LION FOREST INDUSTRIES BERHAD

2010

LION FOREST INDUSTRIES BERHAD

A Member of The Lion Group

(82056-X)

Laporan Tahunan 2010 Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 23 November 2010 at 11.15 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2010. **Note 3**

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

3. To approve the payment of Directors' fees amounting to RM175,000 (2009 : RM180,000). **Resolution 2**

4. To re-elect Directors:

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

   Y. Bhg. Dato' Kalsom binti Abd. Rahman **Resolution 3**
   Cik Zainab binti Dato' Hj. Mohamed **Resolution 4**

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

6. Special Business

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

6.1.1 Authority to Directors to issue shares

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

6.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 1 November 2010 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

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

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

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

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

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

6.2 To consider and, if thought fit, pass the following special resolution:

Proposed Amendments to the Articles of Association of the Company

"That the Articles of Association of the Company be amended in the following manner: **Resolution 8**

(I) Article 8

(i) By deleting the words "... and unless the Director holds office in an executive capacity." at the end of Article 8(c) and thereafter the new Article 8(c) shall read as follows:

A Director may not participate in an issue of shares to employees unless the members by resolution passed in general meeting, have approved of the specific allotment to be made to the Director.

(ii) By deleting the existing Article 8(d) which reads as follows in its entirety:

Notwithstanding article 8(c) above hereof, any non-executive Director may so subscribe and participate in an issue of shares of the Company pursuant to a public issue or public offer provided always that no special allotment or options shall be granted to him.

(II) Article 123

By deleting the existing Article 123 in its entirety and substituting therefor with the following new Article 123:

Any dividend, interest, or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the person whose name appears in the Register of Members or the Record of Depositors of the Company or to such address as the holder may in writing direct or paid by way of electronic transfer of remittance to the bank account provided by the Member to the Central Depository from time to time. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other monies payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented and the Company shall have no responsibility for any sums lost or delayed in the course of delivery or remittance or where the Company has acted on any such instructions of the Member."

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

DIVIDEND ENTITLEMENT

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

(a) shares transferred into the depositor's securities account before 4.00 pm on 26 November 2010 in respect of transfers; and

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

The dividend, if approved, will be paid on 15 December 2010 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 26 November 2010.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
1 November 2010

Notes:

1. *Proxy*
   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 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 Registered Office of the Company, Level 14, 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 1 November 2010 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2010 Annual Report.

3. *Agenda Item 1*

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

4. *Resolution 6*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 18 November 2009 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.

5. *Resolution 7*

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

6. *Resolution 8*

   This approval will allow the Company to:

   (i) grant options to subscribe for shares in the Company to non-executive Directors; and

   (ii) pay dividend, interest or other monies payable in cash in respect of shares in the Company by way of electronic transfer of remittance in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirement in relation to Electronic Dividend Payment.

CORPORATE INFORMATION

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

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 67, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997.

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

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

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

- Chairman of Lion Diversified Holdings Berhad and Silverstone Corporation Berhad
- Chairman and Managing Director of Lion Corporation Berhad, Parkson Holdings Berhad and Silverstone Berhad
- Director of ACB Resources Berhad

Save for Silverstone Corporation Berhad, Silverstone Berhad and ACB Resources Berhad, all the above companies are public listed companies.

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 183,671,356 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 112 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

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

Tan Sri William Cheng attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, aged 54, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Company's Remuneration Committee.

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

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

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

Mr Chan attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Dato' Dali Mahmud Hashim
Independent Non-Executive Director

Y. Bhg. Dato' Dali Mahmud Hashim, a Malaysian, aged 69, was appointed to the Board on 22 August 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

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

Dato' Dali attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Dato' Mohamad bin Haji Ahmad
Independent Non-Executive Director

Y. Bhg. Dato' Mohamad bin Haji Ahmad, a Malaysian, aged 66, was appointed to the Board on 28 March 1991. He is also a member of the Company's Audit Committee and Nomination Committee.

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

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

Dato' Mohamad attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 62, was appointed to the Board on 23 August 2004. She is also a member of the Company's Audit Committee.

Dato' Kalsom received her Bachelor of Economics (Honours) degree from the University of Malaya and Masters degree in Business Administration (Finance) from the University of Eugene, Oregon, the United States of America. She has served in various capacities in the Ministry of International Trade and Industry (MITI) both at headquarters and overseas offices as well as the Chief Executive Officer of the Small and Medium Industries Development Corporation (SMIDEC) and as Deputy Secretary-General (Industry) of MITI before she retired in 2004. Subsequently, she became the Chairman of SMIDEC until October 2006. Dato' Kalsom was also the Chairman of the Executive Committee of Invest-In-Penang Berhad, a state government agency responsible for the promotion of investments, technology and business into Penang, a position she held until 2008.

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

- Malaysian Industrial Development Finance Berhad and its subsidiaries, MIDF Amanah Investment Bank Berhad and MIDF Amanah Asset Management Berhad
- MIDF Property Berhad
- Chemical Company of Malaysia Berhad, a public listed company
- MISC Berhad, a public listed company

Dato' Kalsom attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

Cik Zainab binti Dato' Hj. Mohamed, a Malaysian, aged 52, was appointed to the Board on 10 December 2001. She is also a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee.

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

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

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

Cik Zainab attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 67, was appointed to the Board on 25 February 2008.

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

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

Mr Lin attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 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 2010 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 2010, five (5) Board Meetings were held and all the Directors attended all the Board Meetings held during the financial year. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

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

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

Board Committees

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

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

Supply of Information

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

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 17 of this Annual Report.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, the Directors had participated in seminars, forums, conferences and training programmes on topics/subjects in relation to corporate governance, business prospects and opportunities, risk management, economic and regional issues, management and entrepreneurship, finance, and corporate responsibility, some of which were organised by Bursa Securities, the Securities Commission and trade associations.

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 seminars, forums, conferences and training programmes attended and/or participated by the Directors, and the Continuing Updates provided to the Directors as adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 17 of this Annual Report.

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

For confidentiality, the details of the Directors' remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance applicable to Directors' remuneration recommended by the best practices of the Code are deemed appropriately served by the disclosures in the ensuing paragraphs.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2010 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	15	286	301
Non-executive Directors	172	–	172
	187	286	473

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

Range of Remuneration (RM)	Number of Directors Executive	Non-executive
25,000 & below	–	1
25,001 – 50,000	–	5
300,001 – 350,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 13 to 16 of this Annual Report.

Financial Reporting

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

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2010, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 12 of this Annual Report.

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

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

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

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

  The duties of the Audit Committee are:

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

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

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

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

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

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

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

  - review the adequacy of the scope, functions, 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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. All members attended all the six (6) 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 RM174,600.

NOMINATION COMMITTEE

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

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

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

Terms of Reference :

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

REMUNERATION COMMITTEE

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

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

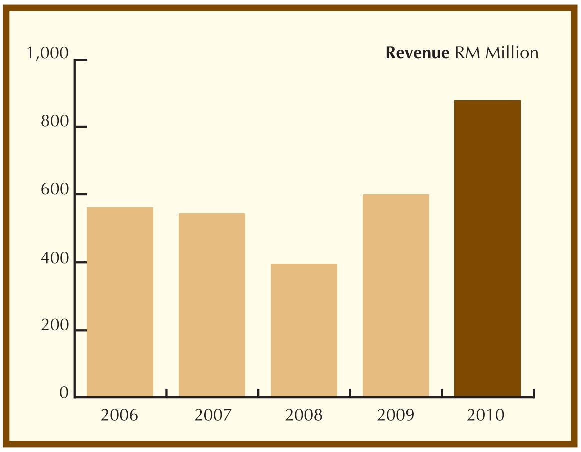
Cik Zainab binti Dato' Hj. Mohamed
(Independent Non-Executive Director)

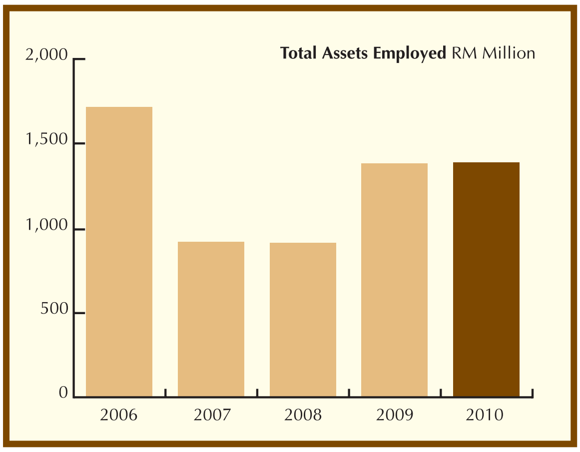
Terms of Reference :

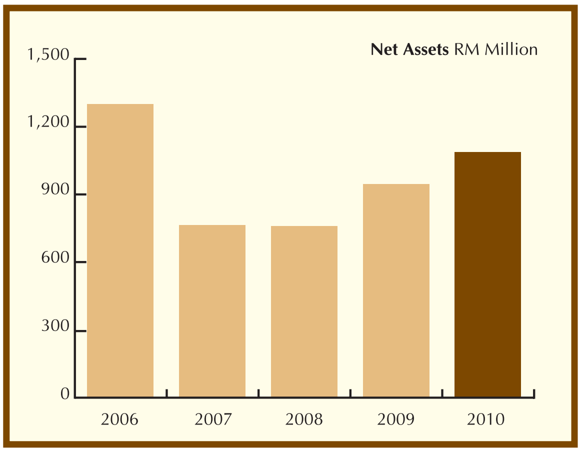
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

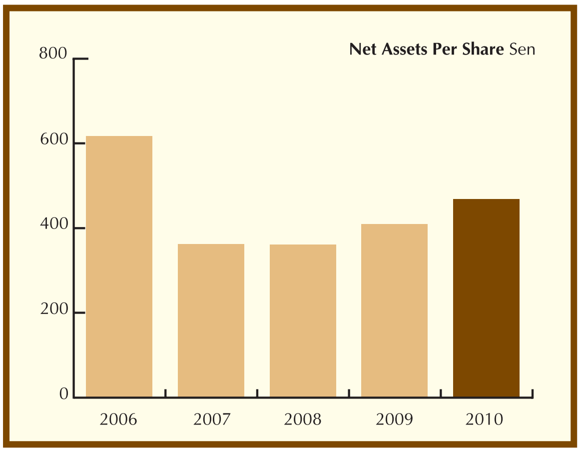
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**
Revenue	559,755	542,246	392,845	598,037	**874,316**
Profit/(Loss) before taxation	(239,673)	(59,166)	(8,357)	170,351	**188,208**
Profit/(Loss) after taxation	(241,594)	(63,880)	(16,746)	160,885	**163,404**
Dividends:					
Rate (%)	–	–	–	–	**2.0**
Amount (Tax exempt)	–	–	–	–	**4,627**
Total assets employed	1,709,113	916,114	910,689	1,377,202	**1,383,174**
Net assets	1,295,136	761,902	757,207	941,889	**1,082,707**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	616	362	360	409	**468**
Earnings/(Loss) per share	(111.9)	(28.8)	(4.3)	75.4	**66.1**





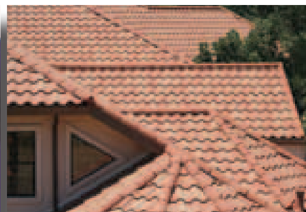


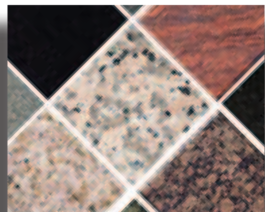


THE GROUP'S BUSINESSES

- The Group's tyre operations in China under Shandong Silverstone LuHe Rubber & Tyre Co. Ltd, produces radial and light truck tyres for the Chinese market.
- *Operasi tayar Kumpulan di China, yang dikendalikan oleh Shandong Silverstone LuHe Rubber & Tyre Co. Ltd, mengeluarkan tayar trak ringan dan radial untuk pasaran tempatan di sana.*

- The Group's subsidiary, Silverstone Berhad located in Taiping, Perak is involved in the manufacturing and distribution of Silverstone tyres in Malaysia.
- *Anak syarikat dimiliki Kumpulan, Silverstone Berhad terletak di Taiping, Perak terbabit dalam pengeluaran dan pengedaran tayar Silverstone di Malaysia.*





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

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products and automotive components, with some of its latest products shown here.
- *Posim Petroleum Marketing Sdn Bhd mengedarkan rangkaian pelbagai produk berasaskan petroleum dan komponen automotif; sebahagian produk terkini dipaparkan di sini.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Lion Forest Industries Berhad ("LFIB" atau "Kumpulan") diaudit bagi tahun kewangan yang berakhir pada 30 Jun 2010.

PRESTASI KEWANGAN

Ekonomi global mula menunjukkan tanda-tanda pemulihan selepas melalui kemelesetan ekonomi terburuk dalam sejarah dunia berpunca daripada krisis kewangan dan juga `gelembung aset' atau peningkatan tinggi harga hartanah yang bermula di Amerika Syarikat ("AS"). Bagaimanapun, hasil tindak balas polisi yang signifikan dan pantas oleh Kerajaan di beberapa negara telah dapat mengekang kesan impak kemelesetan yang berpanjangan. Ekonomi Malaysia, walaupun tidak terlepas daripada menerima kesan itu, ia berjaya mencatatkan pemulihan kukuh pada separuh pertama tahun 2010 hasil kesan perbelanjaan berterusan sektor awam dan perbelanjaan swasta yang tinggi. Permintaan luaran yang mengukuh menyediakan lagi dorongan bagi pertumbuhan domestik melalui kesan limpahan dalam pengeluaran dan sentimen keseluruhan.

Berikutan pemulihan kukuh ekonomi serantau, Kumpulan telah mencatatkan prestasi yang membanggakan dan berjaya mengembangkan kesemua segmen perniagaannya khususnya, perniagaan pembuatan tayar. Perolehan Kumpulan meningkat sebanyak 46% kepada RM874.3 juta daripada RM598.0 juta pada tahun kewangan lalu. Bagi tahun kewangan, Kumpulan mencatatkan keuntungan RM64.0 juta yang diperoleh daripada aktiviti korporat melibatkan pembelian dan penstrukturan semula hutang milik Silverstone Corporation Berhad dan anak syarikatnya.

Sementara itu, syarikat-syarikat bersekutu kami telah menyumbangkan keuntungan sebanyak RM44.8 juta, kebanyakan daripada Lion Asiapac Limited yang meraih keuntungan daripada pelupusan keseluruhan ekuiti kepentingannya dalam sebuah pelaburan di China. Keuntungan sebelum cukai yang diperolehi berjumlah RM188.2 juta , mewakili peningkatan 10% berbanding RM170.4 juta tahun lepas.

PERKEMBANGAN KORPORAT

Berikut adalah perkembangan korporat yang dilaksanakan oleh Kumpulan setelah berakhirnya tahun kewangan:

(i) Pada 5 Ogos 2010, Kumpulan telah memeterai perjanjian dengan Shandong LuHe Group Co Ltd untuk membeli baki 25% ekuiti kepentingan dalam Shandong Silverstone LuHe Rubber & Tyre Co Ltd pada pertimbangan harga AS$6.60 juta (kira-kira RM21.12 juta). Apabila selesainya pembelian itu, Shandong Silverstone LuHe Rubber & Tyre Co Ltd akan menjadi anak syarikat milik penuh Kumpulan.

(ii) Pada 21 Oktober 2010, Silverstone Corporation Berhad, anak syarikat yang mana 84% kepentingan dimiliki oleh LFIB, telah memeterai perjanjian dengan Toyo Tire & Rubber Co Ltd untuk melepaskan kesemua 100% kepentingan ekuiti dalam Silverstone Berhad, pada pertimbangan harga RM462 juta. Harga tawaran berjumlah RM462 juta memberikan ruang yang tepat bagi Kumpulan untuk mengenalpasti dan membuka nilai pelaburan Silverstone Berhad.

Cadangan pelupusan masih menunggu kelulusan daripada pemegang saham dan pihak berkuasa yang berkaitan yang lain

KAJIAN OPERASI

Tayar

Malaysia

Silverstone Berhad ("Silverstone"), syarikat pengeluar tayar yang berpangkalan di Taiping, menjadi penyumbang utama keuntungan Kumpulan pada tahun ini sejak diambil alih pada bulan November 2008. Berikutan sentimen yang bertambah dalam pasaran, Silverstone mencapai prestasi lebih baik dengan perolehan meningkat sebanyak 7% kepada RM433.5 juta daripada RM404.1 juta berdasarkan tahunan yang dikira pada tahun lepas.

Keuntungan sebelum cukai telah meningkat lebih dua kali ganda kepada RM50.5 juta berbanding tahun lepas berikutan pelbagai langkah diambil untuk meningkatkan keberkesanan operasi, sehingga memberikan hasil yang positif. Melalui pengurusan modal kerja yang dibuat secara teliti dan efisien, terutamanya kawalan inventori bahan mentah dan produk siap, dan juga pelaburan di dalam mesin-mesin baru yang tepat pada masanya, Silverstone telah berjaya mencapai keberkesanan kos dan produktiviti yang tinggi.

Walaupun menghadapi saingan harga yang sengit daripada para pengeluar tayar tempatan, Silverstone berjaya mendahului pesaingnya melalui pengenalan pelbagai versi tayar yang memenuhi keperluan pasaran daripada tayar kenderaan penumpang kepada tayar kenderaan komersial dan juga industri. Melalui sokongan kuat daripada rakan-rakan perniagaan, pelan pemasaran strategik dan tayar berkualiti yang terbukti, Silverstone berjaya menguasai pasaran yang besar dalam pasaran tempatan tahun ini.

Tayar

China

Krisis kewangan global yang berlaku pada 2008 telah menjejaskan industri automatif China, terutama apabila pasaran Eropah dan AS secara dramatik mengurangkan jumlah import tayar buatan China, sekali gus memberikan kesan yang teruk terhadap industri tayarnya.

Sungguhpun industri tayar China menghadapi cabaran getir pada tahun 2009, ia turut menikmati peluang pertumbuhan apabila kekal muncul sebagai pengeluar berkos rendah. Bagaimanapun, pada bulan September 2009, AS telah mengenakan tarif selama tiga tahun terhadap tayar yang diimport dari China. Keadaan ini, memaksa para pengeluar tayar China beralih tumpuan kepada pasaran domestik dan pasaran-pasaran baru yang lain. Persaingan dalam jualan tayar di China terus sengit.

Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone") operasi pengeluaran tayar kami di China, juga tidak terkecuali daripada kesan yang tidak diingini akibat pengenalan tarif AS. Bagaimanapun, usaha bersepadu dilakukan oleh pihak pengurusan dalam mengembangkan pasaran tempatan dan eksport, meningkatkan keberkesanan pengeluaran serta kualiti tayarnya, Shandong Silverstone mencatatkan peningkatan jualan tempatan sebanyak 70% dan eksport pula 4% dengan kadar penggunaan kilang adalah 89% dalam tahun kewangan. Tayar trak ringan, adalah rangkaian produk baru yang diperkenalkan dalam pasaran, pada bulan April tahun ini, berjaya menguasai 2% daripada keseluruhan jualan domestik. Oleh kerana, jualan domestik menyumbang kepada margin keuntungan yang tinggi, Shandong Silverstone mencatatkan keputusan yang lebih baik tahun ini.

Bahan Bangunan

Divisyen ini mencatatkan prestasi yang lebih baik kesan daripada dua pakej ransangan oleh Kerajaan yang mula dirasai dan sentimen keseluruhan yang mulai semakin baik.

Divisyen akan berusaha mengurangkan perbelanjaan operasi dan pada masa yang sama meningkatkan jualan dan produktiviti bagi produk yang mempunyai margin keuntungan tinggi. Walaupun kerap berdepan dengan ketidaktentuan harga, terutama batang keluli dan simen, pihak pengurusan akan cuba mencapai satu tahap yang lebih baik berbanding para pesaingnya melalui pengekalan hubungan baik dengan para pelanggan utama dan pada masa yang sama, bekerja dengan pembekalnya secara lebih tekun dalam meraih sokongan berterusan dan tepat pada masanya daripada mereka.

Dalam maju ke hadapan, Divisyen ini akan terus peka terhadap pertumbuhan berterusan sektor pembinaan dan akan terus menyumbang kepada keuntungan keseluruhan Kumpulan.

Pelincir dan lain-lain

Pelincir

Divisyen ini kembali mencatat pertumbuhan perolehan dan keuntungan pada tahun ini selepas berdepan dengan cabaran ekonomi yang terjejas teruk tahun sebelumnya. Keputusan menggalakkan ini disokong oleh komitmen terhadap program kerjasama jangka panjang untuk membantu pelanggan agar terus kompetitif dan mapan dalam perniagaan mereka. Program ini meliputi pelaburan dalam peralatan bagi memudahkan operasi pelanggan, kepada peruntukan kemahiran dan pendekatan progresif bertujuan menyokong bengkel atau perniagaan pusat servis. Kami juga berusaha mendidik mereka tentang pengetahuan dan kefahaman terhadap keperluan pengesanan awal dan penyelenggaraan sejajar dengan perkembangan teknologi kereta. Kami percaya dengan menawarkan sokongan yang relevan dan berguna secara berterusan kepada pelanggan, nilai dapat diwujudkan dalam perniagaan tersebut, dan dalam proses ini, membantu mengukuhkan rangkaian perniagaan kami.

Kami kerap menilai dan meningkatkan kemudahan pengeluaran kami bagi menggalakkan keberkesanan. Apabila pembesaran kapasiti diperlukan, atau apabila terdapat peluang perniagaan baru, proses pengeluaran segera tersedia bagi memastikan kaedah yang fleksible bagi membolehkan perniagaan kami berkembang. Makmal kami dilengkapkan dengan kemudahan terkini untuk memastikan produk akhir kami mencapai kualiti yang dikehendaki dan spesifikasi yang ditetapkan pada setiap masa. Melalui penggunaan sumber secara lebih produktif dan berkesan, Divisyen akan berupaya meluaskan lagi prospek perniagaan.

Dalam usaha untuk kekal berdaya saing, Divisyen ini akan memastikan kos pengeluaran diuruskan dengan baik. Sumber minyak asas dan ketidaktentuan harga bekalan akan dipantau sebaik mungkin. Sekiranya menguntungkan dan bermanfaat, kami akan merundingkan bekalan bahan mentah berkualiti pada harga yang menarik. Dalam hal ini, pelaburan yang dibelanjakan untuk membina pelbagai tangki simpanan ternyata menguntungkan apabila ia membolehkan Divisyen ini mendapat manfaat daripada penyimpanan bekalan yang tinggi dan masalah bekalan untuk pengeluaran. Peluang-peluang ini membolehkan Divisyen mengurus dan menikmati margin yang sesuai sepanjang tahun.

Bagi tempoh jangka panjang, Divisyen akan terus aktif mengembangkan asas pelanggannya dengan mengukuhkan jualan dan pasukan sokongan. Kami juga akan menerokai produk-produk baru dan yang bersesuaian untuk kekal relevan dan signifikan kepada para pelanggan kami.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 2% atau 2 sen sesaham, dikecualikan cukai bagi tahun kewangan berakhir pada 30 Jun 2010. Jumlah keseluruhan dividen bersih dibayar, jika diluluskan dalam Mesyuarat Agung Tahunan, adalah berjumlah kira-kira RM4.6 juta.

Dividen ini dicadangkan selepas mengambil kira keseimbangan antara menghargai pemegang saham dan dana yang disimpan untuk tujuan pelaburan masa hadapan dan perkembangan perniagaan.

TANGGUNGJAWAB SOSIAL KORPORAT

Kami memperakui pentingnya Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada perniagaan dan 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 perniagaanya, Kumpulan sentiasa peka tentang tanggungjawabnya sebagai warga korporat, dalam menyumbang kembali kepada masyarakat disamping meningkatkan nilai pemegang saham. Kumpulan menumpukan usaha membantu masyarakat menerusi bidang pendidikan dan penjagaan kesihatan melalui dua Yayasan yang ditubuhkan oleh Syarikat-syarikat Kumpulan Lion yang mana Kumpulan merupakan salah satu daripada ahlinya.

Yayasan Lion-Parkson mengagihkan dana-dana bagi pelbagai tujuan termasuk pendidikan, kebajikan dan penyelidikan saintifik; dan pada setiap tahun menawarkan biasiswa dan pinjaman pendidikan kepada mahasiswa di universiti tempatan. Yayasan juga terlibat dalam program tahunan Educare bersama Parkson dengan menyediakan pusat mengumpul keperluan persekolahan seperti pakaian, kasut dan peralatan yang disumbangkan oleh orang ramai, yang mana akan di salurkan 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 dan ubat-ubatan. Tabung itu juga menaja program kesihatan kemasyarakatan seperti kem-kem kesihatan dan pembelian mesin-mesin dialisis bagi keperluan Pusat Dialisis yang menyediakan perkhidmatan secara bersubsidi kepada penghidap penyakit buah pinggang.

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

Alam Sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk dalam penyumberan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam. Operasi yang dijalankan oleh Kumpulan mematuhi undang-undang alam sekitar dan juga peraturan dari pentadbir industri di mana ia beroperasi.

Kumpulan menerima pakai peraturan-peraturan berkaitan keselamatan, kesihatan dan alam sekitar dengan pendekatan sistematiknya diperkukuhkan menerusi latihan dan pemantauan berterusan supaya dapat memastikan keselamatan dan kesejahteraan para pekerja.

PROSPEK

Persekitaran operasi dijangka bertambah baik memandangkan ekonomi negara-negara utama dunia mulai mencatatkan pemulihan daripada kemelesetan ekonomi yang teruk dalam tempoh dua tahun lalu. Operasi tayar kami di China dijangka akan mengembangkan pasarannya manakala bahagian bahan binaan dan pelincir dijangka terus mencatat keuntungan.

PENGHARGAAN

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

Saya juga ingin menyatakan rasa penghargaan dan terhutang budi kepada rakan-rakan dalam Lembaga Pengarah di atas tunjuk ajar yang tiada nilainya, sikap dedikasi dan sumbangan yang diberikan mereka.

Akhir sekali, saya dengan rasa penuh keikhlasan mengucapkan terima kasih kepada pihak pengurusan serta kakitangan atas sikap dedikasi serta komitmen terhadap Kumpulan ini.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2010.

FINANCIAL PERFORMANCE

The global economy began to show signs of recovery after going through its worst recession in decades brought about by the financial crisis as well as the asset bubble that started in the United States of America ("US"). However, the swift and significant policy responses by the governments of various countries have to a large extent contained the impact of a prolonged recession. Our Malaysian economy, although not spared the effects of a global slowdown, managed to post a strong recovery in the first half of 2010 as a result of sustained public sector spending and higher private consumption. The stronger external demand provided further impetus for domestic growth through its spill-over effect on production and overall sentiments.

Riding on the strong regional economic recovery, the Group performed commendably and managed to grow its businesses across all segments, especially in the tyre manufacturing business. Revenue of the Group rose by 46% to RM874.3 million from RM598 million in the previous financial year. During the financial year, the Group recorded a gain of RM64 million arising from the corporate exercises involving the acquisition and restructuring of debts issued by Silverstone Corporation Berhad and its subsidiary company.

Meanwhile, our associated companies contributed a profit of RM44.8 million, largely from Lion Asiapac Limited which recorded a gain from the disposal of its entire equity interest in an investment in China. Profit before taxation was recorded at RM188.2 million, representing an increase of 10% as compared to RM170.4 million last year.

CORPORATE DEVELOPMENTS

The following are the corporate developments undertaken by the Group after the financial year end:

(i) On 5 August 2010, the Group entered into an agreement with Shandong LuHe Group Co Ltd to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd for a cash consideration of USD6.6 million (approximately RM21.12 million). Upon the completion of the acquisition, Shandong Silverstone LuHe Rubber & Tyre Co Ltd will become a wholly-owned subsidiary company of LFIB.

(ii) On 21 October 2010, Silverstone Corporation Berhad, an 84% owned subsidiary company of LFIB, entered into an agreement with Toyo Tire & Rubber Co Ltd to dispose of its entire 100% equity interest in Silverstone Berhad, for a cash consideration of RM462 million. The offer price of RM462 million provides a timely opportunity for the Group to realise and unlock values from its investment in Silverstone Berhad.

The proposed disposal is subject to the approvals from the shareholders and other relevant authorities.

REVIEW OF OPERATIONS

Tyre

Malaysia

Silverstone Berhad ("Silverstone"), our tyre manufacturing company based in Taiping, became the major profit contributor to the Group this year since its acquisition in November 2008. Driven by improved sentiments in the domestic market, Silverstone achieved a better performance with revenue rising by 7% to RM433.5 million from RM404.1 million on an annualised basis last year.

Profit before taxation was more than doubled at RM50.5 million compared to the previous year as various measures employed to improve operational efficiency have yielded positive results. By managing its working capital closely and efficiently, particularly in inventory control for both its raw materials and finished goods, as well as timely investment in new machineries, Silverstone was able to achieve cost efficiency and higher productivity.

Notwithstanding the stiff price competition amongst the local tyre producers, Silverstone was able to stay ahead of its competitors through the introduction of a wide range of tyres that catered to every requirement of the market from tyres for passenger cars to tyres for commercial and industrial use. With strong support from business partners, strategic marketing plans and proven quality tyres, Silverstone secured a bigger share in the domestic market this year.

Tyre

China

The outbreak of the global financial crisis in 2008 affected the Chinese automotive industry, especially where markets in Europe and US had dramatically reduced their tyre imports from China, thus adversely impacting the Chinese tyre industry.

Despite the Chinese tyre industry having to face tough challenges in 2009, there were growing opportunities for the industry as it continues to be a low cost producer. However, in September 2009, the US imposed a three-year tariff on tyres imported from China. This had forced tyre makers in China to shift their focus to the domestic and other emerging markets. Competition for tyres sales in China thus intensified.

Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone"), our tyre manufacturing operation in China, was not spared the unfavourable impact of the imposition of the US tariff. However, with concerted efforts put in by the management in expanding the local and export markets, improving production efficiency as well as tyre quality, Shandong Silverstone registered a 70% increase in domestic sales and 4% in exports, with plant utilisation at 89% for the financial year under review. Light truck tyres, a new range of product which was introduced to the market in April this year, accounted for 2% of the total domestic sales. As domestic sales contributed a higher profit margin, Shandong Silverstone recorded a better set of results this year.

Building Materials

The Division recorded a better performance as the effects of the Government's two stimulus packages began to kick in and overall sentiments started to improve.

The Division will endeavour to lower its operating expenses and at the same time, improve its sales and productivity of higher margin products. Although faced with frequent volatile prices, especially for steel bars and cement, the management will strive to achieve an edge over its competitors by maintaining good rapport with its key customers and at the same time, work diligently with its suppliers to ensure continuous and timely support from them.

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

Lubricants and Others

Lubricants

The Division regained growth in revenue and profitability this year after having being confronted with adverse economic challenges the year before. The encouraging outcome was supported by the Division's commitment to long term collaborative programmes in helping customers to be competitive and sustainable in the businesses that they are involved in. Such programmes ranged from investment in equipments to facilitate the running of customers' operations, to the provision of expertise and holistic approaches to support their workshop or service centre businesses. In particular, we also strive to impart knowledge and understanding on the need for early detection and maintenance requirements as car technology progresses. We believe that by offering our continuous full support to our customers, value is added to these businesses and in the process, help strengthen our own business network.

We frequently review and upgrade our production facilities to drive efficiencies. Where capacity expansion is required, or when new business opportunities emerge, the production processes are readily made available to ensure that the much needed flexible means are there to allow our businesses to grow. Our laboratory is well-equipped with the latest facilities to ensure our end-products achieve the intended quality and specification required at all times. By utilising resources in a productive and efficient manner, the Division is able to widen its business prospects further.

To remain competitive, the Division ensures that production costs are well managed. The sourcing of base oil and the volatility in supply prices are closely monitored. When it was lucrative and beneficial, we negotiated supplies of quality raw materials at attractively lower prices. In this regard, the investment spent in building our various storage tanks has been favourable as it has now allowed the Division to benefit from holding higher volume and critical supplies for production. These opportunities had enabled the Division to manage and enjoy better margins during the year.

In the longer term, the Division will continue to actively grow its customer base by strengthening the sales and support teams. We will also explore new and suitable products to remain relevant and significant to our customers.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 2.0% or 2 sen per share, tax exempt in respect of the financial year ended 30 June 2010. Total net dividend payable, if approved at the Annual General Meeting, will amount to approximately RM4.6 million.

The dividend is proposed after taking into account a reasonable balance between rewarding shareholders and funds set aside for future investments and business growth.

CORPORATE SOCIAL RESPONSIBILITY

We recognize 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 becoming an important component of good business practice aimed at improving society and the environment.

Society

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

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

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

Environment

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

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

PROSPECTS

The operating environment is expected to improve as major economies begin to recover from the severe recession experienced over the last two years. Our tyre operations in China are expected to expand on its market presence whilst the domestic building materials and lubricants divisions are envisaged to maintain their profitable position.

ACKNOWLEDGEMENT

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

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

Last but not least, I sincerely thank the management and staff for their dedication and commitment to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈截至2010年6月30日的会计年度，金狮森林工业有限公司（Lion Forest Industries Berhad，简称“LFIB”）的年度报告及经审核财务报告。

业绩

经历数十年来最严重的衰退期之后，全球经济开始显示复苏迹象，有望摆脱从美国开始的资产泡沫及金融危机。各国政府因应经济衰退而推出的拯救与重大政策，很大程度上抑制了经济继续萧条。尽管马来西亚经济无法避免不受到全球经济不景的影响，但由于公共领域的持续支出及更高的私人消费，使2010年上半年取得强劲的经济成长。更强的外在需求为国内成长提供更强的动力，对生产与整体情绪带来良好的连锁效应。

从强大的区域经济复苏中受惠，本集团取得令人瞩目的业绩表现，各个业务都成功取得成长，尤其是轮胎制造业务。集团营业额从上一个会计年度的5亿9千800万令吉增至8亿7千430万令吉，同比增长46%。在本会计年度期间，本集团从涉及收购与重组银石机构有限公司（Silverstone Corporation Berhad，简称“SCB”）和其子公司发行的债券之企业运作中取得6千400万令吉的盈利。

另一方面，我们的联号公司贡献了4千480万令吉的盈利，主要来自Lion Asiapac Limited脱售在中国的全部股权投资所带来的盈利。集团的税前盈利为1亿8千820万令吉，比去年的1亿7千零40万令吉同比增加10%。

企业发展

本集团在会计年度结束后进行的企业发展如下：

(i) 2010年8月5日，本集团与中国山东泸河集团有限公司（Shandong LuHe Group Co Ltd）达成协议，以660万美元（约2千112万令吉）的现金，收购山东银石泸河橡胶轮胎有限公司（Shandong Silverstone LuHe Rubber & Tyre Co Ltd）余下的25%股权。一旦完成收购，山东银石泸河橡胶轮胎有限公司将成为LFIB的独资子公司。

(ii) 2010年10月21日，LFIB持有84%股权的子公司银石机构有限公司与Toyo Tire & Rubber Co Ltd签约，以4亿6千200万令吉的现金代价，脱售其独资子公司银石有限公司（Silverstone Berhad）的所有股权。有关4亿6千200万令吉的献售价让本集团适时套现投资。

这项股权脱售建议仍然取决于股东及其他有关当局的批准。

业务检讨

轮胎

马来西亚

自2008年11月收购以来，我们位于太平的轮胎制造公司——银石有限公司（Silverstone Berhad，简称“银石”），在今年成为本集团的主要盈利来源。国内市场情绪改善的助益下，银石取得更佳的业绩表现，收入从去年的4亿零410万令吉（在年度化的基础上）增加7%至4亿3千350万令吉。

集团的税前盈利比去年增加超过双倍至5千零50万令吉，主要是因为采取各种改善运作效率的措施奏效，带来积极的效果；同时，通过银石更密切与有效地管理运作资金，尤其是原料与制成品的存货控制，及在新机械的适时投资，成功达到成本效益与更高的生产力。

尽管面对本地轮胎生产商的严峻价格竞争，银石仍然有能力领先竞争对手，包括推出一系列的轮胎，从轿车轮胎到商用与工业用途的轮胎，以应付各种市场需求。凭着商业伙伴的强力支持、具策略性的市场计划与品质优良的轮胎，银石今年获取更大的本地市场占有率。

轮胎

中国

2008年暴发的全球金融危机影响到中国汽车业，尤其是欧洲与美国市场显著萎缩并减少中国轮胎的入口量，对中国轮胎业造成不利冲击。

尽管中国轮胎业在2009年面对艰巨挑战，但由于仍是低成本的生产国，因此拥有成长机会。2009年9月，美国对从中国进口的轮胎征收为期3年的关税，逼使中国轮胎制造商将焦点转至国内与其他新兴市场，进而造成中国轮胎销售的竞争日趋白热化。

