LION CORPORATION BERHAD

A Member of The Lion Group

(12890-A)

Laporan Tahunan 2007 Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 29 November 2007 at 12.15 pm for the following purposes:

AGENDA

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2007. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM182,500 (2006: RM195,000). **Resolution 2**

3. To re-elect Directors:

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

   Y. Bhg. Tan Sri William H.J. Cheng **Resolution 3**
   Y. Bhg. Datuk Cheng Yong Kim **Resolution 4**

   In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman who was appointed subsequent to the financial year retires and, being eligible, offers himself for re-election. **Resolution 5**

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

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

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

6. Special Business

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

6.1 Authority to Directors to issue shares

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   "THAT approval be 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 14 November 2007 ("Related Parties") 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 of the Company. **Resolution 9**

AND THAT authority conferred by this ordinary resolution shall continue to be in force until:

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

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

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

whichever is the earlier,

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

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
7 November 2007

Notes:

1. *Proxy*

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

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

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

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

2. *Resolution 8*

   This authorisation will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

3. *Resolution 9*

   This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular to Shareholders dated 14 November 2007, 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 of the Company.

   The Circular to Shareholders setting out the details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions will be despatched on 14 November 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-election/re-appointment at the Thirty-Fourth Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 7 of the 2007 Annual Report.

CORPORATE INFORMATION

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

		Ordinary Shares	**Warrants**
Stock Name	:	LIONCOR	LIONCOR-WA
Bursa Securities Stock No.	:	3581	3581w
ISIN Code	:	MYL3581OO005	MYL3581WACC7
Reuters Code	:	LION.KL	LION_t.KL

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 64, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

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

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 458,685 ordinary shares of RM1.00 each and an indirect shareholding of 748,066,769 ordinary shares of RM1.00 each, and 42,160,189 warrants in the Company. In addition, he also has an indirect interest of 490,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 490,000 shares in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 106 and 107 of this Annual Report.

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

Tan Sri William Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2007.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 57, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

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

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

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

Datuk Cheng Yong Kim (continued)

Datuk Cheng has a direct shareholding of 10,209,517 ordinary shares of RM1.00 each and an indirect shareholding of 684,997,324 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 106 and 107 of this Annual Report.

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

Datuk Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2007.

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 65, 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. He had served the Government of Malaysia (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 the High Commissioner of Malaysia to Singapore.

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

Datuk Emam Mohd Haniff attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2007.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 60, 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 Sciences, Penang. He had served the Royal Malaysian Police - Special Branch for 36 years in various positions including staff officer, Assistant Director and Deputy Director. Datuk Mohd Yusof 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.

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

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 68, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Audit Committee, Remuneration Committee and Executive Share Option Scheme Committee.

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

Mr Tang has an indirect shareholding of 510,900 ordinary shares of RM1.00 each in the Company.

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

Mr Tang attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2007.

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

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 75, was appointed to the Board on 6 June 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee and Executive Share Option Scheme Committee and a member of the Nomination Committee of the Company.

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

Mr Folk attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2007.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiary companies; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interest with the Company; and (iv) any conviction for offences within the past 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 2007 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 2007, six (6) board meetings were held and each Director attended all the board meetings held during the financial year. A brief profile of each member of the Board is set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

Represented on the Board are three (3) 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 the 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 the 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 their behalf whenever required. These committees operate under approved terms of reference or guidelines set out by the Board.

Supply of Information

The Board members, in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon in order to arrive at an informed decision.

Supply of Information (continued)

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 Directors also have access to the advice and services of the Company Secretaries, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

Appointments to the Board

The Nomination Committee is responsible for recommending the right candidates with the necessary mix of skill, experience and competency to be appointed to the Board and Board Committees. The members and terms of reference of the Nomination Committee are presented on page 16 of this Annual Report.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, an in-house seminar was held for the benefit of the Directors. Certain Directors have also attended other seminars and programmes other than that in relation to the in-house seminar.

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

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

The Board views the attendance of the Directors at the aforementioned seminars and programmes, and the Continuing Updates as adequate to enhance their 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 16 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 2007 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	34	1,969	2,003
Non-executive Directors	159	-	159
	193	1,969	2,162

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
25,000 & below	-	3*
25,001 – 50,000	-	3
2,000,101 – 2,050,000	1	-

* Including two Directors who retired at the previous Annual General Meeting.

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) Directors, 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 13 and 15 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 for 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 2007, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

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

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

- An operational structure with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability

- Internal policies and procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority

- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis

- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee

- Confirmation of the effectiveness of internal control and risk assessment process by the chief executive officer or general manager of key operating companies by way of completion of the Internal Control – Self-Assessment Questionnaire on an annual basis

- Periodic examination of business processes and systems of internal control by the internal audit function which regularly submits its reports to the Audit Committee

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

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

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

- **Secretaries**

  The Secretaries of Lion Corporation Berhad, Ms Chan Poh Lan and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

  The duties of the Audit Committee are:

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

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

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

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

  (iv) To discuss problems and reservations arising from the interim and final external audits, and any matter the external auditors may wish to discuss (in the absence of management, where 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 and resources of the internal audit function and that it has the necessary authority to carry out its work
  - review internal audit programme
  - ensure co-ordination of external audit with internal audit
  - consider the major findings of internal audit reviews/investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.

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

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

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

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

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

  (xii) To perform any other such function as may be agreed to by the Audit Committee and the Board.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Except for Mr M. Chareon Sae Tang who attended the remaining four (4) meetings of the Audit Committee held during the financial year subsequent to his appointment as a member of the Audit Committee, all other members attended all the seven (7) Audit Committee 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 their consideration and approval focusing particularly on changes in accounting policies, significant and unusual events and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements.

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

  (e) Convened a meeting with the external auditors without Management being present to discuss issues arising from their review.

- **Risk Management**

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

- **Related Party Transactions**

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

- **Allocation of Share Options**

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

NOMINATION COMMITTEE

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

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

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

Terms of Reference :

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

REMUNERATION COMMITTEE

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

Members : Y. Bhg. Datuk Cheng Yong Kim
(Non-Independent Non-Executive Director)

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

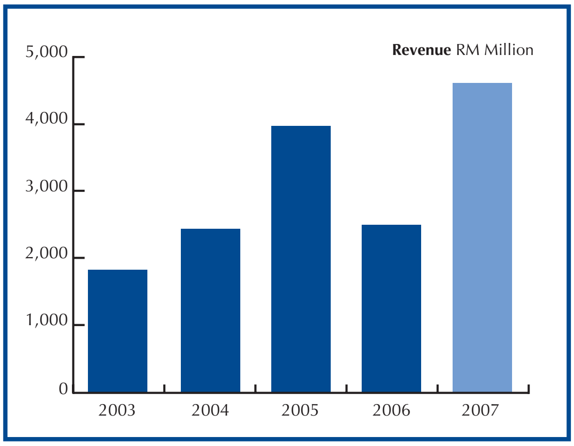
Terms of Reference :

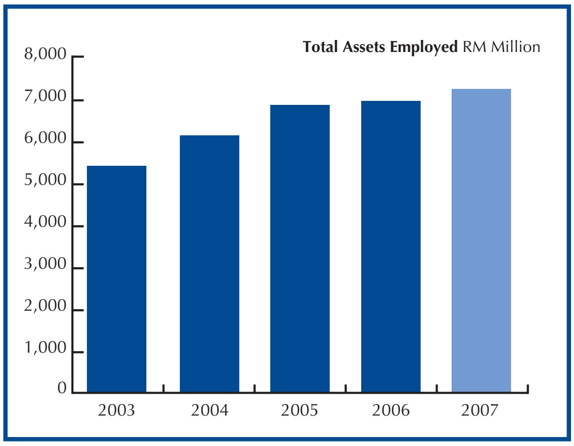
- To recommend to the Board the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

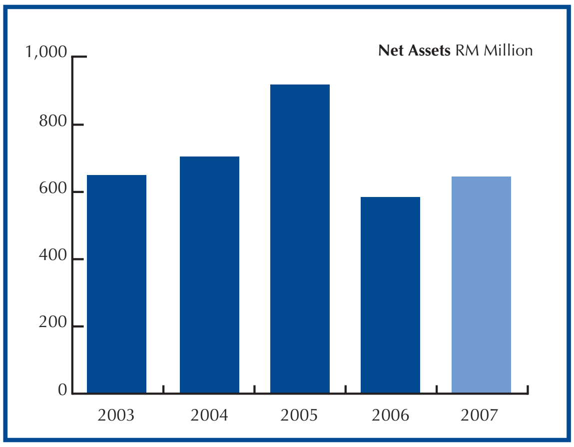
5 YEARS GROUP FINANCIAL HIGHLIGHTS

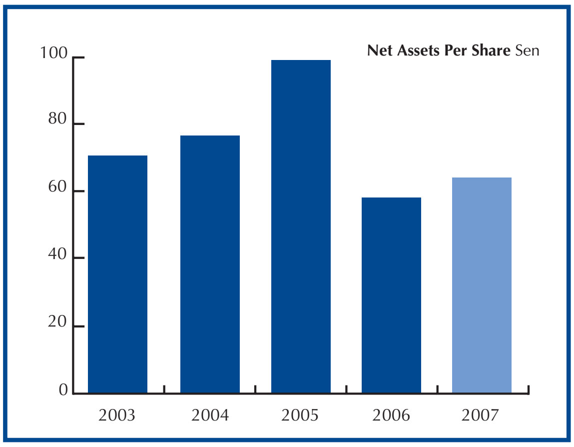
Financial years ended 30 June	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	1,837,840	2,445,442	3,977,086	2,507,212	**4,619,893**
Profit/(loss) from operations	302,100	209,256	387,787	(154,701)	**511,011**
Profit/(loss) before taxation	100,377	49,672	182,455	(556,386)	**(181,197)**
Profit/(loss) after taxation	100,246	55,118	264,960	(430,208)	**(188,175)**
Total assets employed	5,417,327	6,135,433	6,865,084	6,973,284	**7,260,433**
Net assets	651,318	705,475	919,463	585,884	**647,903**
	Sen	Sen	Sen	Sen	Sen
Net assets per share	70.9	76.8	99.3	58.3	**64.5**
Earnings/(loss) per share	14.2	4.7	25.1	(42.7)	**(21.2)**

Note : The Group's financial highlights have been adjusted to account for the new or revised Financial Reporting Standards ("FRSs") of which certain FRSs have been adopted retrospectively.



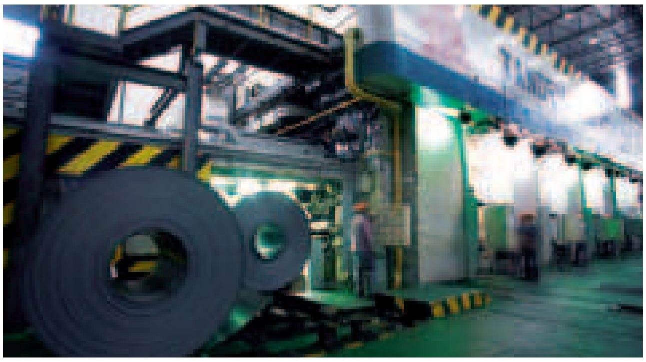






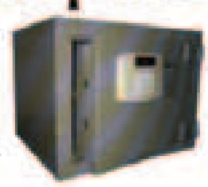
THE GROUP'S BUSINESSES

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



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

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



- Steel fabricated products ranging from industrial rackings to office furniture and mobile safes from Lion Steelworks Sdn Bhd. New products launched are the Boltless Racking System (top right) and Lion Commando Safe (bottom right).
- *Rangkaian produk fabrikasi keluli merangkumi rak industri, perabot pejabat serta peti keselamatan bergerak daripada Lion Steelworks Sdn Bhd. Produk baru yang dilancarkan ialah sistem rak tanpa kancing (kiri) dan peti keselamatan Lion Commando (kanan).*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Corporation Berhad bagi tahun kewangan berakhir pada 30 Jun 2007.

PRESTASI KEWANGAN

Bagi tahun kewangan dalam kajian, Megasteel Sdn Bhd ("Megasteel"), pengeluar tunggal besi gulungan panas (hot rolled coils - HRC) di negara ini dan penyumbang utama kepada perolehan dan keuntungan Kumpulan, telah beroperasi dalam persekitaran yang menggalakkan di tengah-tengah peningkatan stabil harga keluli antarabangsa.

