Sdn Bhd ("Che Kiang"), a wholly-owned subsidiary of LTC, for the acquisition by LBF from Che Kiang of various parcels of contiguous freehold vacant lands held under various land titles all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 8.48 acres (approximately 369,389 sq ft) for a total cash consideration of RM4.06 million.

6. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented on 26 August 2011 entered into between LBF and Amsteel Mills Sdn Bhd ("AMSB"), a 99%-owned subsidiary of LICB, for the acquisition by LBF from AMSB 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.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM90,000 (2010: RM48,000).

(II) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2011 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) Sale of direct reduced iron, scrap iron and other steel related products and services	Lion Corporation Berhad Group [1] ("LCB Group")	1,026,076
	Lion Industries Corporation Berhad Group [1] ("LICB Group")	94,471
	Lion Forest Industries Berhad Group [1] ("LFIB Group")	5,979
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group	29,990
	LICB Group	101,697
	LFIB Group	191,418
(iii) Rental of industrial land and buildings	LCB Group	1,142
(b) Computer related		
Rental of storage space, factory and warehouse for manufacturing of computer and related products	LICB Group	570

Notes:

"Group" includes subsidiary and associated companies

[1] Companies in which certain Directors and certain major shareholders of the Company have substantial interests.

(III) SHARE BUY-BACK

There was no share buy-back during the financial year.

(IV) CONVERTIBLE SECURITIES

There was no conversion of the 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company into shares during the financial year.

LION DIVERSIFIED HOLDINGS BERHAD
(Incorporated in Malaysia)
(9428-T)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–								

I/We ....

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

of ....

being a member/members of LION DIVERSIFIED HOLDINGS 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 Forty-First 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 21 December 2011 at 12.00 noon 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, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat		
4. To re-appoint Auditors		
5. Authority to Directors to issue shares		
6. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
7. 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 2011

No. of shares: ....   Signed: ....

Representation at Meeting:

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