我们在中国的轮胎制造公司——山东银石泸河橡胶轮胎有限公司（Shandong Silverstone LuHe Rubber & Tyre Co Ltd，简称“山东银石”），无法避免不受美国关税的不利影响。不过，鉴于集团致力扩大当地与出口市场，改善生产效能与轮胎素质，山东银石盾的国内销售取得70%成长，出口成长则为4%，检讨年度内的工厂使用率达89%。集团在今年4月推介新的产品系列——轻型卡车轮胎，成功创下其总国内销售额的2%。鉴于国内销售贡献更高的利润，山东银石今年取得更佳的业绩表现。

建筑材料

在政府执行的两大振兴配套之下及整体市场情绪开始改善带来良好效应，集团的建筑材料业务创下较好表现。

本组将尽力降低营运开支，同时提高较高利润产品的销售与生产力。尽管面对价格经常波动的情况，尤其是钢条与洋灰，管理层仍将致力取得比竞争对手更具优势的地位，与关键顾客维持良好的和谐关系，同时与供应商保持密切合作，确保他们继续并且适时给予我们支持。

建筑领域的持续成长将致使本组未来保持活力，继续为集团的整体盈利表现做出贡献。

润滑油及其他

润滑油

在之前一年面对不利的经济挑战后，本组在今年内重新取得营业额与盈利成长。这项令人鼓舞的表现主要是于协助顾客维持竞争力与维持商业持续性的长期合作计划奏效。这类计划包括投资配备以便为顾客的运作提供便利、提供专业建议与全面技巧支援顾客的车厂或服务中心业务。由于汽车技术不断进展演变，我们也不断传授与指导顾客新的知识与让他们了解提早侦查与维修的重要性。我们相信，持续不断地为顾客提供相关与有用的支援，将为业务增值，有助加强我们的商业网络。

我们也经常检讨与提升生产设施以促进效率。当需要扩充产能或出现新的商业机会时，生产配备将能够随时做好投产准备，确保拥有足够弹性来应付需求，让我们的业务取得成长。与此同时，我们的试验室也添置拥有最新技术的设备，确保制成品在任何时候都达到所需的品质与规格。

为保持竞争力，本组必须确保任何时候都能够良好地管理生产成本。基础油的采购及供应价格的波动获得严密的监测，当发现有利可图与能够从中受惠时，我们将以较低的价格洽谈高品质的原料供应。此外，我们较早前兴建的各种储存糟今已使我们在这方面享有优势，使集团能够长期持有更多的生产原料储存与关键供应。这些机会也让本组在会计年度内成功享有适当的利润。

从长远来看，本组将积极地通过加强销售与支援队伍来扩大顾客基础。我们也将开拓全新与适合的产品，为顾客提供更佳服务，让他们信赖及感受我们的重要性。

股息

董事部欣然建议，截至2010年6月30日止的会计年度内，发出一次性股息2.0%或每股2仙的免税股息。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为460万令吉。

董事部是考虑到回报股东与供未来投资与业务成长的储备金之间的合理平衡后，才作出以上股息建议。

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，在加强业务与股东价值的同时，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，以教育与医疗服务来回馈社会。

金狮百盛基金（Lion-Parkson Foundation）拨款供作教育与慈善用途；每年都提供奖学金和免息教育贷款给在本地大学深造的在籍大学生。它也联合全国百盛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马来西亚公民提供财务援助，包括手术、购置器材和药物。这项基金也赞助社区保健计划如医疗营，并且为那些提供津贴治疗服务给不幸社群的洗肾中心添购洗肾机器。

本集团也通过筹款及捐款活动为社会做出贡献，同时也援助本地及其他地方的灾黎。

环境

在跟上科技和工业发展之际，本集团同时也关心环境保护，业务运作完全严格遵照环境条例及工业运作的相关工业条例。

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

展望

鉴于主要经济体开始从过去两年来的严重经济衰退中复苏，本集团的运作环境料将改善。我们在中国的轮胎业务料将能够继续扩大市场占有率，而国内的建材与润滑油产品业务，则料将保持有利可图的表现。

鸣谢

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

我也要感谢董事部成员，感谢他们所给予的珍贵指导、献身与贡献。

最后，我真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

丹斯里钟廷森
主席

FINANCIAL STATEMENTS 2010

For The Financial Year Ended 30 June 2010

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are as disclosed in Note 13 to the Financial Statements.

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

SIGNIFICANT EVENTS AND SUBSEQUENT EVENT

Significant events during the financial year and subsequent event are disclosed in Notes 37 and 38 to the Financial Statements, respectively.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	188,208	8,323
Income tax expense	(24,804)	(3,190)
Profit for the year	163,404	5,133
Attributable to:		
Equity holders of the Company	152,517	
Minority interests	10,887	
	163,404	

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors proposed a first and final dividend of 2.0 sen per ordinary share tax exempt, amounting to RM4.6 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM210,435,171 to RM230,367,032, by the issue and allotment of 19,931,861 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share as consideration for the acquisition of 286,006,287 ordinary shares and 14,279,049 preference shares in Silverstone Corporation Berhad.

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

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

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was implemented for the benefit of eligible executive employees and executive directors of the Group with effect from 1 September 2005.

The main features of the ESOS are as disclosed in Note 24 to the Financial Statements.

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

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

		Number of options				
Grant date	**Subscription price per share (RM)**	**Balance as of 1.7.2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2010**
10.5.2006	1.16*	798,400	–	(208,800)	(39,600)	550,000
29.8.2007	1.04	1,384,400	–	(765,800)	(129,500)	489,100
		2,182,800	–	(974,600)	(169,100)	1,039,100

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

The ESOS expired on 31 August 2010.

OTHER STATUTORY INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

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

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

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

Included in the litigation claims are as follows:

(i) Claim by UNP Plywood Sdn. Bhd. for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 30 to the Financial Statements, the Federal Court had on 11 September 2009 dismissed SFI’s appeal against the Court of Appeal’s decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu deciding on the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability. The High Court of Kota Kinabalu has fixed 3 January 2011 to 14 January 2011 for hearing of assessment of damages.

OTHER STATUTORY INFORMATION (continued)

(ii) Claim by Harapan Permai Sdn. Bhd. ("Harapan Permai") against SFI for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement ("Timber Agreement") dated 9 November 1992 via Civil Suit No. K22-40-97 filed on 11 April 1997.

SFI had applied to strike out the claim on the ground that the Timber Agreement is illegal under the Sabah Forest Enactment 1968. The Deputy Registrar had on 12 September 2003 dismissed SFI's application to strike out Harapan Permai's claim. On SFI's appeal, the High Court Judicial Commissioner had on 15 December 2006 allowed SFI's appeal and accordingly struck out Harapan Permai's claim.

Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the decision of the High Court. On 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has yet to fix the hearing date for the application for leave to appeal.

Indemnity contracts have also been signed between the Company and Avenel Sdn. Bhd. ("Avenel"), the immediate holding company then, whereby Avenel agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation and any other claims brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, the audited financial statements of Avenel does not indicate that it is able to fully discharge its obligations under the above mentioned indemnity.

<u>Back pay labour claims from SFI's employees</u>

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some claiming for 2007 also) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Labour Court is currently in the process of hearing the Complainants' claims

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

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

DIRECTORS

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

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

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg Dato' Kalsom binti Abd. Rahman and Cik Zainab binti Dato' Hj. Mohamed retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.7.2009	**Additions**	**Disposals**	**Balance as of 30.6.2010**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Mohamad bin Haji Ahmad	13,040	–	–	13,040
Lin Chung Dien	7,060	–	–	7,060
Indirect interest				
Tan Sri William H.J. Cheng	183,516,581	154,775	–	183,671,356

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

	Number of ordinary shares of RM1.00 each			
	Balance as of 1.7.2009	**Additions**	**Disposals**	**Balance as of 30.6.2010**
Direct interest				
Lion Industries Corporation Berhad				
Tan Sri William H.J. Cheng	–	102,000,000	–	102,000,000
Dato' Mohamad bin Haji Ahmad	3,276	–	–	3,276
Lin Chung Dien	25,320	–	–	25,320

		Number of shares			
	Nominal value per ordinary share	**Balance as of 1.7.2009**	**Additions**	**Disposals**	**Balance as of 30.6.2010**
Indirect interest					
Tan Sri William H.J. Cheng					
Lion Industries Corporation Berhad	RM1.00	336,832,615	17,313,991	(117,900,000)	236,246,606
LLB Enterprise Sdn. Bhd.	RM1.00	690,000	–	–	690,000
Marvenel Sdn. Bhd.	RM1.00	100	–	–	100
Ototek Sdn. Bhd.	RM1.00	1,050,000	–	–	1,050,000
Posim EMS Sdn. Bhd.	RM1.00	800,000	–	–	800,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	4,750,000
Silverstone Corporation Berhad	RM1.00	286,173,498	–	–	286,173,498
Soga Sdn. Bhd.	RM1.00	4,332,078	–	–	4,332,078
Steelcorp Sdn. Bhd.	RM1.00	99,750	–	–	99,750
Holdsworth Investment Pte. Ltd.	*	4,500,000	–	–	4,500,000
Lion Rubber Industries Pte. Ltd.	*	10,000,000	–	–	10,000,000
Silverstone Tyre (S) Pte. Ltd.	*	31,750,100	–	–	31,750,100
Willet Investment Pte. Ltd.	*	45,954,450	–	–	45,954,450
Zhongsin Biotech Pte. Ltd.	*	1,000,000	–	–	1,000,000

DIRECTORS' INTERESTS (continued)

Investments in the People's Republic of China	Currency	Balance as of 1.7.2009	Additions	Disposals	Balance as of 30.6.2010
Indirect interest					
Tan Sri William H.J. Cheng					
Shandong Silverstone LuHe Rubber & Tyre Co. Ltd.	USD	30,000,000	–	–	30,000,000
Tianjin Baden Real Estate Development Co. Ltd.	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co. Ltd. (In liquidation - voluntary)	USD	10,878,944	–	–	10,878,944

	Nominal value per preference share	Number of shares			
		Balance as of 1.7.2009	Additions	Disposals	Balance as of 30.6.2010
Indirect interest					
Tan Sri William H.J. Cheng					
Silverstone Corporation Berhad	RM0.01	16,902,569	–	–	16,902,569

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected to such Directors have interests as disclosed in Note 19 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANY

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

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
27 September 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the balance sheets as of 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements 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 37 to 106.

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 the Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2010 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4(ii)(e) and Note 30 to the Financial Statements, which explained an uncertainty regarding the provision made for damages estimated to arise from a litigation claim.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 13 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

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

27 September 2010

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Revenue	5	**874,316**	598,037	**65,789**	87,666
Other operating income		**35,713**	41,131	**16,647**	19,995
Changes in inventories of finished goods, trading merchandise and work-in-progress		**23,480**	(27,390)	**–**	–
Raw materials and consumables used		**(355,626)**	(182,565)	**–**	–
Purchase of trading merchandise		**(234,667)**	(201,590)	**(57,960)**	(83,205)
Staff costs	6	**(70,427)**	(48,523)	**(1,511)**	(1,528)
Depreciation of:					
Property, plant and equipment	10	**(32,220)**	(27,525)	**(2)**	(35)
Investment properties	11	**(30)**	(41)	**(30)**	(41)
Amortisation of:					
Prepaid land lease payments	12	**(148)**	(872)	**–**	–
Intangible assets	16	**–**	(50)	**–**	–
(Loss)/Gain on foreign exchange:					
Realised		**(154)**	(717)	**–**	36
Unrealised		**7,058**	17,784	**(8,921)**	8,823
Other operating expenses		**(150,805)**	(116,113)	**(1,514)**	(5,920)
Finance costs	7	**(8,134)**	(9,490)	**(4,175)**	(3,249)
Share in results of associated companies		**44,779**	(11,985)	**–**	–
Gain from acquisition of:					
Bonds and debts issued by subsidiary companies		**52,941**	7,028	**–**	–
RCCPS issued by subsidiary company		**–**	642	**–**	–
Provision for damages arising from litigation claim	30	**–**	(15,000)	**–**	(15,000)
Negative goodwill arising from acquisition of subsidiary companies	13	**2,132**	147,590	**–**	–
Profit before tax	6	**188,208**	170,351	**8,323**	7,542
Income tax expense	8	**(24,804)**	(9,466)	**(3,190)**	(3,946)
Profit for the year		**163,404**	160,885	**5,133**	3,596
Attributable to:					
Equity holders of the Company		**152,517**	167,495		
Minority interests		**10,887**	(6,610)		
		163,404	160,885		
Earnings per ordinary share attributable to equity holders of the Company (sen)	9				
Basic		**66.12**	75.38		
Diluted		**66.10**	N/A		

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

BALANCE SHEETS

AS OF 30 JUNE 2010

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	10	**350,674**	367,113	**4,778**	4,780
Investment properties	11	**1,305**	1,335	**1,305**	1,335
Prepaid land lease payments	12	**8,661**	9,140	**–**	–
Investment in subsidiary companies	13	**–**	–	**18,238**	18,095
Investment in associated companies	14	**130,587**	151,825	**–**	–
Other investments	15	**25,933**	28,212	**18**	42
Intangible assets	16	**–**	–	**–**	–
Goodwill on consolidation	17	**–**	–	**–**	–
Deferred tax assets	18	**862**	13,106	**–**	–
Amount owing by a subsidiary company	13	**–**	–	**18,200**	18,200
Total non-current assets		**518,022**	570,731	**42,539**	42,452
Current Assets					
Inventories	20	**121,705**	84,679	**–**	–
Other investments	21	**10,552**	7,667	**6,835**	6,377
Trade receivables	22(a)	**140,163**	109,969	**3,879**	5,200
Other receivables and prepaid expenses	22(b)	**42,341**	41,551	**3,368**	3,455
Amount owing by holding company	19	**19,132**	26,488	**19,131**	26,488
Amount owing by subsidiary companies	13	**–**	–	**237,712**	203,381
Amount owing by associated companies	14	**1,608**	19,103	**–**	–
Amount owing by other related companies	19	**119,797**	111,450	**112,076**	106,198
Tax recoverable		**1,060**	1,226	**–**	–
Fixed deposits, cash and bank balances	23	**408,794**	404,338	**329,823**	327,120
Total current assets		**865,152**	806,471	**712,824**	678,219
Total Assets		**1,383,174**	1,377,202	**755,363**	720,671

(Forward)

	Note	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	24	**231,342**	230,367	**231,342**	230,367
Reserves	25	**851,365**	711,522	**345,567**	340,340
Equity attributable to equity holders of the Company		**1,082,707**	941,889	**576,909**	570,707
Minority interests		**67,512**	59,009	**–**	–
Total equity		**1,150,219**	1,000,898	**576,909**	570,707
Non-current and Deferred Liabilities					
Redeemable cumulative convertible preference shares	26	**13,672**	13,672	**–**	–
Hire-purchase payables	28	**5,332**	7,528	**–**	–
Deferred tax liabilities	18	**4,875**	945	**280**	245
Amount owing to a subsidiary company	13	**–**	–	**18,200**	18,200
Total non-current and deferred liabilities		**23,879**	22,145	**18,480**	18,445
Current Liabilities					
Trade payables	29(a)	**72,513**	54,384	**8,875**	10,657
Other payables and accrued expenses	29(b)	**78,337**	69,798	**5,240**	5,278
Provisions	30	**15,000**	15,000	**15,000**	15,000
Amount owing to subsidiary companies	13	**–**	–	**129,882**	98,503
Amount owing to other related companies	19	**1,040**	3,966	**315**	415
Hire-purchase payables	28	**2,234**	2,141	**–**	–
Bank borrowings	31	**36,577**	66,312	**–**	–
Bonds and debts	27	**–**	137,646	**–**	–
Tax liabilities		**3,375**	4,912	**662**	1,666
Total current liabilities		**209,076**	354,159	**159,974**	131,519
Total liabilities		**232,955**	376,304	**178,454**	149,964
Total Equity and Liabilities		**1,383,174**	1,377,202	**755,363**	720,671

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

The Group	Note	Share capital RM'000	← Share premium RM'000	Non-distributable reserves Equity compensation reserve RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Capital redemption reserve → RM'000	(Accumulated losses)/ Retained profits RM'000	Attributable to equity holders of the Company RM'000	Minority interests RM'000	Total equity RM'000
Balance as of 1 July 2008		210,435	688,028	1,196	(224)	161	9	(142,398)	757,207	23,778	780,985
Translation adjustment for the year		–	–	–	10,123	–	–	–	10,123	(45)	10,078
Profit for the year		–	–	–	–	–	–	167,495	167,495	(6,610)	160,885
Total recognised income and expense		–	–	–	10,123	–	–	167,495	177,618	(6,655)	170,963
Issue of shares	24	19,932	–	–	–	–	–	–	19,932	–	19,932
Fair value adjustment on shares issued for the acquisition of subsidiary companies		–	–	–	–	–	–	(12,955)	(12,955)	–	(12,955)
Acquisition of subsidiary companies		–	–	–	–	–	–	–	–	41,886	41,886
Share-based payments		–	–	(57)	–	144	–	–	87	–	87
Balance as of 30 June 2009		230,367	688,028	1,139	9,899	305	9	12,142	941,889	59,009	1,000,898
Balance as of 1 July 2009		**230,367**	**688,028**	**1,139**	**9,899**	**305**	**9**	**12,142**	**941,889**	**59,009**	**1,000,898**
Translation adjustment for the year		**–**	**–**	**–**	**(12,768)**	**–**	**–**	**–**	**(12,768)**	**(2,384)**	**(15,152)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**152,517**	**152,517**	**10,887**	**163,404**
Total recognised income and expense		**–**	**–**	**–**	**(12,768)**	**–**	**–**	**152,517**	**139,749**	**8,503**	**148,252**
Issue of shares	24	**975**	**64**	**–**	**–**	**–**	**–**	**–**	**1,039**	**–**	**1,039**
Share-based payments		**–**	**895**	**(870)**	**–**	**5**	**–**	**–**	**30**	**–**	**30**
Balance as of 30 June 2010		**231,342**	**688,987**	**269**	**(2,869)**	**310**	**9**	**164,659**	**1,082,707**	**67,512**	**1,150,219**

(Forward)

The Company	Note	Share capital RM'000	← Non-distributable reserves → Share premium RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as of 1 July 2008		210,435	688,028	1,196	161	(339,773)	560,047
Total recognised income and expense							
- Profit for the year		–	–	–	–	3,596	3,596
Issue of shares	24	19,932	–	–	–	–	19,932
Fair value adjustment on shares issued for the acquisition of subsidiary companies		–	–	–	–	(12,955)	(12,955)
Share-based payments		–	–	(57)	144	–	87
Balance as of 30 June 2009		230,367	688,028	1,139	305	(349,132)	570,707
Balance as of 1 July 2009		**230,367**	**688,028**	**1,139**	**305**	**(349,132)**	**570,707**
Total recognised income and expense							
- Profit for the year		**–**	**–**	**–**	**–**	**5,133**	**5,133**
Issue of shares	24	**975**	**64**	**–**	**–**	**–**	**1,039**
Share-based payments		**–**	**895**	**(870)**	**5**	**–**	**30**
Balance as of 30 June 2010		**231,342**	**688,987**	**269**	**310**	**(343,999)**	**576,909**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

