LION CORPORATION BERHAD
A Member of The Lion Group
(12890-A)

Laporan Tahunan 2010 Annual Report

LION CORPORATION BERHAD 2010

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 24 November 2010 at 11.30 am for the following purposes:

AGENDA

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

2. To approve the payment of Directors' fees amounting to RM234,000 (2009: RM234,000). **Resolution 1**

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. Tan Sri William H.J. Cheng **Resolution 2**
   Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain **Resolution 3**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, 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 4**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr M. Chareon Sae Tang @ Tan Whye Aun be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

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 6**

6. Special Business

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

6.1.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 7**

6.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 2 November 2010 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

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

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

whichever is the earlier; and

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

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

Proposed Amendment to the Articles of Association of the Company

"THAT the existing Article 123 of the Articles of Association of the Company be deleted in its entirety and substituted therefor with the following new Article 123: **Resolution 9**

Article 123

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

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

By Order of the Board

CHAN POH LAN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
2 November 2010

Notes:

1. *Proxy*
   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 shall be eligible to attend the Meeting.*
   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
   - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*
   - *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

2. *Circular to Shareholders dated 2 November 2010 ("Circular")*

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

3. *Agenda Item 1*

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

4. *Resolution 7*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 17 November 2009 which will lapse at the conclusion of this Annual General Meeting.

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

5. *Resolution 8*

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

6. *Resolution 9*

   This approval will allow the Company to pay dividend, interest or other monies payable in cash in respect of shares in the Company by way of electronic transfer of remittance in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Electronic Dividend Payment.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Seventh Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2010 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Tan Sri 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 Folk Fong Shing @ Kok Fong Hing Mr M. Chareon Sae Tang @ Tan Whye Aun
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan binti Abdullah
Company No	:	12890-A
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lioncor
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	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”)

		Ordinary Shares	Ordinary “A” Shares	Warrants “B” 2009/2019
Stock Name	:	LIONCOR	LIONCOR-OA	LIONCOR-WB
Bursa Securities Stock No	:	3581	3581OA	3581WB
Reuters Code	:	LION.KL	LIONa.KL	LIONW.KL
ISIN Code	:	MYL3581OO005	MYL3581OA004	MYL3581WBT48

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 67, 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, retail, property development, tyre, computer, motor and plantation. He 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 ACB Resources Berhad

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

Tan Sri William Cheng has a direct shareholding of 458,685 ordinary shares of RM1.00 each in the Company ("LCB Share") and an indirect interest in 1,569,685,981 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) RM275,214,524 nominal value of redeemable convertible secured loan stocks with a right to convert into 275,214,524 new LCB Shares at a conversion price of RM1.00 for every one new LCB Share; and (ii) 10,203,307 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM1.00 per new LCB Share. 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 126 and 127 of this Annual Report. He also has interest in a company which conduct similar business with the Group in the property development sector.

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

Tan Sri William Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

Tan Sri Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 60, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

Tan Sri Cheng obtained a Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971. He has more than 30 years of experience in the business operations of The Lion Group encompassing steel, retail, property development, tyre, computer, motor and plantation. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President 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.

Tan Sri 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

Tan Sri Cheng has a direct shareholding of 2,709,517 LCB Shares and an indirect interest in 414,494,096 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of 672,100 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM1.00 per new LCB Share. 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 126 and 127 of this Annual Report. He also has interest in a company which conduct similar business with the Group in the property development sector.

Tan Sri 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.

Tan Sri Cheng attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

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 68, 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 and Kamdar Group (M) Berhad, both public listed companies.

Datuk Emam Mohd Haniff attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 63, 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 six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy, a Malaysian, aged 60, 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 in 1972. 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 (Germany) 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 sectors in Malaysia including promoting domestic and foreign investment in Malaysia.

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

- Integrated Logistics Berhad and KNM Group Berhad, both public listed companies
- Maybank Investment Bank Berhad and Maika Holdings Berhad

Datuk R. Karunakaran attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 78, was appointed to the Board on 6 June 2001. He is also the Chairman of the Company's Audit Committee, Remuneration 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, and "The Story of My Life" published in 2008. He is presently writing a book on travel.

Mr Folk has an indirect interest in LCB Shares by virtue of 10,300 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM1.00 per new LCB Share.

Mr Folk attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 71, 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 and Remuneration 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 as 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 interest in 490,900 LCB Shares.

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

Mr Tang attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2010 except where otherwise stated herein.

1. DIRECTORS

The Board

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2010, six (6) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

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

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

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 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, the Directors had participated in seminars, forums, conferences and training programmes on topics/subjects in relation to corporate governance, business prospects and opportunities, risk management, economic and regional issues, management and entrepreneurship, finance, and corporate responsibility, some of which were organised by Bursa Securities, the Securities Commission and trade associations.

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

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

1. DIRECTORS (continued)

Directors' Training (continued)

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

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 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 2010 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	24	1,624	1,648
Non-executive Directors	210	–	210
	234	1,624	1,858

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

Range of Remuneration (RM)	Number of Directors Executive	Number of Directors Non-executive
25,000 & below	–	1
25,001 – 50,000	–	5
1,600,001 – 1,650,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

The Company's homepage at www.lion.com.my/lioncor 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, majority 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 2010, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

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

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  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 Chapter 15 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

- **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 in the Listing Requirements. The Chairman of the Audit Committee shall be an independent Director appointed by the Board.

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Except for Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy and Mr M. Chareon Sae Tang @ Tan Whye Aun who were each absent for one (1) Meeting, all other members attended all the six (6) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM271,600.

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. Tan Sri Cheng Yong Kim
(Non-Independent Non-Executive Director)

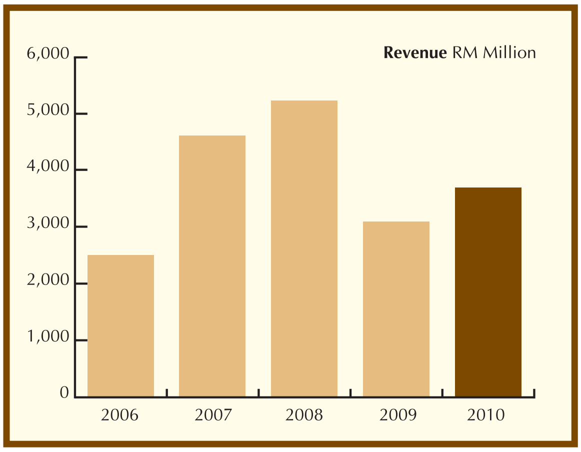
Mr M. Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

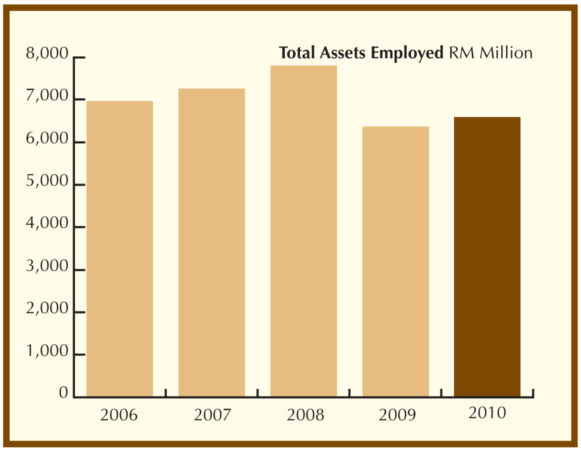
Terms of Reference :

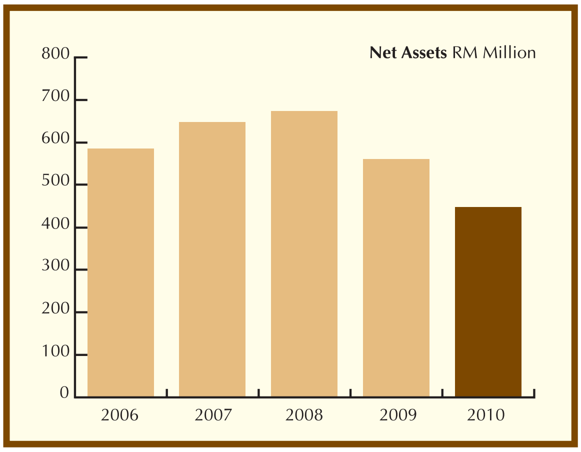
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

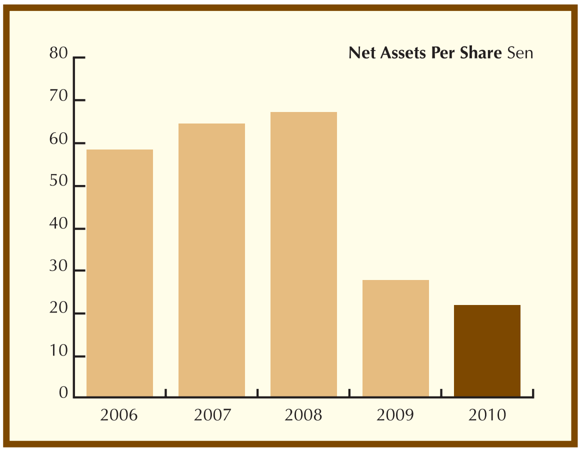
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	**2010 RM'000**
Revenue	2,507,212	4,619,893	5,233,782	3,099,585	**3,703,121**
Profit/(loss) from operations	(154,701)	511,011	360,126	(803,248)	**282,725**
Profit/(loss) before taxation	(556,386)	(181,197)	9,992	(1,256,167)	**(144,654)**
Profit/(loss) after taxation	(430,208)	(188,175)	24,844	(1,215,472)	**(152,136)**
Total assets employed	6,973,284	7,260,433	7,809,257	6,369,167	**6,597,133**
Net assets	585,884	647,903	674,060	560,570	**447,636**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	58.3	64.5	67.1	27.7	**21.8**
Earnings/(loss) per share	(42.7)	(21.2)	1.5	(79.6)	**(5.9)**









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 gelekan rata bersepadu di negara ini yang mengeluarkan gegelung besi panas dan sejuk (gambar kecil) di Banting, Selangor.*

- The 3-tonne 'TUAH' light truck from China, distributed by Kinabalu Motor Assembly Sdn Bhd.
- *Trak ringan 3-tan TUAH dari China, diedarkan oleh Kinabalu Motor Assembly Sdn Bhd.*

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

- Bandar Mahkota Cheras, a self-contained integrated township development at 9th Mile Jalan Cheras, is receiving good response for its new launches of 2 $^{1}/_{2}$ storey terrace houses and two and three storey shop-offices (with artist's impressions shown here).
- *Bandar Mahkota Cheras, bandar bersepadu yang tersendiri dibangunkan di Batu 9, Jalan Cheras, telah menerima respon yang baik bagi rumah teres 2 $^{1}/_{2}$ tingkat serta kedai pejabat dua dan tiga tingkat yang baru dilancarkan (Impresi artis dipaparkan).*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Lion Corporation Berhad ("LCB") diaudit bagi tahun kewangan berakhir pada 30 Jun 2010.

PRESTASI KEWANGAN

Selepas tempoh dua tahun Amerika Syarikat ("AS") menyebabkan dunia terjerumus ke jurang kemelesetan ekonomi yang terburuk dalam sejarah, kebanyakan pakar ekonomi meramalkan pertumbuhan sejagat yang perlahan sebanyak 4.6% pada tahun 2011 meskipun momentum pemulihan dilihat semakin menghilang. Kebanyakan negara maju dijangka mencatat pertumbuhan positif tetapi pada kadar lebih perlahan manakala negara-negara baru muncul, terutamanya China dan India, diramalkan mencatat kadar pengembangan ekonomi lebih tinggi. Negara-negara di Asia juga kurang terjejas dengan pertumbuhan perlahan di AS kerana sejak beberapa tahun lalu, terdapat jumlah perdagangan yang besar di kalangan pasaran baru muncul, peningkatan pendapatan di kalangan golongan pertengahan dan harga komoditi lebih tinggi.

Kumpulan juga tidak terkecuali daripada menerima kesan akibat kemerosotan permintaan berikutan sentimen pasaran yang lembab dalam tahun kewangan sebelumnya. Bagaimanapun, sejajar dengan pemulihan ekonomi serta pengukuhan mata wang Ringgit Malaysia berbanding Dolar AS, Kumpulan bangkit semula dengan mencatat kedudukan yang kukuh apabila meraih keuntungan lebih baik pada tahun kewangan semasa. Perolehan Kumpulan meningkat kepada RM3.7 bilion berbanding RM3.1 bilion pada tahun lalu. Tanpa mengambilkira kerugian yang berlaku hanya sekali berikutan kecairan sebuah syarikat sekutu berjumlah RM287 juta, Kumpulan mencatat keuntungan sebelum cukai sebanyak RM142 juta berbanding kerugian RM1,256 juta tahun lalu.

Syarikat sekutu kami, Lion Industries Corporation Berhad ("LICB"), yang terbabit dalam pembuatan produk keluli panjang serta bilet, juga mendapat faedah daripada pemulihan ekonomi global dan mencatat prestasi jauh baik pada tahun kewangan dalam kajian.

PERKEMBANGAN KORPORAT

Pada bulan September 2009, Syarikat mengumumkan bahawa Megasteel Sdn Bhd ("Megasteel") telah mencadangkan pelupusan 102 juta saham-saham biasa bernilai RM1.00 sesaham atau kira-kira 14.3% daripada modal saham terbitan dan berbayar dalam LICB. Penjualan itu menjadi tidak bersyarat pada bulan November 2009 dan telah dimuktamadkan pada bulan Jun 2010. Berikutan itu, kepentingan Kumpulan dalam LICB berkurangan daripada sekitar 41% kepada 27%.

TINJAUAN OPERASI

Kumpulan secara asasnya terbabit dalam kegiatan-kegiatan berikut:

- Pembuatan dan penjualan besi keluli gelung panas, besi keluli gelung sejuk dan produk lain berasaskan keluli ("Keluli");
- Pembangunan hartanah ("Hartanah");
- Pembuatan dan perniagaan kelengkapan pejabat, peralatan keselamatan dan barangan berkaitan keluli ("Perabot"); dan
- Pegangan pelaburan, perniagaan kenderaan komersial, pendaftaran saham dan perkhidmatan kesetiausahaan dan lain-lain("Lain-lain").

(RM'Juta)	Pendapatan 2010	Pendapatan 2009	Segmen Keuntungan/ (Kerugian) 2010	Segmen Keuntungan/ (Kerugian) 2009
Keluli	**3,606**	3,026	**249**	(832)
Hartanah	**61**	22	**17**	6
Perabot	**32**	46	**1**	2
Lain-lain *	**4**	6	**8**	15
	3,703	3,100	**275**	(809)

Segmen keuntungan/(kerugian) merujuk kepada keuntungan/(kerugian) operasi sebelum bunga, pendapatan pelaburan, berkongsi keputusan dalam syarikat bersekutu dan percukaian.

* *Keuntungan lebih tinggi pada tahun 2009 disumbangkan terutamanya oleh keuntungan berjumlah RM25 juta diraih daripada pelupusan hartanah berikutan langkah merasionalisasikan operasi kenderaan*

Bahagian Keluli

Operasi pembuatan keluli Kumpulan, yang sebahagian besarnya dikendalikan oleh Megasteel, berjaya memulihkan prestasinya dalam tahun kewangan. Syarikat itu telah mencatat kenaikan perolehan sebanyak 19% kepada RM3.6 bilion daripada RM3.0 bilion dan meraih keuntungan operasi berjumlah RM249 juta dalam tempoh yang sama berbanding kerugian RM832 juta pada tahun sebelumnya. Prestasi lebih baik ini adalah disebabkan oleh persekitaran pasaran keluli rata yang lebih baik dan pengukuhan nilai Ringgit Malaysia berbanding Dolar AS.

Megasteel juga mendapat manfaat daripada liberalisasi import dan pengurangan duti produk besi dan keluli di bawah Dasar Baru Keluli yang diumumkan pada bulan Jun 2009 memandangkan gred-gred yang boleh dibekalkan oleh Megasteel akan menikmati perlindungan duti import sebanyak 25%. Kesan positif pengumuman ini terus dirasakan oleh pasaran keluli tempatan manakala harga keluli global juga menunjukkan pemulihan besar berikutan pelancaran pakej-pakej rangsangan ekonomi oleh pelbagai kerajaan di luar negara.

Tinjauan bagi Bahagian ini agak cerah berikutan rancangan Kerajaan melaksanakan beberapa projek infrastruktur yang besar dalam tempoh dua tahun akan datang. Projek-projek ini membabitkan kerja-kerja menaikkan taraf dan pembesaran lapangan terbang, pengangkutan awam, bekalan dan rawatan air, lebuh raya dan rangkaian jalan raya dan pelbagai bentuk kerja-kerja infrastruktur lain.

Bahagian Hartanah

Seperti mana dilaporkan pada tahun sebelumnya, Kumpulan pada Februari 2009 telah memuktamadkan pemilikan projek pembangunan hartanah dikenali sebagai "Bandar Mahkota Cheras" di luar kawasan Batu 9, Jalan Cheras, bersebelahan Kelab Golf Sungai Long. Pelancaran baru di bawah projek pembangunan bandar bersepadu ini menerima sambutan baik daripada para pembeli dalam tahun kewangan. Pelancaran baru itu terdiri daripada rumah teres 2½-tingkat dan bangunan kedai-pejabat setinggi 2 dan 3 tingkat.

Di sebalik permintaan yang lebih rendah dalam pasaran hartanah tempatan, projek kami terus berjaya menarik minat para pembeli terutamanya disebabkan oleh pembangunan bandar baru yang dirancang dengan baik dan usaha promosi yang agresif. Kadar gadai janji yang rendah dan pelbagai insentif yang ditawarkan juga membantu mengekalkan minat terhadap projek ini. Perolehan yang dicatat adalah lebih tinggi iaitu sebanyak RM61 juta manakala keuntungan operasi bertambah kepada RM17 juta daripada RM6 juta tahun lalu.

Bahagian Perabot

Permintaan untuk perabot keluli terus pendam dan sengit persaingannya. Perolehan juga terjejas dengan harga jualan lebih rendah selari dengan kejatuhan harga besi keluli gelung sejuk yang merupakan bahan mentah utama produk kami. Keuntungan operasi juga susut disebabkan oleh margin yang rendah berikutan merosotnya harga jualan.

Di dalam segmen eskport, krisis kewangan Dubai yang pertama kali berlaku pada separuh kedua tahun 2009, telah menjejaskan dengan teruk jualan ekspot kerana Timur Tengah merupakan pasaran tradisi yang menjadi penyumbang utama kepada perolehan ekspot Kumpulan. Ini diburukkan lagi oleh pengukuhan nilai mata wang Ringgit berbanding Dolar AS pada tahun kewangan yang telah memberi tekanan harga kepada produk kami. Pasaran domestik kekal lembab sepanjang tahun berikutan persaingan sengit dari para pengilang lain, baik daripada dalam dan juga luar negara.

