LION CORPORATION BERHAD

2008

LION CORPORATION BERHAD

A Member of The Lion Group

(12890-A)

Laporan Tahunan 2008 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 20 November 2008 at 9.30 am for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2008. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM193,000 (2007: RM182,500). **Resolution 2**

3. 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. Datuk Emam Mohd Haniff bin Emam Mohd Hussain **Resolution 3**
   Mr M. Chareon Sae Tang @ Tan Whye Aun **Resolution 4**

   In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy who was appointed subsequent to the financial year retires and, being eligible, offers himself for re-election. **Resolution 5**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 6**

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 7**

6. Special Business

6.1 To consider and, if thought fit, pass the following resolutions as 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 8**

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 Part A of the Circular to Shareholders of the Company dated 29 October 2008 ("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 9**

THAT authority conferred by this ordinary resolution shall 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 shall 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 resolution as a special resolution:

Proposed Amendments to the Articles of Association of the Company

"THAT the proposed amendments to the Articles of Association of the Company contained in Appendix I of the Circular to Shareholders of the Company dated 29 October 2008 which has been despatched to the shareholders of the Company, be and are hereby approved and adopted." **Resolution 10**

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

By Order of the Board

CHAN POH LAN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
29 October 2008

Notes:

1. *Proxy*

   - *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.*

   - *An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.*

   - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

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

2. *Circular to Shareholders dated 29 October 2008 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2008 Annual Report:

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

   (ii) Part B - Appendix I
   Proposed Amendments to the Articles of Association of the Company

3. *Resolution 8*

   This authorisation 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.

4. *Resolution 9*

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

5. *Resolution 10*

   This approval will allow amendments to be made to the Articles of Association of the Company ("AA") to bring the AA in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, to incorporate current statutory and regulatory requirements for clarity and enhancements and, where relevant, to render consistency throughout the AA.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election/re-appointment at the Thirty-Fifth Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2008 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy Mr M. Chareon Sae Tang @ Tan Whye Aun Mr Folk Fong Shing @ Kok Fong Hing
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan binti Abdullah
Company No.	:	12890-A
Registered Office	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : http://www.lion.com.my
Share Registrar	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	AmInvestment Bank Berhad Malayan Banking Berhad RHB Bank Berhad RHB Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad (“Bursa Securities”)
Stock Name	:	LIONCOR
Bursa Securities Stock No.	:	3581
ISIN Code	:	MYL3581OO005
Reuters Code	:	LION.KL

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng
Non-Independent Chairman and Managing Director

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 65, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

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

Tan Sri William Cheng oversees the operation of the Company and is responsible for formulating and monitoring the overall corporate strategic plans and business development of the Company.

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

Save for Silverstone Corporation Berhad, Silverstone Berhad and Amsteel Corporation Berhad, all the above companies are listed on Bursa Malaysia Securities Berhad.

Tan Sri William Cheng has a direct shareholding of 458,685 ordinary shares of RM1.00 each and an indirect shareholding of 748,066,769 ordinary shares of RM1.00 each in the Company. In addition, he also has an indirect interest of 490,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 490,000 shares 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 pages 109 and 110 of this Annual Report.

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

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 58, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

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

Datuk Cheng Yong Kim (continued)

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

- Managing Director of Lion Industries Corporation Berhad and Lion Diversified Holdings Berhad, both public listed companies
- Director of Silverstone Corporation Berhad and Hy-Line Berhad, both public companies

Datuk Cheng has a direct shareholding of 10,209,517 ordinary shares of RM1.00 each and an indirect shareholding of 684,997,324 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 pages 109 and 110 of this Annual Report.

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

Datuk Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Independent Non-Executive Director

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, aged 66, was appointed to the Board on 10 January 2003. He is also a member of the Company's Audit Committee and Nomination Committee.

Datuk Emam Mohd Haniff obtained a Bachelor of Arts (Honours) degree from the University of Malaya in 1966. He had served the Malaysian Government (Foreign Service) since 1966 up to his retirement in 1997 in various capacities both at home and in Malaysian diplomatic missions overseas. His last position was as High Commissioner of Malaysia to Singapore.

Datuk Emam Mohd Haniff is also a Director of Edaran Berhad, LCL Corporation Berhad and Kamdar Group (M) Berhad, all of which are public listed companies.

Datuk Emam Mohd Haniff attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 61, was appointed to the Board on 1 August 2007. He is also a member of the Company's Audit Committee.

Datuk Mohd Yusof obtained a Bachelor of Arts (Honours) degree in History from the University of Science, Penang. He had served the Royal Malaysian Police - Special Branch for 36 years in various positions including staff officer, Assistant Director and Deputy Director. He retired as the Director Special Branch on 31 December 2006, a position he held for more than eight years. During his service with the Special Branch, Datuk Mohd Yusof had, on behalf of the Malaysian Government conducted bilateral and multi-lateral cooperation as well as joint-operations with foreign security agencies to serve the national interests of Malaysia.

Datuk Mohd Yusof attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Datuk Karownakaran @ Karunakaran A/L Ramasamy
Independent Non-Executive Director

Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy, a Malaysian, aged 58, was appointed to the Board on 1 July 2008. He is also a member of the Company's Audit Committee.

Datuk R. Karunakaran obtained a Bachelor of Economics (Accounting) (Honours) degree from the University of Malaya. He joined the Malaysian Industrial Development Authority ("MIDA") in August 1972 and served in various positions including Deputy Director, Director, Deputy Director-General and Director-General. He also served as the Director of MIDA Singapore, Cologne and London. Having served MIDA for about 36 years, Datuk R. Karunakaran retired as the Director-General of MIDA in June 2008, a position he held for about four years. During his service with MIDA, he was responsible for the promotion and coordination of the development of the manufacturing and services sector in Malaysia including promoting domestic and foreign investment in Malaysia.

Datuk R. Karunakaran's other directorships in public companies are as follows:

- Invest Melaka Berhad, a state government agency responsible for the promotion of investments, economic development and industrialisation in Melaka
- Integrated Logistics Berhad, a public listed company

M. Chareon Sae Tang @ Tan Whye Aun
Non-Independent Non-Executive Director

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 69, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Audit Committee, Remuneration Committee and Executive Share Option Scheme Committee.

Mr Tang obtained his Bachelor of Law degree from King's College, the University of London and is a Barrister-at-Law of the Inner Temple London. He has been in legal practice since 1968, first as a legal assistant in Messrs Shearn & Delamore, and later a Partner at Messrs Chye, Chow Chung & Tang until 1976. Presently, he manages his own legal practice, Messrs C.S. Tang & Co.

Mr Tang has an indirect shareholding of 490,900 ordinary shares of RM1.00 each in the Company.

Mr Tang is also a Director of Amsteel Corporation Berhad, a public company, and Tomei Consolidated Berhad, a public listed company.

Mr Tang attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

Folk Fong Shing @ Kok Fong Hing
Independent Non-Executive Director

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 76, was appointed to the Board on 6 June 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee and Executive Share Option Scheme Committee and a member of the Nomination Committee of the Company.

Mr Folk obtained a Masters Degree in Business Administration from the University of East Asia, Macau. He is a member of the Malaysian Institute of Accountants and a member of the Association of Australian Certified Practising Accountants. He has a total of 38 years of working experience in accounting, auditing, business advisory, company secretarial and tax compliance/tax investigation work; first as a senior officer with the Department of Inland Revenue and later as Senior Partner of a public accounting firm. He is also the author of "A Practical Handbook on Company Secretarial Practice" and "Directors of Public Listed Company-Legal Obligations & Responsibilities" both published by Leeds Publications in 1996 and 2002 respectively, as well as "The Story of My Life" in 2008.

Mr Folk attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2008.

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 interest 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 2008 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 2008, seven (7) 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 Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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

The Group Chairman also assumes the position of the Group's Managing Director. He brings with him a wealth of over 35 years of experience in the business operations of the Group and possesses the calibre to ensure that policies and strategies approved by the Board are effectively implemented. In view of the vast experience of the Group Chairman/Managing Director, the Board considers the departure from the recommended practice of separating the functions as appropriate under the present circumstances.

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 members, in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon and senior management of the Group and external advisers are also invited to attend the 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. The members and terms of reference of the Nomination Committee are presented on page 18 of this Annual Report.

Re-election of Directors

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

Directors' Training

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

The Directors are also encouraged to attend 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, an in-house seminar was held for the benefit of the Directors. Certain Directors had also participated in other seminars and programmes other than that in relation to the in-house seminar.

In addition, the Company arranges 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 of Bursa Securities as and when the same were advised by Bursa Securities ("Continuing Updates").

The Board views the aforementioned seminars and 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 18 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 2008 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	24	1,904	1,928
Non-executive Directors	169	-	169
	193	1,904	2,097

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
25,000 & below	-	1
25,001- 50,000	-	4
1,900,001-1,950,000	1	-

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The annual general meeting is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session 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 website at www.lion.com.my 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 five (5) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 17 of this Annual Report.

Financial Reporting

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

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2008, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

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

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. The roles of both the external and internal auditors are further described in the Audit Committee Report.

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 Listing Requirements of Bursa Malaysia Securities Berhad.

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

The system of internal control was generally satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Mr Folk Fong Shing @ Kok Fong Hing
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain
  (Independent Non-Executive Director)

  Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman
  (Independent Non-Executive Director)

  Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy
  (Independent Non-Executive Director)

  Mr M. Chareon Sae Tang @ Tan Whye Aun
  (Non-Independent Non-Executive Director)

  The composition of the Audit Committee complies with paragraphs 15.10 and 15.11 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

- **Secretaries**

  The Secretaries of Lion Corporation Berhad, Ms Chan Poh Lan 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 or approved in the Listing Requirements of Bursa Securities. 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. The Audit Committee shall meet with the external auditors without the executive Board members being present at least twice a year. A majority of independent Directors present shall form a quorum.

  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 external audits, and any matter the external 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 interest 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 of Bursa Securities.

(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, nine (9) Audit Committee Meetings were held at which full attendance were recorded for all the members.

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

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

- **Financial Results**

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

  (b) Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on changes in 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 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 the 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.

- **Allocation of Share Options**

  Verified the allocation of options pursuant to the Executive Share Option Scheme of the Company.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Management Audit 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.

In discharging its function, the Group Management Audit 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.

NOMINATION COMMITTEE

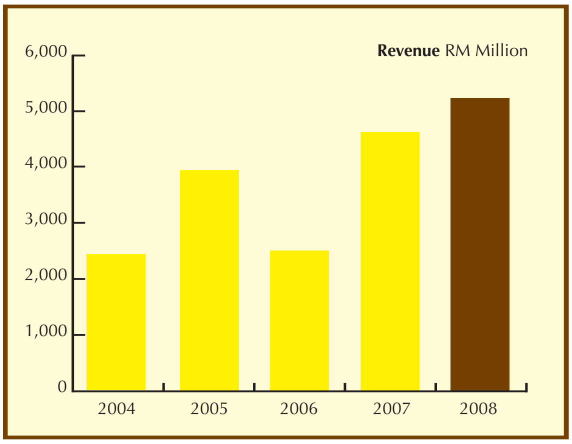
Chairman	:	Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain *(Independent Non-Executive Director)* Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

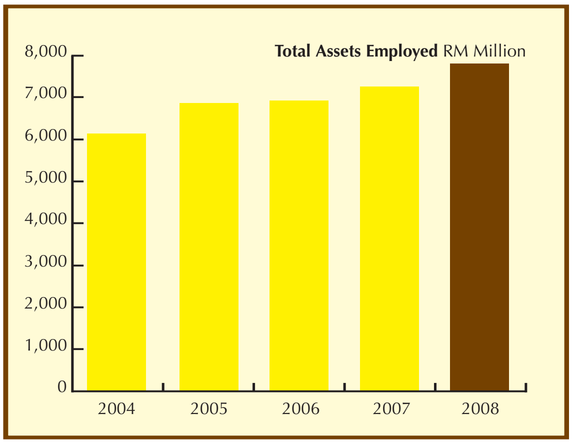
REMUNERATION COMMITTEE

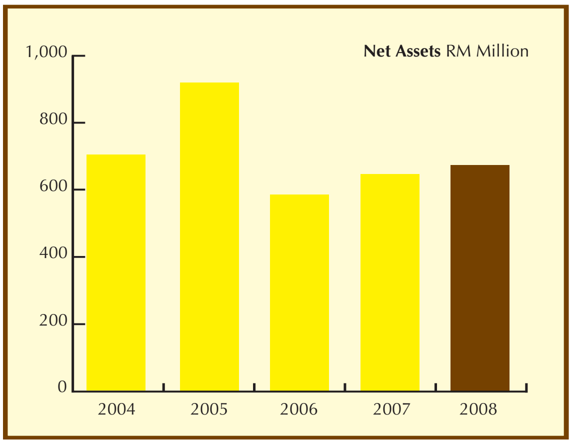
Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Cheng Yong Kim *(Non-Independent Non-Executive Director)* Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

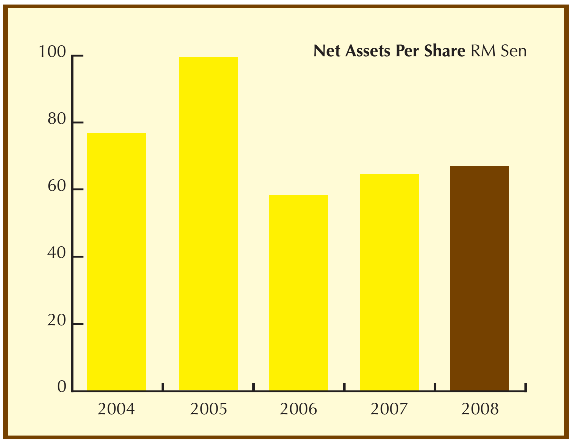
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Revenue	2,445,442	3,977,086	2,507,212	4,619,893	**5,233,782**
Profit/(loss) from operations	209,256	387,787	(154,701)	511,011	**360,126**
Profit/(loss) before taxation	49,672	182,455	(556,386)	(181,197)	**9,992**
Profit/(loss) after taxation	55,118	264,960	(430,208)	(188,175)	**24,844**
Total assets employed	6,135,433	6,865,084	6,973,284	7,260,433	**7,809,257**
Net assets	705,475	919,463	585,884	647,903	**674,060**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	76.8	99.3	58.3	64.5	**67.1**
Earnings/(loss) per share	4.7	25.1	(42.7)	(21.2)	**1.5**



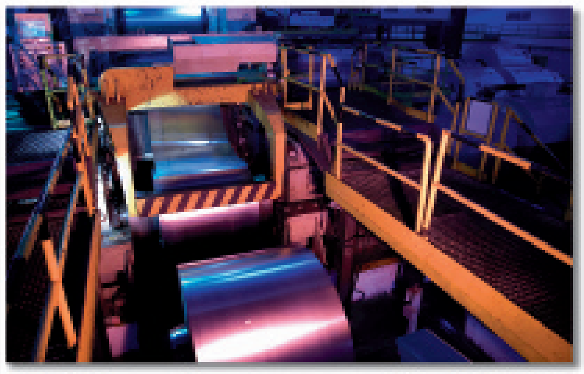






THE GROUP'S BUSINESSES

- Aerial view of Megasteel Sdn Bhd, the country's only integrated flat steel mill producing hot rolled and cold rolled coils (inset) in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang besi keluli rata bersepadu di negara ini yang mengeluarkan gegelung besi panas dan sejuk (gambar kecil) di Banting, Selangor.*



- The Cold Rolling facilities at Megasteel include a 4-stand 5-high Tandem Mill (left) to reduce strip thickness to fine gauges and a Temper Mill (top) to ensure final flatness and mechanical properties of the strip.
- *Kilang gulungan sejuk di Megasteel termasuk 4-stand 5-high Tandem Mill (kiri) untuk mengurangkan ketebalan jalur kepada ukuran yang lebih kecil dan Temper Mill (atas) bagi memastikan permudahan rata dan unsur-unsur mekanikal produk akhir terpelihara.*

- The TUAH 3-tonne light truck assembled by Kinabalu Motor Assembly Sdn Bhd and distributed by Lion Motor Sdn Bhd.
- *Trak ringan 3-tan TUAH yang dipasang oleh Kinabalu Motor Assembly Sdn Bhd dan diedarkan oleh Lion Motor Sdn Bhd.*

- Steel fabricated products ranging from industrial rackings to office furniture and mobile safes from Lion Steelworks Sdn Bhd.
- *Rangkaian produk fabrikasi keluli merangkumi rak industri, perabot pejabat serta peti keselamatan bergerak daripada Lion Steelworks Sdn Bhd.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Corporation Berhad bagi tahun kewangan berakhir 30 Jun 2008.

PRESTASI KEWANGAN

Tahun kewangan yang baru berakhir merupakan satu tahun yang amat mencabar kepada Kumpulan setelah berhadapan dengan kenaikan harga komoditi di seluruh dunia yang belum pernah berlaku sebelum ini. Megasteel Sdn Bhd ("Megasteel") pengeluar tunggal domestik gegelung gelekan panas ("HRC") dan penyumbang utama Kumpulan pada tahun lalu telah mencatatkan keuntungan yang rendah berikutan kenaikan tinggi harga besi lusuh, komponen utama untuk proses pengeluaran Megasteel. Harga besi lusuh melonjak daripada AS$350 setan metrik dalam bulan Julai 2007 sehingga paras tertinggi AS$700 setan metrik pada bulan Jun 2008. Kenaikan ketara harga bahan mentah berserta kos tenaga yang tinggi telah menjejaskan prestasi Megasteel apabila ia hanya berupaya memindah dan menangani kenaikan itu secara beransur-ansur melalui penyelarasan harga jualan bagi mengekalkan kestabilan persekitaran pasaran domestik.

Di peringkat antarabangsa, penghapusan rebat eksport dan pengenaan duti eksport ke atas beberapa produk besi oleh Kerajaan China mewujudkan ruang kosong atau lompang di kebanyakan negara-negara Asean. Peningkatan permintaan daripada negara-negara Asean membantu menampung kesan daripada permintaan yang lembap di Amerika Syarikat dan Eropah, pasaran eksport tradisi kita. Sehubungan itu, Megasteel berupaya mengekalkan eksport pada paras yang sama seperti tahun sebelumnya iaitu kira-kira 31% daripada jumlah jualan HRC.

Di dalam negara, permintaan kekal lembap di paras yang sama seperti tahun lalu. Perbelanjaan pembangunan besar yang diuar-uarkan sebelum ini di bawah Rancangan Malaysia Kesembilan gagal menjadi kenyataan manakala program penggantian paip air berjalan dengan perlahan. Memandangkan kira-kira 25% daripada jualan HRC Megasteel datangnya dari sektor air, Megasteel tidak mengalami sebarang kenaikan permintaan yang memuaskan pada setengah pertama tahun kewangan. Peningkatan harga besi pada setengah kedua tahun kewangan turut menyaksikan berlakunya sejumlah pembelian spekulatif dan kegiatan mengumpul stok oleh para pelanggan. Harga besi antarabangsa yang kukuh juga menggalakkan para pelanggan kita meningkatkan eksport mereka sekali gus menyebabkan kenaikan jualan sebanyak 27% dalam setengah tahun kedua.

PERKEMBANGAN KORPORAT

Pada 21 Mei 2008, Kumpulan telah mengumumkan cadangan langkah penyusunan semula korporat dan hutang ("Cadangan Skim LCB") dengan matlamat untuk menunaikan kewajipan kewangannya dan mengurangkan tanggungan hutang ke paras yang boleh diurus. Butiran penuh cadangan Skim LCB dinyatakan pada muka surat 100 hingga 101 dalam Laporan Tahunan ini.

KAJIAN OPERASI

Bahagian Besi

Hasil jualan pada tahun kewangan adalah tinggi berjumlah RM5.2 bilion berbanding RM4.6 bilion tahun lalu. Kenaikan itu hanya disumbangkan oleh harga jualan yang tinggi memandangkan jumlah muatan tanan (tonnage) dan campuran produk jualan kekal pada paras yang sama seperti tahun sebelumnya. Keuntungan sebelum cukai jatuh ketara kepada RM91.8 juta disebabkan oleh kenaikan mendadak kos bahan mentah yang melonjak lebih cepat berbanding harga jualan. Bahagian ini tidak dapat mempergunakan sepenuhnya situasi ketika kenaikan tinggi harga besi pada setengah kedua tahun kewangan kerana mengalami lebihan tempahan pada setengah tahun pertama. Pelbagai langkah telah diambil untuk mengurangkan kesan daripada naik turun harga bahan mentah dan barangan besi siap dengan memastikan penghantaran kepada pelanggan dibuat tepat pada masa dan mengurangkan bawaan ke hadapan pesanan yang gagal dipenuhi.