The Group	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**163,404**	160,885
Adjustments for:		
Income tax expense recognised in income statements	**24,804**	9,466
Finance costs	**8,134**	9,490
Share-based payment expenses	**30**	87
Property, plant and equipment written off	**2**	2
Share in results of associated companies	**(44,779)**	11,985
Interest income	**(20,593)**	(23,734)
Gain from bonds and debts restructuring by subsidiary companies	**(11,117)**	–
Unrealised gain on foreign exchange	**(7,058)**	(17,784)
Dividend income from quoted investments	**(1)**	(9)
Provision for damages arising from litigation claim	**–**	15,000
Inventories written off	**–**	1,832
Negative goodwill arising from acquisition of subsidiary companies	**(2,132)**	(147,590)
Accretion of notional interest on deferred consideration	**–**	(1,909)
Depreciation of:		
Property, plant and equipment	**32,220**	27,525
Investment properties	**30**	41
Impairment loss on:		
Property, plant and equipment	**6,247**	20,267
Quoted investments	**328**	–
Unquoted investments	**3**	–
Intangible assets	**–**	304
Allowance for:		
Doubtful debts	**1,974**	3,117
Slow-moving and obsolete inventories	**271**	2,696
Amortisation of:		
Prepaid land lease payments	**148**	872
Intangible assets	**–**	50
Gain from acquisition of:		
Bonds and debts issued by subsidiary companies	**(52,941)**	(7,028)
RCCPS issued by subsidiary company	**–**	(642)
Allowance no longer required for:		
Slow-moving and obsolete inventories	**(1,867)**	(3,486)
Doubtful debts	**(919)**	(4,084)
(Gain)/Loss on disposal of:		
Property, plant and equipment	**(985)**	(321)
A subsidiary company	**2,139**	–
Unquoted investments	**(72)**	–
Investment properties	**–**	(780)
Quoted investments	**–**	(156)
Impairment loss no longer required for investments in:		
Quoted investments	**(15)**	–
Associated companies	**–**	(4,222)
Unquoted investments	**–**	(782)
Operating Profit Before Working Capital Changes	**97,255**	51,092

(Forward)

	Note	2010 RM'000	2009 RM'000
(Increase)/Decrease in:			
Inventories		**(36,769)**	44,121
Trade receivables		**(31,603)**	25,828
Other receivables and prepaid expenses		**(9,022)**	(6,207)
Amount owing by associated companies		**–**	4,584
Increase/(Decrease) in:			
Trade payables		**19,498**	(25,852)
Other payables and accrued expenses		**12,703**	(10,237)
Cash Generated From Operations		**52,062**	83,329
Interest received		**2,096**	1,221
Income tax paid		**(9,096)**	(7,706)
Net Cash From Operating Activities		**45,062**	76,844
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		**(31,203)**	(12,176)
Additions to other investments		**(56,847)**	(53,229)
Proceeds from redemption of other investments		**1,289**	20,043
Proceeds from disposal of:			
Property, plant and equipment		**1,349**	549
Other investments		**–**	2,598
Investment properties		**–**	1,675
Deferred consideration received from disposal of a subsidiary company in prior year		**16,748**	124,290
Dividend income from quoted investments		**1**	9
Dividend received from an associated company		**55,361**	–
Net cash inflow from acquisition of subsidiary companies	13	**694**	6,424
Net cash outflow from disposal of subsidiary company	13	**(701)**	–
Decrease/(Increase) in:			
Amount owing by holding company		**10,000**	2,708
Amount owing by other related companies		**(4,832)**	(2,926)
Cash at banks held under Escrow Account and fixed deposits pledged		**10,220**	(153,246)
Interest received from:			
Fixed deposits with licensed banks		**7,100**	8,240
Other related companies		**6,918**	6,445
Net Cash From/(Used In) Investing Activities		**16,097**	(48,596)

(Forward)

	Note	2010 RM'000	2009 RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES			
Decrease in bank borrowings excluding bank overdrafts		**(28,801)**	(35,836)
Proceeds from issue of shares		**1,039**	–
Payment of hire-purchase payables		**(2,144)**	(3,853)
Repayment of bonds and debts		**(12,473)**	(6,611)
Finance costs paid		**(3,293)**	(6,043)
Net Cash Used In Financing Activities		**(45,672)**	(52,343)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**15,487**	(24,095)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**65,070**	88,497
Effect of exchange differences		**(1,042)**	668
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**79,515**	65,070

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

	2010 RM'000	2009 RM'000
Cash purchase	**31,203**	12,176
Hire-purchase financing	**41**	12,963
Transfer from inventories	**49**	–
	31,293	25,139

(Forward)

The Company	2010 RM'000	2009 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit for the year	**5,133**	3,596
Adjustments for:		
Unrealised loss/(gain) on foreign exchange	**8,921**	(8,823)
Income tax expense recognised in income statements	**3,190**	3,946
Finance costs	**4,175**	3,249
Share-based payment expenses	**30**	87
Interest income	**(16,423)**	(17,232)
Dividend income	**(7,241)**	(3,431)
Provision for damages arising from litigation claim	**–**	15,000
Allowance for doubtful debts	**–**	1,023
Accretion of notional interest on deferred consideration	**–**	(1,909)
Depreciation of:		
Investment properties	**30**	41
Property, plant and equipment	**2**	35
Impairment loss on:		
Quoted investments	**21**	–
Unquoted investments	**3**	–
Gain on disposal of:		
Subsidiary company	**(136)**	–
Property, plant and equipment	**(14)**	–
Investment properties	**–**	(780)
Quoted investments	**–**	(1)
Operating Loss Before Working Capital Changes	**(2,309)**	(5,199)
(Increase)/Decrease in:		
Trade receivables	**1,321**	(239)
Other receivables and prepaid expenses	**87**	(3,748)
Increase/(Decrease) in:		
Trade payables	**(1,782)**	(2,152)
Other payables and accrued expenses	**(38)**	110
Cash Used In Operations	**(2,721)**	(11,228)
Income tax paid	**(4,159)**	(3,199)
Net Cash Used In Operating Activities	**(6,880)**	(14,427)

(Forward)

	Note	2010 RM'000	2009 RM'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from disposal of:			
Subsidiary company		**136**	–
Property, plant and equipment		**14**	–
Investment properties		**–**	1,675
Other investments		**–**	2
Deferred consideration received from disposal of a subsidiary company in prior year		**–**	124,290
Investment in a subsidiary company		**(143)**	–
(Increase)/Decrease in:			
Amount owing by holding company		**10,000**	2,708
Amount owing by subsidiary companies		**(43,245)**	(29,048)
Amount owing by other related companies		**(5,878)**	(5,346)
Cash at banks held under Escrow Account and fixed deposits pledged		**(6,162)**	(132,864)
Interest received from:			
Fixed deposits with licensed banks		**6,152**	7,551
Other related companies		**6,854**	6,386
Subsidiary companies		**774**	299
Dividend received from subsidiary companies		**7,234**	2,573
Net Cash Used In Investing Activities		**(24,264)**	(21,774)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Bank borrowings excluding bank overdrafts		**–**	(4,594)
Amount owing to subsidiary companies		**31,379**	2,735
Amount owing to other related companies		**(100)**	(8)
Proceeds from issue of shares		**1,039**	–
Finance costs paid		**(4,175)**	(3,249)
Net Cash From/(Used In) Financing Activities		**28,143**	(5,116)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,001)**	(41,317)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**17,734**	59,051
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**14,733**	17,734

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiary companies are as disclosed in Note 13.

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 27 September 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

New Accounting Standards

In the current financial year, the Group adopted FRS 8 Operating Segments for annual periods beginning on or after 1 July 2009. The adoption of FRS 8 did not result in changes to the Group's accounting policies and did not have any material financial effect on the results of the Group for the current and prior financial years.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114_{2004} Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

Standards and Interpretations issued but not yet effective

At the date of authorisation of issue of the financial statements, the following new/revised FRSs, amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") are issued but not yet effective until future periods:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[1]
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010)[2]
FRS 1	First-time Adoption of Financial Reporting Standards (Revised in 2010) (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters and additional exemptions for first-time adopters)[3]
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)[1]
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)[2]

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

Standards and Interpretations issued but not yet effective (continued)

FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)[3]
FRS 3	Business Combinations (Revised in 2010)[2]
FRS 4	Insurance Contracts[1]
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)[2]
FRS 7	Financial Instruments: Disclosures[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets - effective date and transition)[1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)[3]
FRS 101	Presentation of Financial Statements (Revised in 2009)[1]
FRS 123	Borrowing Costs (Revised)[1]
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)[1]
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010)[2]
FRS 132	Financial Instruments: Presentation (Amendments relating to puttable financial instruments and obligations arising on liquidation and transitional provision relating to compound instruments)[1]
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)[4]
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)[2]
FRS 139[7]	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets – effective date and transition, embedded derivatives and revised FRS 3 and revised FRS 127)[2]
Improvements to FRSs (2009)[1]	
IC Int. 4	Determining whether an arrangement contains a lease[3]
IC Int. 9	Reassessment of Embedded Derivatives[1]
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)[1]
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3)[2]
IC Int. 10	Interim Financial Reporting and Impairment[1]
IC Int. 11	FRS 2 - Group and Treasury Share Transactions[1]
IC Int. 12	Service Concession Arrangements[2]
IC Int. 13	Customer Loyalty Programmes[1]
IC Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[1]
IC Int. 15	Agreements for the Construction of Real Estate[6]
IC Int. 16	Hedges of a Net Investment in a Foreign Operation[2]
IC Int. 17	Distributions of Non-cash Assets to Owners[2]
IC Int. 18	Transfers of Assets from Customers[5]

[1] Effective for annual periods beginning on or after 1 January 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 March 2010
[5] Applies to transfers of assets from customers received on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] If an entity has not early adopted FRS 139, FRS 139 Financial Instruments: Recognition and Measurement should be included in the list of standards and interpretations in issue but not yet effective

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

Consequential amendments were also made to various FRS as a result of these new/revised FRSs.

FRS 1, FRS 4, IC Int. 9, IC Int. 12, IC Int. 13, IC Int. 14, IC Int. 15, IC Int. 16, IC Int. 17 and IC Int. 18 are not expected to be relevant to the operations of the Group and the Company.

The Directors anticipate that abovementioned standards and interpretations will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group and the Company in the period of initial application except for the following:

FRS 3 Business Combinations (Revised in 2010)
The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interest') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if the payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in income statements;
- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- requires acquisition-related costs to be accounted for seperately from the business combination, generally leading to those costs being recognised as an expense in income statement as incurred, whereas previously they were accounted for as part of the cost of the business combination.

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

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

FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

FRS 101 Presentation of Financial Statements (Revised in 2009)
FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. There is no impact on the Group's and Company's financial statements as this change in accounting policy affects only the presentation of the Group's and the Company's financial statements.

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

FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)
The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiary company that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary company were treated in the same manner as the acquisitions of subsidiary company, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary company regardless of whether the disposals would result in the Group losing control over the subsidiary company, the difference between the consideration received and the carrying amount of the share of the net assets disposed of was recognised in income statements.

Under the FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiary company that do not result in the Group losing control over the subsidiary company are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When a control of a subsidiary company is lost as a result of a transaction, event or other circumstance, FRS 127 (Revised in 2010) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in income statements.

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

FRS 139 Financial Instruments: Recognition and Measurement
The new standard establishes principles for recognising and measuring financial assets, financial liabilities and certain contracts to buy and sell non-financial items.

By virtue of the exemption provided in paragraph 44AB of FRS 7 and paragraph 103AB of FRS 139, the impact of applying FRS 7 and FRS 139 on the Group's and the Company's financial statements upon initial application of these standards as required by paragraph 30(b) of FRS 108 is not disclosed.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

Basis of Consolidation

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

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

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

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

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

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

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

Revenue and Revenue Recognition

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

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

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

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

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

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

Employee Benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity compensation benefits

The Group's ESOS allows the employees to acquire shares in the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in the income statements with a corresponding increase in the equity compensation reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements, and a corresponding adjustment to equity over the remaining vesting period.

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

Taxation

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

<u>Current tax</u>

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

<u>Deferred tax</u>

Deferred tax is accounted for, using the "balance sheet liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

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

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

Foreign Currency Conversion

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

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

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Impairment of Assets Excluding Goodwill

The carrying amounts of property, plant and equipment, investment properties, intangible assets, investment in subsidiary companies, investment in associated companies and other investments are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised immediately in the income statements.

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

Property, Plant and Equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

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

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

Prepaid Land Lease Payments

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

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

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

Investments

Investments in unquoted shares in subsidiary companies, which is eliminated on consolidation, and investments in unquoted shares in associated companies are stated at cost less any impairment losses in the Company's financial statements.

Other investments consist of investment in quoted and unquoted bonds, warrants and shares, Redeemable Cumulative Convertible Preference Shares ("RCCPS") and Redeemable Convertible Secured Loan Stocks ("RCSLS").

Investments in quoted and unquoted bonds, warrants and shares are stated at cost less any impairment losses.

Investments in unquoted bonds, RCCPS and RCSLS are recorded at cost, adjusted for accretion of interest less any impairment losses.

Investment in Associated Companies

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

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

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

Intangible Assets

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

Goodwill on Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Payables

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

Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

Redeemable Cumulative Convertible Preference Shares ("RCCPS")

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

The RCCPS are classified as non-current liabilities in the balance sheet and the preferential dividends are recognised as finance costs in the income statements in the period in which they are incurred.

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

Bonds and Debts are stated at the net present value plus accreted interest and net of amortised issuance expenses. The accretion of interest on Bonds or Debts is recognised as finance costs on the basis of their underlying cash yield to maturity.

Provisions

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

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

Cash Flow Statements

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Assets

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

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Property, plant and equipment	**6,247**	20,267	**–**	–
Intangible assets	**–**	304	**–**	–
Other investments	**331**	–	**24**	–

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

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

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

(b) Allowance for Doubtful Debts

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

(c) Depreciation of Property, Plant and Equipment

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

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

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

(ii) Key sources of estimation uncertainty (continued)

(d) Deferred Tax Assets

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

(e) Provisions

As disclosed in Note 30, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company at the time the litigation claim was made, the Company provided for liquidated damages from litigation claims amounting to RM15,000,000. The provision is made based on the management's best judgement and estimate using information currently available. As the legal case is to be remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods and services:				
External customers	**874,316**	598,037	**–**	–
Subsidiary company	**–**	–	**58,548**	84,235
Gross dividend income from:				
Subsidiary companies	**–**	–	**7,241**	3,430
Other investments	**–**	–	**–**	1
	874,316	598,037	**65,789**	87,666

6. PROFIT BEFORE TAX

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income on:				
Fixed deposits with licensed banks	**7,100**	8,240	**6,152**	7,551
Advances to other related companies	**6,918**	6,445	**6,854**	6,386
Advances to holding company	**2,643**	2,996	**2,643**	2,996
Advances to subsidiary companies	**–**	–	**774**	299
Investment in unquoted bonds	**306**	4,312	**–**	–
Others	**3,626**	1,741	**–**	–
Gain from bonds and debts restructuring by subsidiary companies	**11,117**	–	**–**	–

6. PROFIT BEFORE TAX (continued)

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Impairment loss no longer required for investments in:				
Associated companies	**–**	4,222	**–**	–
Unquoted investments	**–**	782	**–**	–
Quoted investments	**15**	–	**–**	–
Allowance no longer required for:				
Doubtful debts	**919**	4,084	**–**	–
Slow-moving and obsolete inventories	**1,867**	3,486	**–**	–
Accretion of notional interest on deferred consideration	**–**	1,909	**–**	1,909
Gain on disposal of:				
Subsidiary company	**–**	–	**136**	–
Property, plant and equipment	**985**	321	**14**	–
Unquoted investments	**72**	–	**–**	–
Quoted investments	**–**	156	**–**	1
Investment properties	**–**	780	**–**	780
Bad debts recovered	**140**	49	**63**	32
Dividend income from quoted investments	**1**	9	**–**	1
Rental income from investment properties rented to:				
Third parties	**4**	8	**4**	8
Subsidiary companies	**–**	–	**7**	7
Impairment loss on:				
Property, plant and equipment (Note 10)	**(6,247)**	(20,267)	**–**	–
Intangible assets (Note 16)	**–**	(304)	**–**	–
Quoted investments	**(328)**	–	**(21)**	–
Unquoted investments	**(3)**	–	**(3)**	–
Allowance for:				
Doubtful debts	**(1,974)**	(3,117)	**–**	(1,023)
Slow-moving and obsolete inventories	**(271)**	(2,696)	**–**	–
Rental of premises payable to:				
Third parties	**(3,929)**	(2,875)	**(97)**	(109)
Subsidiary company	**–**	–	**(19)**	(30)
Inventories written off	**–**	(1,832)	**–**	–
Hire of plant and machinery	**(169)**	(439)	**–**	–
Directors' remuneration (Note 19)	**(473)**	(338)	**(401)**	(326)
Auditors' remuneration:				
Statutory:				
Current year	**(311)**	(305)	**(62)**	(37)
Underprovision in prior year	**(29)**	(5)	**(25)**	(2)
Special audit	**(30)**	–	**(30)**	–
Loss on disposal of a subsidiary company	**(2,139)**	–	**–**	–
Property, plant and equipment written off	**(2)**	(2)	**–**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans, share-based payments and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM6,590,000 and RM104,000 (RM4,436,000 and RM103,000 in 2009), respectively. The Group and the Company recognised total expenses of RM30,000 (RM87,000 in 2009), relating to share-based payment transactions during the financial year, of which an amount of RM Nil (RM14,000 in 2009) relates to a non-executive Director, who retired in November 2009 and included as part of the directors' salaries and other emoluments as disclosed in Note 19.