Bagi membolehkan Bahagian ini kekal bersaing, usaha telah dibuat oleh pihak pengurusan untuk memperkenalkan produk-produk baru dan meningkatkan produk dengan pelbagai ciri dan gaya.

TANGGUNGJAWAB SOSIAL KORPORAT

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

Masyarakat

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

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

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

Alam sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk dalam penyumberan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam.

Operasi yang dijalankan oleh Kumpulan adalah mematuhi undang-undang alam sekitar dan juga peraturan yang mentadbir industri di mana ia beroperasi.

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

PROSPEK

Pelbagai petunjuk memperlihatkan berlakunya pemulihan yang beransur-ansur dalam ekonomi global di sebalik keadaan yang tidak menentu di AS berikutan pengurangan pesanan kilang, kemerosotan jualan rumah kediaman dan meningkatnya pengangguran. Pasaran negara-negara baru muncul dilihat lebih kukuh dan berdaya tahan selepas pakej rangsangan dilaksanakan untuk melonjakkan ekonomi. China kekal menerajui kenaikan ini dengan sektor pembuatannya mencatat pertumbuhan yang kukuh pada bulan September manakala India dan negara-negara lain di Asia mencatat pemulihan ekonomi yang mantap.

Dalam melangkah ke hadapan, di sebalik beberapa cabaran mendatang, Kumpulan akan terus mengenal pasti cara dan kaedah untuk memantapkan kecekapan operasi supaya kekal berdaya saing dalam bidang pembuatan keluli dunia.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyatakan rasa terima kasih yang tulus ikhlas kepada semua pelanggan yang dihargai, para pembiaya, rakan-rakan perniagaan, badan-badan kerajaan serta para pemegang saham di atas sokongan dan kerjasama berterusan serta keyakinan terhadap Kumpulan.

Saya juga ingin merakamkan penghargaan dan rasa terhutang budi kepada rakan-rakan Lembaga Pengarah di atas tunjuk ajar dan sumbangan yang tidak ternilai sepanjang tahun kewangan dan juga menyatakan penghargaan saya kepada kakitangan di semua peringkat di atas sikap dedikasi, komitmen dan sumbangan mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Corporation Berhad ("LCB") for the financial year ended 30 June 2010.

FINANCIAL PERFORMANCE

Just two years after the United States of America ("US") dragged the world into its deepest recession in several decades, most economists are forecasting a lower global growth of 4.6% in 2011 even as recovery in the US economy are showing signs of losing momentum. Most advanced countries are expected to register positive but low growth while emerging markets, especially China and India, are expected to show a high rate of economic expansion. Countries in Asia are slightly less vulnerable to a slowdown in the US economy as the last few years saw greater trade between emerging markets, the rapid rise of the middle class and higher commodity prices.

The Group was also not spared the drop in demand due to the sluggish market sentiments in the last financial year. However, in tandem with the economic recovery coupled with the strengthening of Ringgit Malaysia against the US Dollar, the Group has made a strong comeback with a better set of results in the current financial year. Group revenue was higher at RM3.7 billion as against RM3.1 billion achieved last year. Excluding the one-off loss on dilution of its associate amounting to RM287 million, the Group reported a profit before taxation of RM142 million as against a RM1,256 million loss last year.

Our associate, Lion Industries Corporation Berhad ("LICB"), which is primarily involved in the manufacturing of long steel products and billets also benefited from the global economic recovery and posted a vastly improved performance for the financial year.

CORPORATE DEVELOPMENT

In September 2009, the Company announced the proposed disposal of 102 million ordinary shares of RM1.00 each in LICB representing approximately 14.3% of the issued and paid-up share capital of LICB by Megasteel Sdn Bhd ("Megasteel"). The disposal became unconditional in November 2009 and was completed in June 2010. As a result, the Group's interest in LICB was reduced from approximately 41% to 27%.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:
- Manufacturing and sale of hot rolled coils, cold rolled coils and other steel related products **("Steel")**;
- Property development **("Property")**;
- Manufacturing and trading of office equipment, security equipment and steel related products **("Furniture")**; and
- Investment holding, trading of commercial vehicles, share registration and secretarial services, and others **("Others")**.

(RM'Million)	**Revenue 2010**	**Revenue 2009**	**Segment Profit/(Loss) 2010**	**Segment Profit/(Loss) 2009**
Steel	**3,606**	3,026	**249**	(832)
Property	**61**	22	**17**	6
Furniture	**32**	46	**1**	2
Others *	**4**	6	**8**	15
	3,703	3,100	**275**	(809)

Segment profit/(loss) refers to operating profit/(loss) before interests, investment income, share in result of associates and taxation.

* *Higher profit in 2009 was mainly derived from the RM25 million gain on property disposals as a result of the rationalisation of the motor operation*

Steel Division

The Group's steel manufacturing operations, mainly under Megasteel, managed to turnaround its operational performance for the financial year under review. It recorded a 19% increase in its revenue from RM3.0 billion to RM3.6 billion and posted an operating profit for the financial year of RM249 million as compared to a loss of RM832 million last year. The commendable performance was due to a much improved and healthier flat steel market environment and the strengthening of Ringgit Malaysia against the US Dollar.

Megasteel also benefited from the liberalisation of imports and the reduction in duties on iron and steel products under the New Steel Policy announced in June 2009 as grades that can be supplied by Megasteel effectively have 25% import duty protection. The positive impact of this announcement was immediately felt in the local steel market while globally, steel prices also recovered strongly following the launching of economic stimulus packages by various governments.

The outlook for the Division appears reasonably bright given that the Government intends to implement a number of sizeable infrastructure projects over the next two years. These projects involve the upgrading and expansion of airports, public transportation, water supply and treatment, highways and road networks, and various other forms of infrastructure work.

Property Division

As reported in the previous year, the Group had in February 2009, completed the acquisition of a property development project, known as "Bandar Mahkota Cheras". Located off 9th mile Jalan Cheras and adjoining the Sungai Long Golf Club, this self-contained integrated township development continued to receive good response from buyers for the new launches carried out during the year. These new launches comprised 2½-storey terrace houses together with 2 and 3-storey shop-offices located in the town centre.

Against a backdrop of lower demand in the local property market, our project continues to attract buyers due mainly to its well planned township development and aggressive promotional efforts. The prevailing low mortgage rates together with the various purchase incentives offered also helped to sustain interest in the project. Revenue was significantly higher at RM61 million while operational profit rose to RM17 million from RM6 million last year.

Furniture Division

Demand for steel furniture remained stagnant and highly competitive. Revenue was also affected by the lower selling price in line with the drop in prices for cold rolled steel, which is the main raw material used in our products. Operating profit was also down due to lower margin as a result of the weaker selling prices.

In the exports segment, the Dubai financial crisis which first surfaced in the second half of 2009 had badly affected our export sales as this Middle Eastern market was traditionally our main export revenue contributor. This was further compounded by the strengthening of the Ringgit against the US Dollar during the financial year which has put more pricing pressure onto our products. The domestic market has remained sluggish throughout the year with intense competition from other manufacturers both locally and overseas.

To enable the Division to remain competitive, efforts have been made by the management to introduce new products and enhance products with versatile features.

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 contributing to society while enhancing the bottom-line and shareholders' value. The Group is focused on improving the community through education and medical care via the two Foundations established by the Lion Group of Companies of which the Group is a member.

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

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

Environment

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

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

PROSPECTS

Various economic indicators point towards a gradual recovery in the global economy despite uncertainties in the US over its falling factory orders, slowdown in home sales and rising unemployment. Emerging markets are showing much more strength and resilience after massive stimulus packages were implemented to boost its economy. China continues to outperform with its manufacturing sector recording strong commendable growth in September while India and the rest of Asia saw strong economic recoveries.

Moving forward, despite the numerous challenges ahead, the Group will continue to identify ways and means to boost its operational efficiencies in order to remain competitive in the global steel manufacturing arena.

ACKNOWLEDGEMENT

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

I would also like to convey my sincere appreciation and gratitude to my fellow Directors for their invaluable guidance and contributions throughout the year as well as to record my appreciation to our employees at all levels for their dedication, commitment and contributions to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈金狮机构有限公司截至2010年6月30日会计年度的年度报告和经审核财务报告。

财务表现

在美国把全世界拖入几十年来最严重的经济衰退之后两年，尽管美国经济的复苏正处于疲态，大多数经济学家预测，在2011年，全球将取得4.6%较低的经济成长。预料大部分先进国家将取得较低的正经济成长，而新兴国家（尤其是中国和印度）预料将显示出高经济增长率。美国经济衰退对亚洲国家的影响不是很大，因为在过去几年，新兴市场之间的贸易增加，中产阶级人数迅速增加，以及较高的原产品价格。

由于上一个会计年度市场情绪呆滞，本集团也免不了受到需求减少所影响。不过，经济复苏加上令吉对美元汇率强劲，使本集团强劲回弹，在本会计年度业绩有所改善。集团的营业额上升，达到37亿令吉，上一年度是则是31亿令吉。如果不把冲淡联号的股权而蒙受的2亿8千700万令吉的一次性亏损包括在内，本集团取得1亿4千200万令吉的税前盈利，上一年度则是12亿5千600万令吉的亏损。

我们的联号金狮工业有限公司主要是制造长钢产品和钢坯，也从全球经济复苏中受惠，在本会计年度业务大有改善。

企业发展

本公司在2009年9月宣布，把美佳钢铁私人有限公司在金狮工业有限公司（“金狮工业“）拥有的1亿200万股、每股1.00令吉的股票脱售，这些股票相等于金狮工业的发行及缴足股票资本的大约14.3%。这项脱售在2009年11月成为无条件，并在2010年6月完成。之后本集团在金狮工业拥有的股权从大约41%减少到27%。

业务检讨

本集团主要从事以下业务：

- 制造和销售热轧卷钢、冷轧卷钢以及其他和钢铁相关的产品（“钢铁”）；
- 产业发展（“产业”）；
- 制造及销售办公室设备、保安设备以及和钢铁相关产品（“家私”）；以及
- 投资控股、销售商用车辆，股票注册和秘书服务以及其他（“其他”）。

单位：百万令吉	营业额 2010	营业额 2009	各组盈利 /（亏损）2010	各组盈利 /（亏损）2009
钢铁	**3,606**	3,026	**249**	(832)
产业	**61**	22	**17**	6
家私	**32**	46	**1**	2
其他 *	**4**	6	**8**	15
	3,703	3,100	**275**	(809)

各组盈利/（亏损）指营业利润不包括利息、投资收益，应占联营公司利润及所得税。

* 2009年度取得较高利润，是由于对汽车业务采取合理化措施，出售产业取得2千500万令吉的盈利

钢铁组

本集团的钢铁制造业务（主要由美佳钢铁私人有限公司经营），在本会计年度的业务表现取得大好转。营业额同比增长19%，从30亿令吉增加到36亿令吉，取得2亿4千900万令吉的营业利润，上一个会计年度是8亿3千200万令吉的亏损。这项值得赞许的表现，主要是由于平板钢的市场环境有很大的改善，变得更加兴旺，以及令吉对美元的汇率强劲。

美佳钢铁也在政府於2009年6月宣布的新钢铁政策之下受惠，这项政策是放宽铁和钢产品的入口以及降低关税，因为美佳钢铁能够供应的等级的钢铁产品，实际上受到25%入口关税保护。这项宣布的正面影响，立即被本地的钢铁市场感受到；同时在各国政府推动的振兴经济配套之下，全球的钢铁价格也强劲复苏。

钢铁组的前途看来相当光明，因为政府打算在未来两年内推行多项大规模基本建设工程。这些工程包括提升和扩建机场，公共交通、水供和水的处理，高速公路和公路网，以及各种其他形式的基建工程。

产业组

正如上一年度所报告，本集团完成收购一项产业发展计划，称为Bandar Mahkota Cheras。它位于蕉赖路9英里，邻近双溪龙高尔夫球俱乐部。在这一年内，这个可自足的综合性新镇，凡有新项目推展，都获得购屋者良好反应。新推展的项目， 位于新镇中心，包括2 1/2层排屋，以及2层和3层店屋兼办公室。

尽管本地产业市场需求低，但由于它是良好策划的发展新镇，并在我们积极展开促销的努力之下，推展的项目都能继续吸引购屋者。再加上当前低廉的抵押贷款利率，以及我们所提供的各种购屋奖掖，也提高人们对这个项目的兴趣。产业组的营业额大大增加，达到6千100万令吉，营业利润也从去年度的600万令吉增加到今年度的1千700万令吉。

家私组

在高度竞争的环境下，市场对钢制家私的需求仍然呆滞。销售价在受到主要原料冷轧卷钢价格下跌的冲击下，也跟着下跌，营业额因此受到影响。随着售价疲弱，本组达到较低的利润率，营业利润也随之下跌。

出口方面，在2009年下半年开始浮现的迪拜金融危机对我们的出口销售带来严重影响，因为这个中东市场传统上是我们的出口收入的主要来源。在本会计年度，由于令吉对美元的汇率强劲，这对我们的产品带来更大的价格压力，使到我们受到的影响加剧。在整个会计年度，由于国内外的其他制造商的产品竞争激烈，国内市场仍然呆滞。

为了使本组保持竞争，在管理层的努力之下，推出新产品，以及加强具有多方面特色的产品。

企业社会责任

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

社会

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

金狮百盛基金（Lion-Parkson Foundation）拨款供作教育、慈善及科学研究用途；每年都提供奖学金和免息教育贷款给在本地大学深造的在籍大学本科生。它也联合全国百盛店参与年度教育计划，提供回收箱给大众，以便捐献学校必需品如校服、鞋子和文具，然后分发给全国各地有需要的学童。金狮集团医药援助基金则为迫切需要医疗的人士提供财务援助，包括手术、购置器仪和药物。这项基金也赞助社区保健计划如医疗营，并且为那些向不幸社群提供津贴治疗服务的洗肾中心添购洗肾机器。

本集团也通过筹款及捐款活动为社会做出贡献，同时也为有需要人士提供援助。

环境

在跟上科技和工业发展之际，本集团也同时关心环境保护，业务运作完全严格遵守其所在领域的环境法律及条例管制。面对能源及天然资源的需求日益增加，我们也为业务运作鉴定替代能源，如天然气，并且选择具环保作用的新技术。

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

展望

各种经济指数显示全球经济正朝向逐渐复苏，尽管美国的经济不稳定，因为其工厂订单减少，房屋销售放缓以及失业率增加。在新兴市场，在政府推行庞大的振兴配套以刺激经济之后，它们的经济显示出更加强劲的回弹。中国的经济表现仍然比其他国家为佳，其制造业在9月份呈现强劲的成长，印度和亚洲其他地区也展现强有力的经济复苏。

展望未来，尽管前方有无数的挑战，本集团将继续鉴定途径，提高营运效率，以便在全球的钢铁业领域保持竞争性。

鸣谢

我谨代表董事部，真诚感谢我们所有尊贵的客户、银行家、商业伙伴、政府机构以及股东们，感谢他们继续给予本集团支持与合作，及对本集团具有信心。

我也要真诚感谢董事们，在过去一年给予指导与贡献。也要感谢我们的各级雇员的献身精神及对本公司的贡献。

主席
丹斯里钟廷森

DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 18 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 loss for the financial year	(152,136)	(48,723)
Attributable to:		
- Ordinary equity holders of the Company	(112,812)	(48,723)
- Minority interests	(39,324)	–
	(152,136)	(48,723)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except for the dilution of an associate resulting in a loss of RM286.8 million to the Group as disclosed in Note 30(A)(i) to the financial statements.

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2010.

SHARE CAPITAL

There was no increase in the issued and paid-up share capital of the Company during the financial year.

DIRECTORS

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

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

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri William H.J. Cheng and Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing and Mr M. Chareon Sae Tang @ Tan Whye Aun retire and offer themselves for re-appointment as Directors 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 corporations and certain companies in which certain Directors of the Company and/or its subsidiaries are substantial shareholders as disclosed in Note 39 to the financial statements.

Except for the following, 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:

(i) the share options granted pursuant to the Executive Share Option Scheme of the Company;

(ii) the conversion of warrants; and

(iii) the conversion of redeemable convertible secured loan stocks.

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 1.7.2009	**Additions**	**Disposals**	**As at 30.6.2010**
Direct Interest				
Tan Sri William H.J. Cheng	458,685	–	–	458,685
Tan Sri Cheng Yong Kim	2,709,517	–	–	2,709,517
Indirect Interest				
Tan Sri William H.J. Cheng	1,575,040,980	1,645,001	(7,000,000)	1,569,685,981
Tan Sri Cheng Yong Kim	412,849,095	1,645,001	–	414,494,096
M. Chareon Sae Tang @ Tan Whye Aun	490,900	–	–	490,900

DIRECTORS' INTERESTS (continued)

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 1.7.2009	**Granted**	**Exercised**	**As at 30.6.2010**
Tan Sri William H.J. Cheng	490,000	–	–	490,000

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

	Number of RM1.00 Nominal Value of RCSLS			
	As at 1.7.2009	**Additions**	**Conversions**	**As at 30.6.2010**
Tan Sri William H.J. Cheng	275,214,524	–	–	275,214,524

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

	Number of Warrants			
	As at 1.7.2009	**Additions**	**Disposals**	**As at 30.6.2010**
Tan Sri William H.J. Cheng	9,573,871	629,436	–	10,203,307
Tan Sri Cheng Yong Kim	42,664	629,436	–	672,100
Folk Fong Shing @ Kok Fong Hing	10,300	–	–	10,300

The Directors' interests in related corporations are as follows:

	Nominal Value per Share	Number of Ordinary Shares			
		As at 1.7.2009	**Additions**	**Disposals**	**As at 30.6.2010**
Indirect Interest **Tan Sri William H.J. Cheng** **Tan Sri Cheng Yong Kim**					
Bersatu Investments Company Limited	HK$10.00	42,644	–	–	42,644
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	–	–	11,420,000
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	26,985,030	–	–	26,985,030
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	–	–	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	–	–	91,000
Lyn (Pte) Ltd	*	1,225,555	–	–	1,225,555
Megasteel Sdn Bhd					
- Ordinary Shares	RM1.00	540,000,001	60,000,000	–	600,000,001
- Preference "D" Shares	RM0.01	49,000,000	–	–	49,000,000
- Preference "E" Shares	RM0.01	–	11,000,000	–	11,000,000
- Preference "F" Shares	RM0.01	26,670,000	–	–	26,670,000
- Preference "G" Shares	RM0.01	100,000,000	–	–	100,000,000

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

DIRECTORS' INTERESTS (continued)

	Number of Ordinary Shares of RM0.50 each			
	As at 1.7.2009	**Additions**	**Disposals**	**As at 30.6.2010**
Lion Diversified Holdings Berhad ("LDHB")				
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Tan Sri Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	290,013,688	–	–	290,013,688
Tan Sri Cheng Yong Kim	251,843,935	–	–	251,843,935
M. Chareon Sae Tang @ Tan Whye Aun	20,000	–	–	20,000

In addition to the above, the following Directors are also deemed to have an interest in shares in LDHB by virtue of the 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of LDHB ("ICULS") convertible into new ordinary shares of RM0.50 each in LDHB at a conversion price of RM0.50 for one new ordinary share of RM0.50 in LDHB as follows:

	Number of RM1.00 Nominal Value of ICULS			
	As at 1.7.2009	**Additions**	**Conversion**	**As at 30.6.2010**
Direct Interest				
Tan Sri William H.J. Cheng	121,615,000	–	–	121,615,000
Tan Sri Cheng Yong Kim	1,000,000	–	–	1,000,000
Indirect Interest				
Tan Sri William H.J. Cheng	203,961,522	–	–	203,961,522
Tan Sri Cheng Yong Kim	30,014,916	–	–	30,014,916

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

EXECUTIVE SHARE OPTION SCHEME

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 36(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 1.7.2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2010**
26.5.2006	1.00	3,970,900	–	–	(626,000)	3,344,900
26.2.2007	1.00	4,781,600	–	–	(833,400)	3,948,200
		8,752,500	–	–	(1,459,400)	7,293,100

The ESOS expired on 31 August 2010.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad 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

(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 43 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 28 September 2010.