Pemulihan dalam harga keluli sejagat berlaku hasil daripada konsolidasi industri keluli di kebanyakan negara di dunia termasuk langkah yang diambil oleh China untuk mengekang pengeluaran barangan keluli bagi pasaran eksport. Permintaan sejagat turut kukuh apabila kegiatan pembinaan melibatkan projek infrastruktur yang besar semakin pesat dan mulai mencatat peningkatan di negara-negara Timur Tengah yang kaya dengan minyak dan juga negara-negara sedang membangun di Asia.

Di dalam negara, sektor pembinaan dijangka akan berkembang pada kadar yang lebih cepat, dirancakkan oleh pelaksanaan pelbagai projek di bawah Rancangan Malaysia Ke-9 (RMK-9). Langkah-langkah telah diambil untuk memulakan beberapa wilayah pembangunan di negara ini bersama-sama dengan pelaksanaan projek penggantian paip air dan projek pemindahan air antara negeri akan menawarkan peluang yang baik kepada Megasteel dalam beberapa tahun akan datang.

Perolehan kumpulan meningkat dengan ketara kepada RM4.6 bilion berbanding RM2.5 bilion pada tahun lalu. Selepas mengambilkira kerugian rosot nilai berjumlah RM372.2 juta dalam pelaburan syarikat sekutu dan kos kewangan sebanyak RM444.9 juta, Kumpulan mencatatkan kerugian yang lebih rendah berjumlah RM181.2 juta berbanding RM556.4 juta pada tahun lalu.

PERKEMBANGAN KORPORAT

1) Kumpulan telah menyelesaikan pelupusan 56.64% ekuiti kepentingan dalam Amalgamated Containers Berhad ("ACB") (kini dikenali sebagai Parkson Holdings Berhad) kepada Excel Step Investments Limited, anak syarikat milik penuh Lion Diversified Holdings Berhad, untuk pertimbangan tunai berjumlah RM35.12 juta pada 14 September 2007.

2) Kumpulan telah selesai melaksanakan pengambilan alih keseluruhan modal terbitan dan berbayar Bright Steel Sdn Bhd daripada ACB untuk pertimbangan tunai berjumlah RM53.47 juta pada 19 September 2007.

KAJIAN OPERASI

Bahagian Keluli

Selari dengan peningkatan penggunaan keluli di dalam dan luar negara, Bahagian operasi keluli kita telah mencatatkan pertumbuhan dalam hasil perolehannya sebanyak 90% berbanding pada tahun sebelumnya. Purata harga jualan bagi HRC meningkat sebanyak 10% seiring dengan kenaikan harga di pasaran sejagat. Kebimbangan terhadap pengeluaran dari China akan membanjiri pasaran antarabangsa berkurangan berikutan langkah yang diambil kerajaan berkenaan untuk mengekang eksport baru-baru ini. Penghapusan rebat eksport ke atas kebanyakan produk keluli pada bulan September 2006, menyebabkan harga menjadi lebih tinggi. Pada bulan Julai 2007, China telah mengenakan tarif eksport sehingga 10% ke atas produk keluli yang tertentu.

Kenaikan harga jualan keluli turut menyebabkan harga besi lusuh yang merupakan komponen utama dalam kos, meningkat sama. Bagaimanapun, dengan jumlah pengeluaran yang lebih tinggi, kenaikan kos besi lusuh untuk setiap satu tan metrik pengeluaran berjaya dikurangkan. Dalam tahun kewangan semasa, Megasteel juga telah berjaya mengeksport produknya ke negara-negara Eropah.

Peningkatan kos pengeluaran terus membimbangkan kita. Dalam usaha meningkatkan produktiviti dan mengurangkan kos pengeluaran, kita bercadang untuk menggunakan (Direct Reduced Iron (DRI) hot charged) sebagai pengganti besi lusuh import. Penggunaan DRI akan memendekkan masa peleburan ketika proses pengeluaran dan menjimatkan jumlah penggunaan elektrik bagi setiap kitaran pengeluaran, sekali gus meningkatkan produktiviti sambil mengurangkan kos. Kita juga komited dalam mengukuhkan hubungan dengan pelanggan utama kita dan menguasai pasaran baru dengan memberikan jaminan kualiti yang ketat, kepastian dalam pembekalan, penghantaran tepat pada masa, rangkaian produk yang meluas dan perkhidmatan pelanggan yang lebih baik.

Bahagian Motor

Pasaran kenderaan tempatan menunjukkan tanda-tanda tidak bermaya dalam tahun kewangan semasa. Menurut Persatuan Automotif Malaysia, bilangan pendaftaran kenderaan baru dalam tahun semasa jatuh 11.6% berbanding pada tahun sebelumnya. Pasaran kenderaan baru yang lembap serta kelulusan kredit yang lebih ketat untuk pembiayaan kenderaan menyebabkan bahagian motor kita mencatat kerugian operasi berjumlah RM13.5 juta. Untuk bergerak ke hadapan, kita akan terus mengukuhkan rangkaian pemasaran dan memberi tumpuan kepada penjimatan kos untuk kekal berdaya saing.

Bahagian Perkilangan – Perabot Keluli

Pada masa ini produk kita dieksport dan diterima baik di rantau Timur Tengah. Bahagian ini berjaya mengurangkan kerugian berbanding tahun lalu. Pada tahun kewangan, peti simpanan Lion Commando untuk kediaman dan sistem rak tanpa kancing telah dilancarkan. Kita juga memperkenalkan rangkaian baru sistem perabot modulan yang membolehkan fleksibiliti dalam reka bentuk, ciri-ciri dan reka letak untuk memenuhi keperluan dan kehendak pasaran yang tertentu.

Pasaran perabot keluli pejabat di dalam negara telah mencapai tahap matang dan amat sensitif pada harga yang ditawarkan. Bagaimanapun, dengan pelaksanaan pelbagai projek mega di bawah RMK-9 dan Wilayah Pembangunan Iskandar, Bahagian ini akan menyertai secara aktif untuk mendapatkan tender-tender projek terutamanya untuk sistem pemfailan dan rak bergerak.

TANGGUNGJAWAB SOSIAL KORPORAT

Kita menyedari akan pentingnya tanggungjawab sosial korporat ("CSR") sebagai sebahagian dari pelengkap perniagaan dan telah menerapkan rangka kerja kebertanggungjawaban dan ketelusan CSR dalam rancangan perniagaan untuk meningkatkan keyakinan para pemegang kepentingan. Sehubungan dengan itu, CSR menjadi satu komponen penting dalam amalan perniagaan yang baik yang disasarkan untuk kebaikan bersama masyarakat dan juga alam sekitar.

Dalam melaksanakan aktiviti perniagaannya, Kumpulan sentiasa prihatin akan tanggungjawabnya sebagai warga korporat, untuk menyumbang kembali kepada masyarakat sambil meningkatkan hasil perolehan dan juga nilai para pemegang saham. Kumpulan memberikan tumpuan untuk membantu masyarakat dalam bidang pendidikan dan penjagaan kesihatan menerusi dua buah yayasan.

Yayasan Lion ASM menyalurkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik; dan setiap tahun ia memberikan biasiswa dan pinjaman pendidikan kepada pelajar yang melanjutkan pelajaran di universiti-universiti tempatan. Dana Bantuan Perubatan Kumpulan Lion pula menawarkan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan.

PROSPEK

Lonjakan harga keluli sejagat dijangka akan berkekalan berikutan langkah-langkah yang diambil untuk mengekang pengeluaran keluli di China. Dengan permintaan di pasaran domestik yang tinggi dan langkah-langkah untuk meningkatkan kecekapan pengeluaran, Kumpulan dijangka mampu mengekalkan kedudukan dan meraih keuntungan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya mengalu-alukan pelantikan Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman sebagai Pengarah Bebas Bukan Eksekutif Kumpulan yang baru.

Saya juga ingin merakamkan setinggi-tinggi penghargaan kepada semua kakitangan atas sokongan dan komitmen yang tidak berbelah bagi kepada Kumpulan. Penghargaan yang sama juga diberikan kepada para pemegang saham, pelanggan yang dihormati, pembiaya, rakan perniagaan dan pihak berkuasa Kerajaan di atas keyakinan sokongan berterusan mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lion Corporation Berhad for the financial year ended 30 June 2007.

FINANCIAL PERFORMANCE

For the year under review, Megasteel Sdn Bhd ("Megasteel"), the country's sole producer of hot rolled coils ("HRCs") and the main contributor to the Group's revenue and profitability, was able to operate under a more conducive environment amidst a steady rebound in international steel prices.

The recovery in global steel prices arose out of the consolidation of the steel industry in various parts of the world as well as steps taken by China to curb production of steel for the export market. Global demand was also stronger as construction activities on massive infrastructural projects began to accelerate and picked up pace in oil-rich Middle East countries and emerging nations in Asia.

On the local front, the construction sector is anticipated to grow at a faster pace, fuelled by the implementation of various projects under the Ninth Malaysia Plan. Steps taken to open up the various development regions in the Country together with the roll-out of the water pipes replacement project and the inter-state water transfer project augur well for Megasteel in the next few years.

Group revenue was substantially higher at RM4.6 billion as against RM2.5 billion achieved last year. After accounting for an impairment loss of RM372.2 million in respect of its investment in associates and finance costs of RM444.9 million, the Group reported a lower loss of RM181.2 million as against RM556.4 million last year.

CORPORATE DEVELOPMENTS

1) The Group completed the disposal of its 56.64% equity interest in Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad) to Excel Step Investments Limited, a wholly-owned subsidiary of Lion Diversified Holdings Berhad, for a cash consideration of RM35.12 million on 14 September 2007.

2) The Group completed the acquisition of the entire issued and paid-up share capital of Bright Steel Sdn Bhd from ACB for a cash consideration of RM53.47 million on 19 September 2007.

REVIEW OF OPERATIONS

Steel Division

Benefitting from the increase in steel consumption domestically and globally, our Steel Division registered a 90% growth in revenue as compared to the previous year. Average selling prices for HRCs was up by 10% in tandem with rising global HRC prices. The fears of China's steel production flooding the international market have been tempered by the recent government measures to curb export. The country's removal of export rebates on most steel products in September 2006, saw prices move higher in response. In July 2007, China imposed export tariffs of as much as 10% on certain steel products.

In line with the increase in the selling prices of steel, the cost of scrap, which is the main cost component has increased accordingly. However, the increase in scrap cost per metric ton of steel produced was mitigated by the higher production volumes. During the current financial year, Megasteel also managed to export its products to the European countries.

Rising production cost remains our main concern. In order to increase productivity and reduce production costs, we intend to use hot-charge direct reduced iron ("DRI") as a substitute for imported scrap. The use of DRI will decrease the melting time during our production process and reduce the amount of electricity usage per production cycle, thereby increasing productivity while decreasing costs. We are also committed to strengthening relationships with our key customers and gaining new markets by providing strict quality assurance, certainty of supply, on-time delivery, a diverse product range and superior customer service.

Motor Division

The Malaysian vehicle market showed signs of slow-down in the current financial year. According to the Malaysia Automotive Association, the number of new vehicles registration in the current year was 11.6% lower than last year. The slow-down in the new vehicles market coupled with tighter credit approval for vehicle financing had resulted in our Motor Division registering an operation loss of RM13.5 million. Moving forward, we will continue to strengthen our marketing network and focus on cost savings in order to stay competitive.

Manufacturing Division – Steel Furniture

Our products are currently exported and are well accepted in the Middle East region. This Division managed to register a lower loss as compared to last year. During the year under review, the Lion Commando home safe and boltless racking system were launched. We also introduced a new range of modular system furniture which allows for flexibility in design, features and layout to meet the various market requirements and needs.

The domestic steel office furniture market is matured and highly price sensitive. However, with the implementation of various mega projects under the Ninth Malaysia Plan and the projects in the Iskandar Development Region, the Division will participate actively in project tenders, especially for mobile filing and racking systems.

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. In this regard, CSR is becoming an important component of good business practice aimed at improving society and the environment.

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

The Lion-ASM Foundation disburses funds for various needs such as education, charity and scientific research; and every year, gives out scholarships and education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment.