6. PROFIT BEFORE TAX (continued)

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other remuneration	**1,179**	754	**891**	422
Defined contribution plans	**92**	97	**53**	56
Share-based payment expenses	**20**	35	**9**	24
Benefits-in-kind	**31**	33	**25**	27
	1,322	919	**978**	529

7. FINANCE COSTS

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Bank overdrafts and other borrowings	**2,791**	5,408	**–**	58
Bonds and debts	**4,535**	3,447	**–**	–
Hire-purchase	**664**	557	**–**	–
RCCPS	**144**	78	**–**	–
Advances from subsidiary companies	**–**	–	**4,175**	3,191
	8,134	9,490	**4,175**	3,249

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Estimated tax payable:				
Current	**8,240**	6,875	**2,808**	3,824
Under/(Over)provision in prior years	**390**	(107)	**347**	30
	8,630	6,768	**3,155**	3,854
Deferred tax (Note 18):				
Current	**16,507**	2,732	**–**	92
(Over)/Underprovision in prior years	**(333)**	(34)	**35**	–
	16,174	2,698	**35**	92
	24,804	9,466	**3,190**	3,946

8. INCOME TAX EXPENSE (continued)

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

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Profit before tax	**188,208**	170,351	**8,323**	7,542
Tax at applicable tax rate of 25% (25% in 2009)	**47,052**	42,588	**2,081**	1,886
Tax effects of:				
Non-deductible items	**4,046**	11,864	**3,067**	4,855
Non-taxable items	**(30,483)**	(43,458)	**(2,340)**	(2,825)
Utilisation of deferred tax assets previously not recognised	**(56)**	(1,450)	**–**	–
Deferred tax assets not recognised	**4,188**	63	**–**	–
Under/(Over)provision in prior years:				
Current tax	**390**	(107)	**347**	30
Deferred tax	**(333)**	(34)	**35**	–
	24,804	9,466	**3,190**	3,946

As of 30 June 2010, the balances in the tax-exempt accounts of the Company are as follows:

	The Company	
	2010 RM'000	**2009 RM'000**
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**7,579**	7,579
Tax-exempt dividends received	**27,398**	27,398
	34,977	34,977

The above balances in the tax-exempt accounts, if agreed with the tax authorities, will enable the Company to distribute tax-exempt dividends up to the same amounts.

9. EARNINGS PER ORDINARY SHARE

Basic

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

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders of the Company	**152,517**	167,495
Weighted average number of ordinary shares:		
Number of shares issued at beginning of year	**230,367**	210,435
Effect of the excercise of ESOS	**299**	–
Take-over offer	**–**	11,763
	230,666	222,198
Basic earnings per share (sen)	**66.12**	75.38

Fully diluted

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders of the Company	**152,517**	167,495
Weighted average number of ordinary shares in issue	**230,666**	N/A
Effect of dilution:		
Share options	**78**	N/A
Adjusted weighted average number of ordinary shares in issue and issuable	**230,744**	N/A
Diluted earnings per share (sen)	**66.10**	N/A

The main features of the ESOS are set out in Note 24.

As of 30 June 2009, the options over 2,182,800 unissued ordinary shares granted to eligible executives and executive Directors pursuant to the Company's ESOS have an anti-dilutive effect and therefore the diluted earnings per ordinary share was not presented.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group	COST Balance as of 1 July 2008 RM'000	Currency translation differences RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Acquisition of subsidiary companies RM'000	Reclass-ifications RM'000	Balance as of 30 June 2009 RM'000
Freehold land	4,777	–	–	–	–	552	6,123	11,452
Freehold buildings	5,986	(626)	365	–	–	78,121	–	83,846
Long leasehold buildings	44,675	3,571	164	–	–	–	10,111	58,521
Plant and machinery	129,626	7,908	2,768	(2,164)	(2)	372,844	7,489	518,469
Office equipment	1,431	36	57	–	–	–	–	1,524
Furniture and fittings	876	(45)	262	(123)	(218)	25,282	–	26,034
Motor vehicles	2,881	46	240	(546)	–	6,850	–	9,471
Prime movers and trailers	14,898	–	12,964	–	–	–	–	27,862
Office renovation	726	–	–	–	–	–	–	726
Computer equipment	5,516	323	90	(38)	–	–	(82)	5,809
Chiller max equipment	–	–	56	–	–	–	–	56
Capital work-in-progress	–	–	8,173	–	–	18,098	(23,641)	2,630
	211,392	11,213	25,139	(2,871)	(220)	501,747	–	746,400

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION Balance as of 1 July 2008 RM'000	Currency translation differences RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Acquisition of subsidiary companies RM'000	Reclass-ifications RM'000	Balance as of 30 June 2009 RM'000
Freehold land	–	–	–	–	–	–	–	–
Freehold buildings	1,425	(217)	1,334	–	–	28,047	–	30,589
Long leasehold buildings	4,340	347	2,356	–	–	–	–	7,043
Plant and machinery	41,373	1,644	20,995	(1,975)	(2)	211,089	–	273,124
Office equipment	1,077	25	123	–	–	–	249	1,474
Furniture and fittings	783	(5)	821	(123)	(216)	23,951	–	25,211
Motor vehicles	2,086	17	290	(510)	–	5,194	–	7,077
Prime movers and trailers	10,696	–	995	–	–	–	–	11,691
Office renovation	699	–	12	–	–	–	–	711
Computer equipment	1,726	59	593	(35)	–	–	(249)	2,094
Chiller max equipment	–	–	6	–	–	–	–	6
Capital work-in-progress	–	–	–	–	–	–	–	–
	64,205	1,870	27,525	(2,643)	(218)	268,281	–	359,020

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES Balance as of 1 July 2008 RM'000	Charge for the year RM'000	Balance as of 30 June 2009/ 1 July 2009 RM'000	Charge for the year RM'000	Balance as of 30 June 2010 RM'000	NET BOOK VALUE As of 30 June 2010 RM'000	As of 30 June 2009 RM'000
Freehold land	–	–	–	–	–	11,347	11,452
Freehold buildings	–	–	–	–	–	51,245	53,257
Long leasehold buildings	–	–	–	–	–	46,902	51,478
Plant and machinery	–	17,051	17,051	6,247	23,298	209,124	228,294
Office equipment	–	–	–	–	–	8	50
Furniture and fittings	–	–	–	–	–	1,458	823
Motor vehicles	–	–	–	–	–	1,197	2,394
Prime movers and trailers	–	3,216	3,216	–	3,216	16,398	12,955
Office renovation	–	–	–	–	–	4	15
Computer equipment	–	–	–	–	–	3,166	3,715
Chiller max equipment	–	–	–	–	–	80	50
Capital work-in-progress	–	–	–	–	–	9,745	2,630
	–	20,267	20,267	6,247	26,514	350,674	367,113

The Company	COST Balance as of 1 July 2008 RM'000	Additions RM'000	Balance as of 30 June 2009/ 1 July 2009 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Balance as of 30 June 2010 RM'000
Freehold land	4,777	–	4,777	–	–	–	4,777
Office equipment	262	–	262	–	–	–	262
Furniture and fittings	392	–	392	–	–	–	392
Motor vehicles	554	–	554	–	(93)	–	461
Office renovation	256	–	256	–	–	–	256
Computer equipment	324	–	324	–	–	(36)	288
	6,565	–	6,565	–	(93)	(36)	6,436

The Company	ACCUMULATED DEPRECIATION Balance as of 1 July 2008 RM'000	Charge for the year RM'000	Balance As of 30 June 2009/ 1 July 2009 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Balance As of 30 June 2010 RM'000	NET BOOK VALUE As of 30 June 2010 RM'000	As of 30 June 2009 RM'000
Freehold land	–	–	–	–	–	–	–	4,777	4,777
Office equipment	258	4	262	–	–	–	262	–	–
Furniture and fittings	390	1	391	–	–	–	391	1	1
Motor vehicles	528	26	554	–	(93)	–	461	–	–
Office renovation	256	–	256	–	–	–	256	–	–
Computer equipment	318	4	322	2	–	(36)	288	–	2
	1,750	35	1,785	2	(93)	(36)	1,658	4,778	4,780

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Motor vehicles	**57**	56
Prime movers and trailers	**11,432**	12,798
	11,489	12,854

As of 30 June 2010, certain freehold land and buildings of the Group with net book values totalling RM9,358,000 (RM9,453,000 in 2009) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 31.

Certain plant and machinery and leasehold land and building of a foreign subsidiary company with net book values totalling RM53,659,000 in the previous financial year had been pledged as collaterals to a foreign bank for a term loan facility granted to the said foreign subsidiary company as disclosed in Note 31. The term loan was fully repaid during the financial year.

11. INVESTMENT PROPERTIES

	The Group and The Company	
	2010	**2009**
	RM'000	**RM'000**
Net book value:		
At beginning of year	**1,335**	2,271
Disposal during the year	**–**	(895)
Depreciation charge for the year	**(30)**	(41)
At end of year	**1,305**	1,335
Cost	**1,638**	1,638
Accumulated depreciation	**(333)**	(303)
Net book value	**1,305**	1,335
Fair value	**1,225**	1,225

The rental income earned by the Group and the Company from the investment properties amounted to RM4,000 (RM8,000 in 2009) and RM11,000 (RM15,000 in 2009) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM6,000 (RM4,000 in 2009).

Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM5,000 (RM10,000 in 2009).

11. INVESTMENT PROPERTIES (continued)

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

As of 30 June 2010, certain freehold land and buildings and long leasehold buildings of the Company included as part of investment properties with net book value totalling RM1,253,000 (RM1,279,000 in 2009) have been charged as collaterals to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 31.

12. PREPAID LAND LEASE PAYMENTS

	The Group	
	2010 RM'000	**2009 RM'000**
Cost:		
At beginning of year	**10,234**	4,755
Currency translation differences	**(354)**	71
Acquisition of subsidiary companies	**–**	5,408
At end of year	**9,880**	10,234
Cumulative amortisation:		
At beginning of year	**1,094**	206
Currency translation differences	**(23)**	(89)
Acquisition of subsidiary companies	**–**	105
Amortisation for the year	**148**	872
At end of year	**1,219**	1,094
Unamortised portion:		
At end of year	**8,661**	9,140
At beginning of year	**9,140**	4,549

Prepaid land lease payments relate to:

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

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

Prepaid land lease payments are amortised over the lease terms of the land/rights. Prepaid land and lease agreement of the Group with carrying value totalling RM4,810,000 in the previous financial year had been charged as collaterals to a foreign bank for a term loan facility granted to the Group as disclosed in Note 31. The term loan was fully repaid during the financial year.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2010 RM'000	2009 RM'000
Unquoted shares - at cost	**19,038**	18,895
Less: Impairment	**(800)**	(800)
	18,238	18,095

Amount owing by a subsidiary company (non-current portion), which arose as a result of a long term loan on-lend to LFIB Plantations Sdn. Bhd. as disclosed below, is unsecured, interest-free (interest-free in 2009) and has a tenure of 10 years from 2006.

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are repayable on demand. The advances bear interest at rates ranging from 1.00% to 6.30% (1.00% to 6.30% in 2009) per annum.

Amount owing to subsidiary companies consists of:

	The Company 2010 RM'000	2009 RM'000
Advances	**110,203**	71,655
Term loan	**19,130**	26,488
Long term loan	**18,749**	18,560
	148,082	116,703
Less : Amount due within 12 months (shown under current liabilities)	**(129,882)**	(98,503)
Non-current portion	**18,200**	18,200

The advances are interest-free (interest-free in 2009) and are repayable on demand. The interest rates per annum for the term loan and long term loan are as follows:

	The Company 2010 %	2009 %
Term loan	**12.00**	12.00
Long term loan	**1.00**	1.00

The term loan arose in 2004 when Lion Industries Corporation Berhad ("LICB"), the ultimate holding company of the Company, accepted the Company's offer to lend up to RM100 million, the sum of which was advanced by Sabah Forest Industries Sdn. Bhd. ("SFI"), a subsidiary company of the Company then. LICB in turn advanced the same to Amsteel Mills Sdn. Bhd. ("AMSB"), a subsidiary company of LICB, to enable AMSB to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan ("Offer of Financing"). The Offer of Financing was implemented on 6 August 2004.

On the disposal of SFI during the financial year 2007, the amount payable by the Company to SFI, which forms part of the excluded assets of SFI in the disposal transaction, had been transferred to Intra Inspirasi Sdn. Bhd., a wholly-owned subsidiary company of the Company.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The long term loan principal outstanding of RM18.2 million (RM18.2 million in 2009) was granted to the Company in 2006 for on-lend to a subsidiary company, LFIB Plantations Sdn. Bhd., for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia. The said loan is unsecured with a repayment period of 10 years.

The Directors of the Company are of the opinion that the transactions undertaken with subsidiary companies have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The subsidiary companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activities
Lion Petroleum Products Sdn. Bhd.	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
LFIB Plantations Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn. Bhd.	Malaysia	**70.00**	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn. Bhd.	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Posim EMS Sdn. Bhd.	Malaysia	**80.00**	80.00	Provision of energy management and conservation services
Silverstone (Hubei) Rubber and Tyre Co. Ltd. ^	People's Republic of China	**100.00**	100.00	Dormant
Stoller Chemical Company (M) Sdn. Bhd. (In liquidation - voluntary) (Dissolved on 2 January 2010)	Malaysia	**–**	100.00	Dormant
Quay Class Ltd.^	British Virgin Islands	**100.00**	100.00	Dormant
Intra Inspirasi Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Gama Harta Sdn. Bhd.	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %	Principal Activities
Singa Logistics Sdn. Bhd. #	Malaysia	**100.00**	100.00	Provision of transportation services
Silverstone Corporation Berhad #	Malaysia	**84.16**	84.16	Investment holding
Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. #	People's Republic of China	**75.00**	75.00	Manufacturing and distribution of tyres
P.T. Lion Intimung Malinau #	Republic of Indonesia	**95.00**	95.00	Dormant
Harta Impiana Sdn Bhd	Malaysia	**100.00**	–	Dormant
Subsidiary companies of Silverstone Corporation Berhad				
AMB Aerovest Limited ^	British Virgin Islands	**84.16**	84.16	Investment holding
AMB Harta (L) Limited	Malaysia	**84.16**	84.16	Treasury business
AMB Harta (M) Sdn. Bhd. #	Malaysia	**84.16**	84.16	Managing of debts novated from Silverstone Corporation Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Silverstone Corporation Berhad and certain of its subsidiary companies
AMB Venture Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
Chrome Marketing Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
iMpression Worldwide Inc. ^	British Virgin Islands	**84.16**	84.16	Acquisition of patents, patent rights, copyrights, trademarks, formulas, licences, concessions, and granting of licences, or rights to use in respect of the same to any other person
Innovasi Istimewa Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
Innovasi Selaras Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
Lion Rubber Industries Pte. Ltd. #	Singapore	**52.18**	52.18	Investment holding
Lion Motor Sdn. Bhd. #	Malaysia	**84.16**	84.16	Sale and distribution of motor vehicles
Lion Tyre Venture Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activities
Range Grove Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
Silverstone Polymer Industries Sdn. Bhd.	Malaysia	**84.16**	84.16	Retreading tyres
Seintasi Sdn. Bhd. #	Malaysia	**84.16**	84.16	Investment holding
Shanghai Silverstone Management Consulting Co. Ltd. #	People's Republic of China	**84.16**	84.16	Provision of management services
Silverstone Berhad	Malaysia	**84.16**	84.16	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn. Bhd.	Malaysia	**84.16**	84.16	Distribution of tyres, rubber compounds and other related rubber products
Silverstone Tyreplus Pty. Ltd. #	Australia	**84.16**	84.16	Dormant
Silverstone Tyre (S) Pte. Ltd. #	Singapore	**67.33**	67.33	Investment holding
CEDR Corporate Consulting Sdn. Bhd. #	Malaysia	**84.16**	84.16	Provision of training services
Willet Investment Pte. Ltd. #	Singapore	**63.96**	63.96	Investment holding

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

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

The Company's investment in Ototek Sdn. Bhd. with carrying value amounting to RM1,175,000 (RM1,175,000 in 2009) has been pledged as a collateral to certain local banks for bank overdraft and other credit facilities granted to the Company as disclosed in Note 31.

Acquisition of subsidiary companies

The acquisition of subsidiary companies by the Company during the financial year are as follows:

(i) On 26 August 2009, the Company acquired the entire issued and paid up capital of Harta Impiana Sdn Bhd ("Harta Impiana") a company incorporated in Malaysia, for a cash consideration of RM2.

(ii) On 17 June 2010, the Company acquired 51% equity interest comprising 51 Class B ordinary shares of USD1 each in Jadeford International Limited ("Jadeford") for a cash consideration of USD43,000 (equivalent to RM143,000).

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

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

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

During the previous financial year, the Group acquired 84.16% equity interest in Silverstone Corporation Berhad ("SCB"). The acquisition, which was completed on 28 November 2008, was accounted for under the purchase method.

The effects of the SCB acquisition on the financial results of the Group from the date of acquisition to 30 June 2009 are as follows:

	The Group 2009 RM'000
Revenue	225,108
Profit after tax and minority interests	7,711

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	Fair value recognised on acquisition RM'000	**Carrying value RM'000**
Property, plant and equipment	233,466	233,466
Investment in associated companies	154,990	233,190
Other investments	45,274	45,274
Prepaid land lease payments	5,303	5,303
Deferred tax assets	15,309	15,309
Inventories	96,523	96,523
Trade and other receivables	82,723	82,723
Amount owing by associated companies	23,687	23,687
Tax recoverable	470	470
Cash and bank balances	24,423	24,423
Trade and other payables	(82,638)	(82,638)
Tax liabilities	(18)	(18)
Bank borrowings and hire-purchase payables	(80,878)	(83,650)
Bonds and debts	(307,321)	(509,480)
Deferred tax liabilities	(377)	(377)
RCCPS	(14,762)	(30,575)
Minority interests	(14,108)	(14,108)
Provisional fair value of net assets acquired	182,066	39,522
Total cost of investment in SCB	(6,698)	
	175,368	
Minority interests	(27,778)	
Net negative goodwill	147,590	
Cash and bank balances of subsidiary companies acquired	24,423	
Less: Fixed deposits pledged to financial institutions	(2,080)	
Bank overdrafts	(15,919)	
Cash flows on acquisition, net of cash and cash equivalents acquired	6,424	

The negative goodwill arose mainly due to the fair values of the bonds and debts and RCCPS acquired by the Group which were lower than the book values of the bonds and debts and RCCPS issued by SCB.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Disposal of a subsidiary company

On 22 December 2009, Jadeford International Limited ("Jadeford") ceased to be a subsidiary company of the Company upon completion of the disposal of 51% equity interest in Jadeford comprising 51 Class B ordinary shares of USD1 each fully paid, for a cash consideration of USD40,164 (equivalent to RM136,000).