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

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	**3,703,121**	3,099,585	**65,826**	116,474
Other operating income		**132,775**	56,081	**4,740**	355
Changes in inventories of finished goods and work-in-progress		**152,320**	(20,207)	**–**	–
Purchase of trading goods		**(2,019)**	(3,054)	**–**	–
Raw materials and consumables used		**(2,861,536)**	(2,712,880)	**–**	–
Property development expenditure		**(37,191)**	(10,155)	**–**	–
Employee benefits expenses	7	**(97,202)**	(103,250)	**(805)**	(1,073)
Depreciation and amortisation		**(141,422)**	(138,842)	**–**	–
Provision for diminution in value of inventories		**(4,678)**	(358,020)	**–**	–
Other operating expenses	8	**(561,443)**	(612,506)	**(2,575)**	(8,386)
Profit/(Loss) from operations	9	**282,725**	(803,248)	**67,186**	107,370
Finance costs	10	**(307,060)**	(408,235)	**(116,256)**	(212,777)
Share in results of associates		**167,804**	(84,172)	**–**	–
Impairment loss in a subsidiary	18	**–**	–	**–**	(720)
Impairment loss in associates	19	**(1,368)**	(1,011)	**(1,540)**	(1,011)
Loss on dilution of an associate	30(A)(i)	**(286,755)**	–	**–**	–
Over provision for loss	11	**–**	40,499	**–**	–
Loss before taxation		**(144,654)**	(1,256,167)	**(50,610)**	(107,138)
Taxation	12	**(7,482)**	40,695	**1,887**	622
Net loss for the financial year		**(152,136)**	(1,215,472)	**(48,723)**	(106,516)
Attributable to:					
- Ordinary equity holders of the Company		**(112,812)**	(1,041,527)	**(48,723)**	(106,516)
- Minority interests		**(39,324)**	(173,945)	**–**	–
Net loss for the financial year		**(152,136)**	(1,215,472)	**(48,723)**	(106,516)
Loss per share attributable to ordinary equity holders of the Company:	13				
- Basic (sen)		**(5.9)**	(79.6)		
- Diluted (sen)		**N/A**	**N/A**		

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

BALANCE SHEETS

AS AT 30 JUNE 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	**2,918,011**	3,041,232	**–**	–
Land held for property development	15(a)	**23,539**	33,201	**–**	–
Prepaid land lease payments	16	**13,934**	14,790	**–**	–
Goodwill	17	**479,135**	499,135	**–**	–
Investment in subsidiaries	18	**–**	–	**11,873**	11,852
Investment in associates	19	**944,696**	1,267,718	**200,245**	201,785
Long term investments	20	**57,190**	75,707	**102**	1,029
Deferred tax assets	22	**161,370**	177,097	**–**	–
		4,597,875	5,108,880	**212,220**	214,666
Current Assets					
Property development costs	15(b)	**1,127**	15,287	**–**	–
Inventories	23	**1,543,038**	816,293	**–**	–
Short term investments	20	**12,514**	2,870	**–**	–
Trade and other receivables	21	**295,295**	323,771	**532**	518
Amount due from subsidiaries	24	**–**	–	**2,326,423**	2,289,524
Tax recoverable		**3,946**	3,200	**1,403**	952
Deposits with financial institutions	25	**30,504**	36,216	**708**	999
Cash and bank balances		**112,367**	62,650	**502**	555
		1,998,791	1,260,287	**2,329,568**	2,292,548
Non-current assets classified as held for sale	26	**467**	–	**–**	–
		1,999,258	1,260,287	**2,329,568**	2,292,548
TOTAL ASSETS		**6,597,133**	6,369,167	**2,541,788**	2,507,214

BALANCE SHEETS (continued)

AS AT 30 JUNE 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	27	**1,900,950**	1,900,950	**1,900,950**	1,900,950
Reserves	28	**(1,453,314)**	(1,340,380)	**(1,194,023)**	(1,145,321)
		447,636	560,570	**706,927**	755,629
Minority Interests		**155,512**	219,536	**–**	–
Total Equity		**603,148**	780,106	**706,927**	755,629
Non-Current Liabilities					
Preference shares	29	**111,000**	111,000	**–**	–
Borrowings	30	**1,026,053**	423,102	**427,468**	419,968
Bonds and debts	32	**1,286,296**	1,279,331	**1,266,806**	1,239,457
Deferred tax liabilities	22	**7,779**	20,321	**7,638**	9,525
Deferred liabilities	33	**11,282**	26,140	**–**	–
		2,442,410	1,859,894	**1,701,912**	1,668,950
Current Liabilities					
Trade and other payables	34	**2,956,540**	2,435,537	**38,535**	32,439
Amount due to subsidiaries	24	**–**	–	**16,635**	16,480
Bank overdrafts	35	**13,194**	16,962	**–**	–
Borrowings	30	**510,448**	1,220,313	**24,674**	20,417
Bonds and debts	32	**71,289**	49,460	**53,105**	13,299
Tax payable		**104**	6,895	**–**	–
		3,551,575	3,729,167	**132,949**	82,635
Total Liabilities		**5,993,985**	5,589,061	**1,834,861**	1,751,585
TOTAL EQUITY AND LIABILITIES		**6,597,133**	6,369,167	**2,541,788**	2,507,214

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	← 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 2008	1,005,118	97,630	366,327	(795,015)	674,060	215,843	889,903
Translation difference on net equity of foreign subsidiaries and other reserve movements	–	–	(38,701)	37,497	(1,204)	177,638	176,434
Equity accounting for share of net assets of associates	–	–	18,645	–	18,645	–	18,645
Effect of dilution on equity interest in associates	–	–	–	(19,458)	(19,458)	–	(19,458)
Equity component of Redeemable Convertible Secured Loan Stocks ("RCSLS")	–	–	30,487	–	30,487	–	30,487
Warrant reserve	–	–	3,673	–	3,673	–	3,673
Income and expense recognised directly in equity	–	–	14,104	18,039	32,143	177,638	209,781
Net loss for the financial year	–	–	–	(1,041,527)	(1,041,527)	(173,945)	(1,215,472)
Total recognised income and expense for the financial year	–	–	14,104	(1,023,488)	(1,009,384)	3,693	(1,005,691)
Share-based payment under ESOS	–	–	117	–	117	–	117
Shares issued pursuant to the:							
- conversion of LCB Bonds	804,460	–	–	–	804,460	–	804,460
- acquisition of Mahkota Cheras Project	89,948	–	–	–	89,948	–	89,948
- conversion of RCSLS	1,424	55	(55)	(55)	1,369	–	1,369
At 30 June 2009	1,900,950	97,685	380,493	(1,818,558)	560,570	219,536	780,106

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	← 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 2009	1,900,950	97,685	380,493	(1,818,558)	560,570	219,536	780,106
Translation difference on net equity of foreign subsidiaries and other reserve movements	–	–	2,764	–	2,764	(24,700)	(21,936)
Equity accounting for share of net assets of associates	–	–	(434)	–	(434)	–	(434)
Effect of dilution on equity interest in associates	–	–	–	(2,473)	(2,473)	–	(2,473)
Income and expense recognised directly in equity	–	–	2,330	(2,473)	(143)	(24,700)	(24,843)
Net loss for the financial year	–	–	–	(112,812)	(112,812)	(39,324)	(152,136)
Total recognised income and expense for the financial year	–	–	2,330	(115,285)	(112,955)	(64,024)	(176,979)
Share-based payment under ESOS	–	–	21	–	21	–	21
At 30 June 2010	1,900,950	97,685	382,844	(1,933,843)	447,636	155,512	603,148

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		← 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 2008	1,005,118	97,630	2,901	(1,173,558)	(67,909)
Equity component of RCSLS	–	–	30,487	–	30,487
Warrant reserve	–	–	3,673	–	3,673
Income and expense recognised directly in equity	–	–	34,160	–	34,160
Net loss for the financial year	–	–	–	(106,516)	(106,516)
Total recognised income and expense for the financial year	–	–	34,160	(106,516)	(72,356)
Share-based payment under ESOS	–	–	117	–	117
Shares issued pursuant to the:					
- conversion of LCB Bonds	804,460	–	–	–	804,460
- acquisition of Mahkota Cheras Project	89,948	–	–	–	89,948
- conversion of RCSLS	1,424	55	(55)	(55)	1,369
At 30 June 2009	1,900,950	97,685	37,123	(1,280,129)	755,629
At 1 July 2009	**1,900,950**	**97,685**	**37,123**	**(1,280,129)**	**755,629**
Net loss for the financial year, representing total recognised income and expense for the financial year	**–**	**–**	**–**	**(48,723)**	**(48,723)**
Share-based payment under ESOS	**–**	**–**	**21**	**–**	**21**
At 30 June 2010	**1,900,950**	**97,685**	**37,144**	**(1,328,852)**	**706,927**

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(144,654)**	(1,256,167)	**(50,610)**	(107,138)
Adjustments for non-cash items, interests and dividends	41(a)	**537,160**	989,534	**47,230**	100,676
Operating profit/(loss) before working capital changes		**392,506**	(266,633)	**(3,380)**	(6,462)
Changes in working capital:					
Inventories		**(731,555)**	691,986	**–**	–
Receivables		**35,748**	193,914	**13**	57
Payables		**420,314**	(420,614)	**5,819**	2,470
Property development costs		**23,823**	4,452	**–**	–
Cash generated from/(used in) operations		**140,836**	203,105	**2,452**	(3,935)
Tax (paid)/refunded		**(12,366)**	(3,350)	**–**	252
Retirement benefit paid		**(122)**	(57)	**–**	–
Net cash inflow/(outflow) from operating activities		**128,348**	199,698	**2,452**	(3,683)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	41(b)	**(19,425)**	(101,160)	**–**	–
Purchase of additional interest in subsidiaries		**–**	(3,413)	**–**	–
Proceeds from disposal/ redemption of:					
- assets held for sale		**–**	30,624	**–**	–
- prepaid land lease payments		**690**	–	**–**	–
- property, plant and equipment		**265**	17,536	**–**	–
- investments		**8,596**	580	**5,061**	566
Proceeds from partial disposal of share in a subsidiary		**–**	50,000	**–**	–
Proceeds from dilution of an associate		**131,368**	–	**–**	–
Fixed deposits pledged		**(51)**	(1,317)	**–**	–
Dividend received		**47,673**	5,268	**1,408**	1,526
Repayment from subsidiaries		**–**	–	**26,955**	45,368
Net cash inflow on acquisition of property development project		**–**	39,024	**–**	–
Interest received		**4,039**	1,763	**85**	84
Net cash inflow from investing activities		**173,155**	38,905	**33,509**	47,544

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to minority shareholders of a subsidiary		**–**	(190)	**–**	–
Redemption of bonds and debts		**(50,438)**	(35,855)	**(13,634)**	(35,855)
(Repayment)/Drawdown of:					
- term loans		**(105,631)**	(144,464)	**–**	–
- hire purchase liabilities		**(2,113)**	(2,549)	**–**	–
- short term borrowings		**4,848**	(27,216)	**(22,688)**	–
Advance from/(Repayment to) subsidiaries		**–**	–	**17**	(14,441)
Interest paid		**(101,597)**	(122,691)	**–**	–
Proceeds from issuance of preference shares		**–**	100,000	**–**	–
Net cash outflow from financing activities		**(254,931)**	(232,965)	**(36,305)**	(50,296)
Net increase/(decrease) in cash and cash equivalents		**46,572**	5,638	**(344)**	(6,435)
Cash and cash equivalents at beginning of the financial year		**81,818**	76,180	**1,554**	7,989
Cash and cash equivalents at end of the financial year	41(c)	**128,390**	81,818	**1,210**	1,554

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2010

1. CORPORATE INFORMATION

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

Lion Diversified Holdings Berhad ("LDHB"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Securities, holds 58.63% of the ordinary shares in LCB. However, LDHB does not have a controlling interest in the Company due to the potentially dilutive effect of voting rights arising from financial instruments issued by the Company to other parties. Consequently, LDHB is not regarded as the ultimate holding company of the Company pursuant to FRS 127: Consolidated and Separate Financial Statements.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 18. 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 28 September 2010.

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 2010, the Group and the Company adopted all of the new and revised FRSs, Amendments and Interpretations issued by Malaysian Accounting Standards Board ("MASB") that are relevant to their operations as described in Note 4.

The financial statements of the Group and the Company have been prepared on the historical cost 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.

Consequent upon the recent economic downturn, the Group reports the following conditions and events:

(i) Current liabilities exceeded current assets by RM1.55 billion as at 30 June 2010.

(ii) Since the previous financial year, a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") had exceeded certain credit terms in relation to trade and other payables, and product financing liabilities as disclosed in Note 34. Megasteel has entered into deferral payment plans, formulating payment strategies and refinancing balances with a significant constitution of these creditors. The Directors are of the opinion that the Group will have continued support from these creditors.

(iii) During the financial year, Megasteel completed the disposal of quoted shares of a related party for a total consideration of approximately RM131.4 million. The proceeds of this disposal have been utilised for the repayment of the Syndicated Term Loans of Megasteel as disclosed in Note 30. Due to the weak market condition, the realisation of the planned disposal of certain of the Group's assets as required by the Restructured Scheme of the Syndicated Term Loans is expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets and they are of the opinion that potential buyers will be identified. In the event that the planned disposal is not completed by the stipulated time frame set by the Syndicated Term Loans Lenders, the Directors are of the opinion that they will be able to seek extension of time from the lenders of the Syndicated Term Loans.

(iv) After taking into consideration of the Note (ii) above, the Directors forecast and project that the Group will be able to generate sufficient operating cash flow to meet its obligations as and when they fall due. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, strategies and corporate proposals as disclosed in (ii) and (iii) above, show that the Group should be able to operate within the level of its anticipated facilities.

2. BASIS OF PREPARATION (continued)

The Directors have assessed the aforementioned alternative strategies and corporate proposals and have considered that these strategies:

(a) are realistic;
(b) have a reasonable expectation of resolving any problems foreseeable; and
(c) are likely to be put into place effectively.

Consequently, the Directors are of the opinion that there is no material uncertainty that the Group will have the adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

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.

In the Company's separate financial statements, investment 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(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.

Investment 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 date the Group ceases to have significant influence over the associates.

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 associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, returns and discounts 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.

(iv) Development Properties

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

(v) Rental Income

Rental income is recognised on a straight-line basis over the term of the lease.

(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 the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Employee Benefits (continued)

(iii) Defined Benefit Plan - Unfunded

A subsidiary of the Company operates an unfunded, defined 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

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 ("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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currencies (continued)

(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 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.

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

	2010 RM	2009 RM
1 USD	**3.27**	3.53
1 Euro	**3.98**	4.98
1 Singapore Dollar	**2.33**	2.43
1 Sterling Pound	**4.92**	5.86
1 Swiss Franc	**3.06**	3.26
1 Swedish Krona	**0.44**	0.46

(f) Impairment of Assets

The carrying amounts of the assets, other than inventories, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

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

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

(ii) Property Development Costs

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

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

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

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

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

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

(i) 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 that 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.

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

(i) Leases (continued)

(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.

(j) Prepaid Land Lease Payments

Leasehold interests in leasehold land are accounted for as operating leases and are classified as prepaid land lease payments. Such leasehold land are measured at cost less accumulated amortisation and accumulated impairment losses.

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

(k) 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).

(l) 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.

(m) Non-Current Assets Held for Sale

Non-current assets are classified as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(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).

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.

Investments in bonds are 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 investments 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 purpose of the cash flow statements, cash and cash equivalents consist of cash in hand and at bank, deposits with financial institutions and bank overdrafts.

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

(n) Financial Instruments (continued)

(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 the period they are incurred.

(vi) Preference Shares (“PS”)

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

PS are classified as non-current liabilities in the balance sheet and the preferential dividends are recognised as finance costs in the income statement in the period they are incurred.

(vii) Redeemable Convertible Secured Loan Stocks (“RCSLS”)

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

(viii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(ix) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions, Contingent Liabilities and Contingent Assets

Provisions 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.

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent asset but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

(p) Segment Reporting

Segment reporting is presented for enhancing 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 which 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.

(q) Fair Value Estimation for Disclosure Purposes

In assessing the fair value of financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date.

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date. Where there is no active market, fair value is established using valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The face values for the financial assets and financial liabilities with maturity of less than one (1) year are assumed to approximate their fair values.

4. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for FRS 8: *Operating Segment* which is mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 : *Operating Segment*

FRS 8, which replaces FRS 114: *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. As this is a disclosure Standard, the adoption of FRS 8 has no impact on the financial position or results of the Group.

(a) Standards issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Effective for financial periods beginning on or after 1 January 2010

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments: Disclosure and Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Improvements to FRS issued in 2009	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
TR i- 3	Presentation of Financial Statements of Islamic Financial Institution

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132	Classification of Rights Issues

4. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Standards issued but not yet effective (continued)

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-Cash Asset to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15	Agreements for the Construction of Real Estate

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

Pronouncements effective for financial periods beginning on or after 1 January 2010:

FRS 101: *Presentation of Financial Statements (revised)*

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position or results of the Group and the Company.

FRS 123: *Borrowing Costs (revised)*

This Standard supersedes FRS 123_{2004}: *Borrowing Costs* that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. As the Group's current policy of borrowing costs aligns with the requirements of the Standard, the adoption of the Standard does not have any impact on the financial position or results of the Group.

4. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Standards issued but not yet effective (continued)

Pronouncements effective for financial periods beginning on or after 1 January 2010: (continued)

FRS 139: *Financial Instruments: Recognition and Measurement,* FRS 7: *Financial Instruments: Disclosures and* Amendments to FRS 139: *Financial Instruments: Recognition and Measurement,* FRS 7: *Financial Instruments: Disclosures*

The new Standard on FRS 139: *Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: *Financial Instruments: Presentation* and the requirements for disclosing information about financial instruments are in FRS 7: *Financial Instruments: Disclosures*.

FRS 7: *Financial Instruments: Disclosures* is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and of the Company's exposure to risks, enhanced disclosure regarding components of the Group's and of the Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRS 2: *Share-based Payment - Vesting Conditions and Cancellations*

The amendments restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions which have to be taken into account when estimating the fair value of the equity instrument granted. In the case that an award does not vest as a result of failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group currently has not entered into share-based payment schemes with non-vesting conditions attached, the amendments are not expected to have any impact on the financial position or results of the Group.

Improvements to FRS issued in 2009

While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have significant impact on the financial position or results of the Group. Details of the key amendments most applicable to the Group are as follows:

- FRS 7 *Financial Instruments: Disclosures:* Clarifies on the presentation of finance costs whereby interest income is not a component of finance costs.

- FRS 8 *Operating Segments:* Clarifies that segment information with respect to total assets is required only if they are included in measures of segment profit or loss that are used by the 'chief operating decision maker'.

- FRS 101 *Presentation of Financial Statements:* Clarifies that financial instruments classified as held for trading in accordance with FRS 139 *Financial Instruments: Recognition and Measurement* are not automatically presented as current in the balance sheet. The amendment further clarifies that the classification of the liability component of a convertible instrument as current or non-current is not affected by the terms that could, at the option of the holder, result in settlement of the liability by the issue of equity instruments.

4. **CHANGES IN ACCOUNTING POLICIES (continued)**

(a) **Standards issued but not yet effective (continued)**

Pronouncements effective for financial periods beginning on or after 1 January 2010: (continued)

Improvements to FRS issued in 2009 (continued)

- FRS 107 *Statement of Cash Flows (formerly known as Cash Flow Statements):* Clarifies that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

- FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors:* Clarifies that only implementation guidance that is an integral part of an FRS is mandatory when selecting accounting policies.

- FRS 110 *Events after the Reporting Period (formerly known as Events After the Balance Sheet Date):* Clarifies that dividends declared after the end of the reporting period are not liabilities as at the balance sheet date.

- FRS 116 *Property, Plant and Equipment:* The amendment replaces the term "net selling price" with "fair value less costs to sell". It also clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

- FRS 117 *Leases:* Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

- FRS 118 *Revenue:* The amendment provides additional guidance on whether an entity is acting as a principal or an agent. It also aligns the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest by replacing the term 'direct costs' with 'transaction costs' as defined in FRS 139.

- FRS 119 *Employee Benefits:* The amendment revises the definition of 'past service costs', 'return on plan assets' and 'short-term' and 'other long-term' employee benefits. It clarifies that the costs of administering the plan may be either recognised in the rate of return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation. The amendment further clarifies that amendment to plans that result in a reduction in benefits related to future services are curtailments. It also deleted the reference to the recognition of contingent liabilities to ensure consistency with FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

- FRS 123 *Borrowing Costs:* The definition of borrowing costs is aligned with FRS 139 by referring to the use of effective interest rate as a component of borrowing cost.

- FRS 127 *Consolidated and Separate Financial Statements:* The amendment clarifies that when a parent entity accounts for a subsidiary at fair value in accordance with FRS 139 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

4. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Standards issued but not yet effective (continued)

Pronouncements effective for financial periods beginning on or after 1 January 2010: (continued)

Improvements to FRS issued in 2009 (continued)

- FRS 128 *Investments in Associates:* The amendment clarifies that if an associate is accounted for at fair value in accordance with FRS 139, only the requirement of FRS 128 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the investor in the form of cash or repayment of loans applies. It further clarifies that an investment in an associate is treated as a single asset for the purpose of impairment testing. Therefore, any impairment loss is not separately allocated to the goodwill included in the investment balance.

- FRS 136 *Impairment of Assets:* Clarifies that when discounted cash flows are used to estimate 'fair value less cost to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment further clarifies that the largest cash-generating unit for group of units to which goodwill should be allocated for purposes of impairment testing is an operating segment as defined in FRS 8.

- FRS 138 *Intangible Assets:* Clarifies that expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. The amendments also provide guidance regarding valuation techniques to measure the fair value of an intangible asset acquired in a business combination when there is no active market for the asset. In addition, the reference to "there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method" has been removed.

- FRS 139 *Financial Instruments: Recognition and Measurement:* Clarifies that changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. It also clarifies on the scope exemption for business combination contracts. The amendments remove the reference in FRS 139 to a 'segment' when determining whether an instrument qualifies as a hedge and requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting. It also provides additional guidance on determining whether loan prepayment penalties result in an embedded derivates that needs to be separated. In addition, the amendments state that the gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

- FRS 140 *Investment Property:* Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.

IC Interpretation 11: *FRS 2 - Group and Treasury Share Transactions*

This IC provides guidance on arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-based scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The IC also addresses how the subsidiaries, in their separate financial instruments, should account for schemes when their employees receive equity instruments of the parent.

4. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Standards issued but not yet effective (continued)

Pronouncements effective for financial periods beginning on or after 1 January 2010: (continued)

FRS 3: *Business Combinations (revised)* and FRS 127: *Consolidated and Separate Financial Statements (amended)*

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

Amendments to FRS 2: *Share-based Payment*

This amendment clarifies that an entity shall not apply this FRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination, in a combination of entities or business under common control, or the contribution of a business on the formation of a joint venture as defined by FRS 131 *Interests in Joint Ventures*.

Amendments to FRS 138: *Intangible Assets*

The amendments clarify that an intangible asset must be recognised separately from goodwill even if it is separable only together with a related contract, identifiable asset, or liability. Also, if an intangible asset is separable only together with another intangible asset, those assets can be recognised together as a single asset, and if the individual assets in a group of complementary intangible assets have similar useful lives, those assets can be recognised together as a single asset.

IC Interpretation 16: *Hedges of a Net Investment in a Foreign Operation*

This Interpretation provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. As the Group currently has no hedge of a net investment in a foreign operation, the adoption of the Interpretation is not expected to have any impact on the financial position or results of the Group.

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, 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, which may cause a material adjustment to future depreciation charges.

(ii) Estimated Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation on 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.

Fair value of an asset is estimated by reference to net assets of the investee or based 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 require significant judgements and estimates. While the Group believes 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. Details of deferred tax assets are disclosed in Note 22.

(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 23.

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

(vi) Accrual for Quantity Discount

Quantity discounts are granted to customers with bulk purchases of hot rolled coils by a subsidiary of the Company.

Accrual for quantity discounts are estimated by management based on historical trends of amounts granted for customers' purchases in prior years and taking into account obligations to the customers based on rates agreed upon. Unexpected changes in customers' demand could vary the quantity discounts which may cause a material adjustment to the accrual for quantity discounts.

(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 the carrying value of receivables and doubtful receivables expenses in the period in which such estimates have been changed.

(viii) Property Development

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

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

Details of property development cost are disclosed in Note 15.

(ix) 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. Details of assumptions are disclosed in Note 36(b).

6. REVENUE

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**3,642,087**	3,077,458	**–**	–
Property development	**60,833**	21,769	**–**	–
Assembly fees	**6**	134	**–**	–
Registration and other professional fees	**195**	224	**–**	–
Dividend income	**–**	–	**1,860**	1,978
Interest income	**–**	–	**63,966**	114,496
	3,703,121	3,099,585	**65,826**	116,474

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries, wages and bonuses	**71,566**	73,358	**520**	720
Defined contribution plans	**8,737**	8,636	**62**	95
Defined benefit plan (Note 36(a))	**236**	179	**–**	–
Share options granted under ESOS (Note 36(b))	**21**	117	**–**	7
Other staff related expenses	**16,642**	20,960	**223**	251
	97,202	103,250	**805**	1,073

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other emoluments	**2,562**	2,612	**743**	971
Defined contribution plans	**232**	284	**62**	95
Share options granted under ESOS	**20**	49	**–**	–
	2,814	2,945	**805**	1,066

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

	Group	
	2010 '000	2009 '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 36(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 executive Director 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 RM388.9 million (2009: RM327.6 million).

9. PROFIT/(LOSS) FROM OPERATIONS

The profit/(loss) from operations is arrived at:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Allowance for obsolete inventories	**132**	652	**–**	–
Amortisation of prepaid land lease payments	**251**	257	**–**	–
Auditors' remuneration:				
- current year	**481**	398	**40**	38
- under accrued in prior years	**80**	33	**2**	–
Directors' remuneration*	**1,858**	2,138	**1,039**	1,300
Impairment loss on quoted investment	**–**	14	**–**	–
Impairment loss on goodwill	**20,000**	–	**–**	–
Inventories written down	**4,678**	358,020	**–**	–
Loss on dilution from a subsidiary to an associate	**–**	2,612	**–**	2,612
Loss on disposal of:				
- property, plant and equipment	**831**	1,806	**–**	–
- unquoted investment	**–**	38	**–**	–
Net foreign exchange loss:				
- realised	**–**	57,969	**–**	–
- unrealised	**–**	66,194	**–**	376
Property, plant and equipment:				
- depreciation	**141,171**	138,585	**–**	–
- written off	**–**	127	**–**	–
Provision for defined benefit plan	**236**	179	**–**	–
Rental of:				
- plant, machinery and equipment	**345**	786	**–**	–
- premises	**3,429**	3,530	**–**	–
Professional fees paid to a firm in which a Director, M. Chareon Sae Tang @ Tan Whye Aun, has interest	**159**	–	**–**	–
And crediting:				
Allowance for doubtful receivables written back	**2,761**	415	**–**	–
Bad debt recovered	**–**	20	**–**	–
Gain on disposal of:				
- assets held for sale	**–**	25,422	**–**	–
- prepaid land lease payments	**552**	–	**–**	–
- quoted investments	**4,134**	356	**4,134**	353
Gross dividend income from quoted investments in Malaysia:				
- an associate	**–**	–	**1,806**	1,806
- others	**54**	172	**54**	172
Interest income from:				
- subsidiaries	**–**	–	**63,854**	114,388
- others	**7,580**	5,621	**112**	108
Net foreign exchange gain:				
- realised	**50,110**	835	**–**	–
- unrealised	**42,458**	–	**606**	–
Rental income	**10,467**	8,088	**–**	–

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

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director:				
- Salary and other emoluments	**1,240**	1,440	**520**	720
- Fees	**24**	24	**24**	24
- Defined contribution plans	**149**	190	**62**	95
- Share options granted under ESOS	**12**	23	**–**	–
- Benefit-in-kind	**223**	251	**223**	251
	1,648	1,928	**829**	1,090
Non-executive Directors:				
- Fees	**210**	210	**210**	210
	1,858	2,138	**1,039**	1,300

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Executive Director:				
- RM800,001 - RM850,000	**–**	–	**1**	–
- RM1,050,001 - RM1,100,000	**–**	–	**–**	1
- RM1,600,001 - RM1,650,000	**1**	–	**–**	–
- RM1,900,001 - RM1,950,000	**–**	1	**–**	–
Non-Executive Directors:				
- RM25,000 and below	**1**	1	**1**	1
- RM25,001 - RM50,000	**5**	5	**5**	5

10. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest Expenses on:				
- advances from subsidiaries	**–**	–	**138**	14,532
- bank overdrafts	**929**	1,425	**–**	–
- bonds and debts	**85,441**	164,698	**81,395**	162,715
- RCSLS	**34,445**	11,655	**34,445**	11,655
- term loans	**49,323**	69,459	**–**	–
- product financing liabilities	**66,366**	86,278	**–**	–
- others	**70,556**	74,720	**278**	23,875
	307,060	408,235	**116,256**	212,777

11. OVER PROVISION FOR LOSS

Pursuant to the Company's restructuring scheme ("LCB Scheme") which was implemented on 27 February 2009, the Company via its wholly-owned subsidiary, Limpahjaya Sdn Bhd ("Limpahjaya"), disposed of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing 11.1% of the issued and paid-up share capital of Megasteel to LDHB for a cash consideration of RM100,000,000. The amount of RM40.5 million represents an over provision for loss in the previous financial year.

12. TAXATION

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Current Estimated Tax Payable:				
Malaysian income tax:				
- Current year	**(4,771)**	(2,038)	**–**	–
- Over provision in prior years	**474**	190	**–**	–
	(4,297)	(1,848)	**–**	–
Deferred Taxation: (Note 22)				
- Relating to origination and reversal of temporary differences	**(4,277)**	47,537	**1,887**	622
- Over/(Under) provision in prior years	**1,092**	(4,994)	**–**	–
	(3,185)	42,543	**1,887**	622
Total	**(7,482)**	40,695	**1,887**	622

A reconciliation of taxation applicable to loss before taxation at the statutory income tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Tax calculated at Malaysian statutory tax rate of 25% (2009: 25%)	**36,164**	314,042	**12,652**	26,785
Income not subject to tax	**11,287**	19,069	**1,047**	132
Expenses not deductible for tax purposes	**(113,649)**	(57,055)	**(11,812)**	(26,295)
Deferred tax assets not recognised during the year	**(1,019)**	(15,532)	**–**	–
Tax effect of share in results of associates	**41,951**	(21,043)	**–**	–
Effect of utilisation of previously unrecognised capital allowances and tax losses	**6,624**	3,523	**–**	–
Deferred tax assets not recognised in respect of pioneer period losses	**9,594**	(197,505)	**–**	–
Over/(Under) provision in prior years	**1,566**	(4,804)	**–**	–
	(7,482)	40,695	**1,887**	622

12. TAXATION (continued)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

The Company has estimated tax exempt account amounting to RM17.8 million (2009: RM17.8 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 (2009: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

A major subsidiary of the Company has been granted pioneer status tax incentive under the Promotion of Investments Act, 1986 and its initial tax relief period was for a period of 5 years from 1 February 2000 to 31 January 2005. On 27 March 2006, the Ministry of International Trade & Industry approved the extension of the subsidiary's pioneer status incentive for a further five years to 31 January 2010.

13. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing net 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	
	2010	**2009**
Net loss for the financial year attributable to ordinary equity holders of the Company (RM'000)	**(112,812)**	(1,041,527)
Weighted average number of ordinary shares in issue ('000)	**1,900,950**	1,309,100
Basic loss per share (sen)	**(5.9)**	(79.6)

(b) Diluted

The diluted 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 and the unexercised warrants and RCSLS have 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						
2010						
Cost/Valuation						
At 1 July 2009	**865,160**	**3,416,930**	**38,623**	**5,807**	**21,000**	**4,347,520**
Additions	**2,310**	**15,051**	**1,985**	**23**	**56**	**19,425**
Disposals	**(757)**	**(453)**	**(213)**	**(351)**	**(379)**	**(2,153)**
Written off	**–**	**(95)**	**(18)**	**–**	**–**	**(113)**
At 30 June 2010	**866,713**	**3,431,433**	**40,377**	**5,479**	**20,677**	**4,364,679**
Representing items at:						
Cost	**566,713**	**1,173,360**	**40,377**	**5,479**	**20,677**	**1,806,606**
Valuation	**300,000**	**2,258,073**	**–**	**–**	**–**	**2,558,073**
	866,713	**3,431,433**	**40,377**	**5,479**	**20,677**	**4,364,679**
Accumulated Depreciation						
At 1 July 2009	**120,193**	**1,121,122**	**25,311**	**4,114**	**–**	**1,270,740**
Depreciation charge for the financial year	**16,881**	**121,269**	**2,295**	**726**	**–**	**141,171**
Disposals	**(170)**	**(182)**	**(29)**	**(297)**	**–**	**(678)**
Written off	**–**	**(95)**	**(18)**	**–**	**–**	**(113)**
At 30 June 2010	**136,904**	**1,242,114**	**27,559**	**4,543**	**–**	**1,411,120**
Representing items at:						
Cost	**136,904**	**188,118**	**27,559**	**4,543**	**–**	**357,124**
Valuation	**–**	**1,053,996**	**–**	**–**	**–**	**1,053,996**
	136,904	**1,242,114**	**27,559**	**4,543**	**–**	**1,411,120**
Accumulated Impairment Losses						
At 1 July 2009/ 30 June 2010	**9,673**	**25,875**	**–**	**–**	**–**	**35,548**
Representing items at:						
Cost	**9,673**	**25,875**	**–**	**–**	**–**	**35,548**
Net Book Value						
At cost	**420,136**	**959,367**	**12,818**	**936**	**20,677**	**1,413,934**
At valuation	**300,000**	**1,204,077**	**–**	**–**	**–**	**1,504,077**
At 30 June 2010	**720,136**	**2,163,444**	**12,818**	**936**	**20,677**	**2,918,011**

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						
2009						
Cost/Valuation						
At 1 July 2008	859,544	3,206,180	36,659	7,230	153,885	4,263,498
Additions	5,616	28,853	2,346	241	78,663	115,719
Reclassification	–	195,011	297	–	(195,308)	–
Disposals	–	(11,896)	(584)	(1,664)	(16,240)	(30,384)
Written off	–	(1,218)	(147)	–	–	(1,365)
Acquisition of project	–	–	52	–	–	52
At 30 June 2009	865,160	3,416,930	38,623	5,807	21,000	4,347,520
Representing items at:						
Cost	565,160	1,158,857	38,623	5,807	21,000	1,789,447
Valuation	300,000	2,258,073	–	–	–	2,558,073
	865,160	3,416,930	38,623	5,807	21,000	4,347,520
Accumulated Depreciation						
At 1 July 2008	103,436	1,014,740	21,601	4,658	–	1,144,435
Depreciation charge for the financial year	16,757	116,796	4,155	877	–	138,585
Reclassification	–	(191)	191	–	–	–
Disposals	–	(9,058)	(563)	(1,421)	–	(11,042)
Written off	–	(1,165)	(73)	–	–	(1,238)
At 30 June 2009	120,193	1,121,122	25,311	4,114	–	1,270,740
Representing items at:						
Cost	120,193	140,499	25,311	4,114	–	290,117
Valuation	–	980,623	–	–	–	980,623
	120,193	1,121,122	25,311	4,114	–	1,270,740
Accumulated Impairment Losses						
At 1 July 2008/ 30 June 2009	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548
Net Book Value						
At cost	435,294	992,483	13,312	1,693	21,000	1,463,782
At valuation	300,000	1,277,450	–	–	–	1,577,450
At 30 June 2009	735,294	2,269,933	13,312	1,693	21,000	3,041,232

14. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2003, the Group adjusted the plant and machinery of a subsidiary to its fair value upon the acquisition of an additional 40% equity interest in that subsidiary. 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 RM149.0 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 improvements RM'000	Total RM'000
Group			
2010			
Cost/Valuation			
At 1 July 2009	311,191	553,969	865,160
Additions	–	2,310	2,310
Disposals	–	(757)	(757)
At 30 June 2010	311,191	555,522	866,713
Representing items at:			
Cost	11,191	555,522	566,713
Valuation	300,000	–	300,000
	311,191	555,522	866,713
Accumulated Depreciation			
At 1 July 2009	–	120,193	120,193
Depreciation charge for the financial year	–	16,881	16,881
Disposals	–	(170)	(170)
At 30 June 2010	–	136,904	136,904
Representing items at:			
Cost	–	136,904	136,904
Accumulated Impairment Losses			
At 1 July 2009/30 June 2010	9,673	–	9,673
Representing items at:			
Cost	9,673	–	9,673
Net Book Value			
At cost	1,518	418,618	420,136
At valuation	300,000	–	300,000
At 30 June 2010	301,518	418,618	720,136

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Buildings and land improvements RM'000	Total RM'000
Group			
2009			
Cost/Valuation			
At 1 July 2008	311,191	548,353	859,544
Additions	–	5,616	5,616
At 30 June 2009	311,191	553,969	865,160
Representing items at:			
Cost	11,191	553,969	565,160
Valuation	300,000	–	300,000
	311,191	553,969	865,160
Accumulated Depreciation			
At 1 July 2008	–	103,436	103,436
Depreciation charge for the financial year	–	16,757	16,757
At 30 June 2009	–	120,193	120,193
Representing items at:			
Cost	–	120,193	120,193
Accumulated Impairment Losses			
At 1 July 2008/30 June 2009	9,673	–	9,673
Representing items at:			
Cost	9,673	–	9,673
Net Book Value			
At cost	1,518	433,776	435,294
At valuation	300,000	–	300,000
At 30 June 2009	301,518	433,776	735,294

The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2009: RM35.0 million) and RM1.00 billion (2009: RM1.05 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.80 billion (2009: RM2.92 billion) has been charged to financial institutions as securities for credit facilities as disclosed in Note 30.