Seperti mana dinyatakan di dalam Laporan Tahunan sebelumnya, Megasteel telah memeterai perjanjian perdagangan dengan Lion DRI Sdn Bhd, anak syarikat milik penuh Lion Diversified Holdings Berhad untuk mendapat kesemua bekalan 'direct reduced iron' ("DRI") untuk tempoh 10 tahun akan datang. Lion DRI Sdn Bhd telah memulakan pengeluaran pada bulan Jun 2008 dan kilangnya yang terletak bersebelahan dengan Megasteel membolehkan Megasteel menggunakan DRI panas (hot charged) sebagai alternatif kepada besi lusuh import yang lebih mahal. Penggunaan DRI panas bukan hanya membolehkan Megasteel menikmati penjimatan besar dalam kos bahan mentah, pengendalian dan tenaga malah mengeluarkan hasil siap HRC yang berkualiti tinggi berbanding penggunaan besi lusuh import yang mempunyai paras ketidaktulenan yang tinggi.

Megasteel telah melaksanakan rancangannya untuk menaik taraf loji dan meningkatkan keupayaan pengeluaran daripada 2.2 juta tan metrik setahun kepada 3.2 juta tan metrik setahun pada September 2008. Pelaksanaan ini akan dapat menambah baik daya saing Megasteel dan meningkatkan margin eksport selepas memenuhi semua keperluan tempatan. Megasteel juga akan berupaya mengeluarkan HRC dalam ukuran yang lebih nipis selepas lojinya dinaik taraf.

Bahagian Motor

Berikutan pertumbuhan perlahan pasaran kenderaan di Malaysia, langkah-langkah telah diambil oleh Bahagian ini untuk mengecilkan operasi pemasarannya dengan menutup cawangan-cawangan yang tidak menguntungkan. Oleh kerana kita tidak lagi menjadi pengedar Isuzu, kita akan menumpukan kegiatan kepada pemasangan dan pengedaran trak buatan China serta mempromosi dan membina jenama berkenaan. Dalam tahun kewangan semasa, Bahagian ini mencatatkan hasil berjumlah RM6.5 juta manakala kerugian operasi berjumlah RM5.8 juta.

Bahagian Perabot Besi

Bahagian Perabot Besi Kumpulan telah mencatat pencapaian yang lebih baik sedikit pada tahun kewangan dalam kajian. Pencapaian itu diraih melalui perolehan yang lebih baik dari pasaran tempatan terutamanya perabot pejabat 'stand alone' dan sistem pemfailan bergerak kompak. Pasaran eksport terus bersaing dengan sengit. Pengukuhan mata wang Ringgit yang berterusan berbanding Dolar AS dalam tahun kewangan telah memberi tekanan harga pada produk kita sehingga berlakunya kejatuhan marginal dalam jualan eksport. Rantau Timur Tengah kekal menjadi pasaran eksport utama di mana kita telah berjaya membina reputasi sebagai pengeluar produk berkualiti dan dapat membuat penghantaran tepat pada masanya.

Kenaikan harga besi yang tidak pernah berlaku sepertinya sebelum ini telah meningkatkan kos pengeluaran kita. Kita akan terus berhati-hati terhadap aliran menaik kos bahan mentah dan mengamalkan strategi pengurusan inventori dan pemerolehan untuk memastikan produk kita menikmati margin keuntungan yang stabil. Bahagian ini akan terus proaktif dan komited untuk mengukuhkan hubungan dengan para pelanggan utama dan meluaskan kehadiran dalam pasaran-pasaran baru. Pelbagai usaha akan dilakukan untuk mencapai daya pengeluaran lebih tinggi, menambah baik penggunaan bahan dan proses pengeluaran untuk meningkatkan daya saing kos.

TANGGUNGJAWAB SOSIAL KORPORAT

Kita mengiktiraf pentingnya Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada perniagaan dan telah bertindak menerapkan rangka kerja CSR dalam pelan perniagaan untuk meningkatkan keyakinan para pemegang kepentingan, akauntabiliti dan ketelusan. CSR menjadi komponen penting dalam amalan perniagaan baik yang bermatlamat memperbaiki masyarakat dan alam sekitar.

Masyarakat

Dalam mengendalikan aktiviti perniagaannya, Kumpulan mengambil berat tanggungjawabnya sebagai warga korporat, dalam mengembalikan semula kepada masyarakat selain menyumbang kepada keuntungan dan nilai para pemegang saham. Kumpulan memberi tumpuan terhadap usaha menambahbaik masyarakat menerusi pendidikan dan penjagaan perubatan melalui dua Yayasan yang diasaskan oleh syarikat-syrikat di bawah Kumpulan Lion di mana Kumpulan adalah ahlinya.

Yayasan Lion-Parkson (sebelum ini dikenali sebagai Yayasan Lion-ASM) menyalurkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik, dan setiap tahun, memberikan biasiswa dan pinjaman pendidikan kepada pelajar di universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan dan ubat-ubatan.

Kumpulan turut membantu masyarakat dengan menyumbang kepada usaha menjana dana dan mengutip derma serta menghulurkan bantuan kepada mangsa malapetaka di dalam dan di luar negara.

Alam Sekitar

Sementara menumpukan aspek pembangunan teknologi dan industri, Kumpulan juga menyokong usaha memelihara alam sekitar. Operasi Kumpulan mematuhi undang-undang dan peraturan yang ditetapkan bagi industri di mana ia beroperasi.

Kumpulan menerima pakai peraturan keselamatan, kesihatan dan alam sekitar dengan mengamalkan pendekatan sistematik yang diperkukuhkan melalui latihan dan pengawasan secara tetap untuk memastikan keselamatan dan kesejahteraan para pekerja kita.

Berikutan peningkatan permintaan terhadap tenaga dan penyusutan sumber semula jadi, kita juga mengenal pasti sumber alternatif seperti gas asli dan beralih kepada teknologi baru yang mesra alam sekitar untuk operasi perniagaan kita.

PROSPEK

Selepas mencatat paras rekod tertinggi pada bulan Julai 2008, harga besi di peringkat antarabangsa menjunam ke paras AS$850 setan metrik selari dengan kejatuhan harga komoditi dunia. Selari dengan itu, harga besi lusuh juga turun daripada paras tertinggi AS$700 pada bulan Jun 2008 kepada kira-kira AS$400 setan metrik. Berikutan kejatuhan harga yang melampau dan mendadak, pasaran hilang keyakinan dan lebih ramai pembeli mengambil sikap tunggu dan lihat. Keadaan itu diburukkan lagi oleh krisis kewangan yang melanda AS dan kebanyakan negara-negara Barat yang maju.

Di sebalik ketidaktentuan ekonomi semasa dunia, Kumpulan berhati-hati tetapi optimis bahawa berikutan pelbagai langkah yang diambil sejak beberapa tahun yang lalu untuk menambah baik kecekapan operasi dan mengurangkan kos, ia berada pada kedudukan yang kukuh untuk berdepan dengan persekitaran operasi yang sukar di masa akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya mengalu-alukan kehadiran Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy yang dilantik untuk menyertai Lembaga Pengarah pada 1 Julai 2008.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kepada kesemua pemegang saham, pelanggan, pembiaya, sekutu perniagaan yang dihargai dan pihak berkuasa Kerajaan atas sokongan mereka serta para kakitangan atas dedikasi dan komitmen mereka terhadap Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Corporation Berhad for the financial year ended 30 June 2008.

FINANCIAL PERFORMANCE

It was an immensely challenging year for the Group being a year which was characterised by an unprecedented surge in prices of commodities worldwide. Megasteel Sdn Bhd ("Megasteel"), the sole domestic producer of hot rolled coils ("HRC") and the Group's major contributor last year, reported a lower profit in view of the sharp increase in prices of scrap iron, a major component of Megasteel's feed stock. Scrap iron prices rose from USD350 per metric ton in July 2007 to a high of above USD700 per metric ton in June 2008. The rapid increase in raw material prices coupled with the higher energy cost have affected the performance of Megasteel as it was only able to pass on and recover such increases on a gradual basis through selling price adjustments in order to maintain a stable domestic market environment.

On the international front, the removal of export rebates and the imposition of export duties on various steel products by the Chinese Government created a vacuum in the various Asean countries. The upsurge in demand from Asean countries helped mitigate the impact of sluggish demand in the United States of America and Europe, our traditional export markets. Megasteel was thus able to maintain its exports at about the same level as in the previous year at about 31% of the total HRC sales.

Domestically, demand remained sluggish at about the same level as last year. The ambitious development spending under the Ninth Malaysia Plan announced earlier failed to materialise whilst the water pipe replacement programmes progressed at a slow pace. As about 25% of Megasteel's HRC sales comes from the water sector, Megasteel did not experience any appreciable increase in demand in the first half of the financial year. The surge in steel prices in the second half of the financial year saw some speculative buying and stocking up by customers. The firm international steel prices also encouraged our customers to increase their exports thus resulting in some 27% increase in sales in the second half year.

CORPORATE DEVELOPMENT

On 21 May 2008, the Group announced its proposed corporate and debts restructuring exercise ("Proposed LCB Scheme") with the objective of fulfilling its financial obligations and to reduce its debts to a manageable level. Full details of the Proposed LCB Scheme are set out on pages 100 to 101 of this Annual Report.

REVIEW OF OPERATIONS

Steel Division

Sales revenue for the year was higher at RM5.2 billion compared to RM4.6 billion last year. The increase was merely attributable to the higher selling prices as sales tonnage and sales mix remained at about the same level as in the previous year. Pre-tax profit was substantially lower at RM91.8 million due to the rapid increase in raw material costs which moved up at a much faster pace than selling prices. The Division was unable to fully capitalise on and benefit from a surge in steel prices in the second half of the financial year due to its overbooked position in the first half. Steps have since been taken to minimise the impact of the rapid fluctuations in raw material and finished steel product prices by ensuring strict on-time delivery to customers and a reduction in carrying-over of unfulfilled orders.

As mentioned in the previous financial year's Annual Report, Megasteel has entered into an offtake agreement with Lion DRI Sdn Bhd, a wholly-owned subsidiary of Lion Diversifed Holdings Berhad, to procure the supply of all its direct reduced iron ("DRI") production for the next 10 years. Lion DRI Sdn Bhd has commenced production in June 2008 and as its plant is located next to Megasteel, the latter can utilise the hot-charged DRI as an alternative to the more expensive imported scrap. The use of hot-charged DRI will not only enable Megasteel to have substantial savings in material, handling and energy costs, but also allows for the production of higher quality finished HRC compared to using imported scrap which has a higher level of impurities.

Megasteel has embarked on its plan to upgrade its plant and expand its production capacity from 2.2 million metric tons per annum to 3.2 million metric tons per annum in the month of September 2008. This will help improve Megasteel's competitiveness and enhance export margins after fulfillment of all local demand. Megasteel will also be able to produce thinner gauge HRC after its plant has been upgraded.

Motor Division

In view of the slowdown in the Malaysian vehicles market, steps had been taken by the Division to downsize its marketing operations by closing down the unprofitable branches. As we have ceased to be the dealer for Isuzu, we will focus on the assembly and distribution of China trucks as well as on promoting and building up its brand name. In the current financial year, the Division reported a revenue of RM6.5 million with operation loss of RM5.8 million.

Steel Furniture Division

The Group's Steel Furniture Division registered a marginal improvement in its performance for the year under review. This was achieved on the back of improved revenue from its domestic market, particularly for stand-alone office furniture and compact mobile filing systems. The export market continued to be highly competitive. The persistent strengthening of the Ringgit against the US Dollar during the year has put some pricing pressures onto our products resulting in a marginal decrease in export sales. The Middle East region remains as our main export market where we have an established reputation for product quality and timely delivery.

The unprecedented escalation of steel prices had led to an increase in our production cost. We will continue to remain vigilant of this upward trend of raw material costs and to put in place the inventory management and procurement strategies to ensure stable profit margins for our products. The Division will continue to be proactive and committed to strengthening relationships with key customers and expanding market presence to other emerging markets. Efforts will also be taken to achieve higher productivity, improve on material usage and production processes to enhance cost competitiveness.

CORPORATE SOCIAL RESPONSIBILITY

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and incorporating a CSR framework into our business plan to enhance stakeholder confidence, accountability and transparency. CSR is 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 giving back to society while contributing to the bottom-line and shareholders' value. The Group is focused on improving the community through education and medical care via the two Foundations established by the Lion Group of Companies of which the Group is a member.

The Lion-Parkson Foundation (formerly known as Lion-ASM Foundation) disburses funds for various needs such as education, charity and scientific research; and every year, gives out scholarships and education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment including surgery, purchase of equipment or medication.

The Group also supports the community by contributing to fundraising and donation drives and responding to the plight of disaster victims locally and elsewhere.

Environment

While emphasising on technology and industry development, the Group seeks to uphold environmental concerns. 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.

In the face of growing demand for energy and depleting natural resources, we are also identifying alternative sources of energy such as natural gas, and opting for new technologies that are environmentally friendly, for our business operations.

PROSPECTS

After hitting record highs in July 2008, international steel prices nosedived to about USD850 per metric ton in tandem with the fall in world commodity prices. Correspondingly, scrap prices have also fallen from a high of USD700 in June 2008 to about USD400 per metric ton. As a result of the sudden and steep fall in prices, there is diminished confidence in the market and most buyers are adopting a cautious attitude. The situation is further compounded by the financial turmoil affecting the US and most of the western developed countries.

Despite the current global economic uncertainties, the Group is cautiously optimistic that with the various measures undertaken in the past few years to improve operational efficiencies and reduce production costs, it is in a strong position to overcome the difficult operating environment ahead.

BOARD OF DIRECTORS

On behalf of the Board, I would like to take this opportunity to welcome Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy who was appointed to the Board on 1 July 2008.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record our appreciation to all our shareholders, valued customers, financiers, business associates and Government authorities for their strong support, and to our employees for their dedication and commitment to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事会，欣然提呈金狮机构有限公司在截至2008年6月30日为止的会计年度常年报告和经审核财政报告。

财务表现

对本集团来说，这是具有巨大挑战的一年，也是全世界原产品价格史无前例飚升的一年。美佳钢铁私人有限公司(“美佳钢铁”)是国内唯一一家生产热轧钢的钢铁厂，也是本集团去年的主要收入来源，因为受到了主要原料废铁价格飚升的影响，只取得较低的利润。废铁价格从2007年7月的每公吨350美元涨至2008年6月的每公吨700美元。在稳固国内市场的同时，美佳钢铁只能通过价格的调整把这些飚升的冲击逐步的转交给客户，以便从中恢复过来。

在国际业务方面，由于中国政府取消各式钢铁产品出口税回扣及对这些产品实施出口关税，使到多个东盟国家出现了短缺现象。东盟国家激增的需求，协助缓和我们受到传统出口市场，美国和欧洲的疲软需求所带来的冲击。因此，美佳钢铁能够保持与往年大约相等的出口收入，即热轧钢总销售收入的31%。

本地的需求与去年大致一样，仍然是疲软。较早时宣布的第九大马计划下大胆的发展开支没有落实,而替换输水水管的计划步伐也很缓慢。由于美佳钢铁约25%热轧钢销售来自输水领域，美佳钢铁在本会计年度上半年的需求没有明显的增加。在本会计年度的下半年，钢铁价格上扬，出现客户投机购买和囤货的现象。稳固的国际钢铁价格促使我们的客户增加出口，因此下半年的销售收入增加约27%。

企业发展

本集团在2008年5月21日宣布企业债务和重组计划建议，目的是履行其财政义务以及减低其债务至可以管理的水平。上述建议的完整详情陈列在本报告书的第100至101页。

业务检讨

钢铁组

本年度的营业收入达52亿令吉，比去年的46亿令吉高。上述的增长是由于较高的售价，反观销售量和销售组合保持与去年大致相同的水平。但是原料成本上升的幅度较销售价格大 ，所以只取得9千180万令吉较低的税前盈利。因为在上半年已经处于超额预订，钢铁组无法充分的从下半年钢铁价格飚升中获益和赚取利润。因此，本组已经采取步骤，严格确保准时交货给客户以及减少因为没有履行的订单而产生的滞销，以便把浮动迅速的原料和钢铁制成品价格的冲击减至最低点。

诚如去年的报告书所提及的，美佳钢铁已经和金狮多元控股有限公司的独资子公司Lion DRI Sdn Bhd 协商了购买协议以购买该公司在未来10年所有生产的直接还原铁。Lion DRI Sdn Bhd已经在2008年6月开始投入生产。由于它厂地与美佳钢铁毗邻，美佳钢铁因此可以使用热轧直接还原铁替代较昂贵的进口废铁。使用热轧直接还原铁不但能够让美佳钢铁省下可观的材料、经销和能源成本，而且也能让它生产更高品质的热轧钢，因为进口的废铁含有较高的杂质。

美佳钢铁已在2008年9月完成提升生产线及扩充生产量的计划，年产量将从220万公吨增至320万公吨。这将有助于增强美佳钢铁的竞争力及在完成本地的所有需求后，提高出口余裕。除此之外，美佳钢铁也将能够生产更薄的热轧钢。

汽车组

基于马来西亚车辆市场放缓，本组已经采取一些步骤缩小市场营运，关闭没有盈利的分行。由于我们不再是五十铃（Isuzu) 的经销商，我们将专注于中国卡车的组装和经销以及推广和建立其品牌。在本会计年度，本组的收入达650万令吉且蒙受580万令吉的营运损失。

制造业组 – 钢制家私

在检讨会计年度里，本集团的钢铁家私组的表现有少许改进，归因于国内市场的较高收入，主要来自独立办公楼家私和小型可移动文件柜及架子系统。出口市场持续高竞争，由于本年度马币对美元的持续巩固，对我们的产品施加一些价格压力，导致出口收入稍减。中东地区仍然是我们主要的出口市场，我们已经在这里建立了产品品质以及准时交货的信誉。

钢铁价格史无前例的飚升，导致我们的生产成本增加。我们将对原料成本上扬的趋势保持警惕及做好存货管理和采购策略以确保我们的产品有稳定的盈利余裕。本组继续警觉及承诺加强与主要客户的关系和扩展在其他新兴市场的市场势力。我们也将努力以提高生产率，改进材料的运用和生产过程以提升成本竞争力。

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。

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社会

本公司在展开商业活动时，深切了解到作为企业公民的责任，在对股东在企业的价值贡献的同时，也要回馈社会。因此本集团通过两项基金，以教育和医疗服务来回馈社会。

Lion-Parkson基金（旧称Lion-ASM基金）拨款作各种用途，诸如教育、慈善及科学研究；每年提供奖学金和贷学金给在本地大学深造的在籍大学本科生。金　狮集团医药援助基金则为迫切需要包括手术，购置器材或药物医疗的马来西亚人提供财务援助。

本集团通过捐助筹款和捐款运动，以及为本地和其他地区灾难的灾民施予援手，来支持社会。

环境

在强调工艺和工业发展的同时，本公司亦寻求维护环境事务。本公司的运作遵照环境条例及本公司工业运作的相关工业条例。

本集团遵守安全、卫生和环境条例。我们采取了有条理的措施，并通过不断的训练和监督来加强，以确保我们的雇员的安全和福利。

在面对对能源需求的增加和枯竭的自然资源，我们也认明诸如天然气的替代能源资源以及选择环境友善的新技术，作为我们的商业运作的一部分。

展望

国际钢铁价格在2008年7月创下历史新高后，也随着世界原产品价格的下跌，大幅滑落至每公吨850美元。相应的，废铁价格也从2008年6月的每公吨700美元跌至每公吨400美元。因为价格的突然和急速下滑，市场没有什么信心而多数买家则采取观望态度。波及美国和西方多数先进国家的金融风波使此情况雪上加霜。

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本集团对目前全球经济不确定性是审慎的乐观。我们在过去数年采取的各项措施，以改善营运效率和减低生产成本，使到本集团克服未来的的艰难营运氛围处于强势地位。

董事会

我谨代表董事会，藉此机会欢迎Datuk Karownakaran@ Karunakaran A/L Ramasamy于2008年7月1日受委加入董事会。

鸣谢

我谨代表董事会，衷心感谢我们尊贵的股东、客户、金融界、商业伙伴、政府机构的强力支持以及我们忠于职守及为本集团作出贡献的职员。

主席
丹斯里钟廷森

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors 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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 17 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year	24,844	(126,194)
Attributable to:		
Ordinary equity holders of the Company	14,710	(126,194)
Minority interests	10,134	-
	24,844	(126,194)

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2008.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM1,005,115,831 to RM1,005,117,831 by the issuance of 2,000 ordinary shares of RM1.00 each at an issue price of RM2.60 per share for cash pursuant to the exercise of 2,000 warrants.