Assets and liabilities disposed of were as follows:

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

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At cost:				
Quoted investment outside Malaysia	**83,486**	83,486	**–**	–
Unquoted investments	**80,410**	80,410	**4,684**	4,684
Less: Impairment loss	**–**	–	**(4,684)**	(4,684)
	163,896	163,896	**–**	–
Share of post-acquisition results less dividend received	**(33,309)**	(12,071)	**–**	–
	130,587	151,825	**–**	–
Market value of quoted investment outside Malaysia	**89,970**	66,907	**–**	–

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

Name of Companies	Country of Incorporation	Effective Equity Interest 2010 %	2009 %	Principal Activity
Kinabalu Motor Assembly Sendirian Berhad #	Malaysia	**20.00**	20.00	Assembly and sale of commercial vehicles
Associated companies of Silverstone Corporation Berhad				
Hunan Changfa Automobile Engine Co. Ltd. #	People's Republic of China	**42.08**	42.08	Manufacture of automotive engine
Lion Asia Investment Pte. Ltd. #	Singapore	**16.83**	16.83	Investment holding
Lion Asiapac Limited #	Singapore	**30.87**	30.87	Investment holding
Nanjing Jincheng Machinery Co. Ltd. #	People's Republic of China	**32.36**	32.36	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn. Bhd. #	Malaysia	**16.83**	16.83	Investment holding

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

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

	The Group 2010 RM'000	2009 RM'000
Revenue	**843,182**	1,564,331
Profit/(Loss) for the year	**139,905**	(189,720)
Current assets	**736,605**	712,125
Non-current assets	**308,898**	595,464
Current liabilities	**(593,100)**	(553,704)
Non-current liabilities	**(6,268)**	(336,479)
Net assets	**446,135**	417,406

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The Group's share of losses of the associated companies has been recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses amounted to RM45,567,000 (RM45,328,000 in 2009) and RM239,000 (RM8,168,000 in 2009) respectively.

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by associated companies	**1,608**	19,103

Included in previous year's amount owing by associated companies was an amount of RM17,500,000 arising from the proceeds receivable for the disposal of a subsidiary company by the SCB Group. The said amount, denominated in Chinese Renmimbi, was received during the year.

Amount owing by associated companies represents trade advances is interest-free (interest-free in 2009) and repayable on demand.

15. OTHER INVESTMENTS

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted investments in Malaysia:				
At cost:				
Ordinary shares	**131**	130	**123**	123
Warrants	**782**	782	**–**	–
	913	912	**123**	123
Less: Accumulated impairment	**(415)**	(87)	**(108)**	(87)
	498	825	**15**	36
Quoted investments outside Malaysia:				
At cost	**225**	225	**–**	–
Less: Accumulated impairment	**(135)**	(150)	**–**	–
	90	75	**–**	–
Unquoted investments:				
At cost:	**1,017**	1,040	**35**	35
Less: Accumulated impairment	**(137)**	(134)	**(32)**	(29)
	880	906	**3**	6
Unquoted bonds (at cost, adjusted for accretion of interest)	**53,124**	52,873	**–**	–
Less: Accumulated impairment	**(47,586)**	(47,586)	**–**	–
	5,538	5,287	**–**	–
Redeemable within one year (Note 21)	**(2,185)**	–	**–**	–
	3,353	5,287	**–**	–

15. OTHER INVESTMENTS (continued)

	The Group		The Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS") (at cost, adjusted for accretion of interest)	**22,644**	22,409	**–**	–
Redeemable within one year (Note 21)	**(1,532)**	(1,290)	**–**	–
	21,112	21,119	**–**	–
Total	**25,933**	28,212	**18**	42
Market value of quoted investments:				
Quoted in Malaysia	**516**	817	**17**	12
Quoted outside Malaysia	**90**	75	**–**	–

Investment of the Group with carrying value totalling RM28,480,000 in the previous financial year had been pledged as securities for the SCB Bonds and SPV Debts issued by SCB as disclosed in Note 27.

Investment in unquoted bonds and RCSLS of the Group bears a yield to maturity ranging from 4.75% to 7.00% (4.75% to 7.00% in 2009) per annum and coupon rate of 7.00% (7.00% in 2009) per annum respectively.

16. INTANGIBLE ASSETS

	The Group	
	2010	2009
	RM'000	RM'000
At cost:		
At beginning/end of year	**500**	500
Cumulative amortisation and impairment losses:		
At beginning of year	**500**	146
Amortisation for the year	**–**	50
Impairment loss for the year	**–**	304
At end of year	**(500)**	(500)
Net	**–**	–

17. GOODWILL ON CONSOLIDATION

	The Group 2010 RM'000	The Group 2009 RM'000
Goodwill on consolidation:		
At beginning/end of year	**191**	191
Cumulative impairment losses:		
At beginning/end of year	**(191)**	(191)
	–	–

18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2010 RM'000	The Group 2009 RM'000
Deferred Tax Assets		
At beginning of year	**13,106**	404
Acquisition of subsidiary companies	**–**	15,309
Net transfer to income statements (Note 8):		
Property, plant and equipment	**110**	3,987
Inventories	**33**	15
Other payables and accrued expenses	**(1,051)**	429
Unused tax losses and unabsorbed capital allowances	**(11,336)**	(7,038)
	(12,244)	(2,607)
At end of year	**862**	13,106

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Deferred Tax Liabilities				
At beginning of year	**945**	477	**245**	153
Acquisition of subsidiary companies	**–**	377	**–**	–
Net transfer from income statements (Note 8):				
Property, plant and equipment	**3,915**	(47)	**20**	(58)
Inventories	**–**	139	**–**	150
Other payables and accrued expenses	**15**	(1)	**15**	–
	3,930	91	**35**	92
At end of year	**4,875**	945	**280**	245

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

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**862**	13,106	**–**	–
Deferred tax liabilities	**(4,875)**	(945)	**(280)**	(245)
	(4,013)	12,161	**(280)**	(245)

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**1,293**	1,323	**–**	–
Trade receivables	**4,999**	2,135	**–**	–
Inventories	**271**	284	**–**	–
Other payables and accrued expenses	**4,083**	2,439	**–**	–
Unused tax losses and unabsorbed capital allowances	**44,163**	56,740	**–**	–
	54,809	62,921	**–**	–
Less: Deferred tax assets not recognised	**(31,228)**	(27,096)	**–**	–
	23,581	35,825	**–**	–
Offsetting	**(22,719)**	(22,719)	**–**	–
Deferred tax assets (after offsetting)	**862**	13,106	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**27,576**	23,661	**262**	242
Other payables and accrued expenses	**18**	3	**18**	3
	27,594	23,664	**280**	245
Offsetting	**(22,719)**	(22,719)	**–**	–
Deferred tax liabilities (after offsetting)	**4,875**	945	**280**	245

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

As of 30 June 2010, the estimated amount of net deferred tax assets of certain subsidiary companies, calculated at the current applicable tax rate which has not been recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Unused tax losses and unabsorbed capital allowances	**22,776**	23,931
Trade receivables	**4,999**	2,135
Others	**2,568**	–
Property, plant and equipment	**885**	1,030
	31,228	27,096

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

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

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

Amount owing by holding company represents term loan receivable, which arose as a result of the Offer of Financing as disclosed in Note 13, bears interest at an average effective rate of 12.00% (12.00% in 2009) per annum.

Amount owing by other related companies bears interest at 6.30% (6.30% in 2009) per annum and is repayable on demand.

Amount owing to other related companies is interest-free (interest-free in 2009) and repayable on demand.

Significant transactions undertaken with related parties during the financial year are as follows:

		The Company	
Name of Companies	**Nature**	**2010**	**2009**
		RM'000	**RM'000**
With subsidiary companies:			
Posim Marketing Sdn. Bhd.	Trade sales	**58,548**	84,235
	Interest income on advances	**8**	8
	Rental income	**3**	3
Posim Petroleum Marketing Sdn. Bhd.	Interest expense on advances	**16**	16
Posim EMS Sdn. Bhd.	Rental income	**4**	4
	Interest income on advances	**160**	–

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Company 2010 RM'000	The Company 2009 RM'000
With subsidiary companies: (continued)			
Lion Petroleum Products Sdn. Bhd.	Rental expenses	**19**	30
Singa Logistics Sdn. Bhd.	Interest income on advances	**173**	–
Intra Inspirasi Sdn. Bhd.	Interest expense on advances	**2,832**	3,175
Gama Harta Sdn. Bhd.	Interest income on advances	**433**	291
Silverstone Berhad	Interest expense on advances	**1,327**	–

		The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
With holding company:					
Lion Industries Corporation Berhad	Interest income on advances	**2,643**	2,996	**2,643**	2,996
With other related companies:					
JOPP Builders Sdn. Bhd.	Interest income on advances	**–**	60	**–**	60
LLB Harta (M) Sdn. Bhd.	Interest income on advances	**6,854**	6,326	**6,854**	6,326
Antara Steel Mills Sdn. Bhd.	Trade sales	**371**	272	**–**	–
	Provision of transportation services	**1,175**	295	**–**	–
Amsteel Mills Sdn. Bhd.	Trade sales	**3,447**	3,406	**–**	–
	Provision of transportation services	**3,192**	2,906	**–**	–
	Interest income	**64**	59	**–**	–
Amsteel Mills Marketing Sdn. Bhd.	Trade purchases	**47,637**	57,247	**–**	–

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2010 RM'000	The Group 2009 RM'000
With related parties:			
Parkson Corporation Sdn. Bhd.	Trade sales	**437**	1,619
Silverstone Polymer Industries Sdn. Bhd.*	Trade purchases	**–**	14,734
Silverstone Berhad*	Trade sales	**–**	351
Lion Steelwork Sdn. Bhd.	Trade sales	**11**	158
Megasteel Sdn. Bhd.	Trade sales	**8,491**	3,361
	Provision of transportation services	**12,947**	8,240
	Trade purchases	**14,782**	–
Panareno Sdn. Bhd.	Trade sales	**2,926**	–
Bright Steel Sdn. Bhd.	Trade sales	**215**	245
Lion Plate Mills Sdn. Bhd.	Trade sales	**63**	63
Digital Engines Sdn. Bhd.	Procurement of services	**–**	12

* Became subsidiary companies during the previous financial year.

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

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

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

	The Group 2010 RM'000	The Group 2009 RM'000	The Company 2010 RM'000	The Company 2009 RM'000
Receivables:				
Included in trade receivables	**22,217**	11,885	**–**	–
Included in other receivables	**12,701**	13,712	**23**	31
Payables:				
Included in trade payables	**2**	30	**–**	–
Included in other payables	**–**	2	**–**	–

19. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (continued)

The Directors of the Company are of the opinion that the transactions above have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

Forms of Directors' remuneration charged to the income statements for the financial year are as follows:

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fees				
Executive Director	**15**	14	**15**	14
Non-executive Directors*	**172**	178	**160**	166
	187	192	**175**	180
Salaries and other emoluments				
Executive Director	**286**	–	**226**	–
Non-executive Directors*	**–**	136	**–**	136
	286	136	**226**	136
Contributions to defined contribution plan				
Non-executive Directors*	**–**	10	**–**	10
Total	**473**	338	**401**	326

* In 2009, included a non-executive Director who retired at the previous Annual General Meeting.

Included in salaries and other emoluments of the Group and of the Company in the previous financial year was an amount of RM14,000 representing amount recognised in respect of share-based payment transactions.

20. INVENTORIES

	The Group	
	2010 RM'000	2009 RM'000
Finished goods:		
Tyres	**43,708**	38,463
Others	**165**	102
Work-in-progress	**10,354**	11,500
Raw materials	**32,926**	20,384
Trading merchandise	**21,748**	5,871
Fuel and lubricants	**157**	145
Parts and accessories	**15,854**	16,233
Others	**5,378**	2,162
	130,290	94,860
Less: Allowance for slow-moving and obsolete inventories	**(8,585)**	(10,181)
	121,705	84,679

21. OTHER INVESTMENTS

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Unquoted:				
Bonds, redeemable within one year (Note 15)	**2,185**	–	**–**	–
RCSLS, redeemable within one year (Note 15)	**1,532**	1,290	**–**	–
Money market instruments	**6,835**	6,377	**6,835**	6,377
	10,552	7,667	**6,835**	6,377

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

(a) Trade receivables

Trade receivables are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**148,244**	116,995	**4,818**	6,139
Allowance for doubtful debts	**(8,081)**	(7,026)	**(939)**	(939)
	140,163	109,969	**3,879**	5,200

Trade receivables comprise amounts outstanding for sale of goods. The credit period ranges from 30 to 90 days (30 to 60 days in 2009).

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**124,229**	100,069	**4,818**	6,139
United States Dollar	**8,990**	9,102	**–**	–
Chinese Renminbi	**10,750**	3,386	**–**	–
Others	**4,275**	4,438	**–**	–
	148,244	116,995	**4,818**	6,139

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (continued)

(b) Other receivables and prepaid expenses

Other receivables and prepaid expenses consist of:

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deferred consideration	**2,800**	2,800	**2,800**	2,800
Other receivables	**13,436**	17,232	**34**	31
	16,236	20,032	**2,834**	2,831
Prepaid expenses	**7,406**	7,374	**347**	437
Deposits	**18,699**	14,145	**187**	187
	42,341	41,551	**3,368**	3,455

Deferred consideration of RM2,800,000 (RM2,800,000 in 2009), represents fair value of the outstanding consideration receivable from the purchasers in relation to the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI").

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

(a) deposits paid for the purchase of inventories amounting to RM11,545,000 (RM4,870,000 in 2009);

(b) deposits paid for the purchase of property, plant and equipment amounting to RM4,597,000 (RM2,840,000 in 2009); and

(c) deposits paid for the purchase of debts and RCCPS amounting to RMNil (RM6,103,000 in 2009).

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks:				
Restricted	**328,445**	339,704	**320,570**	315,445
Unrestricted	**20,351**	14,187	**3,930**	10,408
	348,796	353,891	**324,500**	325,853
Cash and bank balances:				
Restricted	**1,357**	318	**1,355**	318
Unrestricted	**58,641**	50,129	**3,968**	949
	408,794	404,338	**329,823**	327,120

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

Included in fixed deposits with licensed banks, and cash and bank balances of the Group and of the Company are amounts totalling RM327,202,000 (RM336,822,000 in 2009) and RM321,925,000 (RM315,763,000 in 2009), respectively, which have been held under Escrow Account for the following purposes:

(i) Indemnity to SFI and the purchasers of SFI for the litigation claims as disclosed in Note 33.

(ii) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as mentioned in Note 31.

Also, included in the fixed deposits with licensed banks of the Group is an amount of RM2,600,000 (RM3,200,000 in 2009) earmarked for redemption of the SCB Bonds and the SPV Debts.

Fixed deposits with licensed banks earn interest at rates ranging from 1.90% to 3.39% (2.15% to 3.39% in 2009) per annum and have maturity periods ranging from 1 to 138 days (1 to 138 days in 2009).

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

	The Group		**The Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Ringgit Malaysia	**392,143**	365,489	**329,823**	327,120
Chinese Renminbi	**11,584**	34,081	**–**	–
United States Dollar	**4,563**	2,518	**–**	–
Indonesia Rupiah	**262**	1,974	**–**	–
Singapore Dollar	**242**	276	**–**	–
	408,794	404,338	**329,823**	327,120

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

24. SHARE CAPITAL

	The Group and The Company 2010 RM'000	2009 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
500,000,000 at beginning and end of year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year:		
230,367,032 as of 1 July 2009;		
210,435,171 as of 1 July 2008	**230,367**	210,435
Issued during the year:		
974,600 in 2010; 19,931,861 in 2009	**975**	19,932
At end of year:		
231,341,632 as of 30 June 2010;		
230,367,032 as of 30 June 2009	**231,342**	230,367

2010

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

2009

In 2009, the issued and paid-up share capital of the Company was increased from RM210,435,171 to RM230,367,032 by the issue and allotment of 19,931,861 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share as consideration for the acquisition of 286,006,287 ordinary shares and 14,279,049 preference shares in Silverstone Corporation Berhad.

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

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

The main features of the ESOS are as follows:

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

24. SHARE CAPITAL (continued)

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

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

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

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

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

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

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

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

		Number of options				
Grant date	**Subscription price per share (RM)**	**Balance as of 1.7.2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as of 30.6.2010**
10.5.2006	1.16*	798,400	–	(208,800)	(39,600)	550,000
29.8.2007	1.04	1,384,400	–	(765,800)	(129,500)	489,100
		2,182,800	–	(974,600)	(169,100)	1,039,100

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

The number of options exercisable at the end of the financial year are as follows:

	2010	**2009**
Options exercisable	**1,039,100**	2,182,800

24. SHARE CAPITAL (continued)

	The Group and The Company 2010 RM	2009 RM
Ordinary share capital - at par	**974,600**	–
Share premium	**64,040**	–
Proceeds received on exercise of share options	**1,038,640**	–
Fair value at exercise dates of shares issued	**1,409,934**	–

The options outstanding at the end of the financial year have a weighted average exercise price of RM1.07 (RM1.08 in 2009) per share option. All options not exercised expired on 31 August 2010.

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

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

25. RESERVES

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Non-distributable reserves:				
Share premium	**688,987**	688,028	**688,987**	688,028
Equity compensation reserve	**269**	1,139	**269**	1,139
Translation adjustment account	**(2,869)**	9,899	**–**	–
Capital reserve	**310**	305	**310**	305
Capital redemption reserve	**9**	9	**–**	–
	686,706	699,380	**689,566**	689,472
Retained profits/(Accumulated losses)	**164,659**	12,142	**(343,999)**	(349,132)
	851,365	711,522	**345,567**	340,340

25. RESERVES (continued)

Share premium

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

Equity compensation reserve

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

Translation adjustment account

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

Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from the following:

	The Group and The Company	
	2010	**2009**
	RM'000	**RM'000**
Share options lapsed reclassified from equity compensation reserve	**310**	305

Capital redemption reserve

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

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

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Issued and fully paid:		
At beginning of year	**137**	–
Acquisition of subsidiary companies	**–**	144
Acquired by the Group from third parties	**–**	(7)
At end of year	**137**	137
Share premium:		
At beginning of year	**13,535**	–
Acquisition of subsidiary companies	**–**	14,205
Acquired by the Group from third parties	**–**	(670)
At end of year	**13,535**	13,535
	13,672	13,672

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

A subsidiary company, SCB has in issue 30,575,044 RCCPS of RM0.01 each issued at a premium of RM0.99 each. As at the end of the financial year, approximately 55.28% (55.28% in 2009) of the RCCPS had been acquired by the Group. The above represents RCCPS held by third parties.