Strata titles for certain buildings of the Group with carrying value of RM2.6 million (2009: RM2.7 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	
	2010	2009
	RM'000	RM'000
Motor vehicles	**619**	1,241
Plant and machinery	**4,139**	4,809
	4,758	6,050

15. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group	
	2010	2009
	RM'000	RM'000
At cost		
Land cost	**32,015**	32,015
Development cost	**1,186**	1,186
Transfer to property development costs	**(9,662)**	–
	23,539	33,201

(b) Property Development Costs

	Group	
	2010	2009
	RM'000	RM'000
Property development costs at 1 July/date of acquisition:		
Land cost	**15,287**	29,867
Development costs	**–**	10,821
	15,287	40,688
Cost incurred during the year:		
Development costs	**9,674**	–
	9,674	–
Reversal of completed projects	**(31,965)**	(2,428)
Costs recognised in income statement:		
At 1 July	**–**	–
Recognised during the year	**(33,496)**	(2,428)
Reversal of completed projects	**31,965**	2,428
	(1,531)	–
Transfer from land held for property development	**9,662**	–
Transfer to inventories	**–**	(22,973)
At 30 June	**1,127**	15,287

The land has been pledged as security for LCB SPV Debts issued by a subsidiary as disclosed in Note 32.

The title in respect of the land has yet to be registered in the name of the subsidiary.

16. PREPAID LAND LEASE PAYMENTS

	Group 2010 RM'000	Group 2009 RM'000
At 1 July	**14,790**	15,047
Amortisation for the financial year (Note 9)	**(251)**	(257)
Reclassified to assets held for sale (Note 26)	**(467)**	–
Disposal	**(138)**	–
At 30 June	**13,934**	14,790
Analysed as:		
Long term leasehold land	**10,097**	10,252
Short term leasehold land	**3,837**	4,538
	13,934	14,790

In 2009, leasehold land with an aggregate carrying value of RM1.0 million was pledged as securities for borrowings as disclosed in Note 30.

17. GOODWILL

	Group 2010 RM'000	Group 2009 RM'000
Goodwill on Consolidation		
At 1 July	**501,511**	566,297
Dilution/Disposal of subsidiaries	**–**	(64,786)
At 30 June	**501,511**	501,511
Accumulated Impairment Losses		
At 1 July	**(2,376)**	(2,376)
Impairment loss recognised in income statement (Note 9)	**(20,000)**	–
	(22,376)	(2,376)
Net Carrying Value	**479,135**	499,135

18. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Unquoted Shares		
At cost	**40,718**	41,758
Accumulated impairment losses	**(31,296)**	(32,336)
	9,422	9,422
Additional cost of investment arising from share options	**2,451**	2,430
	11,873	11,852

Certain investments in subsidiaries with carrying values totalling RM9.4 million (2009: RM9.4 million) have been charged as security for the bonds and debts issued by the Company.

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2010 %	Holding in Equity 2009 %	Principal Activities
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	**50.01**	50.01	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 * (Dissolved on 7.8.2009)	Republic of Singapore	**–**	100.00	Ceased operations
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 (Dissolved on 1.9.2009)	Malaysia	**–**	100.00	Ceased operations
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

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2010 %	2009 %	Principal Activities
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**	100.00	Acquisition and management of USD denominated consolidated and rescheduled debts
Subsidiary of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *	Malaysia	**100.00**	100.00	Trading and distribution of commercial vehicles, vehicle 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	**78.89**	78.89	Manufacturing of hot rolled coils and cold rolled coils
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Logic Concepts (M) Sdn Bhd	Malaysia	**71.00**	71.00	Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	**91.00**	91.00	Ceased operations

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2010 %	2009 %	Principal Activities
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
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	To issue and manage bonds pursuant to its parent company's debt financing exercise
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
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 plates

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2010 %	2009 %	Principal Activities
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
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	**100.00**	100.00	Ceased operations
Bright Steel Service Centre Sdn Bhd	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn.) Berhad	Malaysia	**100.00**	100.00	Ceased operations
Century Container Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Omali Corporation Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd	Malaysia	**100.00**	100.00	Property development

Note:

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

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

(i) Partial disposal of interest in a subsidiary

Disposal by Limpahjaya of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing approximately 11.1% of the issued and paid-up share capital of Megasteel to LDHB for a cash consideration of RM100,000,000 on 25 February 2009.

18. INVESTMENT IN SUBSIDIARIES (continued)

(ii) Acquisition of property development project

The acquisition of the Mahkota Cheras Project by Pancar Tulin Sdn Bhd ("Pancar Tulin"), a wholly-owned subsidiary of the Company, on 27 February 2009.

The above acquisition had the following effects on the Group's financial results for the financial year:

	Group 2009 RM'000
Revenue	21,769
Other operating income	439
Property development expenditure	(10,155)
Employee benefits expenses	(743)
Depreciation	(2)
Other operating expenses	(3,370)
Profit from operations	7,938
Finance costs	(1,593)
Profit before tax	6,345
Taxation	(2,749)
Net profit for the financial year	3,596

The above acquisition had the following effects on the Group's financial position as at 30 June 2009:

	Group 2009 RM'000
Property, plant and equipment	50
Land held for property development	33,201
Property development costs	15,287
Inventories	12,036
Trade and other receivables	27,110
Deposits with financial institutions	6,285
Cash and bank balances	34,687
Trade and other payables	(28,312)
Tax payable	(6,800)
Net assets	93,544

18. INVESTMENT IN SUBSIDIARIES (continued)

(ii) Acquisition of property development project (continued)

The fair value of the assets acquired and liabilities assumed from the above acquisition are as follows:

	At Date of Acquisition RM'000
Property, plant and equipment	52
Land held for property development	36,930
Property development costs	16,010
Inventories	13,466
Trade and other receivables	15,404
Deposits with financial institutions	2,518
Cash and bank balances	36,506
Trade and other payables	(24,137)
Tax payable	(6,801)
Fair value of net assets at date of acquisition	89,948
Purchase consideration satisfied by issuance of shares	(89,948)
	–
Cash and cash equivalent of property development project acquired	39,024
Net cash inflow on acquisition	39,024

19. INVESTMENT IN ASSOCIATES

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Quoted Shares in Malaysia, at cost	**209,807**	322,917	**200,245**	200,245
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	**844,786**	844,786	**728,348**	728,348
- accumulated impairment losses	**(447,512)**	(446,144)	**(728,348)**	(726,808)
	397,274	398,642	**–**	1,540
	690,913	805,391	**200,245**	201,785
Share of post-acquisition results and reserves	**253,783**	462,327	**–**	–
	944,696	1,267,718	**200,245**	201,785
Market value of quoted shares:				
- quoted in Malaysia	**268,097**	365,175	**254,613**	225,721
- quoted outside Malaysia	**73,526**	54,678	**–**	–
Represented by:				
Share of net assets other than goodwill	**910,024**	1,214,269		
Share of goodwill in associates	**34,672**	53,449		
	944,696	1,267,718		

Certain investments in associates of the Group with carrying values totalling RM682.5 million (2009: RM1,020.5 million) have been charged to financial institutions for credit facilities granted to the Group and as security for the bonds and debts issued by the Company and certain borrowings of the subsidiaries.

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.

19. INVESTMENT IN ASSOCIATES (continued)

The associates are:

Name of Company	Country of Incorporation	Holding in Equity 2010 %	2009 %	Principal Activities
ACB Resources Berhad	Malaysia	**45.77** **# 1.89**	45.77 # 1.89	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.25** **# 1.34**	25.33 # 15.65	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

The summarised financial information of the associates is as follows:

	2010 RM'000	2009 RM'000
Assets		
Current assets	**3,386,822**	3,015,424
Non-current assets	**4,776,299**	5,005,355
Total assets	**8,163,121**	8,020,779
Liabilities		
Current liabilities	**2,655,514**	1,734,242
Non-current liabilities	**1,856,911**	2,866,127
Total liabilities	**4,512,425**	4,600,369
Results		
Revenue	**5,417,527**	4,957,705
Profit/(Loss) for the year	**619,310**	(382,781)

The Group's share of losses of the associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of losses amounted to RM37.6 million (2009: RM73.4 million) and current year's unrecognised share of profit amounted to RM35.8 million (2009: share of losses amounted to RM73.4 million).

20. OTHER INVESTMENTS

		Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Long Term Investments					
Quoted Shares in Malaysia					
- at cost		**123**	1,050	**102**	1,029
- accumulated impairment losses		**(14)**	(14)	**–**	–
		109	1,036	**102**	1,029
Unquoted Shares					
- at cost		**393**	393	**–**	–
- accumulated impairment losses		**(275)**	(275)	**–**	–
		118	118	**–**	–
Unquoted bonds	(a)	**56,963**	74,553	**–**	–
		57,190	75,707	**102**	1,029
Market value of quoted shares		**559**	5,570	**552**	5,563
Short Term Investments					
Unquoted bonds	(a)	**11,164**	370	**–**	–
Unquoted - at cost					
- Money market instruments (Note 41(c))		**1,350**	2,500	**–**	–
		12,514	2,870	**–**	–

(a) Unquoted bonds

	Group 2010 RM'000	Group 2009 RM'000
At 1 July	**74,923**	–
Acquired during the year	**–**	74,051
Exchange difference	**(5,521)**	–
Accreted interest	**2,260**	872
Redemption during the year	**(3,535)**	–
At 30 June	**68,127**	74,923
Receivable within one year	**(11,164)**	(370)
	56,963	74,553

20. OTHER INVESTMENTS (continued)

(a) Unquoted bonds (continued)

The non-current portion is receivable over the following periods:

	Group 2010 RM'000	Group 2009 RM'000
From 1 to 2 years	**36,718**	15,080
From 2 to 5 years	**20,245**	57,603
After 5 years	**–**	1,870
	56,963	74,553

Unquoted bonds represents consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") ("ACB SPV Debts") acquired by a subsidiary, from its holder during the previous financial year. The ACB SPV Debts constitute direct, unsubordinated and secured obligations of the ACB SPV and have been charged to LCB SPV Debts (Note 32).

The terms of the ACB SPV Debts are as follows:

(i) There are two tranches of the ACB SPV Debts as follows:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-To-Maturity (per annum)
B	16,315	14,665	31.12.2014	3.25%
C	6,949	6,318	31.12.2014	4.00%
	23,264	20,983		

The ACB SPV Debts are receivable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The ACB SPV Debts are secured by assets included in the proposed divestment programme for ACB Resources Berhad (formerly known as Amsteel Corporation Berhad) ("ACB") and its subsidiaries ("ACB Group"), certain assets and investments, and such other securities provided and as may be provided from time to time by the ACB Group to the Security Trustee for the benefit of, *inter alia*, the holders of the ACB SPV Debts.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables	**121,275**	107,272	**–**	–
Allowance for doubtful receivables	**(12,739)**	(16,951)	**–**	–
	108,536	90,321	**–**	–
Accrued billings in respect of property development costs	**186**	6,724	**–**	–
Other receivables	**43,288**	141,125	**526**	512
Allowance for doubtful receivables	**(3,454)**	(3,523)	**–**	–
	39,834	137,602	**526**	512
Prepayments and deposits	**146,739**	89,124	**6**	6
	295,295	323,771	**532**	518

Included in receivables of the Group and of the Company are related parties balances of which RM10.6 million (2009: RM14.0 million) and RM Nil (2009: RM Nil) respectively are in trade receivables and RM4.6 million (2009: RM99.9 million) and RM0.4 million (2009: RM0.3 million) respectively are in other receivables.

Included in deposits of the Group is an amount of RM45.0 million (2009: RM45.0 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 are not met 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 the lender 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 (2009: 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.

Receivables of the Group amounting to RM179.9 million (2009: RM162.5 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 30.

22. DEFERRED TAXATION

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At 1 July	**156,776**	124,380	**(9,525)**	–
Recognised in equity	**–**	(10,162)	**–**	(10,162)
Recognised in income statement (Note 12)	**(3,185)**	42,543	**1,887**	622
Conversion of RCSLS	**–**	15	**–**	15
At 30 June	**153,591**	156,776	**(7,638)**	(9,525)

Presented after appropriate offsetting as follows:

Deferred tax assets	**161,370**	177,097	**–**	–
Deferred tax liabilities	**(7,779)**	(20,321)	**(7,638)**	(9,525)
At 30 June	**153,591**	156,776	**(7,638)**	(9,525)

Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2008	132,739	2,213	134,952
Recognised in income statement	42,145	–	42,145
At 30 June 2009	**174,884**	**2,213**	**177,097**
Recognised in income statement	**359**	**(5,431)**	**(5,072)**
Reclassification	**–**	**(10,655)**	**(10,655)**
At 30 June 2010	**175,243**	**(13,873)**	**161,370**

Deferred Tax Liabilities of the Group

	RCSLS RM'000	Others RM'000	Total RM'000
At 1 July 2008	–	10,572	10,572
Recognised in equity	10,162	–	10,162
Recognised in income statement	(622)	224	(398)
Conversion of RCSLS	(15)	–	(15)
At 30 June 2009	**9,525**	**10,796**	**20,321**
Recognised in income statement	**(1,887)**	**–**	**(1,887)**
Reclassification	**–**	**(10,655)**	**(10,655)**
At 30 June 2010	**7,638**	**141**	**7,779**

22. DEFERRED TAXATION (continued)

Deferred Tax Liabilities of the Company

	RCSLS RM'000
At 1 July 2008	–
Recognised in equity	10,162
Recognised in income statement	(622)
Conversion of RCSLS	(15)
At 30 June 2009	**9,525**
Recognised in income statement	**(1,887)**
At 30 June 2010	**7,638**

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

	Group	
	2010 RM'000	2009 RM'000
Unutilised tax losses	**265,897**	274,513
Unabsorbed capital allowances	**72,589**	52,119
Other deductible temporary differences	**2,955**	3,832
	341,441	330,464

The unused tax losses and unabsorbed capital allowances 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.

23. INVENTORIES

	Group	
	2010 RM'000	2009 RM'000
At Cost:		
Properties held for sale	**8,341**	12,036
Raw materials	**728,242**	31,288
Work-in-progress	**900**	1,323
Finished goods	**526,824**	2,644
Spares, supplies and consumables	**162,595**	186,927
	1,426,902	234,218
At Net Realisable Value:		
Raw materials	**65,660**	160,655
Work-in-progress	**2,144**	3,086
Finished goods	**46,665**	417,160
Spares, supplies and consumables	**1,667**	1,174
	116,136	582,075
Total	**1,543,038**	816,293

23. INVENTORIES (continued)

The inventories in relation to the product financing liabilities as disclosed in Note 34, where titles are with other parties are as follows:

	Group 2010 RM'000	Group 2009 RM'000
Raw Materials:		
- with related parties	**98,223**	38,013
- with external parties	**336,683**	36,981
	434,906	74,994
Finished Goods:		
- with related parties	**220,022**	213,933
- with external parties	**29,739**	49,199
	249,761	263,132
Spares, Supplies and Consumables:		
- with external parties	**39,914**	132,256
Total	**724,581**	470,382

Included in raw materials under product financing facilities of the Group are amounts of RM413.7 million (2009: RM25.5 million) which relate to raw materials in transit.

The product 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 RM668.1 million (2009: RM252.2 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 30.

24. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Amount due from subsidiaries	**2,328,682**	2,291,783
Allowance for doubtful receivables	**(2,259)**	(2,259)
	2,326,423	2,289,524
Amount due to subsidiaries	**16,635**	16,480

The amounts due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured and repayable on demand. The amounts due from subsidiaries bear a weighted average effective interest rate of 2.8% (2009: 4.6%) per annum and the amounts due to subsidiaries bear a weighted average effective interest rate of 1.0% (2009: 1.0%) per annum.

25. 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 2.1% (2009: 1.9%) and 2.5% (2009: 1.9%) per annum respectively and have an average maturity of 25 days (2009: 18 days) and 30 days (2009: 30 days) respectively.

Included in deposits of the Group is an amount of RM2.6 million (2009: RM2.6 million) which is pledged as a bank guarantee to certain subsidiaries.

26. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2010 RM'000	2009 RM'000
Prepaid land lease payments (Note 16)	**467**	–

27. SHARE CAPITAL

	Group and Company	
	2010 RM'000	2009 RM'000
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July	**3,000,000**	2,000,000
Created during the year	**–**	1,000,000
At 30 June	**3,000,000**	3,000,000
Issued and Fully Paid:		
At 1 July	**1,900,950**	1,005,118
Shares issued pursuant to:		
- conversion of LCB Bonds	**–**	804,460
- acquisition of Mahkota Cheras Project	**–**	89,948
- conversion of RCSLS	**–**	1,424
At 30 June	**1,900,950**	1,900,950

28. RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-Distributable:				
Share premium	**97,685**	97,685	**97,685**	97,685
Asset revaluation reserve	**264,859**	264,859	**–**	–
Capital reserve	**62,069**	64,475	**1,054**	627
Share option reserve	**1,985**	2,391	**1,985**	2,391
Foreign currency translation reserve	**19,826**	14,663	**–**	–
Equity component of RCSLS	**30,432**	30,432	**30,432**	30,432
Warrant reserve	**3,673**	3,673	**3,673**	3,673
	480,529	478,178	**134,829**	134,808
Accumulated losses	**(1,933,843)**	(1,818,558)	**(1,328,852)**	(1,280,129)
	(1,453,314)	(1,340,380)	**(1,194,023)**	(1,145,321)

28. RESERVES (continued)

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 property, plant and equipment 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.