DIRECTORS

The Directors who served since the date of the last report are:

Tan Sri William H.J. Cheng
Datuk Cheng Yong Kim
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Datuk Mohd Yusof bin Abd Rahaman
Datuk Karownakaran @ Karunakaran A/L Ramasamy (Appointed on 1.7.2008)
M. Chareon Sae Tang @ Tan Whye Aun
Folk Fong Shing @ Kok Fong Hing

DIRECTORS (continued)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain and Mr M. Chareon Sae Tang @ Tan Whye Aun retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy who was appointed subsequent to the financial year retires and, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiaries are substantial shareholders as disclosed in Note 36 to the financial statements.

Except for the share options granted pursuant to the Executive Share Option Scheme of the Company and the conversion of warrants, neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

The interests of Directors in shares in the Company at the end of the financial year are as follows:

	Number of Ordinary Shares of RM1.00 each			
	As at 1.7.2007	**Additions**	**Disposals**	**As at 30.6.2008**
Direct Interest in Shares				
Tan Sri William H.J. Cheng	458,685	-	-	458,685
Datuk Cheng Yong Kim	10,209,517	-	-	10,209,517
Indirect Interest in Shares				
Tan Sri William H.J. Cheng	748,031,453	35,316	-	748,066,769
Datuk Cheng Yong Kim	457,849,095	227,148,229	-	684,997,324

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

a) Options granted pursuant to the Company’s Executive Share Option Scheme

	Number of Options			
	As at 1.7.2007	**Granted**	**Exercised**	**As at 30.6.2008**
Tan Sri William H.J. Cheng	490,000	-	-	490,000

DIRECTORS' INTERESTS (continued)

b) Warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held

	Number of Warrants			
	As at 1.7.2007	**Additions**	**Disposals/ Lapsed #**	**As at 30.6.2008**
Tan Sri William H.J. Cheng	42,160,189	-	(42,160,189)	-

The warrants expired on 10 June 2008.

The Directors' interests in related companies are as follows:

	Nominal Value per Ordinary Share	Number of Ordinary Shares			
		As at 1.7.2007	**Additions**	**Disposals**	**As at 30.6.2008**
Indirect Interest in Shares					
Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	42,644	-	-	42,644
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	26,985,030	-	-	26,985,030
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lyn (Pte) Ltd	*	1,225,555	-	-	1,225,555
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001
Bright Steel Service Centre Sdn Bhd (1)	RM1.00	11,420,000	-	-	11,420,000
Bright Enterprise (Sdn) Berhad (1)	RM1.00	816,000	-	-	816,000
B.A.P. Industries Sdn Bhd (1)	RM1.00	4,650,000	-	-	4,650,000

		Number of Ordinary Shares			
		As at 1.7.2007	**Additions**	**Disposals**	**As at 14.9.2007 (2)**
Parkson Holdings Berhad	RM1.00	42,318,772	-	-	42,318,772

	Number of Preference "D" Shares of RM0.01 each			
	As at 1.7.2007	**Additions**	**Disposals**	**As at 30.6.2008**
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	Number of Preference "F" Shares of RM0.01 each			
	As at 1.7.2007	**Additions**	**Disposals**	**As at 30.6.2008**
Megasteel Sdn Bhd	26,670,000	-	-	26,670,000

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

DIRECTORS' INTERESTS (continued)

(1) Subsidiaries of Parkson Holdings Berhad which ceased to be related companies on 14 September 2007. These companies subsequently became related companies on 19 September 2007.

(2) Ceased to be a related company on 14 September 2007.

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 companies during and at the end of the financial year.

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") for the benefit of the eligible executives and executive Directors of the Group became effective on 1 September 2005.

The main features and other terms of the ESOS are disclosed in Note 33(b) 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 of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

Grant Date	Subscription Price per Share RM	Balance as at 1.7.2007	Granted	Exercised	Lapsed	Balance as at 30.6.2008
26.5.2006	1.00	4,974,800	-	-	(697,400)	4,277,400
26.2.2007	1.00	5,739,500	-	-	(693,100)	5,046,400
		10,714,300	-	-	(1,390,500)	9,323,800

The exercise period for the options will expire 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 receivables and the making of allowance for doubtful receivables and had satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and

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

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

(a) which would render the amounts written off for bad receivables or the amount of the allowance for doubtful receivables 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 the current assets in the financial statements of the Group and of the Company misleading; or

OTHER STATUTORY INFORMATION (continued)

(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 the 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 liabilities of any other person; or

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

In the opinion of the Directors, except as disclosed in the financial statements:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(c) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Ong Boon Bah & Co, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 25 September 2008.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Revenue	6	**5,233,782**	4,619,893	**133,978**	123,452
Other operating income		**229,728**	174,483	**2,264**	13,991
Changes in inventories of finished goods and work-in-progress		**18,089**	(159,772)	**-**	-
Purchase of trading goods		**(14,178)**	(24,107)	**-**	-
Raw materials and consumables used		**(4,218,195)**	(3,338,613)	**-**	-
Employee benefits expenses	7	**(105,436)**	(98,373)	**(1,089)**	(1,426)
Depreciation and amortisation		**(132,410)**	(128,889)	**-**	-
Other operating expenses	8	**(651,254)**	(533,611)	**(2,251)**	(793)
Profit from operations	9	**360,126**	511,011	**132,902**	135,224
Finance costs	10	**(474,278)**	(444,903)	**(223,526)**	(199,518)
Share in results of associates		**344,637**	124,857	**-**	-
Impairment loss in associates	18	**(33,933)**	(372,162)	**(35,570)**	(347,597)
Provision for loss on the proposed corporate and debt restructuring exercise	11	**(186,560)**	-	**-**	-
Profit/(Loss) before taxation		**9,992**	(181,197)	**(126,194)**	(411,891)
Income tax income/(expense)	12	**14,852**	(6,978)	**-**	-
Net profit/(loss) for the financial year		**24,844**	(188,175)	**(126,194)**	(411,891)
Attributable to:					
- Ordinary equity holders of the Company		**14,710**	(213,407)	**(126,194)**	(411,891)
- Minority interests		**10,134**	25,232	**-**	-
Net profit/(loss) for the financial year		**24,844**	(188,175)	**(126,194)**	(411,891)
Earnings/(Loss) per share attributable to ordinary equity holders of the Company:	13				
- Basic (sen)		**1.5**	(21.2)		
- Diluted (sen)		**N/A**	N/A		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2008

		Group		Company	
		2008	**2007**	**2008**	**2007**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	**3,083,515**	3,028,309	**-**	-
Prepaid land lease payments	15	**15,047**	25,062	**-**	-
Goodwill	16	**563,921**	564,342	**-**	-
Investment in subsidiaries	17	**-**	-	**2,189,237**	2,167,376
Investment in associates	18	**1,359,033**	1,001,563	**201,785**	237,355
Other investments	19	**1,380**	1,408	**1,192**	1,192
Long term receivable	20	**241,864**	239,469	**-**	-
Deferred tax assets	21	**134,952**	122,992	**-**	-
		5,399,712	4,983,145	**2,392,214**	2,405,923
Current Assets					
Inventories	22	**1,853,485**	1,726,857	**-**	-
Trade and other receivables	20	**464,900**	483,076	**546**	468
Amount due from subsidiaries	23	**-**	-	**2,130,558**	1,994,562
Tax recoverable		**2,532**	4,462	**752**	977
Deposits with financial institutions	24	**23,436**	11,471	**7,891**	852
Cash and bank balances		**59,990**	51,422	**98**	785
		2,404,343	2,277,288	**2,139,845**	1,997,644
Non-current assets classified as held for sale	25	**5,202**	-	**-**	32,045
		2,409,545	2,277,288	**2,139,845**	2,029,689
TOTAL ASSETS		**7,809,257**	7,260,433	**4,532,059**	4,435,612

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS (continued)

AS AT 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	26	**1,005,118**	1,005,116	**1,005,118**	1,005,116
Reserves	27	**(331,058)**	(357,213)	**(1,073,027)**	(947,189)
		674,060	647,903	**(67,909)**	57,927
Minority Interests		**226,843**	196,377	**-**	-
Total Equity		**900,903**	844,280	**(67,909)**	57,927
Non-Current Liabilities					
Borrowings	28	**920,506**	24,490	**-**	-
Bonds and debts	29	**201,348**	1,962,707	**-**	1,723,238
Amount due to a subsidiary	23	**-**	-	**2,176,775**	2,155,223
Deferred tax liabilities	21	**10,572**	18,406	**-**	-
Deferred liabilities	30	**72,989**	51,057	**-**	-
		1,205,415	2,056,660	**2,176,775**	3,878,461
Current Liabilities					
Trade and other payables	31	**2,872,908**	2,246,682	**29,714**	28,505
Amount due to subsidiaries	23	**-**	-	**16,389**	17,739
Bank overdrafts	32	**5,977**	17,449	**-**	-
Borrowings	28	**405,513**	1,641,784	**-**	-
Bonds and debts	29	**2,417,606**	452,980	**2,377,090**	452,980
Tax payable		**935**	598	**-**	-
		5,702,939	4,359,493	**2,423,193**	499,224
Total Liabilities		**6,908,354**	6,416,153	**4,599,968**	4,377,685
TOTAL EQUITY AND LIABILITIES		**7,809,257**	7,260,433	**4,532,059**	4,435,612

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Attributable to Equity Holders of the Company						
		Non-Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group							
At 1 July 2006	1,005,116	97,627	328,725	(575,707)	855,761	177,109	1,032,870
Translation difference on net equity of foreign subsidiaries and other reserve movements	-	-	1,175	-	1,175	(11,140)	(9,965)
Equity accounting for share of net assets of associates	-	-	5,081	-	5,081	-	5,081
Effect of dilution on equity interest in associates	-	-	-	(21,961)	(21,961)	-	(21,961)
Effect of changes in applicable deferred tax rate on asset revaluation reserve	-	-	6,931	-	6,931	3,851	10,782
Transfer of deferred tax liability to asset revaluation reserve	-	-	11,925	-	11,925	1,325	13,250
Income and expense recognised directly in equity	-	-	25,112	(21,961)	3,151	(5,964)	(2,813)
Net loss for the financial year	-	-	-	(213,407)	(213,407)	25,232	(188,175)
Total recognised income and expense for the financial year	-	-	25,112	(235,368)	(210,256)	19,268	(190,988)
Share-based payment under ESOS	-	-	2,398	-	2,398	-	2,398
At 30 June 2007	1,005,116	97,627	356,235	(811,075)	647,903	196,377	844,280

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Attributable to Equity Holders of the Company						
		Non-Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group							
At 1 July 2007	**1,005,116**	**97,627**	**356,235**	**(811,075)**	**647,903**	**196,377**	**844,280**
Translation difference on net equity of foreign subsidiaries and other reserve movements	**-**	**-**	**(285)**	**-**	**(285)**	**44,375**	**44,090**
Equity accounting for share of net assets of associates	**-**	**-**	**7,088**	**-**	**7,088**	**-**	**7,088**
Effect of dilution on equity interest in associates	**-**	**-**	**-**	**820**	**820**	**-**	**820**
Effect of changes in applicable deferred tax rate on asset revaluation reserve	**-**	**-**	**3,466**	**-**	**3,466**	**385**	**3,851**
Realisation upon disposal of a subsidiary	**-**	**-**	**(530)**	**530**	**-**	**(24,428)**	**(24,428)**
Income and expense recognised directly in equity	**-**	**-**	**9,739**	**1,350**	**11,089**	**20,332**	**31,421**
Net profit for the financial year	**-**	**-**	**-**	**14,710**	**14,710**	**10,134**	**24,844**
Total recognised income and expense for the financial year	**-**	**-**	**9,739**	**16,060**	**25,799**	**30,466**	**56,265**
Share-based payment under ESOS	**-**	**-**	**353**	**-**	**353**	**-**	**353**
Shares issued pursuant to exercise of warrants	**2**	**3**	**-**	**-**	**5**	**-**	**5**
At 30 June 2008	**1,005,118**	**97,630**	**366,327**	**(795,015)**	**674,060**	**226,843**	**900,903**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		← Non-Distributable →			
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000
Company					
At 1 July 2006	1,005,116	97,627	150	(635,473)	467,420
Net loss for the financial year, representing total recognised income and expense for the financial year	-	-	-	(411,891)	(411,891)
Share-based payment under ESOS	-	-	2,398	-	2,398
At 30 June 2007	1,005,116	97,627	2,548	(1,047,364)	57,927
At 1 July 2007	**1,005,116**	**97,627**	**2,548**	**(1,047,364)**	**57,927**
Net loss for the financial year, representing total recognised income and expense for the financial year	**-**	**-**	**-**	**(126,194)**	**(126,194)**
Share-based payment under ESOS	**-**	**-**	**353**	**-**	**353**
Shares issued pursuant to exercise of warrants	**2**	**3**	**-**	**-**	**5**
At 30 June 2008	**1,005,118**	**97,630**	**2,901**	**(1,173,558)**	**(67,909)**

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		**9,992**	(181,197)	**(126,194)**	(411,891)
Adjustments for non-cash items, interests and dividends	38(a)	**414,807**	750,373	**122,171**	410,192
Operating profit/(loss) before working capital changes		**424,799**	569,176	**(4,023)**	(1,699)
Changes in working capital:					
Inventories		**(130,849)**	(253,861)	**-**	-
Receivables		**69,420**	(64,106)	**(79)**	(217)
Payables		**400,320**	191,727	**971**	(335)
Cash generated from/(used in) operations		**763,690**	442,936	**(3,131)**	(2,251)
Tax refunded		**1,881**	347	**713**	1,091
Retirement benefit paid		**(134)**	-	**-**	-
Net cash inflow/(outflow) from operating activities		**765,437**	443,283	**(2,418)**	(1,160)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	38(b)	**(232,518)**	(88,947)	**-**	-
Proceeds from disposal of:					
- a subsidiary		**21,604**	-	**34,332**	-
- prepaid land lease payments		**12,995**	-	**-**	-
- property, plant and equipment	38(c)	**1,541**	485	**-**	-
- assets held for sale		**-**	22,851	**-**	-
- quoted investment		**-**	17,433	**-**	17,433
Fixed deposits pledged		**(1,269)**	-	**-**	-
Dividend received		**4,907**	1,243	**1,339**	872
Advance to subsidiaries		**-**	-	**(25,820)**	(7,831)
Proceeds from partial disposal of an associate		**-**	3	**-**	3
Interest received		**4,219**	4,546	**400**	77
Net cash (outflow)/inflow from investing activities		**(188,521)**	(42,386)	**10,251**	10,554

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Group		Company	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from exercise of warrants		**5**	-	**5**	-
Dividend paid to minority shareholders of a subsidiary		**-**	(203)	**-**	-
Redemption/repayment of LCB Bonds and LCB Debts		**-**	(9,146)	**-**	(9,146)
(Repayment)/Drawdown of:					
- term loans		**(297,308)**	(154,806)	**-**	-
- hire purchase liabilities		**(2,199)**	(1,593)	**-**	-
- short term borrowings		**12,478**	(6,553)	**-**	-
(Repayment to)/Advance from subsidiaries		**-**	-	**(1,486)**	11
Interest paid		**(259,156)**	(214,596)	**-**	-
Net cash outflow from financing activities		**(546,180)**	(386,897)	**(1,481)**	(9,135)
Net increase in cash and cash equivalents		**30,736**	14,000	**6,352**	259
Cash and cash equivalents at beginning of the financial year		**45,444**	31,444	**1,637**	1,378
Cash and cash equivalents at end of the financial year	38(d)	**76,180**	45,444	**7,989**	1,637

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are both located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 September 2008.

2. BASIS OF PREPARATION

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. During the financial year ended 30 June 2008, the Group and the Company adopted new and revised FRSs as described fully in Note 4 to the financial statements.

The financial statements of the Group and of the Company have also been prepared on a historical basis except when otherwise indicated.

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

As at 30 June 2008, the Group's current liabilities exceeded its current assets by RM3,293.4 million. In addition, as disclosed in Note 29 to the financial statements, the Company has not met its scheduled LCB Bonds and LCB Debts repayment obligations. The Company had on 21 May 2008 proposed to undertake a corporate and debt restructuring exercise to address its debt obligations for the said bonds and debts ("Proposed LCB Scheme") as disclosed in Note 40 (iii) to the financial statements. The Proposed LCB Scheme has been approved by the respective bonds and debts holders on 24 July 2008. The implementation of the Proposed LCB Scheme is pending approval from the relevant authorities.

The Directors are of the view that the Proposed LCB Scheme will be successfully implemented and moving forward, the Group will be able to meet its debts obligations. Accordingly, the Directors consider it appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Group and the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Investment in Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(i) Investment in Subsidiaries (continued)

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(ii) Investment in Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the dates the Group ceases to have significant influence over the associates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(ii) Investment in Associates (continued)

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not conterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

When an associate holds an ownership interest in the Group, any profit or loss and any increment or decrement of net assets of the Group which the associate has accounted for in its financial statements, would be disregarded when the Group applies the equity method to account for its investment in the associate.

(b) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods and Services

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest Income

Interest income is recognised on an accrual basis using the effective yield method.

(iii) Dividend Income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(iii) Defined Benefit Plan - Unfunded

A subsidiary of the Company operates an unfunded, defined benefit retirement benefit scheme (“the Scheme”) for its eligible employees. The Group’s obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries who carry a full valuation of the plan every three years, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(iv) Equity Compensation Benefits

The Group's Executive Share Option Scheme (“ESOS”), an equity-settled, share-based compensation plan, allows the Group’s eligible executives and executive Directors to acquire ordinary shares in the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will be vested. The fair value of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Employee Benefits (continued)

(iv) Equity Compensation Benefits (continued)

At each balance sheet date, the Group revises its estimates of the number of 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 statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

(d) Income Tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the 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 taxable profit will be available against which the deductible temporary differences or unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative 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 profit nor taxable profit.

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. Deferred tax is recognised in the income statement, 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 in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill on acquisition.

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 the deferred taxes relate to the same tax authority.

(e) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currencies (continued)

(ii) Foreign Currency Transactions (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 July 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose from the acquisition of foreign subsidiaries before 1 July 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2008 RM	**2007 RM**
1 US Dollar	**3.2690**	3.4870
1 Euro	**5.1595**	4.6900
1 Singapore Dollar	**2.4030**	2.2755
1 Sterling Pound	**6.5186**	6.9850
1 Swiss Franc	**3.2235**	2.8310
1 Swedish Krona	**0.5716**	0.5256

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of Assets

The carrying amounts of the assets, other than inventories, assets arising from construction contracts and financial assets (other than investment in subsidiaries and associates) are reviewed to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to the present value of estimated future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

Impairment loss is recognised as an expense in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is used to reduce the revaluation surplus to the extent of previously recognised revaluation surplus for the same asset.

An impairment loss is reversed only 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 has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reversed the effect of that event.

(g) Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Property, plant and equipment cost comprises purchase price, including import duties and directly attributable costs of bringing the asset to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Freehold land is stated at revalued amount, which is the fair value at the date of revaluation less any impairment losses. The freehold land has not been revalued since it was first revalued in 1998. The Directors have not adopted a policy of regular revaluation of this asset and no later valuation has been recorded. As permitted under the transitional provision of IAS 16 (Revised): Property, Plant and Equipment, this asset continues to be stated at its 1998 valuation.