PROSPECTS

The rebound in global steel prices is expected to be sustained in view of measures being taken to curb excessive steel exports from China. Coupled with stronger demand in the domestic market and steps to improve production efficiency, the Group is expected to maintain its profitable position.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our welcome to Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman on his appointment as a new Independent Non-Executive Director of the Group.

I would like to record my deep appreciation to all staff for their untiring commitment and contribution to the Group. Last but not least, I wish to also thank all our shareholders, valued customers, financiers, business associates and Government authorities for their continued support and confidence in the Group,

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事会，欣然提呈金狮机构有限公司在截至2007年6月30日为止的会计年度的常年报告和经审核财政报告。

财务表现

在受检讨的一年内，由于钢铁的国际市场价格稳健回弹，美佳钢铁私人有限公司能够在比较有利的环境下运作。美佳钢铁是国内唯一一家生产热轧钢的钢铁厂，也是本集团的营业收入和利润的主要来源。

全球钢铁价格回升，是由于世界许多地区的钢铁工业进行整合，以及中国采取步骤，抑制生产出口的钢铁产量。随着中东产油国以及亚洲的新兴国家加速经济发展，推动庞大的基建工程，促进建筑业发展，全球对钢铁的需求也更加强劲。

在我国第九大马计划下推动的各种工程，预料建筑业将从中受惠，更加快速的增长。政府所采取开发几个发展区的步骤，加上进行替换输水水管的工程以及跨州输水计划，预料美佳钢铁在未来几年的前景良好。

本集团在本会计年度的营业收入激增，达到46亿令吉；上一个年度则是25亿令吉。在把本集团在联号资产减值的3亿7千220万令吉以及融资费用4亿4千490万令吉计算在内之后，本集团取得较上一个年度较少的亏损，共1亿8千120万令吉；上一个年度的亏损则为5亿5千640万令吉。

企业发展

1) 本集团于2007年9月14日，以现金3千512万令吉完成脱售合营货柜有限公司（现称百盛控股有限公司）的56.64%股权给金狮多元控股有限公司的独资子公司，Excel Step Investments Limited。

2) 本集团于2007年9月19日，以现金5千347万令吉完成向合营货柜有限公司收购Bright Steel Sdn Bhd 的全部发行及缴足资本。

业务检讨

钢铁组

在过去一年中，受惠于国内及全球的钢铁需求量增加，钢铁组的营业收入也增加了90%。由于热轧钢的全球价格上升，我们的平均销售价也相应的提高了10%。中国政府最近采取抑制钢铁出口的措施，将缓和中国钢铁充斥国际市场的危机。该国于2006年9月取消大部分钢铁产品的出口税回扣，使到国际钢铁价格回升。2007年7月，中国对某些钢铁产品征收高达10%的出口税。

随着钢铁销售价上升，废铁（它是制造钢铁的主要成本）的价格也相应的提高。不过，由于钢铁产量的提高，抵消了废铁单价的上升。在本会计年度，美佳钢铁厂也出口钢铁到欧洲国家。

成本不断上升仍然是我们最关注的课题。为了提高生产力兼降低生产成本，我们打算用还原铁取代入口的废铁。使用还原铁作为生产原料，将缩短生产过程的溶化时间和耗电量，在提高生产力的同时也降低成本。我们也致力於加强和现有主要客户的关系，以及争取新市场，因此我们将确保更严格的品质保证，供应确定，及时交货，提供种类繁多的产品以及出色的服务态度。

汽车组

在本会计年度内，马来西亚的汽车市场出现减缓的迹象。根据马来西亚汽车公会的数据，在本会计年度注册的车辆比上一年度减少11.6%。新车销售量少，加上车辆的贷款融资更加严格，使到我们的汽车组蒙受1千350万令吉的营业亏损。展望未来，我们将继续加强销售网络，以及致力于节省成本，以保持竞争能力。

制造业组 — 钢制家私

本组的出口产品，目前在中东地区大受欢迎。在本会计年度，本组的亏损比上一年度少。在受检讨的一年内，我们推出Lion Commando家庭保险箱及无螺栓架子。我们也推出一系列新款的模组家私系统，它们在设计，外貌及图样方面都更具灵活性，可以迎合个别市场的需求。

国内的钢制办公室家私市场已达到饱和，以及价格敏感。不过，随着政府在第九大马计划下实施多项庞大工程，以及伊斯干达发展区的推出，本组将积极参与工程投标，尤其是参与供应可移动文件柜及架子系统的投标。

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。在这方面，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。

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

Lion-ASM基金拨款作各种用途，诸如教育、慈善及科学研究；每年提供奖学金和贷学金给在本地大学深造的在籍大学生。金狮集团医药援助基金则为迫切需要医疗的马来西亚人提供财务援助。

展望

由于中国政府采取措施抑制国内过剩的钢铁产量出口，预料钢铁在全球的价格将会持续回弹。加上国内市场对钢铁的需求殷切以及本集团采取步骤提高生产效率，预料本集团将继续处于盈利的地位。

鸣谢

我谨代表董事会，欢迎 Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman受委担任本集团的新任独立非执行董事。

对于所有职员不懈的努力及对本集团作出的贡献，我谨表达最深切的谢意。我也要感谢所有股东、客户、银行界、商业伙伴以及政府机构继续支持本机构及对本机构有信心。

主席
丹斯里钟廷森

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 16 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	(188,175)	(411,891)
Attributable to:		
Ordinary equity holders of the Company	(213,407)	(411,891)
Minority interests	25,232	-
	(188,175)	(411,891)

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2007.

DIRECTORS

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

Tan Sri William H.J. Cheng
Datuk Cheng Yong Kim
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Datuk Mohd Yusof bin Abd Rahaman (Appointed on 1.8.2007)
M. Chareon Sae Tang @ Tan Whye Aun
Folk Fong Shing @ Kok Fong Hing
Raja Dato' Zainal Abidin bin Raja Haji Tachik (Retired on 30.11.2006)
Dato' Haji Yahya bin Haji Talib (Retired on 30.11.2006)

DIRECTORS (continued)

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

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman who was appointed subsequent to the financial year retires and, being eligible, offers himself for re-election.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiaries are substantial shareholders as disclosed in Note 35 to the financial statements.

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.7.2006	**Additions**	**Disposals**	**As at 30.6.2007**
Direct Interest in Shares				
Tan Sri William H.J. Cheng	458,685	-	-	458,685
Datuk Cheng Yong Kim	10,209,517	-	-	10,209,517
Indirect Interest in Shares				
Tan Sri William H.J. Cheng	731,971,605	16,559,848	(500,000)	748,031,453
Datuk Cheng Yong Kim	441,289,247	16,559,848	-	457,849,095

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 1.7.2006	**Granted**	**Exercised**	**As at 30.6.2007**
Tan Sri William H.J. Cheng	245,000	245,000	-	490,000

DIRECTORS' INTERESTS (continued)

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

	Number of Warrants			
	As at 1.7.2006	Additions	Disposals	As at 30.6.2007
Tan Sri William H.J. Cheng	42,160,189	-	-	42,160,189

The Directors' interests in related companies are as follows:

	Nominal Value per Ordinary Share	Number of Ordinary Shares			
		As at 1.7.2006	Additions	Disposals	As at 30.6.2007
Indirect Interest in Shares					
Tan Sri William H.J. Cheng and Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	42,644	-	-	42,644
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	26,985,030	-	-	26,985,030
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	-	-	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	-	-	91,000
Lyn (Pte) Ltd	*	1,225,555	-	-	1,225,555
Megasteel Sdn Bhd	RM1.00	540,000,001	-	-	540,000,001
Parkson Holdings Berhad	RM1.00	42,318,772	-	-	42,318,772
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	-	-	11,420,000
Bright Enterprise (Sdn) Berhad	RM1.00	816,000	-	-	816,000
B.A.P. Industries Sdn Bhd	RM1.00	4,650,000	-	-	4,650,000

	Number of Preference "D" Shares of RM0.01 each			
	As at 1.7.2006	Additions	Disposals	As at 30.6.2007
Megasteel Sdn Bhd	49,000,000	-	-	49,000,000

	Number of Preference "F" Shares of RM0.01 each			
	As at 1.7.2006	Additions	Disposals	As at 30.6.2007
Megasteel Sdn Bhd	26,670,000	-	-	26,670,000

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

Other than as disclosed above, the Directors of the Company do not have any other interest in shares in the Company or its related companies during and at the end of the financial year.

EXECUTIVE SHARE OPTION SCHEME

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

EXECUTIVE SHARE OPTION SCHEME (continued)

The salient features and other terms of the ESOS are disclosed in Note 32(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:

Date Granted	Subscription Price per Share RM	Balance as at 1.7.2006	Granted	Exercised	Lapsed	Balance as at 30.6.2007
26.5.2006	1.00	5,570,900	-	-	(596,100)	4,974,800
26.2.2007	1.00	-	7,026,100	-	(1,286,600)	5,739,500
		5,570,900	7,026,100	-	(1,882,700)	10,714,300

The exercise period for the options will expire on 31 August 2010.

During the financial year, the Company has offered a grant of options to eligible executives and executive Directors of the Group at a subscription price of RM1.00 per share. The Company had been granted exemption by the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 100,000 options. The eligible employees (excluding the executive directors) who were granted 100,000 options or more during the financial year are as follows:

Name of Employee	Number of Options Granted on 26.2.2007
Khor Toong Yee	122,500
Vijaya Kumar A/L P.V. Ramayah	122,500

OTHER STATUTORY INFORMATION

Before the income statements and 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 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

OTHER STATUTORY INFORMATION (continued)

(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.

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

In the opinion of the Directors:

(a) except as disclosed in the financial statements, 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; and

(b) except as disclosed in the financial statements, 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.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 39 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 2 October 2007.

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

DATUK CHENG YONG KIM
Director
Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		Group		Company	
	Note	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
Revenue	6	**4,619,893**	2,507,212	**123,452**	115,431
Other operating income		**174,483**	71,925	**13,991**	20,951
Changes in inventories of finished goods and work-in-progress		**(159,772)**	176,247	**-**	-
Purchase of trading goods		**(24,107)**	(75,940)	**-**	-
Raw materials and consumables used		**(3,338,613)**	(2,077,867)	**-**	-
Employee benefits expense	7	**(98,373)**	(69,058)	**(1,426)**	(927)
Depreciation and amortisation expenses		**(128,889)**	(271,890)	**-**	-
Other operating expenses	8	**(533,611)**	(415,330)	**(793)**	(14,003)
Profit/(loss) from operations	9	**511,011**	(154,701)	**135,224**	121,452
Finance costs	10	**(444,903)**	(380,289)	**(199,518)**	(186,334)
Share in results of associates		**124,857**	(1,396)	**-**	-
Impairment loss in associates	17	**(372,162)**	(20,000)	**(347,597)**	-
Loss before taxation		**(181,197)**	(556,386)	**(411,891)**	(64,882)
Income tax expense	11	**(6,978)**	126,178	**-**	-
Net loss for the financial year		**(188,175)**	(430,208)	**(411,891)**	(64,882)
Attributable to:					
- Ordinary equity holders of the Company		**(213,407)**	(402,873)	**(411,891)**	(64,882)
- Minority interests		**25,232**	(27,335)	**-**	-
Net loss for the financial year		**(188,175)**	(430,208)	**(411,891)**	(64,882)
Loss per share attributable to ordinary equity holders of the Company:	12				
- Basic (sen)		**(21.2)**	(42.7)		
- Diluted (sen)		**N/A**	N/A		

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

BALANCE SHEETS

AS AT 30 JUNE 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000 (Restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**3,028,309**	3,200,724	**-**	-
Prepaid land lease payments	14	**25,062**	24,081	**-**	-
Goodwill	15	**564,342**	566,718	**-**	-
Investment in subsidiaries	16	**-**	-	**2,167,376**	2,176,204
Investment in associates	17	**1,001,563**	1,002,940	**237,355**	584,955
Other investments	18	**1,408**	5,633	**1,192**	5,392
Long term receivable	20	**239,469**	237,098	**-**	-
Deferred tax assets	30	**122,992**	104,678	**-**	-
		4,983,145	5,141,872	**2,405,923**	2,766,551
Current Assets					
Inventories	19	**1,726,857**	1,483,310	**-**	-
Trade and other receivables	20	**483,076**	286,000	**468**	241
Amount due from subsidiaries	21	**-**	-	**1,994,562**	1,885,853
Tax recoverable		**4,462**	5,400	**977**	1,790
Deposits with financial institutions	22	**11,471**	28,853	**852**	673
Cash and bank balances		**51,422**	14,037	**785**	705
		2,277,288	1,817,600	**1,997,644**	1,889,262
Non-current assets classified as held for sale	23	**-**	13,812	**32,045**	-
		2,277,288	1,831,412	**2,029,689**	1,889,262
TOTAL ASSETS		**7,260,433**	6,973,284	**4,435,612**	4,655,813