(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.

(e) Equity Component of RCSLS

This reserve represents the fair value of the equity component of RCSLS, net of deferred tax liabilities, as determined on the date of issue.

(f) Warrant Reserve

Warrant reserve is pertaining to the issuance of 36,734,534 warrants as consideration for the conditional take-over offer of the remaining ordinary shares of RM1.00 each in ACB ("ACB Share") on the basis of one new warrant of the Company ("LCB Warrant") for every ten ACB Shares held.

The details of LCB Warrants are as follows:

(i) Each warrant entitles its registered holder to subscribe for one new LCB Share at the subscription price of RM1.00. The LCB Warrants may be exercised at any time commencing from 21 April 2009 but not later than 20 April 2019 (both dates inclusive).

(ii) The new LCB Shares to be issued pursuant to the exercise of the LCB Warrant will upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up LCB Shares, save that they will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is on or before the new LCB Shares are credited into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd ("Bursa Depository").

(iii) No LCB Warrants were converted into new LCB Shares during the financial year. As of the balance sheet date, the total number of warrants which remained unexercised amounted to 36,734,534 warrants. Any warrant which has not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

29. PREFERENCE SHARES

Megasteel issued Preference “D” Shares, Preference “E” Shares and Preference “F” Shares, of which Preference “D” Shares and Preference “F” Shares were issued to the immediate holding company, Limpahjaya Sdn Bhd. During the previous financial year, Megasteel issued and alloted 100,000,000 5-year Redeemable Cumulative Convertible Preference Shares of RM0.01 each (“Preference “G” Shares”) at a premium of RM0.99 each amounting to RM100,000,000 to a related party.

	Group	
	2010	**2009**
	RM’000	**RM’000**
Authorised:		
At 1 July		
Preference “E” Shares of RM0.01 each	**110**	110
Preference “G” Shares of RM0.01 each	**1,000**	–
Created during the year:		
Preference “G” Shares of RM0.01 each	**–**	1,000
At 30 June	**1,110**	1,110
Issued and paid-up:		
At 1 July		
Preference “E” Shares of RM0.01 each	**110**	110
Preference “G” Shares of RM0.01 each	**1,000**	–
Created during the year:		
Preference “G” Shares of RM0.01 each	**–**	1,000
At 30 June	**1,110**	1,110
Share premium:		
At 1 July		
Preference “E” Shares of RM0.01 each	**10,890**	10,890
Preference “G” Shares of RM0.01 each	**99,000**	–
Created during the year:		
Preference “G” Shares of RM0.01 each	**–**	99,000
At 30 June	**109,890**	109,890
Total	**111,000**	111,000

29. PREFERENCE SHARES (continued)

Terms of Preference “E” Shares

The Preference “E” Shares of RM0.01 each includes the following salient features:

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

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

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

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

(v) The Preference “E” Shares shall be subordinated to (a) the Syndicated Term Loans of Megasteel; and (b) the full redemption of the Preference “G” Shares;

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

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

Terms of Preference “G” Shares

The Preference “G” Shares of RM0.01 each includes the following salient features:

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

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

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

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

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

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

29. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

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

The conversion ratio during the Extended Tenure shall be:
i) 1.50 Preference "G" Shares for every one ordinary share of RM1.00 each; or
ii) 25% discount based on the then latest audited net tangible assets of Megasteel;

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

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

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

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

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

(b) Mandatory Early Redemption

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

(c) Optional Redemption

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

(d) Mandatory Redemption

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

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

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

30. BORROWINGS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Short Term Borrowings				
Secured:				
Syndicated Term Loans	**304,126**	1,003,251	**–**	–
Other term loans	**7,484**	49,551	**–**	–
Bills payable	**58,981**	61,039	**–**	–
Revolving credits	**33,500**	33,500	**–**	–
RCSLS (Note 31)	**24,674**	20,417	**24,674**	20,417
	428,765	1,167,758	**24,674**	20,417
Unsecured:				
Bills payable	**76,083**	43,588	**–**	–
Revolving credits	**5,600**	8,500	**–**	–
Other term loans	**–**	467	**–**	–
	81,683	52,555	**–**	–
	510,448	1,220,313	**24,674**	20,417
Long Term Borrowings				
Secured:				
Syndicated Term Loans	**557,742**	–	**–**	–
Other term loans	**40,843**	3,134	**–**	–
RCSLS (Note 31)	**427,468**	419,968	**427,468**	419,968
	1,026,053	423,102	**427,468**	419,968
Total Borrowings				
Syndicated Term Loans (Note A)	**861,868**	1,003,251	**–**	–
Other term loans	**48,327**	53,152	**–**	–
	910,195	1,056,403	**–**	–
Bills payable	**135,064**	104,627	**–**	–
Revolving credits	**39,100**	42,000	**–**	–
RCSLS (Note 31)	**452,142**	440,385	**452,142**	440,385
	1,536,501	1,643,415	**452,142**	440,385
The term loans are repayable over the following periods:				
Within 1 year	**311,610**	1,053,269	**–**	–
From 1 to 2 years	**317,827**	3,134	**–**	–
From 2 to 5 years	**280,758**	–	**–**	–
	910,195	1,056,403	**–**	–

Other term loans, bills payable and revolving credits pertaining to certain subsidiaries are secured by charges on the property, plant and equipment (Note 14) and other assets of the subsidiaries.

30. BORROWINGS (continued)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	%	%	%
Term loans	**5.1**	5.9	**–**	–
Bills payable	**4.9**	4.6	**–**	–
Revolving credits	**6.2**	6.1	**–**	–
RCSLS	**5.8**	5.8	**5.8**	5.8

(A) Syndicated Term Loans

A restructuring scheme in relation to the Syndicated Term Loans of Megasteel came into effect during the financial year ("Restructured Scheme"). The restructured amount of the Syndicated Term Loans which comprise an RM denominated Term Loan of RM598.54 million and a USD denominated Term Loan of USD205.20 million are repayable over the following periods:

Repayment date		**Principal Amount of Repayment RM Term Loan RM'Mil**	**Principal Amount of Repayment USD Term Loan USD'Mil**
June 2007	*	47.88	16.42
December 2007	*	23.94	8.21
June 2008	*	23.94	8.21
December 2008	*	47.88	16.42
June 2009		–	–
December 2009		–	–
June 2010	*	47.88	16.42
December 2010		71.83	24.62
June 2011		71.83	24.62
December 2011		71.83	24.62
June 2012		71.83	24.62
December 2012		59.85	20.52
June 2013		59.85	20.52
		598.54	205.20

* These amounts have been repaid as at the Term Sheet date.

Interest is charged at 2.5% above the respective Syndicated Term Loans Lenders' cost of funds/London Interbank Offer Rate ("COF/LIBOR") up to 30 June 2010 and at 5% above the respective Syndicated Term Loans Lenders' COF/LIBOR from 1 July 2010 onwards.

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

The Syndicated Term Loans facility is secured against:

(a) property, plant and equipment of Megasteel as disclosed in Note 14, including any future additions;

(b) certain investment in associates as disclosed in Note 19;

(c) floating assets of Megasteel; and

(d) certain property, plant and equipment of a subsidiary.

The additional terms and conditions for the Restructured Scheme include the following:

(i) Sale of certain quoted investment in an associate ("Pledged Shares")

Pursuant to an agreement dated 30 September 2009, Tan Sri William H.J. Cheng ("TSWC") shall grant Megasteel an option to put ("Put Option") to TSWC on behalf of TSWC Group or its nominee(s) ("Option Agreement"), at any time during the period commencing on the later of either 1 October 2009 or the date of the last of the Approvals defined in (a) below is obtained and ending on 31 December 2009 ("Option Period"), for TSWC to purchase the Pledged Shares. The Pledged Shares are charged by Megasteel to the Security Trustee for the benefit of Syndicated Term Loans Lenders. Terms and conditions for the sale of the Pledged Shares are as follows:

(a) The sale and purchase of the Pledged Shares are subject to the approvals of, where required, shareholders of the Company, and such other requisite approvals to be obtained (collectively "Approvals");

(b) Payment for the Pledged Shares shall be made in 2 tranches as follows:

i) 50% by 31 March 2010; and
ii) 50% by 30 June 2010;

(c) The Option Agreement shall be assigned absolutely to the Security Trustee;

(d) Megasteel shall grant a Power of Attorney to the Security Trustee to sell the Pledged Shares, exercisable amongst others, in the event the sale and purchase of the Pledged Shares is not completed by 31 December 2009;

(e) Proceeds (net of transaction costs) from the sale of the Pledged Shares shall be utilised to prepay or repay the principal and/or interest due in chronological order of maturity; and

(f) The selling price for the shares will be fixed based on the 10-day weighted average share price of the shares preceding the date the Put Option is exercised.

During the financial year, Megasteel completed the disposal of the Pledged Shares for a total consideration of approximately RM131.4 million which resulted in a loss of RM286.8 million to the Group. The proceeds of this disposal have been utilised for the repayment of the Syndicated Term Loans.

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

(ii) Sale of certain property, plant and equipment of a subsidiary

Megasteel agrees to dispose of certain of its subsidiary's property, plant and equipment as follows:

(a) Megasteel shall enter into a sale and purchase agreement with a bona fide purchaser for the sale of certain of its subsidiary's property, plant and equipment no later than 30 June 2010 or such extended date ("Target Date") as may be agreed with the Syndicated Term Loans Lenders whose loans represent more than 75% of the value of the RM Term Loans and USD Term Loans inclusive of principal, interests, commission, fees or expenses respectively as defined in the provisional Term Sheet;

(b) The sale of the property, plant and equipment shall be subjected to the approvals of shareholders of the Company and other requisite approvals from relevant authorities;

(c) Proceeds from the sale of the property, plant and equipment shall be received by 30 September 2010. In the event the sale cannot be completed by 30 September 2010, Megasteel shall have the option to extend the completion date for a further 3 months ("Target Completion Date");

(d) Proceeds (net of transaction costs) from the sale of the property, plant and equipment shall be utilised to prepay or repay the Syndicated Term Loans due in chronological order of maturity; and

(e) In the event Megasteel does not procure a sale of the property, plant and equipment by the Target Date or the sale is not completed by the Target Completion Date, then such event shall constitute an event of default.

As at 30 June 2010, Megasteel has not entered into any sale and purchase agreement for the sale of the property, plant and equipment.

Due to the weak market condition, the realisation of the planned disposal of the Group's assets required by the Restructured Scheme of the Syndicated Term Loans is expected to be delayed. Nevertheless, the Directors are actively looking for potential buyers for the assets and they are of the opinion that potential buyers will be identified. In the event that the planned disposal is not completed by the stipulated time frame set by the Syndicated Term Loans Lenders, the Directors are of the opinion that they will be able to seek extension of time from the lenders of the Syndicated Term Loans.

In the previous financial year, pending the approval of the Restructured Scheme, Megasteel was unable to meet its repayment obligations and was unable to fulfill certain financial covenants for the Syndicated Term Loans. Accordingly, the entire Syndicated Term Loans have been classified as current liabilities in the prior year.

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

Pursuant to the completion of the LCB Scheme for implementation on 27 February 2009, the Company had converted a portion of its LCB Class B Bonds and LCB Debts into LCB redeemable convertible secured loan stocks ("RCSLS") as follows:

(a) RM294,747,299 nominal value of LCB Class B(a) Bonds with present value of RM286,834,000 into RM286,834,000 nominal value of LCB Class B(a) RCSLS;

(b) RM200,000,000 nominal value of LCB Class B(b) Bonds with present value of RM178,769,000 into RM178,769,000 nominal value of LCB Class B(b) RCSLS; and

(c) RM5,252,701 nominal value of LCB Debts with present value of RM5,130,000 into RM5,130,000 nominal value of LCB Class B(c) RCSLS.

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

	Class	**Nominal Value RM'000**	**Maturity Date**	**Coupon Rate (per annum)**
RCSLS	B(a)	286,834	31.12.2015	5.00%
RCSLS	B(b)	178,769	31.12.2015	7.00%
RCSLS	B(c)	5,130	31.12.2015	4.25%
		470,733		

The RCSLS are subject to late payment charge of 1% per annum above the coupon rate.

(ii) Conversion right and rate

The RCSLS are convertible into new LCB Shares during the conversion period at the conversion price of RM1.00 nominal amount of the RCSLS for every new LCB Share.

(iii) Conversion period

The RCSLS are convertible into new LCB Shares on or after the issue date (27 February 2009) of the RCSLS but ending on the maturity date (31 December 2015).

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(iv) Redeemability

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

- Mandatory Early Redemption - to redeem in chronological order of the redemption date in the event the surplus in the Redemption Account is RM5,000,000 or more on a pro rata basis with the LCB Bonds, LCB Debts and RCSLS.

- Redemption Upon Maturity - all outstanding RCSLS and not converted on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.

- Mandatory Redemption

  (a) the Company shall redeem 20% of the total RCSLS issued at every redemption date as follows:

    - 31 December 2011;
    - 31 December 2012;
    - 31 December 2013;
    - 31 December 2014; and
    - 31 December 2015

  (b) all outstanding RCSLS shall be redeemed upon the occurrence of a shareholders' or creditors' winding up of the Company or upon the declaration of the event of default.

(v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 32).

(vi) Ranking of New Shares

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

During the previous financial year, RM1,423,800 nominal value of RCSLS were converted into 1,423,800 new LCB Shares at the conversion price of RM1.00 nominal amount of the RCSLS for every new LCB Share.

As at 30 June 2010, RM469,309,200 (2009: RM469,309,200) nominal value of RCSLS remained outstanding.

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

The value of the RCSLS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCSLS are accounted for in the balance sheet as follows:

	Group and Company	
	2010	**2009**
	RM'000	**RM'000**
Nominal value:		
At 1 July	**469,309**	–
Issued during the year	**–**	470,733
Converted during the year	**–**	(1,424)
	469,309	469,309
Less: Unamortised portion	**(17,167)**	(28,924)
Amount due	**452,142**	440,385

The amount recognised in the balance sheet may be analysed as follows:

	2010	2009
Liability component at 1 July	**440,385**	–
Issued during the year:		
Nominal value of RCSLS	**–**	470,733
Equity component, net of deferred tax liabilities	**–**	(30,487)
Deferred tax liabilities (Note 22)	**–**	(10,162)
	440,385	430,084
Converted during the year	**–**	(1,354)
	440,385	428,730
Interest expenses recognised during the year (Note 10)	**34,445**	11,655
Repayment during the year	**(22,688)**	–
Liability component at 30 June	**452,142**	440,385

The RCSLS are redeemable over the following periods:

	Group and Company	
	2010	**2009**
	RM'000	**RM'000**
Within 1 year	**24,674**	20,417
From 1 to 2 years	**104,128**	22,913
From 2 to 5 years	**254,977**	262,764
After 5 years	**68,363**	134,291
	452,142	440,385

32. BONDS AND DEBTS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current				
Secured:				
- LCB Bonds	**52,731**	13,200	**52,731**	13,200
- LCB Debts	**374**	99	**374**	99
- LCB SPV Debts	**18,184**	36,161	**–**	–
	71,289	49,460	**53,105**	13,299
Non-Current				
Secured:				
- LCB Bonds	**1,259,454**	1,231,468	**1,259,454**	1,231,468
- LCB Debts	**7,352**	7,989	**7,352**	7,989
- LCB SPV Debts	**19,490**	39,874	**–**	–
	1,286,296	1,279,331	**1,266,806**	1,239,457
Total	**1,357,585**	1,328,791	**1,319,911**	1,252,756
Total Bonds and Debts				
Secured:				
- LCB Bonds	**1,312,185**	1,244,668	**1,312,185**	1,244,668
- LCB Debts	**7,726**	8,088	**7,726**	8,088
- LCB SPV Debts	**37,674**	76,035	**–**	–
	1,357,585	1,328,791	**1,319,911**	1,252,756

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Within 1 year	**71,289**	49,460	**53,105**	13,299
From 1 to 2 years	**157,103**	69,047	**137,613**	50,003
From 2 to 5 years	**298,317**	330,928	**298,317**	310,098
After 5 years	**830,876**	879,356	**830,876**	879,356
	1,357,585	1,328,791	**1,319,911**	1,252,756

32. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts

The Company had on 27 February 2009 implemented the LCB Scheme which is to address its debt obligation to redeem/repay the LCB Bonds and LCB Debts issued by the Company pursuant to the Group Wide Restructuring Scheme ("GWRS") implemented in 2003.

On 27 February 2009, the Company had:

(i) fully redeemed its LCB Class A Bonds amounting to RM35.9 million;

(ii) converted RM900,000,000 nominal value of LCB Class B(b) Bonds with a present value of RM804,460,000 into 804,460,000 new ordinary shares of RM1.00 each; and

(iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 31).

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows:

(i) The tranches of LCB Bonds and LCB Debts are as follows:

	Class	Nominal Value RM'000	Net Present Value RM'000	Maturity Date	Cash Yield-to-Maturity (per annum)
LCB Bonds	B(a)	592,647	408,881	31.12.2019	5.00%
LCB Bonds	B(b)	1,347,652	809,717	31.12.2020	7.00%
LCB Debts	B	10,734	7,974	31.12.2019	4.25%
		1,951,033	1,226,572		

The LCB Bonds and LCB Debts are redeemable/repayable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts:

(a) The assets included in the Proposed Divestment Programme ("PDP") for the LCB Group. If there is an existing security on any such assets, the Security Trustee will take a lower priority security interest;

(b) The LDHB Inter-Co Repayment received by LCB;

(c) Entire/Partial investment in Lion Plate Mills Sdn Bhd, Bright Steel Sdn Bhd, Megasteel Sdn Bhd, LCB Harta (L) Limited, Lion Industries Corporation Berhad and ACB;

(d) The Residual Assets, if any;

(e) Dividends upstreaming from Lion Plate Mills Sdn Bhd and Bright Steel Sdn Bhd;

(f) The excess, if any, of the ACB SPV Debts and proceeds of the Property Development Project known as Mahkota Cheras Project after full repayment of the LCB SPV Debts;

32. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts (continued)

(g) All rights, title and interest of the Company and Limpahjaya under the Deed of Undertaking;

(h) Proceeds from the disposal of 66,666,667 ordinary shares of RM1.00 each in Megasteel;

(i) 33,333,333 ordinary shares of RM1.00 each in Megasteel;

(j) Shares and assets in Pancar Tulin Sdn Bhd (including the property development project);

(k) Shares in LCB Harta (L) Limited;

(l) Such other securities as may be provided from time to time to the Security Trustee for the benefit of the Bondholders, RCSLS Holders and the Lenders; and

(m) The Redemption Account and the General Escrow Account held by the Company. The Redemption Account will capture the LCB Dedicated Cash Flow.