Any revaluation surplus is credited to the asset revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in the income statement. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Property, plant and equipment are classified as capital work-in-progress until the asset is brought to working condition for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, Plant and Equipment (continued)

Freehold land and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings and land improvements	2 - 10%
Plant and machinery	3.33% - 20%
Furniture and equipment	5 - 20%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under the operating lease.

(i) Finance Leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight line basis over the lease period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Prepaid Land Lease Payments

Leasehold interest in long leasehold land are accounted for as operating leases and are classified as prepaid lease payments. Such leasehold land will no longer be revalued.

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

(j) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liability. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 3(f) to the financial statements.

(k) Inventories

Inventories are stated at lower of cost and net realisable value.

The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of finished goods and work-in-progress consists of direct materials, direct labour, other direct costs and appropriate production overheads where applicable and is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Non-Current Asset Held for Sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(m) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables, borrowings and ordinary shares. The particular recognition methods adopted are disclosed in the respective accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is also a party to financial instruments with the objective to reduce risk exposure to fluctuations in foreign currency exchange rates. These instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts are used to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset and liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is offset by a corresponding movement in the value of the forward exchange contract. The gains or losses are therefore offset for financial reporting purposes and are not recognised in the financial statements, while the fees incurred on each agreement are amortised over the contract period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(i) Other Non-Current Investments

Investments in subsidiaries and associates in the Company's financial statements are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(f) to the financial statements.

Other non-current investments are stated at cost less accumulated impairment losses to recognise any decline, other than a temporary decline in the value of the investments.

The Company's investment in Megasteel Sub-Bond (A) is stated at net present value plus accreted interest and less any allowance that may be required for diminution in value. The accretion of interest on the bond investment is recognised as interest income on the basis of their underlying yield to maturity.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad receivables are written off when identified. An estimate is made for doubtful receivable based on a review of all outstanding amounts as at the balance sheet date.

(iii) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short-term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash in hand and at bank, deposits with financial institutions and bank overdrafts.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest Bearing Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost and any difference between net proceeds and redemption value is recognised in the income statement over the period of the borrowing using the effective yield method.

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

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset until the asset is ready for its intended use.

All other borrowing costs are recognised as an expense in the income statement in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(vi) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(vii) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(n) Provision for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(o) Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 July 2007, the Group and the Company adopted all the revised FRSs, amendment and interpretation issued by MASB that are relevant to their operations as follows:

(i) IC Interpretation 8: Scope of FRS 2
(ii) FRS 107 - Cash Flow Statements
(iii) FRS 111 - Construction Contracts
(iv) FRS 112 - Income Taxes
(v) FRS 118 - Revenue
(vi) FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance
(vii) FRS 124 - Related Party Disclosures
(viii) FRS 134 - Interim Financial Reporting
(ix) FRS 137 - Provisions, Contingent Liabilities and Contingent Assets
(x) Amendment to FRS 119_{2004} - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
(xi) Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

4. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (continued)

The adoption of the aforementioned revised FRSs, amendment and interpretation do not have any material financial effect on the results of the Group and of the Company for the current financial and prior financial years and have not resulted in substantial changes to the Group's accounting policies.

FRS 139 "Financial Instruments: Recognition and Measurement" is effective for accounting periods beginning on or after 1 January 2010. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard from financial year ending 30 June 2011.

By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the version affects only that period, or in the period of the revision and future periods if the version affects both current and future periods.

Critical Accounting Estimates and Assumptions

The following are the key assumptions 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:

(i) Depreciation of Property, Plant and Equipment

The cost of the plant and machinery relating to manufacturing of hot rolled coils and cold rolled coils is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 15 years to 30 years and residual value to be 5%. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Estimated Impairment of Goodwill

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

(iii) Estimated Impairment of Tangible 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, will be assessed. The assessment of recoverable amount involves various methodologies.

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

(iii) Estimated Impairment of Tangible Assets (continued)

Fair value of an asset is estimated by reference to net assets of the investee or base on prevailing market value determined by professional valuers.

In determining the value in use 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 required significant judgements and estimates. While the Group believe these estimates and assumptions to be reasonable and appropriate, changes in these estimates and assumptions of value in use could impact on the Group's financial position and results.

(iv) Deferred Tax Assets

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

(v) Inventories

Significant judgement is required in determining the quality, grades and density of the raw materials existing at the end of the financial year. In forming judgement, the Group relies on past experience and on the work of an expert in measuring the raw materials. Details of inventories are disclosed in Note 22 to the financial statements.

(vi) Accrual for Export Rebates

Export rebates are granted to customers which export products containing hot rolled coils purchased from a subsidiary of the Company.

Accrual for export rebates are estimated by management on export sales based on historical trends of amounts rebated on export sales in prior years and taking into account obligations to the customers based on export rebate rates agreed upon.

(vii) Allowance for Doubtful Receivables

The Group makes allowances for doubtful receivables based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes on an instruments loss basis in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact carrying value of receivables and doubtful receivables expenses in the period in which such estimate has been changed.

(viii) Share-based Payment

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options for share allocations. The cost is based on the fair value of the options or shares allocated and the number of options expected to vest. The fair value of each option or share is determined by using the Binomial option pricing model. For details of assumptions, see Note 33(b) to the financial statements.

6. REVENUE

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Sales of goods	**5,233,137**	4,619,226	**-**	-
Assembly fees	**433**	456	**-**	-
Registration and other professional fees	**212**	211	**-**	-
Dividend income	**-**	-	**1,827**	1,136
Interest income	**-**	-	**132,151**	122,316
	5,233,782	4,619,893	**133,978**	123,452

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries, wages and bonuses	**69,119**	66,668	**720**	720
Defined contribution plans	**8,607**	8,000	**101**	101
Defined benefit plan (Note 33(a))	**166**	150	**-**	-
Share options granted under ESOS (Note 33(b))	**353**	2,398	**44**	519
Other staff related expenses	**27,191**	21,157	**224**	86
	105,436	98,373	**1,089**	1,426

Included in the employee benefits expenses of the Group and of the Company is remuneration of an executive Director and other members of key management as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Salaries and other emoluments	**2,710**	2,595	**968**	830
Defined contribution plans	**332**	334	**101**	101
Share options granted under ESOS	**87**	161	**-**	-
	3,129	3,090	**1,069**	931

An executive Director of the Group and other members of key management have been granted the following number of options under the ESOS:

	Group	
	2008 '000	2007 '000
At 1 July/30 June	**1,138**	1,138

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 33(b)).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

8. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils and cold rolled coils totalling RM431.9 million (2007: RM374.7 million).

9. PROFIT FROM OPERATIONS

The profit from operations is arrived at:

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
After charging:					
Allowance for doubtful receivables		**409**	477	**-**	-
Allowance for obsolete inventories		**72**	-	**-**	-
Amortisation of prepaid land lease payments	15	**438**	531	**-**	-
Auditors' remuneration:					
- current year		**378**	392	**18**	18
- under/(over) accrued in prior year		**5**	(7)	**-**	14
- non-statutory audit fees		**11**	11	**11**	11
Directors' remuneration*		**2,097**	2,162	**1,238**	1,090
Impairment loss on asset held for sale	25	**281**	-	-	-
Impairment of goodwill	16	**-**	2,376	-	-
Impairment of other investments		**-**	25	-	-
Inventories:					
- written down		**4,497**	10,677	-	-
- written off		**72**	-	-	-
Property, plant and equipment:					
- depreciation	14	**131,972**	128,358	-	-
- written off	14	**669**	6	-	-
Provision for defined benefit plan	33(a)	**166**	150	-	-
Rental of:					
- plant, machinery and equipment		**582**	699	-	-
- premises		**3,546**	3,173	-	-

9. PROFIT FROM OPERATIONS (continued)

The profit from operations is arrived at: (continued)

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
And crediting:					
Allowance for doubtful receivables written back		**585**	909	**-**	-
Gain on disposal of:					
- a subsidiary		**11,116**	-	**2,264**	-
- assets held for sale		**-**	9,039	**-**	-
- prepaid land lease payments		**6,461**	-	**-**	-
- property, plant and equipment		**4,529**	80	**-**	-
- quoted investment		**-**	13,233	**-**	13,233
Gross dividend income from quoted investment in Malaysia:					
- a subsidiary		**-**	-	**-**	41
- an associate		**-**	-	**1,806**	903
- others		**21**	192	**21**	192
Interest income from:					
- subsidiaries		**-**	-	**110,176**	100,878
- Megasteel Sub-Bond (A)		**-**	-	**21,552**	21,339
- others		**7,715**	6,917	**423**	99
Net foreign exchange gain:					
- realised		**132,981**	79,632	**-**	-
- unrealised		**43,370**	55,113	**727**	757
Rental income		**12,019**	241	**-**	-
Reversal of allowance for obsolete inventories		**419**	363	**-**	-
Reversal of impairment losses in an associate	18	**40**	640	**-**	-
Reversal of provision for interest		**-**	347	**-**	-

* The Directors' remuneration is categorised as follows:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Executive Director:				
- Salary and other emoluments	**1,440**	1,560	**720**	720
- Fees	**24**	34	**24**	24
- Defined contribution plans	**202**	218	**101**	101
- Share options granted under ESOS	**38**	66	**-**	-
- Benefit-in-kind	**224**	125	**224**	86
	1,928	2,003	**1,069**	931
Non-executive Directors:				
- Fees	**169**	159	**169**	159
	2,097	2,162	**1,238**	1,090

9. PROFIT FROM OPERATIONS (continued)

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
Range of Remuneration per annum				
Executive Director				
- RM900,001 - RM950,000	**-**	-	**-**	1
- RM1,050,001 - RM1,100,000	**-**	-	**1**	-
- RM1,900,001 - RM1,950,000	**1**	-	**-**	-
- RM2,000,001 - RM2,050,000	**-**	1	**-**	-
Non-Executive Directors				
- RM25,000 and below	**1**	3*	**1**	3*
- RM25,001 - RM50,000	**4#**	3	**4#**	3

* including 2 Directors who retired on 30 November 2006
# including a Director who was appointed on 1 August 2007

10. FINANCE COST

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Interest Expenses on:				
- advances from subsidiaries	**-**	-	**21,688**	21,473
- bank overdrafts	**1,102**	1,028	**-**	-
- bonds and debts	**178,701**	164,764	**178,701**	164,764
- term loans	**117,545**	139,114	**-**	-
- default interest discharged	**(17,096)**	-	**-**	-
- Megasteel Sub-Bond (B)	**2,395**	2,371	**-**	-
- product financing liabilities	**138,829**	88,456	**-**	-
- others	**52,802**	49,170	**23,137**	13,281
	474,278	444,903	**223,526**	199,518

11. PROVISION FOR LOSS ON THE PROPOSED CORPORATE AND DEBT RESTRUCTURING EXERCISE

Pursuant to the Proposed LCB Scheme as disclosed in Note 40(iii)(f) to the financial statements, the Company via its wholly-owned subsidiary, Limpahjaya Sdn Bhd, proposes to dispose of 66,666,667 ordinary shares of RM1.00 each in Megasteel Sdn Bhd ("Megasteel"), representing 11.1% of the issued and paid-up share capital of Megasteel to Lion Diversified Holdings Berhad for a cash consideration of RM100,000,000. The provision for loss amounting to RM186.6 million is in relation to the aforementioned dilution of 11.1% equity interest in Megasteel.

12. INCOME TAX INCOME/(EXPENSE)

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Current Estimated Tax Payable:				
Malaysian income tax:				
- Current year	**(897)**	(875)	**-**	-
- Under provision in prior years	**(194)**	(89)	**-**	-
	(1,091)	(964)	**-**	-
Deferred Taxation: (Note 21)				
- Relating to origination and reversal of temporary differences	**13,155**	13,175	**-**	-
- Relating to reduction in Malaysian income tax rate	**(8,492)**	(17,758)	**-**	-
- Over/(Under) provision in prior years	**11,280**	(1,431)	**-**	-
	15,943	(6,014)	**-**	-
Total	**14,852**	(6,978)	**-**	-

A reconciliation of tax income/(expense) applicable to profit/(loss) before tax at the statutory income tax rate to tax income/(expense) at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Income tax using Malaysian statutory tax rate of 26% (2007: 27%)	**(2,598)**	48,903	**32,810**	111,211
Effect of different tax rates	**(15,327)**	(25,456)	**-**	-
Income not subject to tax	**69,310**	96,805	**600**	3,829
Expenses not deductible for tax purposes	**(107,670)**	(144,412)	**(33,410)**	(115,040)
Deferred tax assets not recognised during the year	**(25,947)**	(12,871)	**-**	-
Tax effect of share in results of associates	**89,606**	33,711	**-**	-
Effect of utilisation of previously unrecognised capital allowances and tax losses	**(3,608)**	(5,267)	**-**	-
Over provision in prior years	**11,086**	1,609		
Tax income/(expense)	**14,852**	(6,978)	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

The Company has estimated tax exempt account amounting to RM17.4 million (2007: RM17.4 million) available for the distribution of tax exempt dividend. The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2007: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	Group	
	2008	**2007**
Net profit/(loss) for the financial year attributable to ordinary equity holders of the Company (RM'000)	**14,710**	(213,407)
Weighted average number of ordinary shares in issue ('000)	**1,005,116**	1,005,116
Basic earnings/(loss) per share (sen)	**1.5**	(21.2)

(b) Diluted

The diluted earnings/(loss) per share is not presented as the unissued ordinary shares granted to eligible executives and the executive Directors of the Group pursuant to the Company's ESOS has no dilutive effect as the exercise price is above the average market value of the Company's shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2008						
Cost/Valuation						
At 1 July 2007	**670,581**	**3,277,174**	**40,702**	**6,464**	**115,726**	**4,110,647**
Additions	**20,597**	**46,041**	**3,739**	**1,002**	**166,594**	**237,973**
Reclassification	**199,568**	**(107,613)**	**(4,274)**	**-**	**(87,681)**	**-**
Reclassified to asset held for sale (Note 25(ii))	**(13,699)**	**-**	**(1,028)**	**-**	**-**	**(14,727)**
Disposals/Transfer	**(17,503)**	**(9,422)**	**(1,046)**	**(233)**	**(32,249)**	**(60,453)**
Written off	**-**	**-**	**(1,434)**	**(3)**	**(8,505)**	**(9,942)**
At 30 June 2008	**859,544**	**3,206,180**	**36,659**	**7,230**	**153,885**	**4,263,498**
Representing items at:						
Cost	**559,544**	**946,874**	**36,659**	**7,230**	**153,885**	**1,704,192**
Valuation	**300,000**	**2,259,306**	**-**	**-**	**-**	**2,559,306**
	859,544	**3,206,180**	**36,659**	**7,230**	**153,885**	**4,263,498**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2008						
Accumulated Depreciation						
At 1 July 2007	95,807	913,657	24,872	3,949	-	1,038,285
Depreciation charge for the financial year	16,956	110,072	3,997	947	-	131,972
Reclassification	5,904	(1,022)	(4,859)	(23)	-	-
Reclassified to asset held for sale (Note 25(ii))	(11,405)	-	(882)	-	-	(12,287)
Disposals/Transfer	(3,826)	(7,967)	(762)	(212)	-	(12,767)
Written off	-	-	(765)	(3)	-	(768)
At 30 June 2008	103,436	1,014,740	21,601	4,658	-	1,144,435
Representing items at:						
Cost	103,436	98,822	21,601	4,658	-	228,517
Valuation	-	915,918	-	-	-	915,918
	103,436	1,014,740	21,601	4,658	-	1,144,435
Accumulated Impairment Losses						
At 1 July 2007	9,673	25,875	-	-	8,505	44,053
Written off	-	-	-	-	(8,505)	(8,505)
At 30 June 2008	9,673	25,875	-	-	-	35,548
Representing items at:						
Cost	9,673	25,875	-	-	-	35,548
Net Book Value						
At cost	446,435	822,177	15,058	2,572	153,885	1,440,127
At valuation	300,000	1,343,388	-	-	-	1,643,388
At 30 June 2008	746,435	2,165,565	15,058	2,572	153,885	3,083,515

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2007						
Cost/Valuation						
At 1 July 2006	653,229	2,892,833	34,329	7,784	563,985	4,152,160
Additions	4,761	24,324	5,112	831	54,557	89,585
Adjustments	-	(48,351)#	-	-	(42,836)*	(91,187)
Reclassification	12,591	408,680	1,569	-	(417,931)	4,909
Disposals	-	-	(245)	(1,611)	(42,044)	(43,900)
Written off	-	(312)	(63)	(540)	(5)	(920)
At 30 June 2007	670,581	3,277,174	40,702	6,464	115,726	4,110,647
Representing items at:						
Cost	365,611	1,015,450	40,702	6,464	115,726	1,543,953
Valuation	304,970	2,261,724	-	-	-	2,566,694
	670,581	3,277,174	40,702	6,464	115,726	4,110,647
Accumulated Depreciation						
At 1 July 2006	79,718	801,853	21,057	4,755	-	907,383
Depreciation charge for the financial year	16,676	119,687	3,700	942	-	141,005
Adjustments	-	(12,647)	-	-	-	(12,647)
Reclassification	(587)	5,076	420	-	-	4,909
Disposals	-	-	(243)	(1,208)	-	(1,451)
Written off	-	(312)	(62)	(540)	-	(914)
At 30 June 2007	95,807	913,657	24,872	3,949	-	1,038,285
Representing items at:						
Cost	90,837	70,542	24,872	3,949	-	190,200
Valuation	4,970	843,115	-	-	-	848,085
	95,807	913,657	24,872	3,949	-	1,038,285

Adjustments arising from overstatement of plant and machinery
* Excess raw materials used in testing of plant transferred to inventory upon commissioning of plant

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2007						
Accumulated Impairment Losses						
At 1 July 2006/ 30 June 2007	9,673	25,875	-	-	8,505	44,053
Representing items at:						
Cost	9,673	25,875	-	-	8,505	44,053
Net Book Value						
At cost	265,101	919,033	15,830	2,515	107,221	1,309,700
At valuation	300,000	1,418,609	-	-	-	1,718,609
At 30 June 2007	565,101	2,337,642	15,830	2,515	107,221	3,028,309

In 2003, the Group adjusted the plant and machinery of a subsidiary, Megasteel Sdn Bhd, to its fair value upon the acquisition of an additional 40% equity interest in that company. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM138.6 million (net of deferred tax liabilities) has been credited to asset revaluation reserve account. It is not the policy of the Group to revalue such asset regularly.

Land and buildings of the Group are as follows:

	Freehold land RM'000	Buildings and land improvement RM'000	Total RM'000
Group			
2008			
Cost/Valuation			
At 1 July 2007	**327,158**	**343,423**	**670,581**
Additions	**-**	**20,597**	**20,597**
Reclassification	**(15,967)**	**215,535**	**199,568**
Reclassified to asset held for sale	**-**	**(13,699)**	**(13,699)**
Disposals/Transfer	**-**	**(17,503)**	**(17,503)**
At 30 June 2008	**311,191**	**548,353**	**859,544**
Representing items at:			
Cost	**11,191**	**548,353**	**559,544**
Valuation	**300,000**	**-**	**300,000**
	311,191	**548,353**	**859,544**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings of the Group are as follows: (continued)

	Freehold land RM'000	Buildings and land improvement RM'000	Total RM'000
Group			
2008			
Accumulated Depreciation			
At 1 July 2007	**-**	**95,807**	**95,807**
Depreciation charge for the financial year	**-**	**16,956**	**16,956**
Reclassification	**-**	**5,904**	**5,904**
Reclassified to asset held for sale	**-**	**(11,405)**	**(11,405)**
Disposals/Transfer	**-**	**(3,826)**	**(3,826)**
At 30 June 2008	**-**	**103,436**	**103,436**
Representing items at:			
Cost	**-**	**103,436**	**103,436**
Accumulated Impairment Losses			
At 1 July 2007/30 June 2008	**9,673**	**-**	**9,673**
Representing items at:			
Cost	**9,673**	**-**	**9,673**
Net Book Value			
At cost	**1,518**	**444,917**	**446,435**
At valuation	**300,000**	**-**	**300,000**
At 30 June 2008	**301,518**	**444,917**	**746,435**
Group			
2007			
Cost/Valuation			
At 1 July 2006	322,466	330,763	653,229
Additions	4,692	69	4,761
Reclassification	-	12,591	12,591
At 30 June 2007	327,158	343,423	670,581
Representing items at:			
Cost	27,158	338,453	365,611
Valuation	300,000	4,970	304,970
	327,158	343,423	670,581

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings of the Group are as follows: (continued)

	Freehold land RM'000	Buildings and land improvement RM'000	Total RM'000
Group			
2007			
Accumulated Depreciation			
At 1 July 2006	-	79,718	79,718
Depreciation charge for the financial year	-	16,676	16,676
Reclassification	-	(587)	(587)
At 30 June 2007	-	95,807	95,807
Representing items at:			
Cost	-	90,837	90,837
Valuation	-	4,970	4,970
	-	95,807	95,807
Accumulated Impairment Losses			
At 1 July 2006/30 June 2007	9,673	-	9,673
Representing items at:			
Cost	9,673	-	9,673
Net Book Value			
At cost	17,485	247,616	265,101
At valuation	300,000	-	300,000
At 30 June 2007	317,485	247,616	565,101

The freehold land has been charged to financial institutions for credit facilities granted to a subsidiary as disclosed in Note 28 to the financial statements. The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2007: RM35.0 million) and RM1.11 billion (2007: RM1.16 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.31 billion (2007: RM2.24 billion) has also been charged to financial institutions as securities for credit facilities as disclosed in Note 28 to the financial statements.