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

BALANCE SHEETS (continued)

AS AT 30 JUNE 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000 (Restated)
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	28	**1,005,116**	1,005,116	**1,005,116**	1,005,116
Reserves	29	**(357,213)**	(419,232)	**(947,189)**	(537,696)
		647,903	585,884	**57,927**	467,420
Minority Interests		**196,377**	176,482	**-**	-
Total Equity		**844,280**	762,366	**57,927**	467,420
Non-Current Liabilities					
Bonds and debts	27	**1,962,707**	2,056,123	**1,723,238**	1,819,025
Borrowings	26	**24,490**	9,624	**-**	-
Amount due to a subsidiary	21	**-**	-	**2,155,223**	2,133,884
Deferred tax liabilities	30	**18,406**	15,030	**-**	-
Deferred liabilities	31	**51,057**	70,943	**-**	-
		2,056,660	2,151,720	**3,878,461**	3,952,909
Current Liabilities					
Trade and other payables	24	**2,246,682**	2,021,161	**28,505**	28,599
Amount due to subsidiaries	21	**-**	-	**17,739**	17,594
Bank overdrafts	25	**17,449**	11,446	**-**	-
Borrowings	26	**1,641,784**	1,837,296	**-**	-
Bonds and debts	27	**452,980**	189,291	**452,980**	189,291
Tax payable		**598**	4	**-**	-
		4,359,493	4,059,198	**499,224**	235,484
Total Liabilities		**6,416,153**	6,210,918	**4,377,685**	4,188,393
TOTAL EQUITY AND LIABILITIES		**7,260,433**	6,973,284	**4,435,612**	4,655,813

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	← 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 2005	925,594	75,032	332,895	(414,058)	919,463	161,429	1,080,892
Translation difference on net equity of foreign subsidiaries and other reserve movements	-	-	(702)	430	(272)	42,388	42,116
Equity accounting for share of net assets of associates	-	-	(3,075)	-	(3,075)	-	(3,075)
Effect of dilution on equity interest in associates	-	-	-	(29,594)	(29,594)	-	(29,594)
Amortisation of negative goodwill	-	-	(32)	-	(32)	-	(32)
Income and expense recognised directly in equity	-	-	(3,809)	(29,164)	(32,973)	42,388	9,415
Net loss for the financial year	-	-	-	(402,873)	(402,873)	(27,335)	(430,208)
Total recognised income and expense for the financial year	-	-	(3,809)	(432,037)	(435,846)	15,053	(420,793)
Acquisition of subsidiaries	79,522	24,652	-	-	104,174	-	104,174
Share issue expenses	-	(2,057)	-	-	(2,057)	-	(2,057)
Share-based payment under ESOS	-	-	150	-	150	-	150
At 30 June 2006 (Restated)	1,005,116	97,627	329,236	(846,095)	585,884	176,482	762,366

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		Attributable to Equity Holders of the Company						
			Non-Distributable					
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group								
At 1 July 2006								
As previously stated		**1,005,116**	**97,627**	**329,086**	**(845,958)**	**585,871**	**176,495**	**762,366**
Prior year adjustment: effects of adopting FRS 2	4(a)	**-**	**-**	**150**	**(137)**	**13**	**(13)**	**-**
Restated		**1,005,116**	**97,627**	**329,236**	**(846,095)**	**585,884**	**176,482**	**762,366**
Effects of adopting FRS 3	4(b)	**-**	**-**	**(511)**	**270,388**	**269,877**	**627**	**270,504**
		1,005,116	**97,627**	**328,725**	**(575,707)**	**855,761**	**177,109**	**1,032,870**
Translation difference on net equity of foreign subsidiaries and other reserve movements		**-**	**-**	**1,175**	**-**	**1,175**	**(11,140)**	**(9,965)**
Equity accounting for share of net assets of associates		**-**	**-**	**5,081**	**-**	**5,081**	**-**	**5,081**
Effect of dilution on equity interest in associates		**-**	**-**	**-**	**(21,961)**	**(21,961)**	**-**	**(21,961)**
Effect of changes in applicable deferred tax rate on asset revaluation reserve		**-**	**-**	**6,931**	**-**	**6,931**	**3,851**	**10,782**
Transfer of deferred tax liability to asset revaluation reserve		**-**	**-**	**11,925**	**-**	**11,925**	**1,325**	**13,250**
Income and expense recognised directly in equity		**-**	**-**	**25,112**	**(21,961)**	**3,151**	**(5,964)**	**(2,813)**
Net loss for the financial year		**-**	**-**	**-**	**(213,407)**	**(213,407)**	**25,232**	**(188,175)**
Total recognised income and expense for the financial year		**-**	**-**	**25,112**	**(235,368)**	**(210,256)**	**19,268**	**(190,988)**
Share-based payment under ESOS		**-**	**-**	**2,398**	**-**	**2,398**	**-**	**2,398**
At 30 June 2007		**1,005,116**	**97,627**	**356,235**	**(811,075)**	**647,903**	**196,377**	**844,280**

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		←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 2005	925,594	75,032	-	(570,591)	430,035
Net loss for the financial year, representing total recognised income and expense for the financial year	-	-	-	(64,882)	(64,882)
Acquisition of subsidiaries	79,522	24,652	-	-	104,174
Share issue expenses	-	(2,057)	-	-	(2,057)
Share-based payment under ESOS	-	-	150	-	150
At 30 June 2006 (Restated)	1,005,116	97,627	150	(635,473)	467,420
At 1 July 2006					
As previously stated	**1,005,116**	**97,627**	**-**	**(635,456)**	**467,287**
Prior year adjustment: effects of adopting FRS2	**-**	**-**	**150**	**(17)**	**133**
Restated	**1,005,116**	**97,627**	**150**	**(635,473)**	**467,420**
Net loss for the financial year, representing total recognised income and expense for the financial year	**-**	**-**	**-**	**(411,891)**	**(411,891)**
Share-based payment under ESOS	**-**	**-**	**2,398**	**-**	**2,398**
At 30 June 2007	**1,005,116**	**97,627**	**2,548**	**(1,047,364)**	**57,927**

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(181,197)**	(556,386)	**(411,891)**	(64,882)
Adjustments for non-cash items, interests and dividends	37(a)	**750,373**	636,400	**410,192**	62,629
Operating profit/(loss) before working capital changes		**569,176**	80,014	**(1,699)**	(2,253)
(Increase)/decrease in inventories		**(253,861)**	26,461	**-**	-
(Increase)/decrease in trade and other receivables		**(64,106)**	56,682	**(217)**	483
Increase/(decrease) in trade and other payables		**191,727**	42,571	**(335)**	(2,027)
Cash generated from/(used in) operations		**442,936**	205,728	**(2,251)**	(3,797)
Tax refunded/(paid)		**347**	(25)	**1,091**	-
Retirement benefit paid		**-**	(2)	**-**	-
Net cash inflow/(outflow) from operating activities		**443,283**	205,701	**(1,160)**	(3,797)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	37(b)	**(88,947)**	(201,132)	**-**	-
Proceeds from disposal of property, plant and equipment	37(d)	**485**	57	**-**	-
Proceeds from disposal of assets held for sale		**22,851**	-	**-**	-
Dividend received		**1,243**	2,638	**872**	1,833
(Advance to)/repayment from subsidiaries		**-**	-	**(7,831)**	5,869
Proceeds from partial disposal of an associate		**3**	**-**	**3**	**-**
Proceeds from disposal of quoted investment		**17,433**	20,967	**17,433**	20,967
Net cash inflow from acquisition of subsidiaries	37(c)	**-**	3,841	**-**	-
Interest received		**4,546**	674	**77**	27
Net cash (outflow)/inflow from investing activities		**(42,386)**	(172,955)	**10,554**	28,696

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

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to minority shareholders of a subsidiary		**(203)**	-	**-**	-
Redemption/repayment of Bonds and USD Debts		**(9,146)**	(18,286)	**(9,146)**	(18,286)
Repayment of term loans		**(154,806)**	(13,615)	**-**	-
Repayment of hire purchase liabilities		**(1,593)**	(757)	**-**	-
Repayment of short term borrowings		**(6,553)**	(6,449)	**-**	-
Advance from/(repayment to) subsidiaries		**-**	-	**11**	(7,195)
Interest paid		**(214,596)**	(142,006)	**-**	-
Net cash outflow from financing activities		**(386,897)**	(181,113)	**(9,135)**	(25,481)
Net increase/(decrease) in cash and cash equivalents		**14,000**	(148,367)	**259**	(582)
Cash and cash equivalents at beginning of the financial year		**31,444**	179,811	**1,378**	1,960
Cash and cash equivalents at end of the financial year	37(e)	**45,444**	31,444	**1,637**	1,378

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 October 2007.

2. BASIS OF PREPARATION

The financial statements comply with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards ("FRSs") in Malaysia for entities other than private entities. At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 4 to the financial statements.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for freehold land included within property, plant and equipment that have been measured at their fair values.

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

The Group incurred a net loss of RM188.2 million during the financial year ended 30 June 2007. As of that date, the Group's current liabilities exceeded its current assets by RM2,082.2 million. In addition, as disclosed in Note 26 to the financial statements, a subsidiary has not met certain of its scheduled repayment obligations with certain local and foreign financial institutions. These conditions indicate that there may be uncertainty which cast doubt on the Group's ability to continue as a going concern, and to realise its assets and discharge its liabilities in the normal course of business.

The Group intends to seek long term financing and is in discussion with the local and foreign financial institutions to reschedule its borrowings. The Directors are of the view that the rescheduling of its existing borrowings will be successful and moving forward, the Group is able to meet these debts obligations. Therefore, the financial statements are prepared on a going concern basis and accordingly do not include any adjustments that may be necessary if the Group and the Company are unable to continue as going concerns.

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, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(i) Investment in Subsidiaries (continued)

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 an 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 income statement.

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

(ii) Investment in Associates

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

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

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

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 is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(ii) Investment in Associates (continued)

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 coterminous with those of the Group, the share of results is arrived from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices 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 income statement.

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

(b) 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(i) to the financial statements.

(c) Property, Plant and Equipment

Property, plant and equipment is 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 income statement, in which case the increase is recognised in 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 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 is classified as capital work-in-progress until the asset is brought to working condition for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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

Buildings	2 - 7.32%
Plant and machinery	3.33% - 20%
Furniture and equipment	5 - 20%
Motor vehicles	20%

During the financial years, the Group reviewed residual value and remaining useful life of its plant and machinery, and accordingly, revised depreciation rate from a range of 6% - 10% to 3.33% - 20%. As a result, the depreciation charge of the Group for the financial year has been reduced by RM109.5 million.

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 income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) 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.

(e) Non-Current Assets Held for Sale

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

(f) 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)

(f) 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.

(g) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in 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 item is 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 income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in 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 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 income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

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

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

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

(g) **Foreign Currencies (continued)**

(iii) **Foreign Operations (continued)**

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

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

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

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

	2007 RM	**2006 RM**
1 US Dollar	3.4870	3.7070
1 Euro	4.6900	4.7010
1 Singapore Dollar	2.2755	2.3315
1 Sterling Pound	6.9850	6.7840
1 Swiss Franc	2.8310	3.0020
1 Swedish Krona	0.5256	0.5268

(h) **Leases**

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

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

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

(i) **Finance Leases**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

(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.

(i) Impairment of Assets

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

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

(j) Financial Instruments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(i) Cash and Cash Equivalents

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

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

(ii) 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(i) to the financial statements.

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

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

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

(iii) 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.