Dedicated Cash Flows means cash flow 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 security, if applicable;

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

- proceeds of the LDHB Inter-Co Repayment received by the Company (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);

- dividends or cash flow from the Deed of Undertaking;

- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;

- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project after repayment of LCB SPV Debts; and

- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

Monies captured in the Redemption Account can only be used towards redemption/repayment of the LCB Bonds, LCB Debts and RCSLS and cannot be utilised for any other purposes.

The LCB Bonds, LCB Debts and RCSLS constitute direct, unsubordinated and secured obligations of the Company, being the issuer.

The LCB Bonds, LCB Debts and RCSLS ranked *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (m) above.

32. BONDS AND DEBTS (continued)

(B) LCB SPV Debts

Pursuant to the implementation of the LCB Scheme in the previous year, a wholly-owned subsidiary of the Company, LCB Harta (L) Limited, had issued USD23.3 million nominal value of new LCB SPV Debts as a consideration for the acquisition of the USD equivalent of USD23.3 million nominal value ACB SPV Debts (Note 20).

The cash flows to be generated from the Mahkota Cheras Project via its wholly-owned subsidiary, Pancar Tulin Sdn Bhd ("Pancar Tulin"), will be used as a dedicated source for the repayment of the LCB SPV Debts.

The principal terms and conditions of the LCB SPV Debts are as follows:

(i) The tranches of LCB SPV Debts are as follows:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-to-Maturity (per annum)
B	16,315	15,725	31.12.2011	3.25%
C	6,949	6,763	31.12.2011	1.00%
	23,264	22,488		

The LCB SPV Debts are repayable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The security created to secure the LCB SPV Debts are, *inter alia*, as follows:

(a) ACB SPV Debts Charge;

(b) charge over all those parcels of lands comprising the Mahkota Cheras Project except for those have been sold to third party prior to the completion of the LCB Scheme;

(c) Debenture cum assignment by Pancar Tulin and/or Narajaya Sdn Bhd ("Narajaya") in relation to the Mahkota Cheras Project;

(d) first charge over the shares in Pancar Tulin;

(e) TSWC FRN Guarantee;

(f) the charge and assignment of the redemption account and general escrow account of LCB Harta (L) Limited; and

(g) the charge and assignment of the specific escrow account of Pancar Tulin and/or Narajaya.

33. DEFERRED LIABILITIES

	Group 2010 RM'000	Group 2009 RM'000
Hire purchase liabilities	**223**	1,230
Unfunded defined benefit plan (Note 36(a))	**2,264**	2,150
Deferred creditors	**8,795**	22,760
	11,282	26,140
Hire Purchase Liabilities		
Minimum lease payments:		
Not later than 1 year	**1,107**	2,357
Later than 1 year and not later than 2 years	**174**	1,128
Later than 2 years and not later than 5 years	**74**	263
	1,355	3,748
Future finance charges	**(155)**	(431)
	1,200	3,317
Present value of finance lease payments:		
Not later than 1 year	**977**	2,087
Later than 1 year and not later than 2 years	**154**	994
Later than 2 years and not later than 5 years	**69**	236
	1,200	3,317
Analysed as:		
Due within 12 months	**977**	2,087
Due after 12 months	**223**	1,230
	1,200	3,317

The hire purchase liabilities carry interest rates at the balance sheet date at rates ranging from 2.3% to 8.0% (2009: 2.3% to 8.0%) per annum.

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	**1,632,791**	1,271,773	**–**	–
Other payables	**171,526**	307,638	**13,348**	7,221
Security deposits received from customers	**33,499**	35,427	**–**	–
Product financing liabilities	**915,873**	633,434	**–**	–
Accruals	**178,315**	151,157	**25,187**	25,218
Project payables	**23,559**	34,021	**–**	–
Hire purchase liabilities (Note 33)	**977**	2,087	**–**	–
	2,956,540	2,435,537	**38,535**	32,439

Included in payables of the Group and of the Company are related parties balances of which RM730.7 million (2009: RM470.9 million) and RM Nil (2009: RM Nil) respectively are in trade payables, RM35.0 million (2009: RM63.0 million) and RM13.3 million (2009: RM4.5 million) respectively are in other payables and RM423.9 million (2009: RM256.1 million) and RM Nil (2009: RM Nil) respectively are in product financing liabilities.

Certain of the related parties balances bear interest rates ranging from 7.5% to 8.1% (2009: 7.8% to 9.0%) per annum.

The security deposits received from customers amounting to RM33.5 million (2009: RM35.3 million) bear interest rates ranging from 8% to 10% (2009: 8% to 10%) per annum.

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where titles to the inventories pertaining to these arrangements are legally with these parties and of which the Group has the obligation to purchase. The obligation to purchase ranges from 30 days to 180 days (2009: 30 days to 180 days) with interest rates ranging from 2% to 9% (2009: 2% to 9%) per annum. The inventories under such arrangements are disclosed in Note 23. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days (2009: 30 days to 60 days).

Project payables represent construction costs for plant and machinery, and are unsecured and interest-free. The normal credit terms granted to the Group range from 30 days to 120 days (2009: 30 days to 120 days). Other credit terms are assessed on a case-by-case basis.

Since the previous financial year, a subsidiary had exceeded certain credit terms of trade and other payables and product financing liabilities. The subsidiary has entered into deferral payment plans, formulating payment strategies and refinancing balances with a significant constitution of these creditors. The Directors are of the opinion that there is no material uncertainty that the subsidiary will have continued support from these creditors.

35. BANK OVERDRAFTS

	Group	
	2010 RM'000	2009 RM'000
Secured	**13,194**	16,962

Bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment (Note 14), and other assets of the subsidiaries.

The weighted average effective interest rate for bank overdrafts at the balance sheet date is 7.7% (2009: 8.5%) per annum.

36. 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 7 January 2010 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	
	2010	**2009**
	RM'000	**RM'000**
Non-Current		
At 1 July	**2,150**	2,028
Charged to income statement (Note 7)	**236**	179
Benefit paid	**(122)**	(57)
At 30 June	**2,264**	2,150
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,264**	2,150
The expenses recognised in the income statement are analysed as follows:		
- Current service cost	**122**	91
- Interest cost	**114**	109
- Actuarial gain	**–**	(21)
	236	179

The principal actuarial assumptions used are as follows:

	Group	
	2010	**2009**
	%	**%**
Discount rate	**6**	7
Expected rate of salary increase	**5**	5

36. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme ("ESOS")

An 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements), 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.

(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.

The ESOS expired on 31 August 2010.

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					
2010	**Balance as at 1.7.2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2010**	**Exercisable as at 30.6.2010**
Grant date						
26.5.2006	**3,970,900**	–	–	(626,000)	3,344,900	3,344,900
26.2.2007	**4,781,600**	–	–	(833,400)	3,948,200	3,948,200
	8,752,500	–	–	(1,459,400)	7,293,100	7,293,100
WAEP	**1.00**	–	–	1.00	1.00	1.00

36. EMPLOYEE BENEFITS (continued)

(b) ESOS (continued)

	Number of Options					
2009	**Balance as at 1.7.2008**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2009**	**Exercisable as at 30.6.2009**
Grant date						
26.5.2006	4,277,400	–	–	(306,500)	3,970,900	3,872,900
26.2.2007	5,046,400	–	–	(264,800)	4,781,600	4,634,600
	9,323,800	–	–	(571,300)	8,752,500	8,507,500
WAEP	1.00	–	–	1.00	1.00	1.00

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

2010	**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
2009		
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 (RM)	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.

37. COMMITMENTS

Capital Commitments

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

	Group 2010 RM'000	Group 2009 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**20,038**	56,480
- approved but not contracted for	**47,926**	48,174
	67,964	104,654

38. CONTINGENT LIABILITIES

	Company 2010 RM'000	Company 2009 RM'000
(a) Guarantees in respect of loans and credit facilities granted to subsidiaries - unsecured	**62,722**	62,981

(b) On 22 April 2010, a Writ of Summons was filed against Megasteel and Mr Lai Chin Yang, a marketing general manager of Megasteel, in respect of a claim for RM20 million by Eonmetall Industries Sdn Bhd for defamation. The High Court has yet to fix a date to hear the claim.

The Directors of the Company, after consultation with the lawyers, are of the opinion that there is a good defence for the above litigation claim. No material financial loss or operational impact on the Group is expected as a result of the claim.

	Group 2010 RM'000	Group 2009 RM'000
(c) Offtake deposit pledge to banks for credit facilities granted to a related party (Note 21)	**45,000**	45,000

39. 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:

		Group	
Name of Company	**Type of Transaction**	**2010 RM'000**	**2009 RM'000**
(i) With ACB Resources Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	**4,251**	7,064
Secom (Malaysia) Sdn Bhd	Trade purchases	**72**	430
(ii) With Lion Industries Corporation Berhad ("LICB") Group			
Amsteel Mills Sdn Bhd	Trade sales	**837,457**	993,780
	Trade purchases	**817,771**	485,131
	Rental income	**4,544**	5,310
Antara Steel Mills Sdn Bhd	Trade sales	**4,039**	20,851
	Trade purchases	**362,640**	136,115
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**9,978**	3,656
	Rental expenses	**1,348**	1,303
Lion Waterway Logistics Sdn Bhd	Trade sales	**–**	3,048
	Logistic services	**23,184**	17,640
(iii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Trade purchases	**14,989**	15,306
	Rental income	**131**	120
LAP Trading & Marketing Pte Ltd	Trade purchases	**15,581**	8,769
(iv) With Other Related Parties			
Lion Motor Sdn Bhd	Trade sales	**456**	560
	Trade purchases	**363**	271
PT Lion Metal Works Tbk	Trade sales	**3,336**	513
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**3,254**	4,003
Mitsui & Co., Ltd	Trade purchases	**34,983**	26,861
Lion DRI Sdn Bhd	Trade sales	**44,799**	8,544
	Trade purchases	**1,077,463**	783,706
	Rental income	**1,818**	2,511
Posim Marketing Sdn Bhd	Trade sales	**14,782**	–
	Trade purchases	**1,146**	–
Lion Blast Furnace Sdn Bhd	Trade sales	**11**	3,717
	Transfer of property, plant and equipment	**369**	15,620
Singa Logistics Sdn Bhd	Logistic services	**13,135**	9,309
Lion Metal Industries Sdn Bhd	Rental expenses	**443**	646
Lion Holdings Pte Ltd	Product financing facilities	**670,878**	704,453
	Interest expense on product financing	**12,199**	25,819
Graimpi Sdn Bhd	Product financing facilities	**119,135**	413,625
	Interest expense on product financing	**15,780**	20,796
Ributasi Holdings Sdn Bhd	Product financing facilities	**43,798**	116,669
	Interest expense on product financing	**965**	4,928

39. RELATED PARTY TRANSACTIONS (continued)

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

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

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

Lion Motor Sdn Bhd, Posim Petroleum Marketing Sdn Bhd, Posim 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.

Lion DRI Sdn Bhd, Lion Blast Furnace Sdn Bhd and Graimpi 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 are as follows:

	Number of Unexercised Options	
	2010	**2009**
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 36(b)).

40. SEGMENTAL ANALYSIS

(a) Primary Reporting Format - Business Segments:

The Group is organised into four major business segments:

(i) Steel - manufacturing of hot rolled coils, cold rolled coils, bands, plates and sheets
(ii) Property - property development
(iii) Furniture - manufacture, distribution and trading of office equipment, security equipment and steel related products
(iv) Others - investment holding, treasury business, sale of commercial vehicles, 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.

40. SEGMENTAL ANALYSIS (continued)

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

Group 2010	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	3,606,007	60,833	32,181	4,100	–	3,703,121
Inter-segment	10,806	–	39	53	(10,898)	–
	3,616,813	60,833	32,220	4,153	(10,898)	3,703,121
Results						
Segment results	249,141	16,796	676	8,478	–	275,091
Interest income	3,672	981	85	2,842	–	7,580
Investment income	–	–	–	54	–	54
Profit from operations						282,725
Finance costs						(307,060)
Share in results of associates						167,804
Impairment loss in associates						(1,368)
Loss on dilution of an associate						(286,755)
Loss before taxation						(144,654)
Taxation						(7,482)
Net loss for the financial year						(152,136)
Segment assets	5,270,052	101,590	25,067	90,412	–	5,487,121
Investment in associates						944,696
Unallocated corporate assets						165,316
Consolidated total assets						6,597,133
Segment liabilities	4,032,163	26,121	6,312	111,779	–	4,176,375
Unallocated corporate liabilities						1,817,610
Consolidated total liabilities						5,993,985
Other information						
Capital expenditure	18,764	1	312	348	–	19,425
Depreciation and amortisation	140,735	5	396	286	–	141,422
Impairment losses	20,000	–	–	1,368	–	21,368
Non-cash expenses other than depreciation, amortisation and impairment losses	291,033	–	132	1,488	–	292,653

40. SEGMENTAL ANALYSIS (continued)

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

Group 2009	**Steel RM'000**	**Property RM'000**	**Furniture RM'000**	**Others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue						
External	3,026,005	21,769	46,369	5,442	-	3,099,585
Inter-segment	9,672	–	–	32	(9,704)	–
	3,035,677	21,769	46,369	5,474	(9,704)	3,099,585
Results						
Segment results	(831,702)	6,096	1,582	14,983	–	(809,041)
Interest income	3,418	249	77	1,877	–	5,621
Investment income	–	–	–	172	–	172
Loss from operations						(803,248)
Finance costs						(408,235)
Share in results of associates						(84,172)
Impairment loss in associates						(1,011)
Over provision for loss						40,499
Loss before taxation						(1,256,167)
Taxation						40,695
Net loss for the financial year						(1,215,472)
Segment assets	4,585,808	128,656	25,458	181,230	–	4,921,152
Investment in associates						1,267,718
Unallocated corporate assets						180,297
Consolidated total assets						6,369,167
Segment liabilities	3,621,860	26,719	7,005	137,085	–	3,792,669
Unallocated corporate liabilities						1,796,392
Consolidated total liabilities						5,589,061
Other information						
Capital expenditure	115,637	–	69	13	–	115,719
Depreciation and amortisation	137,882	2	387	571	–	138,842
Impairment losses	–	–	14	1,011	–	1,025
Non-cash expenses other than depreciation, amortisation and impairment losses	424,847	–	652	4,246	–	429,745

40. SEGMENTAL ANALYSIS (continued)

(b) Secondary Reporting Format - Geographical Segments:

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

	Segment Revenue		Segment Assets		Capital Expenditure	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	**3,190,842**	2,473,532	**5,486,761**	4,920,766	**19,425**	115,719
Singapore	**15,846**	77,171	**360**	386	**–**	–
Indonesia	**206,124**	153,935	**–**	–	**–**	–
Vietnam	**84,533**	102,022	**–**	–	**–**	–
India	**26,591**	88,936	**–**	–	**–**	–
Others	**179,185**	203,989	**–**	–	**–**	–
	3,703,121	3,099,585	**5,487,121**	4,921,152	**19,425**	115,719

41. CASH FLOW STATEMENTS

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for doubtful receivables written back	**(2,761)**	(415)	**–**	–
Allowance for obsolete inventories	**132**	652	**–**	–
Amortisation of prepaid land lease payments	**251**	257	**–**	–
Dividend income	**(54)**	(172)	**(1,860)**	(1,978)
(Gain)/Loss on disposal of:				
- assets held for sale	**–**	(25,422)	**–**	–
- prepaid land lease payments	**(552)**	–	**–**	–
- property, plant and equipment	**831**	1,806	**–**	–
- quoted investments	**(4,134)**	(356)	**(4,134)**	(353)
- unquoted investment	**–**	38	**–**	–
Impairment loss on investments in:				
- a subsidiary	**–**	–	**–**	720
- associates	**1,368**	1,011	**1,540**	1,011
- quoted investment	**–**	14	**–**	–
Impairment loss on goodwill	**20,000**	–	**–**	–
Interest expenses	**307,060**	408,235	**116,256**	212,777
Interest income	**(7,580)**	(5,621)	**(63,966)**	(114,496)
Inventories written down	**4,678**	358,020	**–**	–
Loss on dilution from a subsidiary to an associate	**–**	2,612	**–**	2,612
Loss on dilution of an associate	**286,755**	–	**–**	–
Property, plant and equipment:				
- depreciation	**141,171**	138,585	**–**	–
- written off	**–**	127	**–**	–
Provision for defined benefit plan	**236**	179	**–**	–
Over provision for loss	**–**	(40,499)	**–**	–
Share in results of associates	**(167,804)**	84,172	**–**	–
Share options granted under ESOS	**21**	117	**–**	7
Unrealised (gain)/loss on foreign exchange	**(42,458)**	66,194	**(606)**	376
	537,160	989,534	**47,230**	100,676

41. CASH FLOW STATEMENTS (continued)

(b) Purchase of property, plant and equipment

	Group 2010 RM'000	Group 2009 RM'000
Aggregate cost of purchase (Note 14)	**19,425**	115,719
Purchase by means of hire purchase	**–**	(149)
Reclassification from purchase prepayments paid in prior years	**–**	(14,410)
Purchase by cash	**19,425**	101,160

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	**112,367**	62,650	**502**	555
Deposits with financial institutions	**30,504**	36,216	**708**	999
Bank overdrafts	**(13,194)**	(16,962)	**–**	–
	129,677	81,904	**1,210**	1,554
Money market instruments (Note 20)	**1,350**	2,500	**–**	–
Fixed deposits pledged to licensed banks	**(2,637)**	(2,586)	**–**	–
	128,390	81,818	**1,210**	1,554

Cash and cash equivalents of the Group amounting to RM52.5 million (2009: RM22.6 million) are secured by way of a floating charge for borrowings as disclosed in Note 30.

The titles of the following deposits and bank balances, which arose from a property development project, have not been transferred to the name of the subsidiary:

	Group 2010 RM'000	Group 2009 RM'000
Cash and bank balances	**39,556**	34,687
Deposits with financial institutions	**20,022**	6,285
	59,578	40,972

Included in bank balances of a subsidiary is an amount of RM38.2 million (2009: RM34.4 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

42. 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 currency giving rise to this risk is primarily the United States Dollar ("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.