Strata titles for certain buildings of the Group with carrying value of RM2.7 million (2007: RM2.8 million) have not been issued by the relevant authority.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of property, plant and equipment held under hire purchase and finance lease arrangements is as follows:

	Group	
	2008	2007
	RM'000	RM'000
Motor vehicles	**1,828**	1,745
Plant and machinery	**7,556**	2,653
Furniture and equipment	**235**	324
	9,619	4,722

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2008	2007
	RM'000	RM'000
At 1 July	**25,062**	24,081
Additions	**-**	1,512
Disposal	**(6,534)**	-
Amortisation for the financial year (Note 9)	**(438)**	(531)
Reclassified to assets held for sale (Note 25(ii))	**(3,043)**	-
At 30 June	**15,047**	25,062
Analysed as:		
Long term leasehold land	**13,995**	20,808
Short term leasehold land	**1,052**	4,254
	15,047	25,062

Leasehold land with an aggregate carrying value of RM1.1 million (2007: RM10.8 million) has been pledged as securities for borrowings as disclosed in Note 28 to the financial statements.

16. GOODWILL

	Group	
	2008	2007
	RM'000	RM'000
Cost		
At 1 July	**566,718**	657,824
Disposal of a subsidiary (Note 17(a))	**(421)**	-
Elimination of cumulative amortisation on adoption of FRS 3	**-**	(91,106)
At 30 June	**566,297**	566,718
Accumulated Amortisation and Impairment Losses		
At 1 July	**2,376**	91,106
Elimination of cumulative amortisation on adoption of FRS 3	**-**	(91,106)
Impairment loss recognised in income statement (Note 9)	**-**	2,376
At 30 June	**2,376**	2,376
Net Carrying Value	**563,921**	564,342

17. INVESTMENT IN SUBSIDIARIES

	Company 2008 RM'000	Company 2007 RM'000
Quoted Shares		
At cost	**-**	37,423
Accumulated impairment losses	**-**	(5,378)
Reclassified to assets held for sale (Note 25(i))	**-**	(32,045)
	-	-
Unquoted Shares		
At cost	**41,758**	41,758
Accumulated impairment losses	**(31,616)**	(31,616)
	10,142	10,142
Additional cost of investment arising from adoption of FRS 2	**2,320**	2,011
Megasteel Sub-Bond (A)	**2,176,775**	2,155,223
	2,189,237	2,167,376

Certain investments in subsidiaries with carrying values totalling RM10.1 million (2007: RM10.1 million) have been charged as security for the LCB Bonds and the LCB Debts issued by the Company.

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2008 %	Holding in Equity 2007 %	Principal Activities
Parkson Holdings Berhad *	Malaysia	**-**	56.64	Investment holding
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	**50.01**	50.01	Assembly and sale of commercial vehicles
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries
LCB Venture Pte Ltd *	Republic of Singapore	**100.00**	100.00	Investment holding
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering work
Lion Excellent Sdn Bhd (In liquidation - voluntary)	Malaysia	**100.00**	100.00	Ceased operations

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2008 %	2007 %	Principal Activities
Lion General Trading & Marketing (S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	General merchant
Lion Rubber Works Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Lion Steelworks Sdn Bhd	Malaysia	**100.00**	100.00	Manufacture and distribution of office equipment, security equipment and steel related products
Lion Trading & Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and marketing of security equipment, office equipment and steel related products
Total Triumph Investments Limited	British Virgin Islands	**100.00**	100.00	Investment holding
LCB Harta (L) Limited *	Malaysia	**100.00**	-	Acquisition and management of USD denominated consolidated and rescheduled debts
Subsidiary of Parkson Holdings Berhad				
East Crest International Limited *	British Virgin Islands	**-**	100.00	Investment holding
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd	Malaysia	**100.00**	100.00 #	Manufacturing, sale and distribution of steel and iron products
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd	Malaysia	**77.50**	77.50	Manufacturing, marketing and distribution of pre-painted steel sheets and related products
Bright Steel Service Centre Sdn Bhd	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn) Berhad	Malaysia	**51.00**	51.00	Trading in steel and iron products

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2008 %	2007 %	Principal Activities
Century Container Industries Sdn Bhd	Malaysia	**100.00**	100.00	Property investment, letting of building space and plant and machinery facilities
Omali Corporation Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *	Malaysia	**100.00**	100.00	Trading and distribution of commercial vehicles, vehicles parts and provision of related services
Subsidiary of KMA Marketing Sdn Bhd				
Kinabalu Car Distributors Sdn Bhd *	Malaysia	**100.00**	100.00	Dormant
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lyn (Pte) Ltd *	Republic of Singapore	**79.00**	79.00	Investment holding
Megasteel Sdn Bhd *	Malaysia	**90.00**	90.00	Manufacturing of hot rolled coils, cold rolled coils, bands, plates and sheets
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of Bersatu Investments Company Limited				
Glit Investments Company Limited *	Hong Kong	**100.00**	100.00	Dormant
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Share registration and secretarial services
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	Ceased operations

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2008 %	2007 %	Principal Activities
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	Dormant
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
Subsidiaries of Umevest Sdn Bhd				
Logic Concepts (M) Sdn Bhd	Malaysia	**71.00**	71.00	Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	**91.00**	91.00	Ceased operations
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing and marketing of hot rolled steel plate
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd *	Malaysia	**100.00**	-	Property investment/ development activity

Note:

* Financial statements of subsidiaries not audited by Ong Boon Bah & Co.

\# Held by Parkson Holdings Berhad

17. INVESTMENT IN SUBSIDIARIES (continued)

(a) During the financial year, the Group has completed the following:

(i) Disposal of 56.64% equity interest in Parkson Holdings Berhad ("Parkson") on 14 September 2007 for a cash consideration of RM35.12 million; and

(ii) Acquisition of 100% equity interest in Bright Steel Sdn Bhd ("Bright Steel") on 19 September 2007 for a cash consideration of RM53.47 million. Bright Steel is a wholly-owned subsidiary of Parkson prior to the acquisition by the Group.

The above transactions are inter-conditional.

The above transactions have the following effects on the Group's financial results for the year ended 30 June 2008:

	Group (Up to the date of disposal) 2008 RM'000	2007 RM'000
Revenue	**-**	-
Loss before taxation	**(335)**	(1,320)
Net loss	**(1,237)**	(470)
Other investments	**(28)**	(28)
Trade and other receivables	**(251)**	(25)
Tax recoverable	**(137)**	(137)
Cash and bank balances	**(46)**	(64)
Trade and other payables	**5,921**	2,841
Minority interests	**24,428**	23,390
Net liabilities disposed	**29,887**	25,977
Goodwill	**(421)**	
	29,466	
Proceeds on disposal	**35,120**	
Purchase consideration	**(53,470)**	
Net impact	**11,116**	

The cash flow on the above transactions are as follows:

Cash consideration, representing cash outflow of the Group	**(18,350)**
Cash and cash equivalents disposed	**(46)**
Deferred payment	**40,000**
Net cash inflow from disposal of a subsidiary	**21,604**

17. INVESTMENT IN SUBSIDIARIES (continued)

(a) During the financial year, the Group has completed the following: (continued)

(iii) LCB Harta (L) Limited, a wholly-owned subsidiary of the Company, was incorporated on 15 May 2008 with 1 ordinary share issued at par of USD1.

(iv) Acquisition of 100% equity interest in Pancar Tulin Sdn Bhd on 15 May 2008 for a cash consideration of RM2.

The effects of (iii) and (iv) on the financial results have not been disclosed as they are not material to the Group.

(b) During the previous financial year ended 30 June 2007, the Group has completed the following:

(i) the acquisition of 100% equity interest in Total Triumph Investments Limited on 27 September 2006 for a consideration of USD1.

(ii) the acquisition of 100% equity interest in East Crest International Limited on 27 September 2006 for a consideration of USD1.

(iii) the dissolution of Lion Fichet (HK) Limited, a wholly-owned subsidiary of the Company, on 23 March 2007.

The effects of the acquisition and dissolution on the financial results have not been disclosed as they are not material to the Group.

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Quoted Shares in Malaysia				
- at cost	**322,917**	1,165,033	**200,245**	926,042
- accumulated impairment losses	**-**	(411,240)	**-**	(690,227)
	322,917	753,793	**200,245**	235,815
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**-**	-
- accumulated impairment losses	**(12,162)**	(12,162)	**-**	-
	83,832	83,832	**-**	-
Unquoted Shares, at cost				
- at cost	**843,775**	1,659	**727,337**	1,540
- accumulated impairment losses	**(445,133)**	-	**(725,797)**	-
	398,642	1,659	**1,540**	1,540
	805,391	839,284	**201,785**	237,355
Share of post-acquisition results and reserves	**553,642**	162,279	**-**	-
	1,359,033	1,001,563	**201,785**	237,355
Market value of quoted shares	**830,214**	630,496	**471,306**	349,775

18. INVESTMENT IN ASSOCIATES (continued)

	Group 2008 RM'000	Group 2007 RM'000
Represented by:		
Share of net assets other than goodwill	**1,305,564**	948,613
Share of goodwill in associates	**53,469**	52,950
	1,359,033	1,001,563

During the financial year, an investment in a quoted associate of the Group and of the Company with cost totalling RM842.1 million and RM725.8 million respectively and impairment loss totalling RM411.2 million and RM690.2 million respectively have been reclassified to unquoted shares following the delisting of the security from the Official List of Bursa Malaysia Securities Berhad.

Certain investments in associates of the Group with carrying values totalling RM1,104.0 million (2007: RM485.4 million) have been charged to financial institutions for credit facilities granted to the Group and as security for the LCB Bonds and the LCB Debts issued by the Company.

The impairment of certain investment in associates was recognised to reflect their recoverable amounts based on the net assets or net tangible assets of the associates.

The associates are:

Name of Company	Country of Incorporation	Holding in Equity 2008 %	Holding in Equity 2007 %	Principal Activities
Amsteel Corporation Berhad	Malaysia	**38.17** **#1.89**	38.17 #1.89	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.34** **#15.65**	25.59 #15.81	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**#39.00**	#39.00	Captive insurance business
Lion Asiapac Limited	Republic of Singapore	**#29.98**	#29.98	Investment holding

Held by subsidiaries

18. INVESTMENT IN ASSOCIATES (continued)

The summarised financial information of the associates is as follows:

	2008 RM'000	2007 RM'000
Assets		
Current assets	**4,862,632**	4,254,577
Non-current assets	**4,465,914**	5,154,615
Total assets	**9,328,546**	9,409,192
Liabilities		
Current liabilities	**3,392,044**	3,666,949
Non-current liabilities	**2,223,375**	2,766,510
Total liabilities	**5,615,419**	6,433,459
Results		
Revenue	**7,548,452**	5,338,794
Profit for the year	**857,341**	221,640

19. OTHER INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Quoted Shares in Malaysia				
- at cost	**1,206**	1,206	**1,174**	1,174
- accumulated impairment losses	**(8)**	(8)	**-**	-
	1,198	1,198	**1,174**	1,174
Unquoted Shares				
- at cost	**597**	625	**18**	18
- accumulated impairment losses	**(440)**	(440)	**-**	-
	157	185	**18**	18
Other Investments at Cost	**25**	25	**-**	-
	1,380	1,408	**1,192**	1,192
Market value of quoted shares	**6,580**	6,980	**6,565**	6,964

20. RECEIVABLES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Current				
Trade receivables	**309,027**	356,160	**-**	-
Allowance for doubtful receivables	**(17,439)**	(20,989)	**-**	-
	291,588	335,171	**-**	-
Other receivables	**88,460**	54,911	**340**	253
Allowance for doubtful receivables	**(3,398)**	(3,398)	**-**	-
	85,062	51,513	**340**	253
Prepayments and deposits	**88,250**	96,392	**206**	215
Total current portion	**464,900**	483,076	**546**	468
Non-Current				
Long term receivable	**241,864**	239,469	**-**	-

Included in receivables of the Group and of the Company are related parties balances of which RM33.4 million (2007: RM59.7 million) and RM Nil (2007: RM Nil) respectively are in trade receivables and RM59.7 million (2007: RM44.1 million) and RM0.3 million (2007: RM0.3 million) respectively are in other receivables.

The long term receivable is an amount due from Khazanah Nasional Berhad ("Khazanah") which arose from the issue of the Megasteel Sub-Bond (B) to Khazanah (refer to Note 29). The amount is unsecured and bears interest rate of 1.0% (2007: 1.0%) per annum. The amount is repayable over 10 years period commencing on the earlier of:

(i) an event of default of bonds issued pursuant to the Group Wide Restructuring Scheme of the Company which was completed in 2003; or

(ii) the day after the date of full redemption of the Megasteel Sub-Bond (B) issued to Khazanah.

RM12.7 million (2007: RM6.8 million) of the trade receivable balances of the Group is pledged for the product financing liabilities as disclosed in Note 31 to the financial statements.

Included in deposits of the Group is an amount of RM25 million of deposits ("Offtake Deposit") paid by a subsidiary to a related party for raw materials supplies as security against the subsidiary's payment obligations to the related party. In the event the payment obligations is not paid by the subsidiary within the credit period given, the related party shall be entitled to withdraw from the Offtake Deposit such amount as may be due to the related party towards settlement of the amount due. The Offtake Deposit is pledged to lenders of the related party for credit facilities granted to the related party.

The Group's normal trade credit terms range from 5 days to 60 days (2007: 5 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Trade receivables and other receivables, prepayments and deposits balances of the Group amounting to RM177.8 million (2007: RM220.7 million) and RM120.8 million (2007: RM103.0 million) respectively are secured by way of a floating charge for borrowings as disclosed in Note 28 to the financial statements.

21. DEFERRED TAXATION

	Group 2008 RM'000	Group 2007 RM'000
At 1 July	**104,586**	89,648
Recognised in income statement (Note 12)	**15,943**	(6,014)
Reversed to asset revaluation reserve	**-**	13,250
Change in applicable tax rate on asset revaluation reserve	**3,851**	7,702
At 30 June	**124,380**	104,586
Presented after appropriate offsetting as follows:		
Deferred tax assets	**134,952**	122,992
Deferred tax liabilities	**(10,572)**	(18,406)
At 30 June	**124,380**	104,586

Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2006	102,781	1,897	104,678
Recognised in income statement	7,382	3,230	10,612
Change in applicable tax rate on asset revaluation reserve	7,702	-	7,702
At 30 June 2007	**117,865**	**5,127**	**122,992**
Recognised in income statement	**11,023**	**(2,914)**	**8,109**
Change in applicable tax rate on asset revaluation reserve	**3,851**	**-**	**3,851**
At 30 June 2008	**132,739**	**2,213**	**134,952**

Deferred Tax Liabilities of the Group

	Revaluation reserve RM'000	Others RM'000	Total RM'000
At 1 July 2006	13,250	1,780	15,030
Recognised in income statement	-	16,626	16,626
Reversed to asset revaluation reserve	(13,250)	-	(13,250)
At 30 June 2007	**-**	**18,406**	**18,406**
Recognised in income statement	**-**	**(7,834)**	**(7,834)**
At 30 June 2008	**-**	**10,572**	**10,572**

21. DEFERRED TAXATION (continued)

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

	Group 2008 RM'000	Group 2007 RM'000
Unutilised tax losses	**212,329**	210,238
Unabsorbed capital allowances	**59,152**	90,848
Other deductible temporary differences	**10,948**	7,002
	282,429	308,088

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

A subsidiary of the Company has been granted pioneer status under the Promotion of Investments Act, 1986. The Pioneer incentive is given for a period of 5 years from 1 February 2000 and was extended for another 5 years to 31 January 2010.

22. INVENTORIES

	Group 2008 RM'000	Group 2007 RM'000
At Cost:		
Raw materials	**1,116,869**	1,089,479
Work-in-progress	**8,608**	10,486
Finished goods	**416,065**	387,607
Spare, supplies and consumables	**259,775**	200,682
Goods-in-transit	**8,739**	3,691
	1,810,056	1,691,945
At Net Realisable Value:		
Raw materials	**23,739**	6,743
Work-in-progress	**515**	-
Finished goods	**19,163**	28,169
Spare, supplies and consumables	**12**	-
	43,429	34,912
Total	**1,853,485**	1,726,857

22. INVENTORIES (continued)

Value of raw materials, finished goods and spares, supplies and consumables, in relation to the product financing liabilities as disclosed in Note 31 to the financial statements, where titles of the inventories are with other parties are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Raw Materials:		
- with related parties	**125,188**	145,850
- with external parties	**893,975**	776,354
	1,019,163	922,204
Finished Goods:		
- with related parties	**197,328**	150,300
- with external parties	**69,414**	141,838
	266,742	292,138
Spare, Supplies and Consumables:		
- with external parties	**85,350**	18,758
Total	**1,371,255**	1,233,100

Included in raw materials and spares, supplies and consumables under product financing facilities of the Group are amounts of RM422.8 million (2007: RM399.2 million) and RM Nil (2007: RM23.5 million) which relate to raw materials in transit and spare, supplies and consumables in transit respectively.

The financing facilities with related parties have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Inventories of the Group amounting to RM304.5 million (2007: RM317.6 million) are secured by way of a floating charge for borrowings as disclosed in Note 28 to the financial statements.

23. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company 2008 RM'000	Company 2007 RM'000
(a) Current		
Amount due from subsidiaries	**2,132,817**	1,996,821
Allowance for doubtful receivables	**(2,259)**	(2,259)
	2,130,558	1,994,562
Amount due to subsidiaries	**16,389**	17,739

The amounts due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured and are repayable on demand. The amounts due from subsidiaries bear a weighted average effective interest rate of 5.0% (2007: 5.0%) per annum and the amounts due to subsidiaries bear a weighted average effective interest rate of 1.0% (2007: 1.0%) per annum.

23. AMOUNT DUE FROM/TO SUBSIDIARIES (continued)

	Company	
	2008	**2007**
	RM'000	**RM'000**
(b) Non-Current		
Amount due to a subsidiary	**2,176,775**	2,155,223

The amount due to a subsidiary arose mainly from the Company's investment in Megasteel Sub-Bond (A), an instrument which confers the Company a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel Sdn Bhd, under the Group Wide Restructuring Scheme ("GWRS"). The amount is unsecured and bears an effective interest rate of 1.0% (2007: 1.0%) per annum.

24. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average effective interest rate as at the balance sheet date of 3.2% (2007: 3.1%) and 3.3% (2007: 2.8%) per annum respectively and have an average maturity of 24 days (2007: 14 days) and 30 days (2007: 7 days) respectively.

Included in deposits of the Group is an amount of RM1.3 million (2007: RM Nil) which is pledged as a bank guarantee to a subsidiary.