(iv) Payables

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

(v) Interest Bearing Borrowings

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

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

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

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

(vi) Equity Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(vi) Equity Instruments (continued)

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.

(k) Provision for Liabilities

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

(l) 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”). Some of the Group’s foreign subsidiaries also make contributions to their respective countries’ statutory pension schemes.

(iii) Defined Benefit Plan - Unfunded

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee Benefits (continued)

(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.

(m) Revenue Recognition

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

(i) Sale of Goods and Services

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

(ii) Interest Income

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

(iii) Dividend Income

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

(n) Segment Reporting

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

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

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

On 1 July 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has early adopted FRS 117 - Leases during the financial year beginning 1 July 2006. Except for the changes in accounting policies and their effects as discussed below, the adoption of the above revised standards and the early adoption of FRS 117 do not result in significant changes to the accounting policies and do not have a significant financial impact on the Group.

(a) FRS 2: Share-based Payment

The Company's Executive Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's eligible executive and executive Directors to acquire ordinary shares of 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.

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Goodwill

Prior to 1 July 2006, goodwill was amortised on a straight-line basis over a period of 25 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit to which the goodwill was attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 July 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 July 2006 amounting to RM91.1 million against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 July 2006 of RM566.7 million ceased to be amortised thereafter.

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

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (continued)

(i) Goodwill (continued)

According to the transitional provisions of FRS 3, the Group has also ceased to include annual amortisation of goodwill included in the carrying amount of investments in associates in the determination of the Group's share in results of associates. The net carrying amount of goodwill included in investment in associates as at 1 July 2006 was RM240.9 million.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 30 June 2007 and consolidated income statement for the financial year ended 30 June 2007 are set out in Note 4(e)(i) and Note 4(e)(ii) respectively. This change has no impact on the Company's financial statements.

(ii) Excess of Group's Interest in the Net Fair Value of Acquiree's Identifiable Assets, Liabilities and Contingent Liabilities Over Cost (previously known as Negative Goodwill)

Prior to 1 July 2006, negative goodwill was amortised over a period of 25 years. In such cases, it was recognised in income statement as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in income statement. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 July 2006 of RM0.5 million was derecognised with a corresponding increase in retained earnings.

In accordance with transitional provisions of FRS 3, the Group has also derecognised the remaining unamortised negative goodwill included in the carrying amount of investment in associates at 1 July 2006 amounting to RM269.9 million with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 30 June 2007 and consolidated income statement for the financial year ended 30 June 2007 are set out in Note 4(e)(i) and Note 4(e)(ii) respectively. This change has no impact on the Company's financial statements.

(iii) Accounting for Acquisition

Prior to 1 July 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

(c) FRS 101: Presentation of Financial Statements

Prior to 1 July 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expense for the financial year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

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

(c) FRS 101: Presentation of Financial Statements (continued)

Prior to 1 July 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method is now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 4(f) to the financial statements, certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2007 and consolidated income statement for the financial year ended 30 June 2007 are set out in Note 4(e)(i) and Note 4(e)(ii) respectively. These changes in presentation have no impact on the Company's financial statements.

(d) FRS 117: Leases

Prior to 1 July 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. 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. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. As at 1 July 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 4(f) to the financial statements, certain comparatives have been restated. The effects on the consolidated balance sheet as at 30 June 2007 are set out in Note 4(e)(i) to the financial statements. There were no effects on the consolidated income statement for the financial year ended 30 June 2007 and the Company's financial statements.

(e) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on Balance Sheets as at 30 June 2007

	Increase/(Decrease)					
Description of Change	**FRS 2 Note 4(a) RM'000**	**FRS 3 Note 4(b)(i) RM'000**	**FRS 3 Note 4(b)(ii) RM'000**	**FRS 101 Note 4(c) RM'000**	**FRS 117 Note 4(d) RM'000**	**Total RM'000**
Group						
Property, plant and equipment	-	-	-	-	(25,062)	(25,062)
Prepaid land lease payments	-	-	-	-	25,062	25,062
Investment in associates	-	13,662	251,649	-	-	265,311
Goodwill	-	26,306	-	-	-	26,306
Negative goodwill	-	-	(479)	-	-	(479)
Capital reserve	110	-	-	-	-	110
Share option reserve	2,438	-	-	-	-	2,438
Retained earnings	(2,548)	39,968	252,128	-	-	289,548
Minority interests	(13)	-	-	-	-	(13)
Total equity	-	-	-	196,377	-	196,377

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

(e) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements (continued)

(i) Effects on Balance Sheets as at 30 June 2007 (continued)

Description of Change	FRS 2 Note 4(a) RM'000	FRS 3 Note 4(b)(i) RM'000	FRS 3 Note 4(b)(ii) RM'000	FRS 101 Note 4(c) RM'000	FRS 117 Note 4(d) RM'000	Total RM'000
	Increase/(Decrease)					
Company						
Investment in subsidiaries	2,011	-	-	-	-	2,011
Capital reserve	110	-	-	-	-	110
Share option reserve	2,438	-	-	-	-	2,438
Retained earnings	(2,548)	-	-	-	-	(2,548)

(ii) Effects on Income Statements for the Financial Year Ended 30 June 2007

Description of Change	FRS 2 Note 4(a) RM'000	FRS 3 Note 4(b)(i) RM'000	FRS 3 Note 4(b)(ii) RM'000	FRS 101 Note 4(c) RM'000	FRS 117 Note 4(d) RM'000	Total RM'000
	Increase/(Decrease)					
Group						
Employee benefits expense	2,398	-	-	-	-	2,398
Depreciation and amortisation expenses	-	(26,306)	32	-	-	(26,274)
Profit from operations	(2,398)	-	-	-	-	(2,398)
Share in results of associates	-	13,662	(18,228)	(34,771)	-	(39,337)
Profit before taxation	(2,398)	39,968	(18,260)	(34,771)	-	(15,461)
Taxation	-	-	-	(34,771)	-	(34,771)
Net profit for the financial year	(2,398)	39,968	(18,260)	-	-	19,310
Company						
Employee benefits expense	519	-	-	-	-	519
Profit from operations	(519)	-	-	-	-	(519)
Profit before taxation	(519)	-	-	-	-	(519)
Net profit for the financial year	(519)	-	-	-	-	(519)

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

(f) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of Change	Previously Stated	Increase/(Decrease)					Restated
		FRS 2 Note 4(a)	FRS 3 Note 4(b)(i)	FRS 3 Note 4(b)(ii)	FRS 101 Note 4(c)	FRS 117 Note 4(d)	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2006							
Group							
Property, plant and equipment	3,224,805	-	-	-	-	(24,081)	3,200,724
Prepaid land lease payments	-	-	-	-	-	24,081	24,081
Investment in associates	1,002,940	-	-	-	-	-	1,002,940
Capital reserve	84,915	37	-	-	-	-	84,952
Share option reserve	-	113	-	-	-	-	113
Accumulated losses	(845,958)	(137)	-	-	-	-	(846,095)
Total equity	585,871	13	-	-	176,482	-	762,366
Company							
Investment in subsidiaries	2,176,071	133	-	-	-	-	2,176,204
Capital reserve	-	37	-	-	-	-	37
Share option reserve	-	113	-	-	-	-	113
Accumulated losses	(635,456)	(17)	-	-	-	-	(635,473)

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

(f) Restatement of Comparatives (continued)

Description of Change	Previously Stated	Increase/(Decrease)					Restated
		FRS 2 Note 4(a)	FRS 3 Note 4(b)(i)	FRS 3 Note 4(b)(ii)	FRS 101 Note 4(c)	FRS 117 Note 4(d)	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
For the financial year ended 30 June 2006							
Group							
Employee benefits expense	68,908	150	-	-	-	-	69,058
Loss from operations	(154,551)	(150)	-	-	-	-	(154,701)
Share in results of associates	(27,309)	-	-	-	25,913	-	(1,396)
Loss before taxation	(582,149)	(150)	-	-	25,913	-	(556,386)
Taxation	152,091	-	-	-	25,913	-	126,178
Net loss for the financial year	(430,058)	(150)	-	-	-	-	(430,208)
Company							
Employee benefits expense	910	17	-	-	-	-	927
Profit from operations	121,469	(17)	-	-	-	-	121,452
Loss before taxation	(64,865)	(17)	-	-	-	-	(64,882)
Net loss for the financial year	(64,865)	(17)	-	-	-	-	(64,882)

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

(g) Financial Reporting Standards and Interpretations Issued but Not Yet Effective

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

		Effective for financial periods beginning on or after
(i)	FRS 124 - Related Party Disclosures	1 October 2006
(ii)	FRS 139 - Financial Instruments: Recognition and Measurement	Deferred
(iii)	FRS 6 - Exploration for an Evaluation of Mineral Resources	1 January 2007
(iv)	Amendment to FRS 119_{2004} - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
(v)	Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
(vi)	IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
(vii)	IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
(viii)	IC Interpretation 5: Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
(ix)	IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
(x)	IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
(xi)	IC Interpretation 8: Scope of FRS 2	1 July 2007
(xii)	FRS 107 - Cash Flow Statements	1 July 2007
(xiii)	FRS 111 - Construction Contracts	1 July 2007
(xiv)	FRS 112 - Income Taxes	1 July 2007
(xv)	FRS 118 - Revenue	1 July 2007
(xvi)	FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
(xvii)	FRS 134 - Interim Financial Reporting	1 July 2007
(xviii)	FRS 137 - Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions provided in the respective standards.

FRS 6 is not relevant to the Group's and the Company's operation and the adoption of the above amendments and Interpretations will have no material impact on the financial statements of the Group and the Company.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Estimates and Assumptions

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

(i) Depreciation of Property, Plant and Equipment

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

(ii) Estimated Impairment of Goodwill

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

(iii) Estimated Impairment of Tangible Assets

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

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

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

(iv) Deferred Tax Assets

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

(v) Inventories

Significant judgement is required in determining the quality and density of the raw materials relating to manufacturing of hot rolled coils. In making the judgement, the Group relies on past experience and on the work of an expert in measuring raw materials. Details of inventories are disclosed in Note 19 to the financial statements.

(vi) Accrual for Export Rebates

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

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

(vii) Allowance for Doubtful Receivables

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

(viii) Share-based Payment

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options for share allocations. The cost is based on the fair value of the options or shares allocated and the number of options expected to vest. The fair value of each option or share is determined using the Binomial option pricing model. For details of assumptions, see Note 32(b) to the financial statements.

6. REVENUE

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

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Sales of goods	**4,619,226**	2,506,010	**-**	-
Assembly fees	**456**	868	**-**	-
Registration and other professional fees	**211**	334	**-**	-
Dividend income	**-**	-	**1,136**	2,546
Interest income	**-**	-	**122,316**	112,885
	4,619,893	2,507,212	**123,452**	115,431

7. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM'000	**2006 RM'000 (Restated)**	**2007 RM'000**	**2006 RM'000 (Restated)**
Salaries, wages and bonuses	**66,668**	46,820	**720**	720
Defined contribution plans	**8,000**	6,369	**101**	101
Defined benefit plan (Note 32(a))	**150**	28	**-**	-
Share options granted under ESOS (Note 32(b))	**2,398**	150	**519**	17
Other staff related expenses	**21,157**	15,691	**86**	89
	98,373	69,058	**1,426**	927

Included in the employee benefits expense of the Group and of the Company is an executive Director's remuneration as disclosed in Note 9 to the financial statements.

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 RM374.7 million (2006: RM248.9 million).

9. PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2007 RM'000	**2006 RM'000 (Restated)**	**2007 RM'000**	**2006 RM'000**
After charging:				
Property, plant and equipment:				
- depreciation	**128,358**	246,314	**-**	-
- written off	**6**	26	**-**	-
Amortisation of prepaid land lease payments	**531**	377	**-**	-
Amortisation of goodwill	**-**	25,231	**-**	-
Directors' remuneration*	**2,162**	1,952	**1,090**	1,100
Auditors' remuneration:				
- current year	**392**	302	**18**	18
- (over)/under accrued in prior year	**(7)**	(5)	**14**	-
- non-statutory audit fees	**11**	2,511	**11**	11
Rental of land and buildings	**3,173**	919	**-**	-
Allowance for doubtful receivables	**477**	4,616	**-**	-
Lease rental	**699**	231	**-**	-
Bad receivables written off	**-**	31	**-**	-
Allowance for obsolete inventories	**-**	37	**-**	-
Inventories written down	**10,677**	4,819	**-**	-
Impairment of investments in:				
- subsidiaries	**-**	-	**-**	12,660
- associates	**372,162**	20,000	**347,597**	-
- others	**25**	-	**-**	-
Impairment of goodwill	**2,376**	-	**-**	-
Provision for defined benefit plan	**150**	28	**-**	-
And crediting:				
Gross dividend income from quoted investment in Malaysia:				
- a subsidiary	**-**	-	**41**	-
- an associate	**-**	-	**903**	1,806
- others	**192**	751	**192**	740
Rental income	**241**	127	**-**	-
Interest income from:				
- subsidiaries	**-**	-	**100,878**	91,710
- Megasteel Sub-Bond (A)	**-**	-	**21,339**	21,128
- others	**6,917**	7,057	**99**	47
Allowance for doubtful receivables written back	**909**	-	**-**	7,485
Gain on disposal of:				
- quoted investment	**13,233**	13,169	**13,233**	13,169
- property, plant and equipment	**80**	49	**-**	-
- assets held for sale	**9,039**	-	**-**	-
Bad receivables recovered	**-**	33	**-**	-
Amortisation of negative goodwill	**-**	32	**-**	-
Reversal of impairment losses in:				
- an investment	**-**	220	**-**	-
- an associate	**640**	33	**-**	-
Reversal of allowance for obsolete inventories	**363**	-	**-**	-
Net foreign exchange gain:				
- realised	**79,632**	22,787	**-**	-
- unrealised	**55,113**	25,603	**757**	297
Reversal of provision for interest	**347**	-	**-**	-

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

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director:				
- Salary and other emoluments	**1,560**	1,450	**720**	720
- Fees	**34**	25	**24**	24
- Defined contribution plans	**218**	203	**101**	101
- Share options granted under ESOS	**66**	16	**-**	-
- Benefit-in-kind	**125**	87	**86**	84
	2,003	1,781	**931**	929
Non-Executive Directors:				
- Fees	**159**	171	**159**	171
	2,162	1,952	**1,090**	1,100

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
Range of Remuneration per annum				
Executive Director				
- RM900,001 - RM950,000	**-**	-	**1**	1
- RM1,750,001 - RM1,800,000	**-**	1	**-**	-
- RM2,000,001 - RM2,050,000	**1**	-	**-**	-
Non-Executive Directors				
- RM25,000 and below	**3***	2	**3***	2
- RM25,001 - RM50,000	**3**	4	**3**	4

* including 2 Directors who retired on 30 November 2006

10. FINANCE COSTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest Expenses on:				
- advances from subsidiaries	**-**	-	**21,473**	21,375
- bank overdrafts	**1,028**	575	**-**	-
- bonds and debts	**164,764**	151,689	**164,764**	151,689
- term loans	**139,114**	115,949	**-**	-
- Megasteel Sub-Bond (B)	**2,371**	2,348	**-**	-
- product financing liabilities	**88,456**	57,247	**-**	-
- others	**49,170**	54,554	**13,281**	13,270
	444,903	382,362	**199,518**	186,334
Interest expenses capitalised under property, plant and equipment	**-**	(2,073)	**-**	-
	444,903	380,289	**199,518**	186,334

Finance costs capitalised in the property, plant and equipment during the financial year ended 30 June 2006 have been calculated by applying a capitalisation rate of 7.7% per annum.

11. INCOME TAX EXPENSE

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current Estimated Tax Payable:				
Malaysian income tax:				
- Current year	**1,294**	16	**-**	-
- Tax deducted at source on dividend received	**(419)**	(828)	**-**	-
- Under/(over) provision in prior years	**89**	(183)	**-**	-
	964	(995)	**-**	-
Deferred Taxation: (Note 30)				
- Relating to origination and reversal of temporary differences	**(13,175)**	(64,518)	**-**	-
- Relating to reduction in Malaysian income tax rate	**17,758**	-	**-**	-
- Relating to recognition of deferred tax assets following pioneer status extension	**-**	(60,665)	**-**	-
- Under provision in prior years	**1,431**	-	**-**	-
	6,014	(125,183)	**-**	-
Total	**6,978**	(126,178)	**-**	-

The reconciliation of the average effective tax rate of the Group and of the Company with the statutory tax rate of Malaysia is as follows:

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Income tax using Malaysian statutory tax rate	**(27)**	(28)	**(27)**	(28)
Effect of different tax rates	**14**	-	**-**	-
Income not subject to tax	**(53)**	(11)	**(1)**	(11)
Expenses not deductible for tax purposes	**83**	23	**28**	39
Deferred tax assets not recognised during the year	**7**	5	**-**	-
Recognition of deferred tax assets following pioneer status extension	**-**	(10)	**-**	-
Realisation of deferred tax assets not previously recognised	**-**	(6)	**-**	-
Tax effect of share in results of associates	**(19)**	3	**-**	-
Double taxation relief and others	**(1)**	1	**-**	-
Average effective tax rate	**4**	(23)	**-**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 30 June 2007 has reflected these changes.

The Company has estimated tax exempt account amounting to RM17.4 million (2006: RM17.4 million) available for the distribution of tax exempt dividend. The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2006: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

12. 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	
	2007	2006 (Restated)
Net loss for the financial year attributable to ordinary equity holders of the Company (RM'000)	**(213,407)**	(402,873)
Weighted average number of ordinary shares in issue ('000)	**1,005,116**	944,185
Basic loss per share (sen)	**(21.2)**	(42.7)

(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 have no dilutive effect as the exercise price is above the average market value of the Company's shares.

13. 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						
2007						
Cost/Valuation						
At 1 July 2006	**653,229**	**2,892,833**	**34,329**	**7,784**	**563,985**	**4,152,160**
Additions	**4,761**	**24,324**	**5,112**	**831**	**54,557**	**89,585**
Adjustments	**-**	**(48,351)#**	**-**	**-**	**(42,836)***	**(91,187)**
Reclassification	**12,591**	**408,680**	**1,569**	**-**	**(417,931)**	**4,909**
Disposals	**-**	**-**	**(245)**	**(1,611)**	**(42,044)**	**(43,900)**
Written off	**-**	**(312)**	**(63)**	**(540)**	**(5)**	**(920)**
At 30 June 2007	**670,581**	**3,277,174**	**40,702**	**6,464**	**115,726**	**4,110,647**
Representing items at:						
Cost	**365,611**	**1,015,450**	**40,702**	**6,464**	**115,726**	**1,543,953**
Valuation	**304,970**	**2,261,724**	**-**	**-**	**-**	**2,566,694**
	670,581	**3,277,174**	**40,702**	**6,464**	**115,726**	**4,110,647**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2007						
Accumulated Depreciation						
At 1 July 2006	79,718	801,853	21,057	4,755	-	907,383
Depreciation charge for the financial year	16,676	119,687	3,700	942	-	141,005
Adjustments	-	(12,647)	-	-	-	(12,647)
Reclassification	(587)	5,076	420	-	-	4,909
Disposals	-	-	(243)	(1,208)	-	(1,451)
Written off	-	(312)	(62)	(540)	-	(914)
At 30 June 2007	95,807	913,657	24,872	3,949	-	1,038,285
Representing items at:						
Cost	90,837	70,542	24,872	3,949	-	190,200
Valuation	4,970	843,115	-	-	-	848,085
	95,807	913,657	24,872	3,949	-	1,038,285
Accumulated Impairment Losses						
At 1 July 2006	9,673	25,875	-	-	8,505	44,053
At 30 June 2007	9,673	25,875	-	-	8,505	44,053
Representing items at:						
Cost	9,673	25,875	-	-	8,505	44,053
Net Book Value						
At cost	265,101	919,033	15,830	2,515	107,221	1,309,700
At valuation	300,000	1,418,609	-	-	-	1,718,609
At 30 June 2007	565,101	2,337,642	15,830	2,515	107,221	3,028,309

Adjustment arising from overstatement of plant and machinery

* Excess raw materials used in testing of plant transferred to inventory upon commissioning of plant

13. 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						
2006						
Cost/Valuation						
At 1 July 2005	612,361	2,832,570	20,621	5,592	394,229	3,865,373
Additions	10,707	17,794	3,785	2,044	169,770	204,100
Reclassified to assets held for sale	(25,798)	-	-	-	-	(25,798)
Disposals	-	-	-	(406)	-	(406)
Written off	-	(50)	(237)	-	(14)	(301)
Acquisition of subsidiaries (Note 37(c))	55,959	42,519	10,160	554	-	109,192
At 30 June 2006	653,229	2,892,833	34,329	7,784	563,985	4,152,160
Representing items at:						
Cost	348,259	593,109	34,329	7,784	563,985	1,547,466
Valuation	304,970	2,299,724	-	-	-	2,604,694
	653,229	2,892,833	34,329	7,784	563,985	4,152,160
Accumulated Depreciation						
At 1 July 2005	61,495	547,201	11,016	3,835	-	623,547
Depreciation charge for the financial year	15,529	227,263	2,675	847	-	246,314
Reclassified to assets held for sale	(15,753)	-	-	-	-	(15,753)
Disposals	-	-	-	(398)	-	(398)
Written off	-	(41)	(233)	(1)	-	(275)
Acquisition of subsidiaries (Note 37(c))	18,447	27,430	7,599	472	-	53,948
At 30 June 2006	79,718	801,853	21,057	4,755	-	907,383
Representing items at:						
Cost	74,748	35,457	21,057	4,755	-	136,017
Valuation	4,970	766,396	-	-	-	771,366
	79,718	801,853	21,057	4,755	-	907,383
Accumulated Impairment Losses						
At 1 July 2005	9,673	25,875	-	-	8,505	44,053
At 30 June 2006	9,673	25,875	-	-	8,505	44,053
Representing items at:						
Cost	9,673	25,875	-	-	8,505	44,053
Net Book Value						
At cost	263,838	531,777	13,272	3,029	555,480	1,367,396
At valuation	300,000	1,533,328	-	-	-	1,833,328
At 30 June 2006	563,838	2,065,105	13,272	3,029	555,480	3,200,724

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Land and buildings of the Group are as follows:

	Freehold land and land improvement RM'000	Buildings RM'000	Total RM'000
Group			
Cost/Valuation			
At 1 July 2006	322,466	330,763	653,229
Additions	4,692	69	4,761
Reclassification	-	12,591	12,591
At 30 June 2007	327,158	343,423	670,581
Representing items at:			
Cost	27,158	338,453	365,611
Valuation	300,000	4,970	304,970
	327,158	343,423	670,581
Accumulated Depreciation			
At 1 July 2006	-	79,718	79,718
Depreciation charge for the financial year	-	16,676	16,676
Reclassification	-	(587)	(587)
At 30 June 2007	-	95,807	95,807
Representing items at:			
Cost	-	90,837	90,837
Valuation	-	4,970	4,970
	-	95,807	95,807
Accumulated Impairment Losses			
At 1 July 2006	9,673	-	9,673
At 30 June 2007	9,673	-	9,673
Representing items at:			
Cost	9,673	-	9,673
Net Book Value			
At cost	17,485	247,616	265,101
At valuation	300,000	-	300,000
At 30 June 2007	317,485	247,616	565,101

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and land improvement RM'000	Buildings RM'000	Total RM'000
Group			
Cost/Valuation			
At 1 July 2005	320,978	291,383	612,361
Additions	1,488	9,219	10,707
Reclassified to assets held for sale	-	(25,798)	(25,798)
Acquisition of subsidiaries (Note 37(c))	-	55,959	55,959
At 30 June 2006	322,466	330,763	653,229
Representing items at:			
Cost	22,466	325,793	348,259
Valuation	300,000	4,970	304,970
	322,466	330,763	653,229
Accumulated Depreciation			
At 1 July 2005	-	61,495	61,495
Depreciation charge for the financial year	-	15,529	15,529
Reclassified to assets held for sale	-	(15,753)	(15,753)
Acquisition of subsidiaries (Note 37(c))	-	18,447	18,447
At 30 June 2006	-	79,718	79,718
Representing items at:			
Cost	-	74,748	74,748
Valuation	-	4,970	4,970
	-	79,718	79,718
Accumulated Impairment Losses			
At 1 July 2005	9,673	-	9,673
At 30 June 2006	9,673	-	9,673
Representing items at:			
Cost	9,673	-	9,673
Net Book Value			
At cost	12,793	251,045	263,838
At valuation	300,000	-	300,000
At 30 June 2006	312,793	251,045	563,838

The freehold land has been charged to financial institutions for credit facilities granted to a subsidiary. The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2006: RM35.0 million) and RM1.16 billion (2006: RM1.24 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.24 billion (2006: RM2.40 billion) have also been charged to financial institutions as securities for credit facilities.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The finance cost capitalised under capital work-in-progress of the Group during the financial year amounted to RM Nil (2006: RM2.1 million), as disclosed in Note 10 to the financial statements.