The main features of the RCCPS are as follows:

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

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

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

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

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

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

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

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

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

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

27. BONDS AND DEBTS - SECURED

	The Group 2010 RM'000	2009 RM'000
SCB Bonds	–	11,233
SPV Debts	–	126,413
	–	137,646

The subsidiary company, SCB, had on 4 July 2008 obtained the consent of its SCB Bonds and SPV Debts holders to vary the repayment schedule of the SCB Bonds and SPV Debts with the aim to fully settle the debts by 31 December 2017 and at a revised yield to maturity ("YTM") which is to take effect retrospectively from 1 November 2007 ("SCB Scheme").

The SCB Scheme was implemented on 12 January 2010 upon SCB obtained written approvals from its SCB Bonds and SPV Debts holders on additional sources of funds for the repayment of the SCB Bonds and SPV Debts.

The implementation of the SCB Scheme led to consequential changes to the principal terms and conditions of SCB Bonds and SPV Debts.

The revised outstanding balances and the revised maturity date for repayment of the SCB Bonds and SPV Debts are as follows:

(i) The tranches of SCB Bonds issued by SCB are as follow:

Class	Nominal Amount RM million	Net Present Value RM million	Maturity Date	Cash Yield to Maturity
B	82.9#	78.9	31 December 2012	3%
C	55.6	51.2	31 December 2017	1%
Accrued YTM*	5.7	5.7	31 December 2013	–

(ii) The tranches of SPV Debts issued by AMB Harta (L) Limited ("SPV"), a wholly-owned subsidiary of SCB, are as follow:

Class	Nominal Amount USD million	Net Present Value USD million	Maturity Date	Cash Yield to Maturity
B	74.4#	70.7	31 December 2012	3%
C	27.7	25.8	31 December 2017	1%
Accrued YTM*	4.7	4.7	31 December 2013	–

SCB and its subsidiary company had repaid SCB Bonds and SPV Debts of RM14.0 million and USD12.6 million, respectively, prior to the implementation of the SCB Scheme.

* Accrued YTM shall not accrue any interest.

27. BONDS AND DEBTS - SECURED (continued)

The SCB Bonds and SPV Debts are payable annually on 31 December of each calendar year. An additional 1% interest above the cash yields to maturity shall be charged on the portion delayed in redemption/repayment for SCB Bonds and SPV Debts.

The repayment date and amount of the Class B SCB Bond and SPV Debts which due on 31 December 2009 have been varied with the approval from Bank Negara Malaysia.

As at the end of the current financial year, the entire SCB Bonds and SPV Debts (91.84% and 64.58% respectively in 2009) had been acquired by the Group. The acquisition of SCB Bonds and SPV Debts during the financial year has resulted in a gain of RM52,941,000 for the Group. The amounts outstanding as at the end of the previous financial year represent SCB Bonds and SPV Debts held by third parties.

Securities for the SCB Bonds and the SPV Debts

The Security Trustee holds the following securities for the benefits of the holders of the SCB Bonds and the SPV Debts:

(i) The assets included in the Proposed Divestment Programme ("PDP") for the SCB Group. If there is an existing security on any such assets as at 14 March 2003 ("Existing Charge"), the Security Trustee will take a lower priority security interest.

(ii) The ACB Resources Berhad ("ACB") Bonds and ACB Shares (comprising both debt to equity conversion shares and equity kicker shares) received by SCB.

(iii) The Redemption Account held by SCB. The Redemption Account will capture the "Dedicated Cash Flows" held by SCB.

Dedicated Cash Flows mean cash flows from the following sources:

- net proceeds from the disposal of any assets in the PDP for the SCB Group (other than the net proceeds set aside for the purpose of the Proposed Tender) over which there is no Existing Charge;

- proceeds from the redemption of the ACB Bonds and Lion Diversified Holdings Berhad ("LDHB") Inter-Co Repayment;

- any Back-End Amount and Loyalty Payment received by SCB as a holder of ACB Bonds;

- any Loyalty Payment received by SCB from the LDHB Inter-Co Repayment;

- subject to the proportions allocated to holders of the SCB Bonds and the SPV Debts, net proceeds from the disposal of any residual assets (other than assets in the PDP for the SCB Group and net proceeds set aside for the purpose of the Proposed Tender);

- net proceeds from the disposal of 28.92 million ACB Shares received by SCB as debt to equity conversion shares pursuant to the Debt Restructuring Exercise of the SCB Group;

- net proceeds from the disposal of 5.09 million ACB Shares attached to the ACB Bonds as equity kickers; and

- payment from Silverstone Sub-Bonds from year 2005 to 2011.

(iv) Investment in Silverstone Berhad

27. BONDS AND DEBTS - SECURED (continued)

Securities for the SCB Bonds and the SPV Debts (continued)

In relation to the SCB Bonds and the SPV Debts, SCB covenants, amongst others, that SCB will not, without the prior written consent of the Trustee,

(I) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness except such permitted indebtedness.

Permitted indebtedness means, at any time, any indebtedness for borrowed money incurred or assumed by SCB, any of its subsidiary companies, any scheme company and any security party in respect of which the aggregate principal amount committed or provided by the lenders together with the aggregate amount of all indebtedness of SCB, any of its subsidiary companies and any scheme company and any security party at the time of its incurrence does not exceed the following limits:

(a) where the total amounts for the redemption or purchase of the Bonds and the total amounts for the repayment or purchase of the SPV Debts paid by SCB and/or the SPV up to that time when the indebtedness is incurred or proposed to be incurred and the up-front cash payment made on 31 January 2003 ("Repaid Amount") is less than 50% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 20% of that Repaid Amount;

(b) where the Repaid Amount is equal to or exceeding 50% but less than 75% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 35% of that Repaid Amount; and

(c) where the total Repaid Amount is equal to or more than 75% of the aggregate outstanding nominal value of all the SCB Bonds and all the SPV Debts as at the issue date of the SCB Bonds, the limit shall be 50% of that Repaid Amount.

(II) Disposal of assets in the PDP

Disposal of assets/shares in the PDP if:

(a) the realisable value of the asset is above RM5 million; and

(b) the disposal price is at a discount of 20% or more of the market value of the assets; or

(c) the sale of asset is to a related party.

(III) Disposal of residual assets

Disposal of assets not in the PDP if:

(a) the disposal price is in excess of RM25 million or 20% of the audited consolidated net tangible assets ("NTA") of SCB, whichever is lower; and

(b) the disposal is at a discount of 20% or more of the market value of the asset.

(IV) Capital expenditure

Incur and/or cause SCB's subsidiary companies (other than excluded companies) to incur any capital expenditure:

(a) for any new investment which is not within the core business of SCB or such subsidiary company as at the date of the Trust Deed; or

(b) exceeding 25% of the consolidated NTA of the SCB Group.

28. HIRE-PURCHASE PAYABLES

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Total outstanding	**8,509**	11,268
Less: Interest-in-suspense	**(943)**	(1,599)
Principal portion	**7,566**	9,669
Payable as follows:		
Within the next 12 months (shown under current liabilities)	**2,234**	2,141
After the next 12 months	**5,332**	7,528
	7,566	9,669

The interest rates implicit in these hire-purchase obligations range from 3.50% to 8.72% (3.50% to 8.72% in 2009) per annum.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (30 to 90 days in 2009).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**38,678**	32,462	**8,875**	10,657
Chinese Renminbi	**26,168**	19,711	**–**	–
United States Dollar	**7,507**	2,211	**–**	–
Others	**160**	–	**–**	–
	72,513	54,384	**8,875**	10,657

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**31,877**	27,673	**346**	111
Accrued expenses	**46,460**	42,125	**4,894**	5,167
	78,337	69,798	**5,240**	5,278

Included in other payables of the Group is an amount of RM33,544 (RM36,100 in 2009) representing an amount owing to Shandong LuHe Group Co. Ltd., a corporate shareholder of a subsidiary company. The said amount, which is denominated in Chinese Renminbi, arose from payments made on behalf of the subsidiary company and is interest-free (interest-free in 2009) and repayable on demand.

30. PROVISIONS

	The Group and The Company 2010 RM'000	2009 RM'000
Provision for damages arising from litigation claim:		
At beginning of year	**15,000**	–
Provision during the year	**–**	15,000
At end of year	**15,000**	15,000

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

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

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

Pending the assessment of damages by the court and the outcome of the motion for judicial review filed, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best judgement and estimate using information currently available. The balance of the claim by UNP is disclosed as contingent liabilities in Note 33.

31. BANK BORROWINGS

	The Group 2010 RM'000	2009 RM'000
Secured		
Bank overdrafts (Note 36)	**6,312**	5,623
Bankers acceptances, trust receipts and bills payable	**11,422**	15,156
Revolving credits	**2,280**	5,185
Term loan	**–**	23,517
	20,014	49,481
Unsecured		
Bankers acceptances, trust receipts and bills payable	**2,856**	1,844
Term loan	**13,707**	14,987
Total	**36,577**	66,312

31. BANK BORROWINGS (continued)

As of 30 June 2010, the Company has unutilised bank overdraft and other credit facilities totalling RM500,000 (RM500,000 in 2009) obtained from certain local banks, which bear interest at rates ranging from 2.83% to 8.30% (3.90% to 8.34% in 2009) per annum.

The unutilised bank overdraft and other credit facilities of the Company are secured by:

(a) A first fixed charge under the National Land Code, 1965 and an absolute legal assignment over:

(i) freehold land and buildings of the Company and a subsidiary company with carrying value of RM9,358,000 (RM9,453,000 in 2009); and

(ii) long leasehold land and building of the Company with carrying value of RM110,000 (RM111,000 in 2009).

(b) An assignment of the sale and purchase agreements over other buildings of the Company with carrying value of RM1,143,000 (RM1,168,000 in 2009).

(c) A debenture containing a floating charge over the current assets, both present and future, of the following subsidiary companies of the Company:

(i) Lion Petroleum Products Sdn. Bhd.; and

(ii) Posim EMS Sdn. Bhd.

(d) An assignment over all insurance policies over certain assets of the Company and the abovementioned subsidiary companies.

(e) A debenture containing a first fixed charge over the property, plant and equipment of the Company and a floating charge over:

(i) the Escrow Account; and

(ii) all other assets of the Company (not subject to the first fixed charge), both present and future, including intercompany receivables but excluding intercompany receivables from LFIB Plantations Sdn. Bhd., and the Company's shareholdings in LFIB Plantations Sdn. Bhd., Posim Petroleum Marketing Sdn. Bhd., and Posim Marketing Sdn. Bhd.

(f) A first party memorandum of deposit of shares on the pledge of the Company's entire shareholding in Ototek Sdn. Bhd.

(g) A third party memorandum of deposit of fixed deposits belonging to Posim Marketing Sdn. Bhd.

As of 30 June 2010, certain subsidiary companies have bank overdraft and other credit facilities totalling RM20,014,000 (RM49,481,000 in 2009) obtained from certain local banks which are secured by debenture containing first floating charge over all present and future current assets of the subsidiary companies. The Company has given its Corporate Guarantee to financial institutions for granting of credit facilities to certain subsidiary companies of RM2,856,000 (RM37,175,000 included corporate guarantee by way of fixed deposits of a subsidiary company in 2009). The facilities bear interest at rates ranging from 2.83% to 8.30% (3.90% to 8.30% in 2009) per annum.

31. BANK BORROWINGS (continued)

The secured term loan in the previous financial year, which was obtained by a foreign subsidiary company and denominated in Chinese Renminbi, bear interest at rates ranging from 7.00% to 8.50% per annum. The said term loan was secured by a fixed deposit of a subsidiary company and a fixed charge over the following property, plant and equipment of the said foreign subsidiary company:

(i) Leasehold land and building with carrying value of RM38,513,000; and

(ii) Plant and machinery with carrying value of RM19,956,000.

The secured term loan was fully repaid during the financial year.

32. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign currency risk

The Group undertakes transactions in foreign currencies with certain foreign entities and therefore is exposed to foreign currency risk.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 31. The interest rates for the bonds and debts and hire-purchase payables, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 27 and 28 respectively.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade and other receivables. The Group has no major concentration of credit risk and extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

The Group's and the Company's exposure to credit risk in relation to its receivables, should all the debtors fail to perform their obligations as of 30 June 2010, is the carrying amount of these receivables as disclosed in the balance sheets.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are cash and bank balances, fixed deposits with licensed banks, trade and other receivables, other investments and amount owing by holding company, other related companies and associated companies.

The Company's principal financial assets also include amounts owing by subsidiary companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

32. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity Instruments

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

Significant financial liabilities of the Group include trade and other payables, hire-purchase payables, amount owing to other related companies, bank borrowings, RCCPS, and bonds and debts.

Significant financial liabilities of the Company also include amount owing to subsidiary companies.

Bank borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

Fair Value of Financial Assets and Financial Liabilities

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of 30 June 2010 are as follows:

	The Group		The Company	
2010	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Other investments:				
Quoted shares and warrants	**588**	**606**	**15**	**17**
Unquoted bonds	**5,538**	**^**	**–**	**–**
Unquoted investments	**880**	**^**	**3**	**–**
Unquoted RCSLS	**22,644**	**^**	**–**	**–**
Amount owing by subsidiary company	**–**	**–**	**18,200**	*****
Financial Liabilities				
Borrowings - term loan	**13,707**	**13,707**	**–**	**–**
Hire-purchase payables	**7,566**	**7,147**	**–**	**–**
RCCPS	**13,672**	**^**	**–**	**–**
Amount owing to subsidiary company:				
Long term loan	**–**	**–**	**18,200**	*****
2009				
Financial Assets				
Other investments:				
Quoted shares and warrants	900	892	36	12
Unquoted bonds	5,287	^	–	–
Unquoted investments	906	^	6	–
Unquoted RCSLS	22,409	^	–	–
Amount owing by subsidiary company	–	–	18,200	*
Financial Liabilities				
Bonds and debts	137,646	^	–	–
Borrowings - term loan	38,504	38,504	–	–
Hire-purchase payables	9,669	8,892	–	–
RCCPS	13,672	^	–	–
Amount owing to subsidiary company:				
Long term loan	–	–	18,200	*

32. FINANCIAL INSTRUMENTS (continued)

* It is not practical to determine the fair value of this long term loan with sufficient reliability given that this loan does not have fixed terms of repayment.

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

Quoted shares and securities

The market values of quoted shares and securities as at balance sheet date approximate their fair values.

Hire-purchase payables and long term borrowings

The fair values of the hire-purchase payables and long term borrowings of the Group are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, trade and other receivables, intercompany receivables and payables, trade and other payables and bank borrowings

The carrying amounts approximate fair values because of the short maturity period for these instruments.

33. CONTINGENT LIABILITIES

	The Group		**The Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**313,331**	313,331	**313,331**	313,331
Less : Provision (Note 30)	**(15,000)**	(15,000)	**(15,000)**	(15,000)
	298,331	298,331	**298,331**	298,331
Back pay labour claims from SFI's employees	**23,427**	23,427	**23,427**	23,427
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	**–**	–	**2,856**	37,175
	321,758	321,758	**324,614**	358,933

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

33. CONTINGENT LIABILITIES (continued)

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

Included in the litigation claims are as follows:

(a) Claim by UNP Plywood Sdn. Bhd. for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 30, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu deciding on the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability. The High Court of Kota Kinabalu has fixed 3 January 2011 to 14 January 2011 for hearing of assessment of damages.

(b) Claim by Harapan Permai Sdn. Bhd. ("Harapan Permai") against SFI for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement ("Timber Agreement") dated 9 November 1992 via Civil Suit No. K22-40-97 filed on 11 April 1997.

    SFI had applied to strike out the claim on the ground that the Timber Agreement is illegal under the Sabah Forest Enactment 1968. The Deputy Registrar had on 12 September 2003 dismissed SFI's application to strike out Harapan Permai's claim. On SFI's appeal, the High Court Judicial Commissioner had on 15 December 2006 allowed SFI's appeal and accordingly struck out Harapan Permai's claim.

    Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the decision of the High Court. On 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

    On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Federal Court has yet to fix the hearing date for the application for leave to appeal.

Indemnity contracts have also been signed between the Company and Avenel Sdn. Bhd. ("Avenel"), the immediate holding company then, whereby Avenel agrees to indemnify the Company in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which the Company may incur or sustain as a result of or arising from the litigation and any other claims brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, the audited financial statements of Avenel does not indicate that it is able to fully discharge its obligations under the above mentioned indemnity.

Back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants allege that they have not been given annual increments from 1997 to 2006 (with some claiming for 2007 also) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Labour Court is currently in the process of hearing the Complainants' claims.