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investment in a quoted subsidiary (Note (i))	**-**	-	**-**	32,045
Property, plant and equipment (Note (ii))	**2,440**	-	**-**	-
Prepaid land lease payments (Note (ii))	**3,043**	-	**-**	-
Impairment loss	**(281)**	-	**-**	-
	5,202	-	**-**	32,045

(i) The Group had on 27 September 2006 entered into a conditional share sale agreement with Excel Step Investments Limited for the disposal of its 56.64% equity interest in Parkson Holdings Berhad at a total cash consideration of RM35.12 million. The disposal was completed on 14 September 2007.

(ii) Subsequent to 30 June 2008, certain subsidiaries of the Company entered into separate Sale and Purchase Agreements to dispose of their leasehold land and buildings to third parties for an aggregate cash consideration of RM31.65 million.

26. SHARE CAPITAL

	Group and Company	
	2008	2007
	RM'000	RM'000
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July and 30 June	**2,000,000**	2,000,000
Issued and Fully Paid:		
At 1 July	**1,005,116**	1,005,116
Shares issued pursuant to exercise of warrants	**2**	-
At 30 June	**1,005,118**	1,005,116

27. RESERVES

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Non-Distributable:				
Share premium	**97,630**	97,627	**97,630**	97,627
Asset revaluation reserve	**264,859**	261,393	**-**	-
Capital reserve	**99,150**	90,100	**477**	110
Share option reserve	**2,424**	2,438	**2,424**	2,438
Foreign currency translation reserve	**(106)**	2,304	**-**	-
	463,957	453,862	**100,531**	100,175
Accumulated losses	**(795,015)**	(811,075)	**(1,173,558)**	(1,047,364)
	(331,058)	(357,213)	**(1,073,027)**	(947,189)

The nature and purpose of each category of reserves are as follows:

(a) Asset Revaluation Reserve

The asset revaluation reserve is used to record increases in the fair value of freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Capital Reserve

Capital reserve comprises mainly share of post acquisition reserves of associates and profits recorded by a subsidiary of the Company which was incorporated to manage the Ringgit Malaysia debts under the GWRS.

(c) Share Option Reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve 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.

d) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

28. BORROWINGS

	Group 2008 RM'000	Group 2007 RM'000
Short Term Borrowings		
Secured:		
Bills payable	**61,488**	45,867
Revolving credits	**33,500**	35,500
Term loans	**228,838**	1,465,717
	323,826	1,547,084
Unsecured:		
Bills payable	**68,855**	69,798
Revolving credits	**10,000**	10,200
Term loans	**2,832**	14,702
	81,687	94,700
	405,513	1,641,784
Long Term Borrowings		
Term loans:		
Secured	**920,039**	-
Unsecured	**467**	24,490
	920,506	24,490
Total Borrowings		
Bills payable	**130,343**	115,665
Revolving credits	**43,500**	45,700
Term loans	**1,152,176**	1,504,909
	1,326,019	1,666,274

The term loans are repayable over the following periods:

	2008 RM'000	2007 RM'000
Within 1 year	**231,670**	1,480,419
From 1 to 2 years	**325,251**	7,723
From 2 to 5 years	**595,255**	16,767
	1,152,176	1,504,909

Bills payable and revolving credits pertaining to certain subsidiaries are secured by charges on the property, plant and equipment as disclosed in Note 14 to the financial statements, and other assets of the subsidiaries.

28. BORROWINGS (continued)

The weighted average effective interest rates at the balance sheet date for the respective credit facilities are as follows:

	Group	
	2008	**2007**
	%	**%**
Bills payable	**5.4**	4.9
Revolving credits	**7.4**	6.5
Term loans	**8.4**	8.6

For the financial year ended 30 June 2007, a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") has not met its repayments for the syndicated term loans with the repayment schedule under Megasteel's previous restructuring scheme which was approved by its lenders in 2002. Accordingly, the entire syndicated term loans, inclusive of those maturing beyond one year had been reclassified as current borrowings as at the end of the previous financial year.

Megasteel, with its financial adviser, AmInvestment Bank Berhad, had worked on a revised restructuring of the syndicated term loan facilities and on 20 November 2006, a proposal was made to the syndicated term loan lenders ("Syndicated Term Loan Lenders") for the revised restructuring of the syndicated term loan facilities ("Revised Restructuring Scheme") in addition to seeking the Syndicated Term Loan Lenders' consent for certain requests and revisions of the terms of the syndicated term loan facilities.

The Revised Restructuring Scheme came into effect on 6 May 2008 (the "Effective Date"), being the date on which the last of the conditions precedent to the Revised Restructured Scheme agreements was satisfied.

Megasteel has also incurred default interest on amounts due and unpaid at a rate of 2% above the prevailing interest rate payable to the respective Syndicated Term Loan Lenders. Pursuant to the terms of the Revised Restructuring Scheme, all default interest up to the Effective Date has been discharged following payment of restructuring fees. The restructuring fees has been paid during the financial year.

Other secured term loans of the Group are charged against certain subsidiaries' fixed and floating assets and corporate guarantee from the Company.

29. BONDS AND DEBTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
- LCB Bonds	**2,365,339**	450,360	**2,365,339**	450,360
- LCB Debts	**11,751**	2,620	**11,751**	2,620
Unsecured bond:				
- Megasteel Sub-Bond (B)	**40,516**	-	**-**	-
	2,417,606	452,980	**2,377,090**	452,980
Non-Current				
Secured:				
- LCB Bonds	**-**	1,714,144	**-**	1,714,144
- LCB Debts	**-**	9,094	**-**	9,094
Unsecured bond:				
- Megasteel Sub-Bond (B)	**201,348**	239,469	**-**	-
	201,348	1,962,707	**-**	1,723,238
Total	**2,618,954**	2,415,687	**2,377,090**	2,176,218

29. BONDS AND DEBTS (continued)

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Analysed as:				
Secured:				
- LCB Bonds	**2,365,339**	2,164,504	**2,365,339**	2,164,504
- LCB Debts	**11,751**	11,714	**11,751**	11,714
Unsecured bond:				
- Megasteel Sub-Bond (B)	**241,864**	239,469	**-**	-
	2,618,954	2,415,687	**2,377,090**	2,176,218

The bonds and debts are redeemable/repayable over the following periods:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Within 1 year	**2,417,606**	452,980	**2,377,090**	452,980
From 1 to 2 years	**64,998**	733,419	**-**	332,275
From 2 to 5 years	**136,350**	1,229,288	**-**	1,390,963
	2,618,954	2,415,687	**2,377,090**	2,176,218

Pursuant to the implementation of the GWRS in 2003, the Company had on 14 March 2003 issued the following zero coupon redeemable secured bonds ("LCB Bonds") and debts ("LCB Debts"):

(i) RM45.445 million (present value as at the date of issue) Class A LCB Bonds, having a maturity date of 31 December 2004 as part of the settlement of debts;

(ii) RM474.836 million (present value as at the date of issue) Class B (a) LCB Bonds, having a maturity date of 31 December 2009 as part of the settlement of debts;

(iii) RM1,071.826 million (present value as at the date of issue) Class B (b) LCB Bonds, having a maturity date of 31 December 2011 as part of the consideration for the acquisition of an additional 40% equity interest in Megasteel Sdn Bhd ("Megasteel") and of 224.540 million shares in Lion Industries Corporation Berhad; and

(iv) USD2.628 million (present value as at the date of issue) LCB Debts, having a maturity date of 31 December 2009 as part of the settlement of debts.

Megasteel, a subsidiary of the Company, has also issued RM226.71 million (present value as at the date of issue) Megasteel Sub-Bond (B), having a maturity date of 31 December 2011 to Khazanah. The Megasteel Sub-Bond (B) is an instrument which confers Khazanah a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel, is unsecured and is repayable after five years.

During the financial year, the Company has not met its scheduled LCB Bonds and LCB Debts repayment obligations. In accordance with FRS 101, the entire Bonds and Debts liabilities, inclusive of amount maturing beyond one year, have been reclassified as current liabilities.

29. BONDS AND DEBTS (continued)

The cash yields to maturity from 14 March 2003 to the date of actual redemption/repayment of the above bonds and debts are as follows:

Class A LCB Bonds	6.00%
Class B (a) LCB Bonds	5.75%
Class B (b) LCB Bonds	7.75%
LCB Debts	5.00%
Megasteel Sub-Bond (B)	1.00%

An additional 1.00% interest above the cash yields to maturity shall be charged on the portion delayed in redemption/repayment for LCB Bonds and LCB Debts.

Securities for the LCB Bonds and the LCB Debts

The Security Trustee holds the following securities for the benefit of the holders of the LCB Bonds and the LCB Debts:

(i) The assets included in the Proposed Divestment Programme ("PDP") for the LCB 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 CPB Inter-Co Repayment (amounts owing by Lion Diversified Holdings Berhad to LCB) receivable by the Company.

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

Dedicated Cash Flows mean cash flows from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a Charge, if applicable;

- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no Charge;

- proceeds from the redemption of the CPB Inter-Co Repayment received by the Company including any loyalty payment received following the full repayment of the CPB Inter-Co Repayment;

- subject to the proportions allocated to holders of the LCB Bonds and the LCB Debts, net proceeds from the disposal of any assets of the Group (other than assets in the PDP for the Group);

- Megasteel's dividends for years 2006 and 2007 and redemption of the Megasteel Sub-Bond (A) from year 2008 to year 2011; and

- Cash injection to be undertaken in year 2011.

(iv) Investment in associates, Amsteel Corporation Berhad and Lion Industries Corporation Berhad.

In relation to the LCB Bonds and the LCB Debts, the Company covenants, amongst others, that it will not without the prior written consent of the Trustee:

29. BONDS AND DEBTS (continued)

(i) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness with respect to the Company, its subsidiaries, scheme companies and security parties except such permitted indebtedness.

Permitted indebtedness shall mean, at any time, any indebtedness for borrowed money incurred or assumed by the Company, any of its subsidiaries incorporated as at the date of the Trust Deed, 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 the Company, any of its subsidiaries, any scheme company and any security party at the time of its incurrence does not exceed the following limits:

(a) where the total redemption amounts of the LCB Bonds redeemed, or cancelled pursuant to an early redemption or purchase, and the total repayment amounts repaid and, in the case of an early repayment or purchase; the total repayment amounts in respect of the Class B LCB Debts repaid or purchased up to the relevant time when the indebtedness is incurred or proposed to be incurred (which amount shall exclude amounts paid in respect of the Class B (b) LCB Bonds) and the up-front cash payment made on 31 January 2003 (“Repaid Amounts”) are less than 50% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and all Class B LCB Debts, at the issue date of the LCB Bonds, the limit shall be 20% of that Repaid Amounts;

(b) where the Repaid Amounts are equal to or exceeding 50% but less than 75% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and outstanding repayment amount of all Class B LCB Debts at the issue date of the LCB Bonds, the limit shall be 35% of that Repaid Amounts; and

(c) where the total Repaid Amounts are equal to or more than 75% of the aggregate outstanding nominal values of all LCB Bonds (other than Class B (b) LCB Bonds) and outstanding repayment amount of all Class B LCB Debts at the issue date of the LCB Bonds, the limit shall be 50% of that Repaid Amounts.

(ii) Disposal of assets in PDP

Dispose 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

Dispose 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 the Company, 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 its subsidiaries (other than the excluded companies) to incur any capital expenditure:

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

(b) exceeding 25% of the consolidated NTA of the Company in the event the consolidated NTA of the Company is positive or exceeding the sum of RM5 million in the event the consolidated NTA of the Company is negative.

29. BONDS AND DEBTS (continued)

The main financial covenants that need to be met prior to the redemption of the Megasteel Sub-Bonds by Megasteel are as follows:

(a) The ratio of the debts to tangible net worth of Megasteel shall be less than or equal to one point five (1.5) times.

(b) The debt service cover ratio of Megasteel shall be equal to or more than one point four (1.4) times.

(c) The ratio of current assets to current liabilities of Megasteel shall equal to or more than one point zero (1.0) times.

(d) The finished goods inventories turnover period of Megasteel shall be less than or equal to thirty (30) days.

(e) The trade receivables collection period of Megasteel shall be less than or equal to twenty five (25) days.

Pursuant to the Revised Restructuring Scheme agreements of Megasteel, Megasteel has covenanted to cancel the Sub-Bond Agreement within 9 months from 6 May 2008, with an option for Megasteel to extend the proposed cancellation for a further 3 months thereafter, failing which, it shall be treated as an event of default under the Revised Restructuring Scheme agreements. The Sub-Bond Agreement, once cancelled, will be replaced by a deed of undertaking from Megasteel's shareholders to upstream in cash via dividends to its shareholders. The cancellation of Sub-Bond Agreement is subject to approval of the holders of the Sub-Bonds and completion of the Proposed LCB Scheme as disclosed in Note 40 to the financial statements.

The Company had also on 21 May 2008 announced that the Company proposed to undertake a corporate and debt restructuring exercise to address its debts obligations for the redemption/repayment of the LCB Bonds and LCB Debts issued by the Company as disclosed in Note 40 to the financial statements.

30. DEFERRED LIABILITIES

	Group	
	2008	**2007**
	RM'000	**RM'000**
Hire purchase liabilities	**3,191**	1,219
Product financing liabilities	**25,350**	47,842
Unfunded defined benefit plan (Note 33(a))	**2,028**	1,996
Deferred creditors	**42,420**	-
	72,989	51,057
Hire Purchase Liabilities		
Minimum lease payments:		
Not later than 1 year	**2,849**	1,399
Later than 1 year and not later than 2 years	**2,328**	863
Later than 2 years and not later than 5 years	**1,279**	523
	6,456	2,785
Future finance charges	**(739)**	(324)
	5,717	2,461

30. DEFERRED LIABILITIES (continued)

	Group 2008 RM'000	Group 2007 RM'000
Present value of finance lease payments:		
Not later than 1 year	**2,526**	1,242
Later than 1 year and not later than 2 years	**2,062**	763
Later than 2 years and not later than 5 years	**1,129**	456
	5,717	2,461
Analysed as:		
Due within 12 months	**2,526**	1,242
Due after 12 months	**3,191**	1,219
	5,717	2,461

The hire purchase liabilities carry interest rates at the balance sheet date at rates ranging from 2.3% to 7.0% (2007: 2.4% to 7.0%) per annum.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	**656,852**	580,839	**-**	-
Other payables	**201,717**	218,453	**4,532**	3,356
Security deposits received from customers	**121,200**	52,426	**-**	-
Product financing liabilities	**1,529,832**	1,250,756	**-**	-
Accruals	**135,488**	91,485	**25,182**	25,149
Provision for loss on the proposed corporate and debt restructuring exercise (Note 11)	**186,560**	-	**-**	-
Project payables	**38,733**	51,481	**-**	-
Hire purchase liabilities (Note 30)	**2,526**	1,242	**-**	-
	2,872,908	2,246,682	**29,714**	28,505

Included in payables of the Group and of the Company are related parties balances of which RM67.4 million (2007: RM110.2 million) and RM Nil (2007: RM Nil) respectively are in trade payables, RM62.3 million (2007: RM51.7 million) and RM4.5 million (2007: RM3.3 million) respectively are in other payables and RM441.4 million (2007: RM269.8 million) and RM Nil (2007: RM Nil) respectively are in product financing liabilities.

Included in the related parties balances of the Group are amounts due to related parties of RM20.9 million (2007: RM96.1 million) which bear interest at 8% (2007: 8%) per annum.

Included in other payables of the Group are advance payments from customers of RM9.6 million (2007: RM26.0 million) which bear interest at 8% (2007: 8%) per annum.

The security deposits received from customers amounting to RM65.4 million (2007: RM52.4 million) bear interest rates ranging from 8% to 10% (2007: 8% to 10%) per annum.

31. TRADE AND OTHER PAYABLES (continued)

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where the titles of the inventories pertaining to these arrangements are legally passed to these parties and of which the Group has an obligation to repurchase. The obligation to repurchase ranges from 60 days to 120 days (2007: 60 days to 120 days) with interest rates from 4% to 8% (2007: 6% to 7%) per annum. The inventories under such arrangements are disclosed in Note 22 to the financial statements. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days (2007: 30 days to 60 days).

Project payables represent construction costs for plant and machinery payable. The amount is unsecured and interest free.

32. BANK OVERDRAFTS

	Group	
	2008	**2007**
	RM'000	**RM'000**
Secured	**5,977**	17,449

Bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment as disclosed in Note 14 to the financial statements, and other assets of the subsidiaries.

The weighted average effective interest rate for bank overdrafts at the balance sheet date is 8.6% (2007: 8.6%) per annum.

33. EMPLOYEE BENEFITS

(a) Defined Benefit Plan - Unfunded

A subsidiary of the Company operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 23 June 2006 by an independent qualified actuary.

The movements during the financial year in the amounts recognised in the Group's balance sheet are as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Non-Current		
At 1 July	**1,996**	1,846
Charged to income statement (Note 7)	**166**	150
Benefit paid	**(134)**	-
At 30 June	**2,028**	1,996
The amount recognised in the consolidated balance sheet is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,028**	1,996

33. EMPLOYEE BENEFITS (continued)

(a) Defined Benefit Plan - Unfunded (continued)

	Group 2008 RM'000	Group 2007 RM'000
The expenses recognised in the consolidated income statement are analysed as follows:		
- Current service cost	**90**	85
- Interest cost	**100**	91
- Actuarial gain	**(24)**	(26)
	166	150

The principal actuarial assumptions used in respect of the Group's unfunded defined benefit plan are as follows:

	Group 2008 %	Group 2007 %
Discount rate	**7**	7
Expected rate of salary increase	**5**	5

(b) Executive Share Option Scheme

An Executive Share Option Scheme ("ESOS") for the benefit of eligible executives and executive Directors of the Group became effective on 1 September 2005.

The main features and other terms of the ESOS are as follows:

(i) 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.

(ii) 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:

- not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive directors and senior management; and

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

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

33. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme (continued)

(iv) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(v) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the relevant authorities.

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

Details of the number and weighted average exercise prices ("WAEP") of, and movements in share options during the financial year are as follows:

			Number of Options			
Group 2008	**Balance as at 1.7.2007**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2008**	**Exercisable as at 30.6.2008**
Grant date						
26.5.2006	**4,974,800**	**-**	**-**	**(697,400)**	**4,277,400**	**4,081,400**
26.2.2007	**5,739,500**	**-**	**-**	**(693,100)**	**5,046,400**	**4,403,900**
	10,714,300	**-**	**-**	**(1,390,500)**	**9,323,800**	**8,485,300**
WAEP	**1.00**	**-**	**-**	**1.00**	**1.00**	**1.00**

			Number of Options			
Group 2007	**Balance as at 1.7.2006**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2007**	**Exercisable as at 30.6.2007**
Grant Date						
26.5.2006	5,570,900	-	-	(596,100)	4,974,800	4,310,700
26.2.2007	-	7,026,100	-	(1,286,600)	5,739,500	4,224,600
	5,570,900	7,026,100	-	(1,882,700)	10,714,300	8,535,300
WAEP	1.00	1.00	-	1.00	1.00	1.00

33. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme (continued)

Details of share options outstanding at the end of the year:

2008	WAEP RM	Exercise Period
Grant Date		
26.5.2006	**1.00**	**26.5.2006 - 31.8.2010**
26.2.2007	**1.00**	**26.2.2007 - 31.8.2010**

2007	WAEP RM	Exercise Period
Grant Date		
26.5.2006	1.00	26.5.2006 - 31.8.2010
26.2.2007	1.00	26.2.2007 - 31.8.2010

The fair value of the services received in return for the share options granted is based on the fair value of share options granted measured 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	
	26.2.2007	**26.5.2006**
Fair value	0.45	0.25
Share price at valuation date (RM)	0.68	1.02
Exercise price (RM)	1.00	1.00
Risk-free rate of interest (%)	3.64	3.64
Expected volatility (%)	56.00	56.00
Expected dividend yield (%)	0.00	0.00
Expected life (years)	3.51	4.27

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option granted were incorporated into the measurement of fair value.