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

	Group	
	2007	**2006**
	RM'000	**RM'000**
Motor vehicles	**1,745**	1,942
Plant and machinery	**2,653**	1,803
Furniture and equipment	**324**	412
	4,722	4,157

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	**2006**
	RM'000	**RM'000**
At 1 July	**24,081**	13,129
Additions	**1,512**	-
Acquisition of subsidiaries	**-**	15,096
Reclassified to assets held for sale (Note 23)	**-**	(3,767)
Amortisation for the financial year	**(531)**	(377)
At 30 June	**25,062**	24,081
Analysed as:		
Long term leasehold land	**21,300**	20,205
Short term leasehold land	**3,762**	3,876
	25,062	24,081

Leasehold land with an aggregate carrying value of RM10.8 million (2006: RM11.1 million) has been pledged as securities for borrowings (Note 26).

Certain land title and strata titles for leasehold land and buildings of a subsidiary with net book value of RM8.9 million (2006: RM9.1 million) have not been issued by the relevant authorities.

15. GOODWILL

	Group	
	2007	**2006**
	RM'000	**RM'000**
Cost		
At 1 July	**657,824**	617,713
Acquisition of subsidiaries (Note 37(c))	**-**	40,111
Effect of adopting FRS 3 (Note 4(b)(i))	**(91,106)**	-
At 30 June	**566,718**	657,824

15. GOODWILL (continued)

	Group 2007 RM'000	Group 2006 RM'000
Accumulated Amortisation and Impairment		
At 1 July	**91,106**	65,875
Amortisation for the financial year	**-**	25,231
Effect of adopting FRS 3 (Note 4(b)(i))	**(91,106)**	-
Impairment loss recognised in income statement	**2,376**	-
At 30 June	**2,376**	91,106
Net Carrying Value	**564,342**	566,718

16. INVESTMENT IN SUBSIDIARIES

	Company 2007 RM'000	Company 2006 RM'000 (Restated)
Quoted shares, at cost	**37,423**	37,423
Accumulated impairment losses	**(5,378)**	(5,378)
Reclassified to assets held for sale (Note 23(i))	**(32,045)**	-
	-	32,045
Unquoted shares, at cost	**41,758**	41,758
Accumulated impairment losses	**(31,616)**	(31,616)
	10,142	10,142
Additional cost of investment arising from adoption of FRS 2	**2,011**	133
Megasteel Sub-Bond (A)	**2,155,223**	2,133,884
	2,167,376	2,176,204
Market value of quoted shares	**-**	31,023

Certain investments in subsidiaries with carrying values totalling RM10.1 million (2006: RM11.0 million) have been charged as security for the LCB Bonds and the LCB Debts issued by the Company.

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2007 %	2006 %	Principal Activities
Parkson Holdings Berhad * (formerly known as Amalgamated Containers Berhad) (Disposed of on 14.9.2007)	Malaysia	**56.64**	56.64	Investment holding
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	**50.01**	50.01	Assembly and sale of private and commercial vehicles
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries
LCB Venture Pte Ltd *	Republic of Singapore	**100.00**	100.00	Investment holding
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering work
Lion Excellent Sdn Bhd	Malaysia	**100.00**	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
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**	-	Investment holding
Subsidiaries of Parkson Holdings Berhad				
Bright Steel Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing, sale and distribution of steel and iron products
East Crest International Limited * (Disposed of on 14.9.2007)	British Virgin Islands	**100.00**	-	Investment holding

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2007 %	2006 %	Principal Activities
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd *	Malaysia	**77.50**	77.50	Manufacturing, marketing and distribution of pre-painted steel sheets and related products
Bright Steel Service Centre Sdn Bhd *	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn) Bhd *	Malaysia	**51.00**	51.00	Trading in steel and iron products
Century Container Industries Sdn Bhd *	Malaysia	**100.00**	100.00	Property investment, letting of building space and plant and machinery facilities
Omali Corporation Sdn Bhd *	Malaysia	**100.00**	100.00	Investment holding
Subsidiaries of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *	Malaysia	**100.00**	100.00	Trading and distribution of private and commercial vehicles, vehicles parts and provision of related services
Kinabalu Car Distributors Sdn Bhd *	Malaysia	**100.00**	100.00	Dormant
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lyn (Pte) Ltd *	Republic of Singapore	**79.00**	79.00	Investment holding
Megasteel Sdn Bhd *	Malaysia	**90.00**	90.00	Manufacturing of hot rolled coils, cold rolled coil, bands, plates and sheets
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of Bersatu Investments Company Limited				
Glit Investments Company Limited *	Hong Kong	**100.00**	100.00	Dormant
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Share registration and secretarial services

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2007 %	2006 %	Principal Activities
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	Dormant
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
Subsidiaries of Umevest Sdn Bhd				
Logic Concepts (M) Sdn Bhd	Malaysia	**71.00**	71.00	Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	**91.00**	91.00	Ceased operations
Subsidiaries of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing and marketing of hot rolled steel plate
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion Fichet Sdn Bhd				
Lion Fichet (HK) Limited *	Hong Kong	**-**	100.00	Ceased operations

Note:

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

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

(i) the acquisition of Total Triumph Investments Limited, a wholly-owned subsidiary, on 27 September 2006 for a consideration of USD1.

(ii) the acquisition of East Crest International Limited, a wholly-owned subsidiary, on 27 September 2006 for a consideration of USD1.

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

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

16. INVESTMENT IN SUBSIDIARIES (continued)

(b) During the financial year ended 30 June 2006, the Group has completed the following:

(i) the acquisition of Megasteel Harta (L) Limited, a wholly-owned subsidiary, on 17 August 2005 for a cash consideration of USD1.

(ii) the acquisition of the entire issued and paid-up capital of Lion Plate Mills Sdn Bhd on 17 March 2006 for a total consideration of RM70.0 million satisfied entirely by the issue and allotment of 53.4 million new ordinary shares in the Company.

The above acquisition had the following effects on the Group's financial results for the year ended 30 June 2006:

	Group 2006 RM'000
Revenue	33,135
Profit before taxation	2,734
Net profit	2,536

The acquisition had the following effects on the financial position of the Group as at 30 June 2006:

	Group 2006 RM'000 (Restated)
Property, plant and equipment	12,149
Prepaid land lease payments	3,566
Inventories	18,056
Trade and other receivables	14,574
Tax recoverable	180
Cash and bank balances	2,969
Trade and other payables	(17,217)
Deferred tax liabilities	(1,427)
Group's share of net assets	32,850

(iii) the acquisition of an additional 52.37% equity interest in Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) on 19 May 2006 for a total consideration of RM35.6 million satisfied by the issue and allotment of 26.1 million new ordinary shares in the Company.

The above acquisition had the following effects on the Group's financial results for the year ended 30 June 2006:

	Group 2006 RM'000
Revenue	26,982
Loss before taxation	(2,092)
Net loss	(1,115)

16. INVESTMENT IN SUBSIDIARIES (continued)

(b) During the financial year ended 30 June 2006, the Group has completed the following: (continued)

The acquisition had the following effects on the financial position of the Group as at 30 June 2006:

	Group 2006 RM'000 (Restated)
Property, plant and equipment	32,326
Prepaid land lease payments	7,726
Investment in an associate	91,855
Other investments	135
Deferred tax assets	1,192
Goodwill on acquisition	3
Assets held for sale	13,812
Inventories	105,024
Trade and other receivables	58,610
Tax recoverable	1,823
Cash and bank balances	2,405
Trade and other payables	(129,182)
Taxation	(3)
Borrowings	(110,215)
Minority interests	(41,410)
Amount previously accounted for as investment	(1,464)
Group's share of net assets	32,637

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Quoted Shares in Malaysia				
- at cost	**1,165,033**	1,165,033	**926,042**	926,045
- accumulated impairment losses	**(411,240)**	(46,880)	**(690,227)**	(342,630)
	753,793	1,118,153	**235,815**	583,415
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**-**	-
- accumulated impairment losses	**(12,162)**	(5,000)	**-**	-
	83,832	90,994	**-**	-
Unquoted Shares, at Cost	**1,659**	1,659	**1,540**	1,540
	839,284	1,210,806	**237,355**	584,955
Share of post-acquisition results and reserves	**162,279**	(207,866)	**-**	-
	1,001,563	1,002,940	**237,355**	584,955
Market value of quoted shares	**630,496**	394,739	**349,775**	235,970

17. INVESTMENT IN ASSOCIATES (continued)

	Group 2007 RM'000	Group 2006 RM'000
Represented by:		
Share of net assets other than goodwill	**948,613**	960,888
Share of goodwill in associates	**52,950**	71,063
	1,001,563	1,031,951
Unamortised goodwill on acquisition	**-**	240,866
Unamortised negative goodwill on acquisition	**-**	(269,877)
	1,001,563	1,002,940

Certain investments in associates of the Group with carrying values totalling RM485.4 million (2006: RM552.1 million) have been charged to financial institutions for credit facilities granted to the Group and as security for the LCB Bonds and the LCB Debts issued by the Company.

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

The associates are:

Name of Company	Country of Incorporation	Holding in Equity 2007 %	Holding in Equity 2006 %	Principal Activities
Amsteel Corporation Berhad	Malaysia	**38.17** **# 1.89**	38.17 # 1.89	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.59** **# 15.81**	25.90 # 16.00	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**# 38.82**	# 38.82	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:

	2007 RM'000	2006 RM'000
Assets and Liabilities		
Current assets	**4,254,577**	3,374,841
Non-current assets	**5,154,615**	6,168,391
Total assets	**9,409,192**	9,543,232

17. INVESTMENT IN ASSOCIATES (continued)

	2007 RM'000	2006 RM'000
Current liabilities	3,666,949	2,995,734
Non-current liabilities	2,766,510	3,553,285
Total liabilities	6,433,459	6,549,019
Results		
Revenue	5,338,794	3,780,497
Profit for the year	221,640	20,052

The details of goodwill and negative goodwill included within the Group's carrying amount of investment in associates are as follows:

	Goodwill RM'000	Negative Goodwill RM'000	Total RM'000
Cost			
At 1 July 2005	322,969	(407,907)	(84,938)
Arising from investment in subsidiaries	14,932	-	14,932
Loss on dilution	-	10,923	10,923
Impairment loss	(51,200)	65,300	14,100
At 30 June 2006 and 1 July 2006	**286,701**	**(331,684)**	**(44,983)**
Effect of adopting FRS 3 (Note 4 (b)(i) & (ii))	**(286,701)**	**331,684**	**44,983**
At 30 June 2007	**-**	**-**	**-**
Accumulated Amortisation			
At 1 July 2005	30,144	(43,579)	(13,435)
Arising from investment in subsidiaries	2,710	-	2,710
Amortisation	12,981	(18,228)	(5,247)
At 30 June 2006 and 1 July 2006	**45,835**	**(61,807)**	**(15,972)**
Effect of adopting FRS 3 (Note 4 (b)(i) & (ii))	**(45,835)**	**61,807**	**15,972**
At 30 June 2007	**-**	**-**	**-**
Net Carrying Amount			
At 30 June 2006	240,866	(269,877)	(29,011)
At 30 June 2007	**-**	**-**	**-**

18. OTHER INVESTMENTS

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Quoted Shares in Malaysia				
- at cost	**1,206**	5,424	**1,174**	5,392
- accumulated impairment losses	**(8)**	(8)	**-**	-
	1,198	5,416	**1,174**	5,392
Unquoted Shares				
- at cost	**625**	607	**18**	-
- accumulated impairment losses	**(440)**	(415)	**-**	-
	185	192	**18**	-
Other Investments at Cost	**25**	25	**-**	-
	1,408	5,633	**1,192**	5,392
Market value of quoted shares	**6,980**	15,524	**6,964**	15,510

During the financial year, certain investments in quoted shares amounting to RM18,000 has been reclassified to unquoted shares following the delisting of the securities from the Official List of Bursa Malaysia Securities Berhad.