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

	USD RM'000	Euro RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
Group 2010					
Trade and other receivables	**18,485**	**–**	**553**	**–**	**19,038**
Trade and other payables	**573,631**	**34,908**	**523**	**–**	**609,062**
Bonds and debts	**45,400**	**–**	**–**	**–**	**45,400**
Borrowings	**454,951**	**–**	**–**	**–**	**454,951**
Group 2009					
Trade and other receivables	4,704	–	226	–	4,930
Trade and other payables	587,408	72,440	20,590	210	680,648
Bonds and debts	84,123	–	–	–	84,123
Borrowings	547,819	–	–	–	547,819

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and 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.

42. FINANCIAL INSTRUMENTS (continued)

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.

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, as at 30 June 2010, the Group's current liabilities exceeded current assets by RM1.55 billion.

The Group has formulated alternative strategies to manage liquidity risk as mentioned in Note 2 and Note 30.

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 amounrt RM'000**	**Fair value RM'000**
2010				
Financial Assets				
Quoted investments	**109**	**559**	**102**	**552**
2009				
Financial Assets				
Quoted investments	1,036	5,570	1,029	5,563
2010				
Financial Liabilities				
Hire purchase liabilities	**1,200**	**1,332**	**–**	**–**
2009				
Financial Liabilities				
Hire purchase liabilities	3,317	3,182	–	–

42. FINANCIAL INSTRUMENTS (continued)

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) 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.

43. SIGNIFICANT EVENTS

(a) Pursuant to Practice Note 1 ("PN1") of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") which came into effect on 3 August 2009, the Company had on 3 August 2009 announced that Megasteel Sdn Bhd ("Megasteel"), a major subsidiary of the Company, was in default in payments in respect of credit facility granted by Bank Pembangunan Malaysia Berhad ("Bank Pembangunan") of RM6.8 million as at 30 April 2009 and the syndicated term loan facility granted by the Syndicated Term Loan Lenders of RM105.6 million as at 30 June 2009. The Directors of the Company had on 6 August 2009 in accordance with PN1, submitted a Solvency Declaration to Bursa Securities confirming that the Group will be able to pay all its debts as and when they fall due within a period of 12 months from 3 August 2009.

The Company had:

i) on 10 August 2009 obtained the agreement of Bank Pembangunan to reschedule the credit facility amounting to RM47.6 million as at 31 July 2009. The default of the credit facility with Bank Pembangunan was therefore remedied; and

ii) on 15 September 2009 obtained the requisite approval from its Syndicated Term Loans Lenders for the rescheduling of the credit facility amounting to RM1,002.4 million as at 31 July 2009 and the default of the credit facility by Megasteel had been remedied.

Accordingly, the Company no longer falls under PN1 of the Listing Requirements.

(b) During the financial year, Y. Bhg. Tan Sri William H.J. Cheng ("TSWC") had granted Megasteel an option to put ("Put Option") to him or his nominee(s) to purchase from Megasteel 102,000,000 ordinary shares of RM1.00 each in Lion Industries Corporation Berhad ("LICB") ("LICB Shares") ("Option Agreement") which represents approximately 14.31% of the total paid-up capital of LICB pursuant to the Option Agreement dated 30 September 2009.

The Security Trustee in its capacity as the assignee of the Option Agreement had on 7 December 2009 exercised the Put Option on TSWC to acquire the 102,000,000 LICB Shares from Megasteel at a total consideration of RM131.58 million or RM1.29 per LICB Share based on the 10-day weighted average price of LICB Shares up to 4 December 2009.

TSWC had on 24 June 2010 completed the acquisition of the 102,000,000 LICB Shares pursuant to the Option Agreement.

STATEMENT BY DIRECTORS

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI 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 34 to 118 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 2010 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 28 September 2010.

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

TAN SRI 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 34 to 118 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 28 September 2010.

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 financial statements of LION CORPORATION BERHAD, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 118.

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 perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 2010 and of their financial performance and cash flows for the year then ended.

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 18 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

LIM KOK BENG
588/02/11(J)
Chartered Accountant

Kuala Lumpur
28 September 2010

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2010

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 27	2,869	15.08.1983
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 35	1,387	1979
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 12	2,601	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 11	694,196	18.10.1995
Lot 1245, Block 5 Kuala Baram Land District Miri, Sarawak	Leasehold 14.08.2056	3,481 sq metres	Land	Vacant	467	22.06.1999
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 hectares	Industrial land and building	Factory, office & warehouse 3	9,188	20.04.2005
Lot 3916 Kawasan Perindustrian Teluk Kalung 24007 Kemaman Terengganu	Leasehold 24.09.2054	17 acres	Industrial land and building	Factory & office 14	7,853	31.05.2004
Lot 177, Jalan Utas 15/7 Section 15 40000 Shah Alam Selangor	Leasehold 10.07.2074	42,131 sq metres	Land and building	Factory & office 18	15,976	07.04.1995

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 30 September 2010

Authorised Capital	:	RM3,000,000,000
Issued and Paid-up Capital	:	RM1,900,949,631
Class of Shares	:	Ordinary shares of RM1.00 each Ordinary "A" shares of RM1.00 each*
Voting Rights	:	One (1) vote per ordinary share

* Not entitled to participate in the Proposed Rights Issue of Warrants approved by the shareholders on 22 January 2009.

Distribution of Shareholdings as at 30 September 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	227	2.12	9,062	0.00
100 to 1,000	1,289	12.03	916,516	0.05
1,001 to 10,000	5,369	50.12	30,597,372	1.61
10,001 to 100,000	3,360	31.36	113,492,662	5.97
100,001 to less than 5% of issued shares	464	4.33	413,740,585	21.76
5% and above of issued shares	4	0.04	1,342,193,434	70.61
	10,713	100.00	1,900,949,631	100.00

Substantial Shareholders as at 30 September 2010

	Direct Interest		Indirect Interest			
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants (1)	RCSLS (RM) (2)
1. Tan Sri William H.J. Cheng	458,685	0.02	1,569,650,665	82.57	10,195,787	275,214,524
2. Tan Sri Cheng Yong Kim	2,709,517	0.14	414,494,096	21.80	672,076	–
3. Lion Development (Penang) Sdn Bhd	41,094	*	404,400,850	21.27	–	–
4. Lion Industries Corporation Berhad	1,727,361	0.09	1,115,546,397	58.68	9,532,431	38,233,300
5. Lion Diversified Holdings Berhad	402,661,977	21.18	711,894,252	37.45	331,850	–
6. Lion Realty Private Limited	6,946,565	0.37	404,441,944	21.28	–	–
7. Horizon Towers Sdn Bhd	327,005,491	17.20	–	–	–	–
8. Amsteel Mills Sdn Bhd	985,968	0.05	1,114,556,229	58.63	5,654,303	21,884,800
9. LLB Steel Industries Sdn Bhd	–	–	1,115,542,197	58.68	5,654,303	21,884,800
10. Steelcorp Sdn Bhd	–	–	1,115,542,197	58.68	5,654,303	21,884,800
11. Excel Step Investments Limited	–	–	402,230,000	21.16	–	–
12. Teraju Varia Sdn Bhd	402,230,000	21.16	–	–	–	–
13. LDH (S) Pte Ltd	209,779,252	11.04	–	–	–	–

Notes:

* *Negligible.*

(1) *Warrants with a right to subscribe for one new LCB Share for every one warrant held at the exercise price of RM1.00 per LCB Share ("Warrants").*

(2) *Redeemable convertible secured loan stocks of nominal value RM1.00 each convertible into new LCB Shares at a conversion price of RM1.00 for every one new LCB Share ("RCSLS").*

Thirty Largest Registered Shareholders as at 30 September 2010

Registered Shareholders		No. of Shares	% of Shares
1.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	402,230,000	21.16
2.	Teraju Varia Sdn Bhd	402,230,000	21.16
3.	Horizon Towers Sdn Bhd	327,954,182	17.25
4.	LDH (S) Pte Ltd	209,779,252	11.04
5.	LDH Management Sdn Bhd	89,948,000	4.73
6.	Sims Holdings Sdn Bhd	38,473,283	2.02
7.	Amanvest (M) Sdn Bhd	27,849,208	1.47
8.	Narajaya Sdn Bhd	16,559,848	0.87
9.	Lion Holdings Sdn Bhd	14,311,921	0.75
10.	Tirta Enterprise Sdn Bhd	10,839,025	0.57
11.	Lion DRI Sdn Bhd	9,937,000	0.52
12.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,984,307	0.42
13.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	7,641,000	0.40
14.	Lion Realty Private Limited	6,946,565	0.37
15.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	6,683,700	0.35
16.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.27
17.	Citigroup Nominees (Asing) Sdn Bhd Daiwa Cap Mkts HK Ltd for Chun Yuan Steel Industry Co Ltd	4,452,000	0.23
18.	Bhoopindar Singh A/L Harbans Singh	3,400,000	0.18
19.	Ter Leong Yap	3,103,100	0.16
20.	Lancaster Trading Company Limited	2,800,126	0.15
21.	Khor Hooi Kheang	2,726,233	0.14
22.	Cheng Yong Kim	2,705,317	0.14
23.	Lim Seng Chee	2,583,000	0.14
24.	Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,468,107	0.13
25.	OSK Nominees (Tempatan) Sdn Berhad UOB Kay Hian Private Limited for Choi Kim Teck (Margin)	2,376,600	0.13
26.	Edmond Hoyt Yung	2,248,000	0.12
27.	Omega Semiconductor Sdn Bhd	2,000,000	0.11
28.	Teck Bee Mining (M) Sendirian Berhad	1,738,541	0.09
29.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	1,727,361	0.09
30.	Cheng Theng Kee	1,700,000	0.09

Warrant as at 30 September 2010 ("Warrant")

No. of Warrant	:	36,734,534
Exercise Period	:	15 April 2009 – 14 April 2019
Exercise Price	:	RM1.00 per ordinary share of RM1.00 each
Exercise Right	:	Warrant holders will have the right to subsribe at the Exercise Price into new ordinary shares of RM1.00 each in the Company during the Exercise Period

Distribution of Warrant Holdings as at 30 September 2010

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	328	11.46	14,898	0.04
100 to 1,000	1,207	42.19	567,916	1.55
1,001 to 10,000	939	32.82	4,073,687	11.09
10,001 to 100,000	341	11.92	10,294,812	28.02
100,001 to less than 5% of warrants issued	43	1.50	12,582,640	34.25
5% and above of warrants issued	3	0.11	9,200,581	25.05
	2,861	**100.00**	**36,734,534**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2010

Registered Warrant Holders	No. of Warrants	% of Warrants
1. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	3,878,128	10.56
2. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Silverstone Corporation Berhad	3,401,260	9.26
3. AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	1,921,193	5.23
4. HSBC Nominees (Asing) Sdn Bhd Bank of America, National Association, Labuan Branch	1,401,035	3.81
5. HLG Nominee (Asing) Sdn Bhd BNP Paribas (Labuan Branch)	1,167,077	3.18
6. Mayban Nominees (Asing) Sdn Bhd DBS Bank for Agricultural Bank of China (S'pore Branch)	774,360	2.11
7. Citigroup Nominees (Asing) Sdn Bhd Citigroup GM INC for Avenue Asia Investments, LP	764,736	2.08
8. Haber Pte Ltd	629,436	1.71
9. HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse Securities (Europe) Limited	464,616	1.26
10. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749)	438,300	1.19
11. Indar Kaur A/P Dan Singh	411,400	1.12
12. HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Bank of America Securities Limited	344,826	0.94
13. Lion Diversified Holdings Berhad	331,850	0.90
14. Wee Kyam Hooi	322,400	0.88

Thirty Largest Registered Warrant Holders as at 30 September 2010 (continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
15. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loong Ah Chit (E-BPJ)	316,400	0.86
16. Chin Chin Seong	300,000	0.82
17. Loh Say Bee Sdn Berhad	300,000	0.82
18. ABB Nominee (Tempatan) Sdn Bhd Affin Bank Berhad (Loan Recovery)	274,649	0.75
19. Ooi Chin Guan	260,000	0.71
20. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Bee Kiew (CEB)	237,300	0.65
21. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chin Huat	236,100	0.64
22. Citigroup Nominees (Asing) Sdn Bhd Citigroup GM INC for Avenue Asia Capital Partners, LP	222,353	0.61
23. HLG Nominee (Tempatan) Sdn Bhd CIMB Bank for Len Book Learn (M66002)	201,100	0.55
24. Sim Seow Heng	200,000	0.54
25. HDM Nominees (Asing) Sdn Bhd Phillip Securities Pte Ltd for Goh Tjun Huat	178,800	0.49
26. Siow Chee Fei	174,600	0.48
27. Tee Chee Keong	172,700	0.47
28. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Chun Yong (8056055)	162,200	0.44
29. OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd for Chan Yeng Chew (7C/33364)	161,220	0.44
30. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chuah Chaw Song (REM 166-Margin)	150,000	0.41

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

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

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		458,685	0.02	1,569,685,981 (1)	82.57
Tan Sri Cheng Yong Kim		2,709,517	0.14	414,494,096 (2)	21.80
M. Chareon Sae Tang @ Tan Whye Aun		–	–	490,900	0.03
Folk Fong Shing @ Kok Fong Hing		–	–	– (3)	–
Related Corporations **Lion Diversified Holdings Berhad ("LDHB")**	RM0.50				
Tan Sri William H.J. Cheng		121,356,607	16.46	290,013,688 (4)	39.34
Tan Sri Cheng Yong Kim		7,841,337	1.06	251,843,935 (5)	34.16
M. Chareon Sae Tang @ Tan Whye Aun		–	–	20,000	*

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

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Related Corporations (continued)					
Tan Sri William H.J. Cheng Tan Sri 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
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	–	–	26,985,030	70.01
LDH Investment Pte Ltd	@	–	–	4,500,000	100.00
Logic Concepts (M) Sdn Bhd	RM1.00	–	–	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	–	–	91,000	91.00
Lyn (Pte) Ltd	@	–	–	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	–	–	600,000,001	100.00

	Nominal Value per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Megasteel Sdn Bhd					
- "D" Shares	RM0.01	–	–	49,000,000	100.00
- "E" Shares	RM0.01	–	–	11,000,000	100.00
- "F" Shares	RM0.01	–	–	26,670,000	100.00
- "G" Shares	RM0.01	–	–	10,000,000	100.00

Notes:

* *Negligible.*

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

(1) *Also deem interested in 10,203,307 Warrants and RM275,214,524 RCSLS.*

(2) *Also deem interested in 672,100 Warrants.*

(3) *Deem Interested in 10,300 Warrants.*

(4) *Also deem interested in the following:*

(i) *a direct interest in RM121,615,000 nominal value of the 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of LDHB ("ICULS") convertible into 243,230,000 new ordinary shares of RM0.50 each in LDHB ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and*

(ii) *an indirect interest in RM203,961,522 nominal value of ICULS convertible into 407,923,044 new LDHB Shares at the Conversion Price.*

(5) *Also deem interested in the following:*

(i) *a direct interest in RM1,000,000 nominal value of ICULS convertible into 2,000,000 new LDHB Shares at the Conversion Price; and*

(ii) *an indirect interest in RM30,014,916 nominal value of ICULS convertible into 60,029,832 new LDHB Shares at the Conversion Price.*

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

OTHER INFORMATION

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

Conditional Option Agreement dated 30 September 2009 entered into between Megasteel Sdn Bhd ("Megasteel"), a 79% owned subsidiary of the Company, and Tan Sri William H.J. Cheng ("TSWC"), the Chairman and Managing Director of the Company having a substantial interest in the Company and Megasteel, whereby TSWC grants an option to Megasteel to put to him 102,000,000 ordinary shares of RM1.00 each representing approximately 14.31% equity interest in Lion Industries Corporation Berhad ("LICB") on any market day within the period commencing on the later of 1 October 2009 or the date of the receipt by the security trustee, who is acting for the benefit of Megasteel's lenders, of a notice from Megasteel that the last of the conditions precedent in the Conditional Option Agreement has been obtained and ending at 5.00 pm on 31 December 2009 or ten (10) market days from the unconditional date, whichever is the later, at the exercise price, to be determined based on the 10-day weighted average price of LICB shares preceding the exercise date of the put option, to be paid in 2 equal tranches, i.e. by 31 March 2010 and 30 June 2010.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM Nil (2009 : RM55,000).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2010 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils, steel bars, steel plates, billets, scrap iron, gases and other related products and services	Lion Industries Corporation Berhad Group ("LICB Group") (1)	846,231
	Lion Holdings Pte Ltd Group ("LHPL Group") (2)	3,347
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	87,160
	Lion Forest Industries Berhad Group ("LFIB Group") (1)	14,861
	Megasteel Sdn Bhd Group ("Megasteel Group") (3)	22,382
		973,981
(ii) The purchase of hot briquetted iron, scrap iron and other related products and services	LICB Group (1)	1,190,389
	LHPL Group (2)	670,877
	Ributasi Holdings Sdn Bhd Group (2)	43,843
	LDHB Group (1)	1,196,598
	Lion Asiapac Limited Group (4)	30,570
	LFIB Group (1)	1,146
	Mitsui & Co., Ltd (5)	34,983
	Megasteel Group (3)	352,910
		3,521,316
(iii) The purchase of machinery, spare parts, lubricants, tools and dies and other related products and services	LFIB Group (1)	3,385

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2010 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (continued)		
(iv) The obtaining of marketing, distribution and transportation services	LICB Group [1]	23,184
	LFIB Group [1]	13,135
		36,319
(v) Letting of Land	LDHB Group [1]	1,142
(vi) The obtaining of storage, leasing and rental of properties, management and support and other related services for the Steel Division office	LICB Group [1]	1,348
(b) Motor vehicles related		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicles	LFIB Group [1]	456
(ii) The purchase of motor vehicles and component parts of motor vehicles	LFIB Group [1]	436

Notes:

"Group" includes subsidiaries and associates

(1) Companies in which certain Directors and certain major shareholders of the Company have substantial interests.
(2) Companies in which certain Directors of the Company have substantial interests.
(3) Subsidiaries in which certain Directors and certain major shareholders of the Company have substantial interests other than through the Company.
(4) Companies in which a Director and certain major shareholders of the Company have substantial interests.
(5) A major shareholder of a subsidiary of the Company.

(IV) 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.

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.

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

(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 2010)		
Stages of the assets to be divested	**PDP (Per GWRS)**	**Divestment concluded Total**	**Jan - June 2010**	**Projected for July - Dec 2010**	**Projected Jan - Dec 2010**
	RM'million	**RM'million**	**RM'million**	**RM'million**	**RM'million**
By December 2003					
Shares in listed and unlisted companies	33.3	2.7	–	–	–
By December 2004					
Shares in unlisted company	38.6	–	–	–	–
	71.9	2.7	–	–	–

(ii) Transaction completed during the financial year

There were no transactions completed during financial year.

(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-Seventh Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 24 November 2010 at 11.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
3. To re-elect as Director, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain		
4. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
5. To re-appoint as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Amendment to Articles of Association of the Company		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this .... day of 2010

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.