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

34. CAPITAL COMMITMENTS

As of 30 June 2010, the Group has the following capital commitments:

	The Group 2010 RM'000	2009 RM'000
Approved and contracted for in respect of purchase of property, plant and equipment	**16,269**	24,987
Approved but not contracted for in respect of purchase of property, plant and equipment	**–**	1,682

35. SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating divisions:

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

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

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

The Group 2010	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Tyre RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue						
External customers	**204,570**	**65,122**	**578,094**	**26,530**	**–**	**874,316**
Inter-segment sales	**9**	**3,056**	**203**	**626**	**(3,894)**	**–**
Total revenue	**204,579**	**68,178**	**578,297**	**27,156**	**(3,894)**	**874,316**
Results						
Segment results	**4,097**	**10,623**	**56,825**	**18,348**	**–**	**89,893**
Unallocated expenses						**(2,964)**
Unallocated income						**9,561**
Finance costs						**(8,134)**
Share in results of associated companies	**–**	**–**	**–**	**44,779**	**–**	**44,779**
Gain from acquisition of bonds and debts issued by subsidiary companies						**52,941**
Negative goodwill arising from acquisition of subsidiary companies						**2,132**
Profit before tax						**188,208**
Income tax expense						**(24,804)**
Profit for the year						**163,404**

35. SEGMENT INFORMATION (continued)

The Group 2010	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Tyre RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Balance Sheet						
Assets						
Segment assets	184,951	60,511	513,296	28,000	–	786,758
Investment in associated companies	–	–	–	130,587	–	130,587
Unallocated corporate assets						465,829
Consolidated total assets						1,383,174
Liabilities						
Segment liabilities	24,943	16,602	90,881	77,567	–	209,993
Unallocated corporate liabilities						22,962
Consolidated total liabilities						232,955
Other Information						
Capital expenditures	6	1,204	24,651	5,432	–	31,293
Depreciation	127	1,341	28,654	2,128	–	32,250
Amortisation	–	–	96	52	–	148
Other non-cash expenses/(income)	1,057	(344)	9,173	(76,030)	–	(66,144)

35. SEGMENT INFORMATION (continued)

The Group 2009	Building materials and steel products RM'000	Petroleum, lubricants and automotive products RM'000	Tyre RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	194,836	57,701	327,642	17,858	–	598,037
Inter-segment sales	9	1,753	2,295	–	(4,057)	–
Total revenue	194,845	59,454	329,937	17,858	(4,057)	598,037
Results						
Segment results	1,474	4,841	4,576	34,439	–	45,330
Unallocated expenses						(3,205)
Unallocated income						9,441
Finance costs						(9,490)
Share in results of associated companies	–	–	–	(11,985)	–	(11,985)
Gain from acquisition of:						
Bonds and debts issued by subsidiary companies						7,028
RCCPS issued by subsidiary company						642
Provision for damages arising from litigation claim						(15,000)
Negative goodwill arising from acquisition of subsidiary companies						147,590
Profit before tax						170,351
Income tax expense						(9,466)
Profit for the year						160,885
Consolidated Balance Sheet						
Assets						
Segment assets	175,177	46,683	490,970	22,611	–	735,441
Investment in associated companies	–	–	–	151,825	–	151,825
Unallocated corporate assets						489,936
Consolidated total assets						1,377,202
Liabilities						
Segment liabilities	25,163	13,574	91,309	85,117	–	215,163
Unallocated corporate liabilities						161,141
Consolidated total liabilities						376,304
Other Information						
Capital expenditures	10	1,322	10,772	13,035	–	25,139
Depreciation	154	1,729	24,306	1,377	–	27,566
Amortisation	–	–	102	820	–	922
Other non-cash expenses/(income)	1,706	(3)	2,792	(150,063)	–	(145,568)

35. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly located in two main geographical areas:

(i)	Malaysia	-	building materials and steel products, petroleum, lubricant products and automotive products, consumer products, manufacture and sale of tyres, rubber compounds and other related products, sale and distribution of motor vehicles, provision of transportation services, treasury businesses, provision of training services and investment holding
(ii)	People's Republic of China	-	manufacture and sale of tyres
(iii)	Others	-	countries which are not sizable to be reported separately

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

	Revenue	
	2010	**2009**
	RM'000	**RM'000**
Malaysia	**646,037**	486,217
People's Republic of China	**117,941**	79,965
Other countries	**110,338**	31,855
	874,316	598,037

	Total assets		Capital expenditures	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**964,165**	965,231	**21,524**	22,888
People's Republic of China	**267,471**	263,773	**9,769**	2,251
Other countries	**151,538**	148,198	**–**	–
	1,383,174	1,377,202	**31,293**	25,139

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

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 23)	**20,351**	14,187	**3,930**	10,408
Cash and bank balances (unrestricted) (Note 23)	**58,641**	50,129	**3,968**	949
Money market instrument (Note 21)	**6,835**	6,377	**6,835**	6,377
Bank overdrafts (Note 31)	**(6,312)**	(5,623)	**–**	–
	79,515	65,070	**14,733**	17,734

37. SIGNIFICANT EVENTS

As part of the terms for the disposal of the Company's entire 97.78% equity interest in Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

In this regard, there was a litigation claim by UNP Plywood Sdn. Bhd. ("UNP"), against SFI for RM128,874,435 for alleged termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993.

The High Court of Kota Kinabalu had on 23 February 2007 dismissed the claim by UNP. UNP had appealed against the decision of the High Court to which the Court of Appeal had allowed and had entered judgement against SFI for damages to be assessed.

SFI had further appealed to the Federal Court against the decision of the Court of Appeal.

The Company had on 11 September 2009 announced that the Federal Court had dismissed SFI's appeal against the decision of the Court of Appeal on 27 February 2008 to enter judgement against SFI for damages to be assessed, with costs ("Judgement"). On 11 February 2010, the Federal Court dismissed SFI's application for judicial review of the Judgement with costs.

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

In relation thereto, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best estimate using information currently available pending the assessment of damages by the court.

38. SUBSEQUENT EVENT

On 5 August 2010, the Group entered into an agreement with Shandong LuHe Group Co. Ltd. to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. for a cash consideration of USD6.60 million (approximately RM21.12 million). Upon the completion of the acquisition, Shandong Silverstone LuHe Rubber & Tyre Co. Ltd. will become a wholly-owned subsidiary company of the Group.

The acquisition is pending completion.

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying balance sheets as of 30 June 2010 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 106, are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2010 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

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

TAN SRI WILLIAM H.J. CHENG **CHAN HO WAI**

Kuala Lumpur
27 September 2010

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

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets as of 30 June 2010 and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 106 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at **KUALA
LUMPUR** in the **FEDERAL TERRITORY**
this 27th day of September, 2010.

Before me,

W259
AHMAD B. LAYA
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2010

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	5 acres	Industrial land and building	Factory (16)	9.4	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	1,650 sq feet	Land and building	2-storey shop office (25)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	2,716 sq feet	Building	Office (12)	0.4	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land and building	2-storey shop office (12)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land and building	3-storey shop office (11)	0.6	9.2.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	678 sq feet	Building	Office (8)	0.1	16.7.2004
LuHe Industrial Zone Zhucheng City Shandong Province People's Republic of China	Leasehold 20.12.2054	157,049 sq metres	Land and building	Office and plant (6)	51.2	21.12.2004
Lot No. 273 Mukim Teluk Panglima Garang Kuala Langat Selangor Darul Ehsan	Freehold	0.54 hectares	Land	Vacant	0.3	30.6.2005
Lot No. 21 Jalan Inang 1 Taman Skudai 81300 Skudai Johor Darul Takzim	Freehold	1,540 sq metres	Land and building	Shoplot (32)	0.1	18.3.2004

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 5831, Kamunting Industrial Estate II 34600 Kamunting Perak Darul Ridzuan	Leasehold 1.10.2088	12 hectares	Land and building	Office, factory and warehouse (19)	50.9	March 2003
Lengkungan Perusahaan Kamunting 3 Kawasan Perusahaan Kamunting Raya 34600 Kamunting Perak Darul Ridzuan	Leasehold 14.10.2097	4.07 hectares	Land and building	Office, factory and warehouse (12)	6.2	March 2003

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2010

Authorised Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM231,571,732
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	851	17.16	28,656	0.01
100 to 1,000	1,598	32.23	1,113,475	0.48
1,001 to 10,000	1,881	37.94	7,603,102	3.28
10,001 to 100,000	530	10.69	17,276,293	7.46
100,001 to less than 5% of issued shares	96	1.94	36,790,266	15.89
5% and above of issued shares	2	0.04	168,759,940	72.88
	4,958	100.00	231,571,732	100.00

Substantial Shareholders as at 30 September 2010

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
1. Tan Sri William H.J. Cheng	400	*	183,668,295	79.31
2. Tan Sri Cheng Yong Kim	130	*	183,629,259	79.30
3. Lion Realty Private Limited	–	–	183,469,476	79.23
4. Lion Development (Penang) Sdn Bhd	–	–	183,469,476	79.23
5. Horizon Towers Sdn Bhd	5,344	*	181,206,625	78.25
6. Lion Corporation Berhad	180	*	181,206,445	78.25
7. Lion Industries Corporation Berhad	45,127,236	19.49	136,079,389	58.76
8. Amsteel Mills Sdn Bhd	123,632,704#	53.39	12,446,685	5.37
9. LLB Steel Industries Sdn Bhd	–	–	181,206,625	78.25
10. Steelcorp Sdn Bhd	–	–	181,206,625	78.25
11. Lion Diversified Holdings Berhad	–	–	181,206,625	78.25
12. Excel Step Investments Limited	–	–	181,206,625	78.25
13. Teraju Varia Sdn Bhd	–	–	181,206,625	78.25
14. LLB Nominees Sdn Bhd	–	–	58,323,730	25.19

* Negligible.

\# Amsteel Mills Sdn Bhd had assigned the exercise of its voting rights in the Company of 58,323,730 shares (25.19%) to LLB Nominees Sdn Bhd and 13,331,138 shares (5.76%) to Lion Industries Corporation Berhad.

Thirty Largest Registered Shareholders as at 30 September 2010

Registered Shareholders		No. of Shares	% of Shares
1.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-AMSTEEL0)	123,632,704	53.39
2.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	45,127,236	19.49
3.	ACB Resources Berhad	4,772,548	2.06
4.	Umatrac Enterprises Sdn Bhd	2,592,349	1.12
5.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amsteel Equity Capital Sdn Bhd	1,680,800	0.73
6.	Lion Holdings Sdn Bhd	1,334,745	0.58
7.	Wu Teng Siong	1,230,000	0.53
8.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	959,500	0.41
9.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	896,181	0.39
10.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore for Credit Asia Capital Offshore Master Fund Ltd	814,088	0.35
11.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Bui Ling	773,000	0.33
12.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Neon Liberty Wei Ji Master Fund LP	761,700	0.33
13.	Lim Boon Liat	750,000	0.32
14.	Pacific & Orient Insurance Co Berhad	694,700	0.30
15.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	645,800	0.28
16.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ratnasinggam S/O Kanagasabai (39B)	617,064	0.27
17.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Lee Chong Choon (MP0059)	565,000	0.24
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Siew Eng @ Ong Chai (8040800)	540,400	0.23
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chin Hock (8058312)	515,800	0.22
20.	Tham Chee Nam @ Andrew Tham	500,000	0.22
21.	Ng Teng Song	497,400	0.21
22.	Tirta Enterprise Sdn Bhd	494,868	0.21
23.	Teoh Hooi Bin	455,452	0.20
24.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	390,000	0.17
25.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	374,100	0.16
26.	Ong Sai Hoon	374,000	0.16
27.	Affin Nominees (Tempatan) Sdn Bhd CIMB Bank for Lim Chin Horng (M28020)	360,000	0.16
28.	Lee Kek Ming	350,500	0.15
29.	Wong Fook Inn	345,293	0.15
30.	AMMB Nominees (Tempatan) Sdn Bhd Ambank (M) Berhad for Amsteel Corporation Berhad (BK 6/303-4)	327,827	0.14

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2010

The Directors' interests in shares in the Company and its related corporations as at 30 September 2010 are as follows:

	Nominal Value Per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		400	–	183,671,356	79.32
Dato' Mohamad bin Haji Ahmad		13,040	0.01	–	–
Lin Chung Dien		7,060	*	–	–
Related Corporations					
Lion Industries Corporation Berhad	RM1.00				
Tan Sri William H.J. Cheng		102,000,000	14.21	236,246,606	32.91
Dato' Mohamad bin Haji Ahmad		3,276	*	–	–
Lin Chung Dien		25,320	*	–	–
Tan Sri William H.J. Cheng					
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00
Marvenel Sdn Bhd	RM1.00	–	–	100	100.00
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00
P.T. Lion Intimung Malinau	USD1.00	–	–	4,750,000	95.00
Silverstone Corporation Berhad	RM1.00	–	–	286,173,498	84.16
Soga Sdn Bhd	RM1.00	–	–	4,332,078	93.93
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75
Holdsworth Investment Pte Ltd	**	–	–	4,500,000	100.00
Lion Rubber Industries Pte Ltd	**	–	–	10,000,000	100.00
Silverstone Tyre (S) Pte Ltd	**	–	–	31,750,100	100.00
Willet Investment Pte Ltd	**	–	–	45,954,450	100.00
Zhongsin Biotech Pte Ltd	**	–	–	1,000,000	100.00

	Nominal Value Per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Silverstone Corporation Berhad	RM0.01	–	–	17,742,012	58.03

Investments in the People's Republic of China	Indirect Interest USD	Indirect Interest % Holding
Shandong Silverstone LuHe Rubber & Tyre Co Ltd	30,000,000	75.00
Tianjin Baden Real Estate Development Co Ltd	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	10,878,944	56.40

Notes:

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2010.

MATERIAL CONTRACTS
INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Letter of Offer dated 11 December 2003 issued by the Company to Lion Industries Corporation Berhad ("LICB"), the holding company of the Company, with the agreement of Sabah Forest Industries Sdn Bhd ("SFI"), then a 97.78% owned subsidiary of the Company, and Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of LICB (superseding the letter of offer dated 9 June 2003 issued by SFI to AMSB), collectively companies wherein a Director and certain major shareholders of the Company have an interest, and Financing Agreement dated 23 June 2004 made among the Company, SFI, LICB and AMSB whereby the Company lent up to RM100 million at an interest rate of 12% per annum (the sum of which is advanced from SFI) to LICB, which in turn advanced to AMSB ("Facility") to facilitate the financing required by AMSB for the completion of a steel meltshop facility located in Banting, Selangor Darul Ehsan, to be fully repaid by 30 June 2009.

The first interest payment shall be made 12 months from the date of first drawdown and thereafter it shall be payable semi-annually in arrears. The principal shall be repaid by annual instalments.

By a Novation cum Supplemental Agreement dated 14 March 2007 entered into among the Company, SFI, Intra Inspirasi Sdn Bhd ("Intra Inspirasi"), a wholly-owned subsidiary of the Company, LICB and AMSB, SFI assigned and transferred, by way of a novation, all its rights and obligations under the Facility to Intra Inspirasi. Pursuant to the Novation cum Supplemental Agreement, the Facility is to be secured by the creation of the following:

(a) second charge over the non-vacant plot of land held under HS(D) 13425, PT 17216, Mukim Tanjung Dua Belas, District of Kuala Langat, Selangor Darul Ehsan ("Property") (including the building and meltshop but excluding the rolling mill) which ranks in priority to the first charge created in favour of the existing lenders of AMSB; and

(b) second debenture comprising a fixed charge over the non-vacant plot of the Property (excluding the rolling mill) which ranks in priority to the first debenture created in favour of the existing lenders of AMSB.

The parties had mutually agreed to:

(a) defer the repayment of the last instalment amounting to RM25 million which was due on 30 June 2009 to 31 December 2009, vide a letter dated 30 June 2009;

(b) make partial repayment of RM6 million and vide a letter dated 29 December 2009, defer the repayment of RM19 million to be by 30 June 2010; and

(c) make partial repayment of RM4 million by 30 June 2010 and vide a letter dated 28 June 2010, defer the repayment of the balance RM15 million to be by 29 October 2010.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM30,000 (RM5,000 in 2009).

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2010, a total of 974,600 options were exercised by eligible executive employees of the Group at an exercise price of RM1.16 per share (208,800 shares) and RM1.04 per share (765,800 shares) pursuant to the Executive Share Option Scheme of the Company.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2010 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")[(1)]	47,637
	Lion Corporation Berhad Group ("LCB Group")[(1)]	14,782
		62,419
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Diversified Holdings Berhad Group ("LDHB Group")[(1)]	2,926
	LCB Group[(1)]	2,028
	LICB Group[(1)]	900
	Parkson Holdings Berhad Group[(1)]	239
		6,093
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LCB Group[(1)]	3,801
	LICB Group[(1)]	3,699
	LDHB Group[(1)]	49
	Lion Asiapac Limited Group[(1)]	26
	Ributasi Holdings Sdn Bhd Group[(2)]	2
		7,577
(b) Motor vehicles related		
(i) Sale of motor vehicles	LCB Group[(1)]	72
(ii) Purchase of motor vehicles	LCB Group[(1)]	160
(c) Others		
(i) Provision of transportation and forwarding services	LCB Group[(1)]	13,561
	LICB Group[(1)]	4,367
	LDHB Group[(1)]	95
		18,023

Notes:

"Group" includes subsidiaries and associated companies

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

(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC")

The status of the conditions imposed by the SC in its approval for the proposed utilisation of the remaining proceeds derived from the disposal of Sabah Forest Industries Sdn Bhd are as follows:

(a) Status of utilisation of proceeds as at 30 September 2010

	Proposed Utilisation RM million	Utilisation Status	
		Actual Utilisation RM million	**Unutilised/ Outstanding RM million**
Disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.82 million)			
(i) Capital distribution	420.31	420.55	(0.24)*
(ii) Tyre division	104.36	17.00	87.36
(iii) Plantation division	70.00	7.26	62.74
(iv) Payment to the State Government of Sabah	4.08	–	4.08
(v) Estimated expenses	1.50	1.50	–
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of Silverstone Corporation Berhad ("SCB") and the bonds and Redeemable Cumulative Convertible Preference Shares issued by SCB and estimated expenses related thereto	229.97	94.43	135.54**
	830.22	540.74	289.48
(vii) Funding and investment relating to the business and/or working capital of the Group#	42.33	–	42.33
	872.55	540.74	331.81
(viii) Provisional and final adjustment	25.54		
(ix) Adjustment on foreign exchange	46.73		
	944.82		

* A total cash payment of approximately RM420.55 million was distributed to all entitled shareholders of which RM0.24 million was sourced from internally generated funds.

** A total cash of approximately RM117.70 million was sourced from internally generated funds for the acquisition of SCB bonds and debts.

Pending the SC's approval.

STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)

(b) Status of Proposed Divestment Programme ("PDP")

(i) Status of the assets to be divested

Stages of the assets to be divested	PDP	Completed up to Dec 2009	Divestment concluded subsequent to December 2009: Concluded Sales Total	Proceeds received/to be received (Jan – Dec 2010): Actual Jan to June 2010	Projected for July to Dec 2010	Total Jan – Dec 2010
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
By 31 December 2008						
Wuxi Top Absorber Co Ltd	18.7	18.7	–	–	–	–
Listed and non-listed shares	9.4	2.6	–	–	–	–
	28.1					
By 31 December 2009						
Listed shares	84.7	–	–	–	–	–
By 31 December 2010						
Nanjing Jingyi Casting Co Ltd	17.5	23.3	–	12.3	–	12.3
Non-listed shares	76.6	–	–	–	–	–
	94.1					
	206.9	44.6	–	12.3	–	12.3

(ii) Transactions completed and the details on the utilisation of the divestment proceeds received

The detail of the assets divested during the previous financial year are as follows:

Description of assets/businesses	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation Amount	%	Explanation
	RM'million	RM'million	RM'million	RM'million		
1. Disposal of listed shares for a cash consideration of RM2.6 million						
(i) Redemption/Repayment of SCB Bonds/SPV Debts	2.6	0.0	No requirement	2.6	100	Not fully utilised
2. Disposal by Innovasi Istimewa Sdn Bhd of its entire 60% equity interest in Nanjing Jingyi Casting Co Ltd for a cash consideration of RM23.32 million						
(i) Redemption/Repayment of SCB Bonds/SPV Debts	23.3	23.3	No requirement	–	–	Fully utilised

(iii) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies identified for divestment under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the SCB Bonds/SPV Debts.

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

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Eighth 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 23 November 2010 at 11.15 am 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. Dato' Kalsom binti Abd. Rahman		
4. To re-elect as Director, Cik Zainab binti Dato' Hj. Mohamed		
5. To re-appoint Auditors		
6. Authority to Directors to issue shares		
7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
8. Proposed Amendments to the Articles of Association of the Company		

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 2010

No. of shares: ....   Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 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 Registered Office of the Company, Level 14, 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.