34. COMMITMENTS

(a) Capital Commitments

As at end of the financial year, the Group has the following capital commitments:

	Group	
	2008 RM'000	**2007 RM'000**
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**60,672**	89,494
- approved but not contracted for	**52,909**	110,875
	113,581	200,369

34. COMMITMENTS (continued)

(b) Operating Lease Commitments

As at end of the financial year, the Group has the following operating lease commitments:

	Group 2008 RM'000	Group 2007 RM'000
The future minimum lease payments under non-cancellable operating lease are as follows:		
Within 1 year	**186**	186
From 1 to 2 years	**156**	186
From 2 to 5 years	**-**	156
	342	528

35. CONTINGENT LIABILITIES

	Company 2008 RM'000	Company 2007 RM'000
(a) Guarantees in respect of loans and credit facilities granted to subsidiaries - unsecured	**68,919**	123,054

(b) On 1 June 2006, a Writ of Summon was filed against a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel"), in respect of a claim for RM3,918,045 by Chye Hup Heng Sdn Bhd ("CHH") for scrap metal and incentive payment. Megasteel has counter claimed against CHH for RM800,000 and against CHH & Lim Kay Meng ("LKM") for aggravated and exemplary damages of RM20 million and damages for breach of contract. CHH filed a counter claim for damages of RM10 million.

On 28 September 2007, the court allowed LKM's appeal and struck out Megasteel's counter claim against LKM. Megasteel filed an appeal against the court's decision and the appeal is pending hearing.

CHH's application to strike out Megasteel's counter claim came up for mention on 15 August 2008. The court has given decisions to file written submission and fixed 26 September 2008 for clarification or decision. Pre-trial case management was mentioned on 15 August 2008 and the court has fixed for further mention on 26 September 2008.

36. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions undertaken with related parties excluding those parties disclosed as related companies in the financial statements are as follows:

Name of Company	Type of Transaction	Group 2008 RM'000	Group 2007 RM'000
(i) With Amsteel Corporation Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	**7,176**	4,398

36. RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions undertaken with related parties excluding those parties disclosed as related companies in the financial statements are as follows: (continued)

Name of Company	Type of Transaction	Group 2008 RM'000	Group 2007 RM'000
(ii) With Lion Industries Corporation Berhad ("LICB") Group			
Amsteel Mills Sdn Bhd	Trade sales	**1,660,722**	1,152,628
	Trade purchases	**1,084,622**	823,173
	Transfer of property, plant and equipment	**23,888**	38,622
	Rental income	**12,007**	-
Antara Steel Mills Sdn Bhd	Trade sales	**8,577**	14,673
	Trade purchases	**951,356**	617,998
Amsteel Mills Marketing Sdn Bhd	Management services	**2,450**	1,563
	Trade purchases	**14,614**	11,891
Lion Waterway Logistics Sdn Bhd	Trade sales	**7,063**	-
	Logistic services	**12,164**	-
(iii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Trade purchases	**17,185**	2,150
	Transfer of property, plant and equipment	**139**	970
LAP Trading & Marketing Pte Ltd	Trade purchases	**28,797**	7,730
(iv) With Other Related Parties			
Lion Motor Sdn Bhd	Trade sales	**101**	3,960
	Trade purchases	**637**	3,730
PT Lion Metal Works Tbk	Trade sales	**6,865**	4,356
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**3,062**	2,159
Mitsui & Co., Ltd	Trade sales	**1,208**	11,718
	Trade purchases	**15,381**	46,538
Lion DRI Sdn Bhd	Trade sales	**1,413**	-
	Trade purchases	**49,212**	-
	Transfer of property, plant and equipment	**4,758**	2,452
Singa Logistics Sdn Bhd	Logistic services	**11,307**	10,938
Lion Holdings Pte Ltd	Product financing facilities	**660,314**	179,912
	Interest expense on product financing	**9,226**	10,050
Graimpi Sdn Bhd	Product financing facilities	**853,514**	337,825
	Interest expense on product financing	**26,286**	4,154
Ributasi Holdings Sdn Bhd	Product financing facilities	**140,361**	141,893
	Interest expense on product financing	**3,318**	2,782

ACB, LICB and LAP are associates of the Company wherein certain Directors and substantial shareholders of the Company have interests.

Lion Holdings Pte Ltd, PT Lion Metal Works Tbk and Ributasi Holdings Sdn Bhd are companies in which certain Directors who are also substantial shareholders of the Company, have interests.

36. RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions undertaken with related parties excluding those parties disclosed as related companies in the financial statements are as follows: (continued)

Lion Motor Sdn Bhd is a subsidiary of Silverstone Corporation Berhad, a company in which certain Directors and substantial shareholders of the Company, have interests.

Mitsui & Co., Ltd is a substantial shareholder of a subsidiary of the Company.

Posim Petroleum Marketing Sdn Bhd and Singa Logistics Sdn Bhd are subsidiaries of Lion Forest Industries Berhad, a company in which certain Directors and substantial shareholders of the Company, have interests.

Graimpi Sdn Bhd, Lion DRI Sdn Bhd and Lion Blast Furnace Sdn Bhd are subsidiaries of Lion Diversified Holdings Berhad, a substantial shareholder of the Company wherein certain Directors and substantial shareholders of the Company, have interests.

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

(b) Share options over ordinary shares in the Company granted to an executive Director of the Company during the financial year are as follows:

	Number of Unexercised Options	
	2008	**2007**
Tan Sri William H.J. Cheng	**490,000**	490,000

The options were granted to the executive Director on the same terms and conditions as those offered to other eligible executive employees of the Group (Note 33(b)).

37. SEGMENTAL ANALYSIS

(a) Primary Reporting Format - Business Segments:

The Group is organised into three major business segments:

(i) Steel - manufacturing of hot rolled coils, cold rolled coils, bands, plates and sheets
(ii) Steel furniture - manufacture, distribution and trading of office equipment, security equipment and steel related products
(iii) Motor - assembly and trading of commercial vehicles

Other business segments comprise investment holding, treasury business, construction and civil engineering works, share registration and secretarial services.

The Directors are of the opinion that all inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

Group	**Steel**	**Steel Furniture**	**Motor**	**Others**	**Elimination**	**Group**
2008	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue						
External	**5,187,021**	**40,060**	**6,489**	**212**	**-**	**5,233,782**
Inter-segment	**10,619**	**287**	**-**	**-**	**(10,906)**	**-**
	5,197,640	**40,347**	**6,489**	**212**	**(10,906)**	**5,233,782**

37. SEGMENTAL ANALYSIS (continued)

(a) Primary Reporting Format - Business Segments: (continued)

Group	Steel	Steel Furniture	Motor	Others	Elimination	Group
2008	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Results						
Segment results	**349,840**	**(283)**	**(5,821)**	**8,654**	**-**	**352,390**
Interest income						**7,715**
Investment income						**21**
Profit from operations						**360,126**
Finance costs						**(474,278)**
Share in results of associates	**344,418**	**-**	**-**	**219**	**-**	**344,637**
Impairment loss in an associate						**(33,933)**
Provision for loss on the proposed corporate and debt restructuring excercise						**(186,560)**
Profit before taxation						**9,992**
Income tax income						**14,852**
Net profit for the financial year						**24,844**
Segment assets	**5,640,947**	**26,209**	**22,859**	**622,725**	**-**	**6,312,740**
Investment in associates	**1,357,667**	**-**	**-**	**1,366**	**-**	**1,359,033**
Unallocated corporate assets						**137,484**
Consolidated total assets						**7,809,257**
Segment liabilities	**4,163,620**	**7,064**	**36,930**	**312,143**	**-**	**4,519,757**
Unallocated corporate liabilities						**2,388,597**
Consolidated total liabilities						**6,908,354**
Other information						
Capital expenditure	**237,522**	**407**	**44**	**-**	**-**	**237,973**
Depreciation and amortisation	**130,739**	**440**	**1,214**	**17**	**-**	**132,410**
Impairment losses	**-**	**-**	**281**	**33,933**	**-**	**34,214**
Non-cash expenses other than depreciation, amortisation and impairment losses	**497**	**168**	**5,378**	**186,755**	**-**	**192,798**

37. SEGMENTAL ANALYSIS (continued)

(a) Primary Reporting Format - Business Segments: (continued)

Group	Steel	Steel Furniture	Motor	Others	Elimination	Group
2007	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue						
External	4,560,122	39,207	20,353	211	-	4,619,893
Inter-segment	12,587	103	-	-	(12,690)	-
	4,572,709	39,310	20,353	211	(12,690)	4,619,893
Results						
Segment results	507,859	(743)	(13,543)	10,329	-	503,902
Interest income						6,917
Investment income						192
Profit from operations						511,011
Finance costs						(444,903)
Share in results of associates	103,401	-	-	21,456	-	124,857
Impairment loss in associates						(372,162)
Loss before taxation						(181,197)
Income tax expense						(6,978)
Net loss for the financial year						(188,175)
Segment assets	5,457,744	27,922	41,658	604,092	-	6,131,416
Investment in associates	966,487	-	-	35,076	-	1,001,563
Unallocated corporate assets						127,454
Consolidated total assets						7,260,433
Segment liabilities	4,076,356	9,278	50,797	84,500	-	4,220,931
Unallocated corporate liabilities						2,195,222
Consolidated total liabilities						6,416,153
Other information						
Capital expenditure	88,463	304	818	-	-	89,585
Depreciation and amortisation	125,047	1,491	2,334	17	-	128,889
Impairment losses	7,167	-	-	367,396	-	374,563
Non-cash expenses other than depreciation, amortisation and impairment losses	6,518	296	4,436	2,458	-	13,708

37. SEGMENTAL ANALYSIS (continued)

(b) Secondary Reporting Format - Geographical Segments:

The Group principally operates its business segments in Malaysia. Other geographical segments are mainly applicable to segment revenue based on the location of customers:

Group 2008	Malaysia RM'000	Indonesia RM'000	Vietnam RM'000	Europe RM'000	India RM'000	USA RM'000	Others RM'000	Total RM'000
Segment revenue	**3,670,193**	**431,691**	**393,367**	**318,413**	**96,977**	**5,507**	**317,634**	**5,233,782**
Segment assets	**6,312,740**	**-**	**-**	**-**	**-**	**-**	**-**	**6,312,740**
Capital expenditure	**237,973**	**-**	**-**	**-**	**-**	**-**	**-**	**237,973**
Group 2007								
Segment revenue	3,232,600	27,904	4,511	432,962	201,821	322,242	397,853	4,619,893
Segment assets	6,131,416	-	-	-	-	-	-	6,131,416
Capital expenditure	89,585	-	-	-	-	-	-	89,585

38. CASH FLOW STATEMENTS

(a) Adjustments for non-cash items, interests and dividends:

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Allowance for doubtful receivables:				
- others	**409**	477	**-**	-
- written back	**(585)**	(909)	**-**	-
Allowance for obsolete inventories	**72**	-	**-**	-
Amortisation of prepaid land lease payments	**438**	531	**-**	-
Default interest discharged	**(17,096)**	-	**-**	-
Dividend income	**(21)**	(192)	**(1,827)**	(1,136)
Gain on disposal of:				
- a subsidiary	**(11,116)**	-	**(2,264)**	-
- assets held for sale	-	(9,039)	**-**	-
- prepaid land lease payments	**(6,461)**	-	**-**	-
- property, plant and equipment	**(4,529)**	(80)	**-**	-
- quoted investment	**-**	(13,233)	**-**	(13,233)
Impairment loss on assets held for sale	**281**	-	**-**	-
Impairment of goodwill	**-**	2,376	**-**	-
Impairment of investments in:				
- associates	**33,933**	372,162	**35,570**	347,597
- others	**-**	25	**-**	-
Interest expenses	**491,374**	444,903	**223,526**	199,518
Interest income	**(7,715)**	(6,917)	**(132,151)**	(122,316)
Inventories:				
- written down	**4,497**	10,677	**-**	-
- written off	**72**	-	**-**	-
Property, plant and equipment:				
- depreciation	**131,972**	128,358	**-**	-
- written off	**669**	6	**-**	-
Provision for defined benefit plan	**166**	150	**-**	-
Provision for loss on the proposed corporate and debt restructuring exercise	**186,560**	-	**-**	-

38. CASH FLOW STATEMENTS (continued)

(a) Adjustments for non-cash items, interests and dividends:(continued)

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Reversal of allowance for obsolete inventories	**(419)**	(363)	**-**	-
Reversal of impairment losses in an associate	**(40)**	(640)	**-**	-
Reversal of provision for interest	**-**	(347)	**-**	-
Share in results of associates	**(344,637)**	(124,857)	**-**	-
Share options granted under ESOS	**353**	2,398	**44**	519
Unrealised gain on foreign exchange	**(43,370)**	(55,113)	**(727)**	(757)
	414,807	750,373	**122,171**	410,192

(b) Purchase of property, plant and equipment

	Group 2008 RM'000	Group 2007 RM'000
Aggregate cost of purchase	**237,973**	89,585
Purchase by means of hire purchase	**(5,455)**	(638)
Purchase by cash	**232,518**	88,947

(c) During the financial year, the Group disposed of property, plant and equipment for a total consideration of RM52.2 million (2007: RM42.5 million) of which RM1.5 million (2007: RM0.5 million) was received in cash. The difference in the sales proceeds is included in other receivables.

(d) Cash and cash equivalents at end of the financial year

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash and bank balances	**59,990**	51,422	**98**	785
Deposits with the financial institutions	**23,436**	11,471	**7,891**	852
Bank overdrafts	**(5,977)**	(17,449)	**-**	-
	77,449	45,444	**7,989**	1,637
Fixed deposits pledged to licensed bank	**(1,269)**	-	**-**	-
	76,180	45,444	**7,989**	1,637

Cash and cash equivalents of the Group amounting to RM48.0 million (2007: RM44.7 million) are secured by way of a floating charge for borrowings disclosed in Note 28 to financial statements.

39. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines on financial risk management and it is not the Group's policy to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

Foreign Currency Risk

The Group is principally exposed to transactional currency risks through the purchase of materials and consumables, sales of finished goods, and in its financing activities that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily the United States Dollars (USD). The Group monitors developments in government policies and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments except for forward foreign exchange contracts to hedge against trade receivables.

As at the balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturity:

	Group	
	Nominal/ notional amount 2008 RM'000	Nominal/ notional amount 2007 RM'000
US Dollar (Maturity within one year)	**20,925**	185,357

The financial assets and liabilities of the Group that are not denominated in its functional currencies are as follows:

	US Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
Group					
2008					
Functional Currency					
Trade and other receivables	**24,868**	**-**	**756**	**-**	**25,624**
Trade and other payables	**1,270,467**	**43,646**	**14,129**	**254**	**1,328,496**
Bonds and debts	**11,751**	**-**	**-**	**-**	**11,751**
Borrowings	**563,463**	**-**	**-**	**-**	**563,463**
2007					
Functional Currency					
Trade and other receivables	68,051	-	136	-	68,187
Trade and other payables	1,072,075	10,863	2,149	4,050	1,089,137
Bonds and debts	11,714	-	-	-	11,714
Borrowings	806,337	27,912	-	-	834,249

39. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Group's income and operating cash flows is substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. Interest rates of the Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

The information on maturity dates and effective interest rates of financial assets and liabilities is disclosed in their respective notes.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associates to business partners with high creditworthiness. Receivables are monitored on an on-going basis via Group management review and reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Market Risk

The Group's key business segment operates in a business environment where international finished goods prices generally move in tandem with key raw material prices, except when finished goods prices declined steeply due to unusual factors. The Group reduces its exposure to these fluctuations through close monitoring and maintaining the raw material inventory at appropriate levels, where possible. For its finished goods, the Group serves mainly the domestic market, which has a relatively more stable price environment.

Liquidity and Cash Flow Risks

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As mentioned in Note 2 to the financial statements, the Group proposed to undertake a corporate and debt restructuring exercise to address its debt obligations for the redemption/repayment of the LCB Bonds and LCB Debts issued by the Company.

39. FINANCIAL INSTRUMENTS (continued)

The carrying amounts of financial assets and liabilities of the Group and of the Company as at the balance sheet date approximated their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2008				
Financial Assets				
Quoted investments	**1,198**	**6,580**	**1,174**	**6,565**
2007				
Financial Assets				
Quoted investments	1,198	6,980	1,174	6,964
2008				
Financial Liabilities				
Hire purchase liabilities	**5,717**	**5,639**	**-**	**-**
2007				
Financial Liabilities				
Hire purchase liabilities	2,461	2,441	-	-

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents and trade and other receivables/payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Quoted investments

The fair value of quoted shares is determined by reference to the stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to time constraint, lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(iv) Long term receivable

The fair value of the long term receivables is not computed as it arose from the issue of Megasteel Sub-Bond (B) for which the consideration is deferred and the timing and mode of settlement are uncertain.

(v) Borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

(vi) Non-current product financing liabilities

The carrying amount approximates the fair value which is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

(vii) Derivative financial instruments

The fair value of a foreign currency forward contract derivatives is the amount that would be receivable on maturity of the outstanding position, and is determined by reference to the difference between the contracted rate and forward exchange rate at the balance sheet date applied to a contract of similar quantum and maturity profile.

40. SIGNIFICANT EVENTS

(i) The Company and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of the Company, had on 14 September 2007 completed the disposal of 56.64% of the equity interest in Parkson Holdings Berhad to Excel Step Investments Limited, a wholly-owned subsidiary of Lion Diversified Holdings Berhad, for a cash consideration of RM35.12 million.

(ii) The Company and Total Triumph Investments Limited, a wholly-owned subsidiary of the Company, had on 19 September 2007 completed the acquisition of the entire equity interest in Bright Steel Sdn Bhd from Parkson Holdings Berhad for a cash consideration of RM53.47 million.

(iii) The Company had on 21 May 2008 announced that the Company proposed to undertake a corporate and debt restructuring exercise to address its debt obligations for the redemption/repayment of the LCB Bonds and LCB Debts issued by the Company ("Proposed LCB Scheme").

The Proposed LCB Scheme involves *inter alia* the following:

(a) proposed conversion of RM900,000,000 nominal value ("NV") with a present value as at 31 October 2008 ("PV") of RM787,055,000 Zero Coupon Redeemable Secured Class B(b) RM denominated Bonds ("LCB Class B(b) Bonds") into 787,055,000 new ordinary shares of RM1.00 each in the Company issued at par ("LCB Share") ("Proposed Shares Conversion");

(b) proposed conversion of the following:

(i) RM282,345,000 PV of Zero Coupon Redeemable Secured Class B(a) RM denominated Bonds (NV of RM294,747,299) into RM282,345,000 NV of LCB Class B(a) Redeemable Convertible Secure Loan Stock ("RCSLS");

(ii) RM174,902,000 PV of LCB Class B(b) Bonds (NV of RM200,000,000) into RM174,902,000 NV of LCB Class B(b) RCSLS; and

(iii) RM5,062,000 PV of Zero Coupon Redeemable Unsecured Class B USD denominated consolidated and rescheduled debts ("LCB USD Debts") (NV of RM5,252,701) into RM5,062,000 NV of LCB Class B(c) RCSLS;

(c) Proposed acquisition by Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of the Company, of part of an on-going property development project known as Bandar Mahkota Cheras together with four parcels of undeveloped lands in the District of Hulu Langat, Selangor ("Mahkota Cheras Project") (inclusive of assets and liabilities related to Mahkota Cheras Project) from LDH Management Sdn Bhd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad ("LDHB"), for a purchase consideration of RM89,948,000 to be satisfied by the issuance of 89,948,000 new LCB Shares issued at par ("Proposed Acquisition of Mahkota Cheras Project");

(d) Proposed acquisition by LCB Harta (L) Limited, a wholly-owned subsidiary of the Company, of up to RM110,000,000 NV of Zero Coupon Redeemable Secured Class B USD denominated consolidated and rescheduled debts and Zero Coupon Redeemable Secured Class C USD denominated consolidated and rescheduled debts issued by the Amsteel Corporation Berhad ("ACB") Group ("Proposed Acquisition of ACB Class C SPV Debts") to be satisfied by the issuance of USD equivalent of RM110,000,000 NV of LCB SPV Debts comprising the following:

(i) USD equivalent of RM59,769,330 3.25% coupon LCB SPV Debts with maturity date of 31 December 2011; and

(ii) USD equivalent of up to RM50,230,670 15% coupon LCB SPV Debts with maturity date of 31 December 2011.

40. SIGNIFICANT EVENTS (continued)

(e) Proposed issuance by Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of the Company, of 100,000,000 redeemable cumulative convertible preference shares of RM0.01 each ("Megasteel RCCPS") at an issue price of RM1.00 per Megasteel RCCPS to LDHB for cash of RM100,000,000;

(f) Proposed disposal by Limpahjaya Sdn Bhd, a wholly-owned subsidiary of the Company, of approximately 11.1% of the issued and paid-up share capital of Megasteel for a total cash consideration of RM100,000,000 to LDHB;

(g) Proposed issuance of warrants ("LCB Warrants") to existing shareholders of the Company on a rights basis of one warrant for every four ordinary shares in the Company held prior to the Proposed Shares Conversion and the Proposed Acquisition of Mahkota Cheras Project;

(h) Proposed increase in the authorised share capital of the Company from RM2.0 billion to RM3.0 billion.

Upon completion of the Proposed LCB Scheme, the Company would offer to acquire all the remaining ordinary shares of RM1.00 each in ACB ("ACB Shares") of up to 798 million not already held by the Group in exchange for up to 79.8 million LCB Warrants on the basis of 1 LCB Warrant for every 10 ACB Shares held.

The Proposed LCB Scheme has been approved by the respective holders of the Company's Bonds and Debts on 24 July 2008. The Proposed LCB Scheme is inter-conditional with the proposed corporate and debt restructuring exercise undertaken simultaneously by ACB ("Proposed ACB Scheme"). At the lenders' meeting of ACB held on 24 July 2008, the resolutions pertaining to the Proposed ACB Class C Bonds and Class C SPV Debts Term-Out and Proposed Acquisition of ACB Class C Bonds and Class C SPV Debts were not passed. The Proposed Acquisition of ACB Class C SPV Debts forms part of the Proposed LCB Scheme, whereby the Company proposed to acquire the entire ACB Class C SPV Debts from ACB's foreign lenders. Subject to the Proposed LCB Scheme and the Proposed ACB Scheme becoming unconditional, all proposals within the Proposed LCB Scheme will be carried out by the Company with the exception of the Proposed Acquisition of ACB Class C SPV Debts. However, the Company may proceed to implement the Proposed Acquisition of ACB Class C SPV Debts by bilateral agreement with interested ACB Class C SPV Debts holders who have not voted against the Proposed Acquisition of ACB Class C SPV Debts and also with such dissenting holders at the Company's absolute discretion.

(iv) Megasteel had on 6 May 2008 effected a Revised Restructuring Scheme with its scheme creditors to reschedule the repayment of syndicated term loans details of which are set out in Note 28 to the financial statements.

STATEMENT BY DIRECTORS

We, TAN SRI WILLIAM H.J. CHENG and DATUK CHENG YONG KIM, being two of the Directors of LION CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 32 to 101 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 at 30 June 2008 and of the results, and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 25 September 2008.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

DATUK CHENG YONG KIM
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, TAN SRI WILLIAM H.J. CHENG, the Director primarily responsible for the financial management of LION CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 32 to 101 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 25 September 2008.

TAN SRI WILLIAM H.J. CHENG

Before me

W259
AHMAD B. LAYA
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION CORPORATION BERHAD

Report on the Financial Statements

We have audited the accompanying financial statements of LION CORPORATION BERHAD, which comprise the balance sheets as at 30 June 2008 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 financial year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 101.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the provisions of 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. 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 perfom 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's presentation 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 Company'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 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 2008 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 2 to the financial statements which disclosed the premise upon which the Group has prepared its financial statements by applying the going concern assumption, notwithstanding that as at 30 June 2008, the Group's current liabilities exceeded its current assets by RM3,293.4 million. In addition, as disclosed in Note 29 to the financial statements, the Company has not met its scheduled Bonds and Debts repayment obligations. The Directors' plan to address these conditions and its repayment obligations are disclosed in Note 2 to the financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on 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 by 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 independent auditors' reports of all the subsidiaries which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

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

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

Other Matters

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/08(J)
Partner of the Firm

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2008

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book Value RM'000	Date of Acquisition/ Valuation
Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse 25	2,954	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5½, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 33	3,502	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5½, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 33	1,763	1979
Block G, Lot No 2 Sri Kemajuan Industrial Estate Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2043	278.6 sq metres	Industrial land and building	Office 23	242	22.05.1985
Block B, Lot No 1 6½ Miles, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 23	235	10.08.1985
Unit No-2-1-14B & 15 Level 1, Ground Floor Wawasan Plaza Kota Kinabalu, Sabah	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 10	2,736	02.02.1999
H.S. (D) 13422 P.T. 17213 H.S. (D) 13423 P.T. 17214 H.S. (D) 13424 P.T. 17215 H.S. (D) 26819 P.T. 17217 & H.S. (D) 13426 P.T. 17218 Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1,921,742 sq metres	Industrial land and building	Factory & office 9	718,360	18.10.1995
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri Sarawak	Leasehold 06.06.2059	621 sq metres	Shophouse	Office cum Showroom 12	1,699	28.06.1999

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book Value RM'000	Date of Acquisition/ Valuation
Lot 1245, Block 5, Kuala Baram Land District Miri, Sarawak	Leasehold 14.08.2056	3,481 sq metres	Land	Vacant	487	22.06.1999
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 sq metres	Industrial land	Factory, office & warehouse 1	9,861	20.04.2005
Lot 3916 Kawasan Perindustrian Teluk Kalung 24007 Kemaman Terengganu	Freehold 24.09.2054	17 acres	Industrial land and building	Factory & office 12	8,145	31.05.2004
Lot 177, Jalan Utas 15/7 Section 15 40000 Shah Alam Selangor	Freehold 10.07.2074	42,131 sq metres	land and building	Factory & office 16	16,700	07.04.1995

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2008

Authorised Capital	:	RM2,000,000,000
Issued and Paid-up Capital	:	RM1,005,117,831
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2008

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	206	2.85	8,372	0.01
100 to 1,000	1,339	18.54	958,708	0.09
1,001 to 10,000	3,902	54.04	18,485,161	1.84
10,001 to 100,000	1,453	20.12	48,438,008	4.82
100,001 to less than 5% of issued shares	319	4.42	398,974,921	39.69
5% and above of issued shares	2	0.03	538,252,661	53.55
	7,221	100.00	1,005,117,831	100.00

Thirty Largest Registered Shareholders as at 30 September 2008

Registered Shareholders	No. of Shares	% of Shares
1. Horizon Towers Sdn Bhd	361,536,409	35.97
2. LDH (S) Pte Ltd	176,716,252	17.58
3. OSK Nominees (Asing) Sdn Bhd Pledged Securities Account for LDH (S) Pte Ltd	50,000,000	4.97
4. Sims Holdings Sdn Bhd	38,473,283	3.83
5. Amanvest (M) Sdn Bhd	27,849,208	2.77
6. Narajaya Sdn Bhd	16,559,848	1.65
7. Lion Holdings Sdn Bhd	14,311,921	1.42
8. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-A5)	11,083,379	1.10
9. Tirta Enterprise Sdn Bhd	10,839,025	1.08
10. Cheng Yong Kim	10,205,317	1.02
11. Gan Seong Liam	9,800,000	0.98
12. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41435660121C)	8,917,773	0.89
13. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	7,641,000	0.76
14. Lion Realty Private Limited	6,946,565	0.69
15. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	5,333,700	0.53

Thirty Largest Registered Shareholders as at 30 September 2008 (continued)

Registered Shareholders	No. of Shares	% of Shares
16. AMSEC Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.52
17. Pacific & Orient Insurance Co Berhad	5,083,200	0.51
18. Citigroup Nominees (Asing) Sdn Bhd Daiwa Secs SMBC HK Ltd for Chun Yuan Steel Industry Co Ltd	4,452,000	0.44
19. Exuniq Sdn Bhd	4,201,137	0.42
20. Amsteel Equity Capital Sdn Bhd	4,110,540	0.41
21. Au Yong Mun Yue	3,170,000	0.32
22. HSBC Nominees (Asing) Sdn Bhd HSBC BK Plc for Spinnaker Global Opportunity Fund Limited	3,109,941	0.31
23. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	3,071,500	0.31
24. Tan Lee Hwa	2,860,000	0.28
25. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Silverstone Corporation Berhad	2,827,592	0.28
26. Lancaster Trading Company Limited	2,800,126	0.28
27. Khor Hooi Kheang	2,726,233	0.27
28. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	2,717,500	0.27
29. Lion Development (Penang) Sdn Bhd	2,541,093	0.25
30. HSBC Nominees (Asing) Sdn Bhd HSBC BK Plc for Spinnaker Global Emerging Markets Fund Limited	2,490,136	0.25

Substantial Shareholders as at 30 September 2008

Substantial Shareholders	Direct Interest		Indirect Interest		
	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Option[1]
1. Tan Sri William H.J. Cheng	458,685	0.05	748,031,453	74.42	490,000
2. Datuk Cheng Yong Kim	10,209,517	1.02	684,997,324	68.15	-
3. Lion Realty Private Limited	6,946,565	0.69	676,590,173	67.31	-
4. Lion Development (Penang) Sdn Bhd	2,541,093	0.25	674,049,080	67.06	-
5. Horizon Towers Sdn Bhd	369,505,491	36.76	-	-	-
6. LDH (S) Pte Ltd	226,716,252	22.56	-	-	-
7. Lion Industries Corporation Berhad	1,727,361	0.17	228,138,397	22.70	-
8. Lion Diversified Holdings Berhad	431,977	0.04	226,716,252	22.56	-
9. Amsteel Mills Sdn Bhd	985,968	0.10	227,148,229	22.60	-
10. Steelcorp Sdn Bhd	-	-	228,134,197	22.70	-
11. LLB Steel Industries Sdn Bhd	-	-	228,134,197	22.70	-
12. Narajaya Sdn Bhd	16,559,848	1.65	227,148,229	22.60	-

Notes:

[1] *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

Directors' Interest in Shares in the Company and its Related Companies as at 30 September 2008

The Directors' interest in shares in the Company and its related companies as at 30 September 2008 are as follow:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company					
Tan Sri William H.J. Cheng#	RM1.00	458,685	0.05	748,066,769	74.43
Datuk Cheng Yong Kim	RM1.00	10,209,517	1.02	684,997,324	68.15
M. Chareon Sae Tang @ Tan Whye Aun	RM1.00	-	-	490,900	0.05
Related Companies					
Tan Sri William H.J. Cheng **Datuk Cheng Yong Kim**					
Bersatu Investments Company Limited	HK$10.00	-	-	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	-	-	11,420,000	57.10
Bright Enterprise (Sdn) Berhad	RM1.00	-	-	816,000	51.00
B.A.P. Industries Sdn Bhd	RM1.00	-	-	4,650,000	77.50
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	-	-	26,985,030	70.01
Logic Concepts (M) Sdn Bhd	RM1.00	-	-	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	-	-	91,000	91.00
Lyn (Pte) Ltd	@	-	-	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	-	-	540,000,001	90.00

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2008 (continued)

Related Companies (continued)

	Nominal Value per Preference "D" Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Tan Sri William H.J. Cheng					
Datuk Cheng Yong Kim					
Megasteel Sdn Bhd	RM0.01	-	-	49,000,000	100.00

	Nominal Value per Preference "F" Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Tan Sri William H.J. Cheng					
Datuk Cheng Yong Kim					
Megasteel Sdn Bhd	RM0.01	-	-	26,670,000	100.00

Notes:

\# *Also interested in 490,000 options granted pursuant to the Company's Executive Share Option Scheme to subscribe for 490,000 ordinary shares in the Company.*

@ *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 companies as at 30 September 2008.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Mahkota Cheras Project Sale and Purchase Agreement dated 21 May 2008 between Pancar Tulin Sdn Bhd ("Pancar Tulin"), a wholly-owned subsidiary of the Company, Narajaya Sdn Bhd ("Narajaya") and LDH Management Sdn Bhd ("LDH Management"), a wholly-owned subsidiary of Lion Diversified Holdings Berhad ("LDHB"), for the acquisition by Pancar Tulin from LDH Management of part of an on-going property development project known as Bandar Mahkota Cheras together with four parcels of undeveloped lands ("Bandar Mahkota Cheras Properties") for a purchase consideration of RM89,948,000 to be satisfied by the issuance of 89,948,000 new shares issued at par in the Company. Narajaya, a company wherein certain Directors and certain major shareholders of the Company have interests, is the registered owner of the Bandar Mahkota Cheras Properties while LDHB is a major shareholder of the Company wherein certain Directors and certain major shareholders of the Company have interests.

2. Conditional Subscription Agreement dated 26 February 2007 and Supplemental Subscription Agreement dated 21 May 2008 between Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of the Company, and LDHB for the subscription by LDHB of 100,000,000 redeemable cumulative convertible preference shares of RM0.01 each in Megasteel, for cash of RM100,000,000.

3. Sale and Purchase Agreement dated 21 May 2008 between Limpahjaya Sdn Bhd ("Limpahjaya"), a wholly-owned subsidiary of the Company, and LDHB for the disposal by Limpahjaya to LDHB of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing 11.1% of the issued and paid-up capital of Megasteel for a cash consideration of RM100,000,000.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM11,000.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2008 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils, steel bars, steel plates, billets, scrap iron, gases and other related products and services	Parkson Holdings Berhad Group ("Parkson Group") [1]	933
	Lion Industries Corporation Berhad Group ("LICB Group") [1]	1,676,369
	Silverstone Corporation Berhad Group ("SCB Group") [1]	1
	Amsteel Corporation Berhad Group ("Amsteel Group") [1]	294
	Lion Holdings Pte Ltd Group ("LHPL Group") [2]	6,865
	Lion Diversified Holdings Berhad Group ("LDHB Group") [1]	763,598
	Lion Forest Industries Berhad Group ("LFIB Group") [1]	3
	Mitsui & Co., Ltd ("Mitsui") [3]	1,208
		2,449,271

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2008 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (continued)		
(ii) The purchase of hot briquetted iron, scrap iron and other related products and services	LICB Group [1]	2,050,592
	LHPL Group [2]	660,643
	Ributasi Holdings Sdn Bhd Group [2]	140,603
	LDHB Group [1]	902,726
	Lion Asiapac Limited Group ("LAP Group") [1]	43,682
	Mitsui [3]	15,381
	ISO Metal Industrial Sdn Bhd [3]	73
	Amble Bond Sdn Bhd Group ("Amble Bond Group") [4]	878
		3,814,578
(iii) The purchase of machinery, spare parts, lubricants, tools and dies and other related products and services	Amsteel Group [1]	7,176
	LFIB Group [1]	3,207
		10,383
(iv) The obtaining of marketing, distribution and transportation services	Amsteel Group [1]	10,259
	LICB Group [1]	12,164
		22,423
(v) Rental expenses of office premises	LICB Group [1]	911
(vi) Rental income of equipments	LICB Group [1]	12,007
(vii) Consultancy fees	Mr Wang Chung-Yu [5]	246
(b) Motor vehicles related transactions		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicle	SCB Group [1]	103
(ii) The purchase of motor vehicles and component parts of motor vehicles	SCB Group [1]	637
	LAP Group [1]	2,300
		2,937

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions concluded during the financial year ended 30 June 2008 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(c) Others		
(i) The provision of management and support and obtaining of training services and other related services	Amsteel Group [1] SCB Group [1] LFIB Group [1] LDHB Group [1] LICB Group [1]	40 240 21 32 2,527
		2,860
(ii) The purchase of office equipment, furniture, computers, other industrial and consumer products and services, security services and equipment and rental of motor vehicles.	Amsteel Group [1] Amble Bond Group [4]	326 8
		334

Notes:

"Group" includes subsidiaries and associates
(1) Companies in which certain Directors and certain major shareholders of the Company have interests.
(2) Companies in which certain Directors of the Company have interests.
(3) A major shareholder of a subsidiary of the Company.
(4) Companies in which a Director of the Company have an interest.
(5) A director of a subsidiary of the Company.

(IV) STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS AS AT 30 SEPTEMBER 2008

		Utilisation Status	
	Proposed Utilisation	**Actual Utilisation**	**Unutilised/ Outstading**
	RM'million	**RM'million**	**RM'million**
Disposal of 53.65% equity interest in Parkson Holdings Berhad to Excel Step Investments Limited comprising 40,085,743 ordinary shares of RM1.00 each for a consideration of RM33.3 million			
(i) part finance the acquisition of the Bright Steel Sdn Bhd Group	13.5	13.5	-
(ii) working capital	19.8	19.8	-
	33.3	33.3	-

(V) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC")

The status of the various conditions imposed by the SC in its approval of the Group Wide Restructuring Scheme ("GWRS") are as follows:

(a) Status of Compliance on Restructuring of Organisational and Financial Management System

As mentioned in the previous years' Annual Report, the Group had strengthened its Organisational and Financial Management System through the recruitment of experienced and capable personnel to head the Group's operation and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

1. Organisation Structure

As proposed by PwC, the Lion Group organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, Public Companies both listed and unlisted ("PLC") Management level and also the structure at the various Key Operating Companies ("KOCs") level.

1.1 Group Management Structure

The Group Executive Chairman heads and oversees the Group's functions and his primary duties include, amongst others, the setting of overall strategic and business directions for the Lion Group to ensure shareholders' values are achieved and also to ensure that the objectives of the GWRS are met. In the discharge of his duties, he is supported by the various high level committees including the Group Investment Committee and the Group Management Committee. Members of these committees comprise Group Directors, Group Executive Directors and the Managing Directors of the PLCs. The post of Group Finance Director is currently overseen by the Group Executive Director.

1.2 Lion Corporation Berhad ("LCB") Management Structure

The LCB management structure is headed by a well-balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director ("MD") who is accountable for the financial performance and profitability of LCB as well as the implementation of various strategic business plans and objectives of the LCB Group. Together with the Financial Controller, they are responsible for overseeing the divestment plans of the LCB Group. The Chief Executive Officer ("CEO") and General Managers of the various KOCs also report directly to the MD. The Board is also supported by the Audit Committee which comprises a majority of independent Directors. The Audit Committee is assisted by the internal audit function.

1.3 KOC Organisation Structure

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team includes the Financial Controller and the heads of department of manufacturing, sales and marketing, management information system and human resource.

(V) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)

2. Financial Management

The recommendations from PwC to streamline the reporting processes for our China operations as well as to meet the stringent reporting requirements of the GWRS have largely been put in place via the enhancement in the reporting packages in terms of consistency and completeness. The management is also working closely with the Monitoring Accountants to ensure that LCB's financial performance is reported to its lenders in a timely and comprehensive manner.

The LCB Group's financial management system has been further strengthened following the establishment of the Corporate Risk Management framework which seeks to identify, evaluate, control and monitor various risk profiles faced by the Group.

(b) Status of the Proposed Divestment Programme ("PDP")

(i) Status of assets to be divested

			(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2008)		
Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	Jan - June 2008	Projected for July - Dec 2008	Projected Jan - Dec 2008
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003					
Shares in listed and unlisted companies	33.3	2.7	-	30.6	30.6
By December 2004					
Shares in unlisted company	38.6	-	-	38.6	38.6
	71.9	2.7	-	69.2	69.2

(ii) Transactions completed during the financial year and utilisation of the divestment proceeds received as at 30 September 2008

Divestment assets in the PDP	Proposed Utilisation	Utilisation Status: Actual Utilisation	Utilisation Status: Unutilised/ Outstading
	RM'million	RM'million	RM'million
Disposal of 2.99% equity interest in Parkson Holdings Berhad to Excel Step Investments Limited comprising 2,233,029 ordinary shares of RM1.00 each for a cash consideration of RM1.9 million			
(i) Redemption/repayment of LCB Bonds and LCB Debts	1.9	-	1.9

(V) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”) (continued)

(b) Status of the Proposed Divestment Programme ("PDP") (continued)

(iii) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LCB Bonds/LCB Debts as scheduled. However, in the event that the Group is unable to effect the divestment on time, lenders consent will be sought to reschedule the redemption/repayment date of its LCB Bonds/LCB Debts.

LION CORPORATION BERHAD
(Incorporated in Malaysia) (12890-A)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 20 November 2008 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain		
4. To re-elect as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
5. To re-elect as Director, Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy		
6. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
10. 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 2008

Signed: ....

No. of shares: .... In the presence of: ....

Representation at 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.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.