19. INVENTORIES

	Group 2007 RM'000	Group 2006 RM'000
At Cost:		
Raw materials	**1,089,479**	730,730
Work-in-progress	**10,486**	11,182
Finished goods	**387,607**	461,894
Spare, supplies and consumables	**200,682**	153,733
Goods-in-transit	**3,691**	7,432
	1,691,945	1,364,971
At Net Realisable Value:		
Raw materials	**6,743**	5,381
Finished goods	**28,169**	112,958
Total	**1,726,857**	1,483,310

19. INVENTORIES (continued)

Certain raw materials and finished goods of the Group which have been secured against financing facilities are as follows:

	Group 2007 RM'000	Group 2006 RM'000
Raw Materials:		
- with related parties	**145,850**	-
- with external parties	**776,354**	565,264
	922,204	565,264
Finished Goods:		
- with related parties	**150,300**	28,845
- with external parties	**141,838**	67,304
	292,138	96,149
Spare, Supplies and Consumables:		
- with external parties	**18,758**	3,626
Total	**1,233,100**	665,039

Included in raw materials and spares, supplies and consumables under product financing facilities of the Group are amounts of RM399.2 million (2006: RM416.7 million) and RM23.5 million (2006: RM Nil) which relate to raw materials in transit and spare, supplies and consumables in transit respectively.

The financing facilities with related parties have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties. The corresponding liabilities of these inventories are disclosed in Note 24 to the financial statements.

20. RECEIVABLES

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Current				
Trade receivables	**356,160**	185,998	**-**	-
Allowance for doubtful receivables	**(20,989)**	(21,263)	**-**	-
	335,171	164,735	**-**	-
Other receivables	**54,911**	37,984	**253**	232
Allowance for doubtful receivables	**(3,398)**	(3,767)	**-**	-
	51,513	34,217	**253**	232
Deposits	**717**	2,510	**206**	-
Prepayments	**95,675**	84,538	**9**	9
Total current portion	**483,076**	286,000	**468**	241
Non-Current				
Long term receivable	**239,469**	237,098	**-**	-

20. RECEIVABLES (continued)

Included in receivables of the Group and of the Company are related parties balances of which RM59.7 million (2006: RM57.8 million) and RM Nil (2006: RM Nil) respectively are in trade receivables and RM44.1 million (2006: RM31.3 million) and RM0.3 million (2006: RM0.3 million) respectively are in other receivables.

The long term receivable is an amount due from Khazanah Nasional Berhad ("Khazanah") which arose from the issue of the Megasteel Sub-Bond (B) to Khazanah (refer to Note 27). The amount is unsecured and bears interest rate of 1.0% (2006: 1.0%) per annum. The amount is repayable over 10 years from the day after the full redemption of the Megasteel Sub-Bond (B) issued to Khazanah.

The Group's normal trade credit terms range from 5 days to 60 days (2006: 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.

21. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company	
	2007	**2006**
	RM'000	**RM'000**
(a) Current		
Amount due from subsidiaries	**1,996,821**	1,888,112
Allowance for doubtful receivables	**(2,259)**	(2,259)
	1,994,562	1,885,853
Amount due to subsidiaries	**17,739**	17,594

The amounts due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured and are repayable on demand. The amounts due from subsidiaries bear a weighted average effective interest rate of 5.0% (2006: 4.9%) per annum and the amounts due to subsidiaries bear a weighted average effective interest rate of 1.0% (2006: 1.0%) per annum.

(b) Non-Current

	Company	
	2007	**2006**
	RM'000	**RM'000**
Amount due to a subsidiary	**2,155,223**	2,133,884

The amount due to a subsidiary arose mainly from the Company's investment in Megasteel Sub-Bond (A), an instrument which confers the Company a contractual right to receive the proposed pre-determined yearly amount of cash flow from Megasteel Sdn Bhd, under the Group Wide Restructuring Scheme ("GWRS"). The amount is unsecured and bears an effective interest rate of 1.0% (2006: 1.0%) per annum.

22. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average effective interest rate as at the balance sheet date of 3.1% (2006: 3.0%) and 2.8% (2006: 2.7%) per annum respectively and have an average maturity of 14 days (2006: 5 days) and 7 days (2006: 14 days) respectively.

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Investment in a quoted subsidiary (Note (i))	**-**	-	**32,045**	-
Leasehold land and building (Note (ii))	**-**	13,812	**-**	-
	-	13,812	**32,045**	-

(i) The Group had on 27 September 2006 entered into a conditional share sale agreement with Excel Step Investment Limited for the disposal of its 56.64% equity interest in Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) for a total consideration of RM35.12 million.

(ii) On 10 August 2006, a subsidiary, Century Container Industries Sdn Bhd entered into a Sale and Purchase Agreement to dispose of the land and building for a cash consideration of RM23 million. The land was previously charged to financial institutions as security for a term loan granted to another subsidiary. With the completion of the disposal, the term loan had been fully repaid and the charge has been uplifted.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	**580,839**	794,773	**-**	-
Other payables	**270,879**	320,954	**3,356**	3,284
Product financing liabilities	**1,250,756**	704,410	**-**	-
Accruals	**91,485**	110,652	**25,149**	25,315
Project payables	**51,481**	88,933	**-**	-
Hire purchase liabilities (Note 31)	**1,242**	1,439	**-**	-
	2,246,682	2,021,161	**28,505**	28,599

Included in payables of the Group and of the Company are related parties balances of which RM110.2 million (2006: RM167.9 million) and RM Nil (2006: RM Nil) respectively are in trade payables, RM51.7 million (2006: RM52.4 million) and RM3.3 million (2006: RM3.2 million) respectively are in other payables and RM976.5 million (2006: RM638.1 million) and RM Nil (2006: RM Nil) respectively are in product financing liabilities.

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where the titles of the inventories pertaining to these arrangements are legally passed to these parties and of which the Group has an obligation to repurchase. The obligation to repurchase ranges from 60 days to 120 days (2006: 60 days to 120 days) with interest rates from 6% to 7% (2006: 5% to 7%) per annum. The inventories under such arrangements are disclosed in Note 19 to the financial statements. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days (2006: 30 days to 60 days).

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

25. BANK OVERDRAFTS

	Group 2007 RM'000	Group 2006 RM'000
Secured	**17,449**	11,446

Bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment as disclosed in Note 13 to the financial statements, and other assets of the subsidiaries.

The weighted average effective interest rate for bank overdrafts at the balance sheet date is 8.6% (2006: 7.8%) per annum.

26. BORROWINGS

	Group 2007 RM'000	Group 2006 RM'000
Current		
Secured:		
Bills payable	**45,867**	85,956
Revolving credits	**35,500**	34,800
Term loans	**1,465,717**	1,639,018
	1,547,084	1,759,774
Unsecured:		
Bills payable	**69,798**	64,710
Revolving credits	**10,200**	10,452
Term loans	**14,702**	2,360
	94,700	77,522
Total current borrowings	**1,641,784**	1,837,296

Bills payable and revolving credits pertaining to certain subsidiaries are secured by charges on the property, plant and equipment as disclosed in Note 13 to the financial statements, and other assets of the subsidiaries.

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

	Group 2007 %	Group 2006 %
Bills payable	**4.9**	4.7
Revolving credits	**6.5**	6.8
Term loans	**8.6**	7.5

	Group 2007 RM'000	Group 2006 RM'000
Non-Current		
Term loans:		
Secured	**-**	3,493
Unsecured	**24,490**	6,131
Total non-current borrowings	**24,490**	9,624

26. BORROWINGS (continued)

	Group	
	2007	**2006**
	RM'000	**RM'000**
Total Borrowings		
Bills payable	**115,665**	150,666
Revolving credits	**45,700**	45,252
Term loans	**1,504,909**	1,651,002
	1,666,274	1,846,920

The term loans are repayable over the following periods:

	Group	
	2007	**2006**
	RM'000	**RM'000**
Within 1 year	**1,480,419**	1,641,378
From 1 to 5 years	**24,490**	9,624
	1,504,909	1,651,002

A major subsidiary of the Group has requested for the indulgence of its lenders to consent to the deferment of its term loans of which a portion is due and unpaid as at the end of the financial year. In accordance with FRS101, the entire term loans, inclusive of amount maturing beyond one year, have been reclassified as current borrowings. These term loans are secured against the freehold land, buildings and plant and machinery of certain subsidiaries.

Other secured term loans of the Group are charged against certain subsidiaries' fixed and floating assets, certain investments in a public listed associate and corporate guarantee from the Company.

27. BONDS AND DEBTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
- LCB Bonds	**450,360**	188,303	**450,360**	188,303
- LCB Debts	**2,620**	988	**2,620**	988
	452,980	189,291	**452,980**	189,291
Non-Current				
Secured:				
- LCB Bonds	**1,714,144**	1,808,205	**1,714,144**	1,808,205
- LCB Debts	**9,094**	10,820	**9,094**	10,820
Unsecured bond:				
- Megasteel Sub-Bond (B)	**239,469**	237,098	**-**	-
	1,962,707	2,056,123	**1,723,238**	1,819,025
Total				
Secured:				
- LCB Bonds	**2,164,504**	1,996,508	**2,164,504**	1,996,508
- LCB Debts	**11,714**	11,808	**11,714**	11,808
Unsecured bond:				
- Megasteel Sub-Bond (B)	**239,469**	237,098	**-**	-
	2,415,687	2,245,414	**2,176,218**	2,008,316

27. BONDS AND DEBTS (continued)

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Within 1 year	**452,980**	189,291	**452,980**	189,291
From 1 to 5 years	**1,962,707**	1,414,909	**1,723,238**	1,414,909
After 5 years	**-**	641,214	**-**	404,116
	2,415,687	2,245,414	**2,176,218**	2,008,316

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

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

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

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

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

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

The Company has obtained the bondholders' and lender's approval on 15 December 2006 to defer the redemption/repayment of the following LCB Bonds and LCB Debts:

	Due on 31 December 2006 defer to 31 March 2007 Nominal amount	**Due on 31 December 2006 defer to 31 October 2007 Nominal amount**
Class A LCB Bonds (RM'000)	**1,241**	**28,681**
Class B (a) LCB Bonds (RM'000)	**1,989**	**45,952**
Class B (b) LCB Bonds (RM'000)	**4,729**	**109,273**
LCB Debts (USD'000)	**11**	**254**

On 31 December 2006, the Company had fully redeemed/repaid the LCB Bonds and LCB Debts due on 31 March 2007.

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

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

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

27. BONDS AND DEBTS (continued)

Securities for the LCB Bonds and the LCB Debts

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

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

(ii) The CPB Inter-Co Repayment (amounts owing by Lion Diversified Holdings Berhad to LCB) receivable by the Company.

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

Dedicated Cash Flows mean cash flows from the following sources:

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

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

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

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

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

- Cash injection to be undertaken in year 2011.

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

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

(i) Indebtedness

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

Permitted indebtedness shall mean, at any time, any indebtedness for borrowed money incurred or assumed by the Company, any of its subsidiaries incorporated as at the date of the Trust Deed, any scheme company and any security party in respect of which the aggregate principal amount committed or provided by the lenders together with the aggregate amount of all indebtedness of the Company, any of its subsidiaries, any scheme company and any security party at the time of its incurrence does not exceed the following limits:

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

27. BONDS AND DEBTS (continued)

Securities for the LCB Bonds and the LCB Debts (continued)

(i) Indebtedness (continued)

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

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

(ii) Disposal of assets in PDP

Dispose of assets/shares in the PDP if:

(a) the realisable value of the asset is above RM5 million; and
(b) the disposal price is at a discount of 20% or more of the market value of the assets; or
(c) the sale of asset is to a related party.

(iii) Disposal of residual assets

Dispose of assets not in the PDP if:

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

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

(iv) Capital expenditure

Incur and/or cause its subsidiaries (other than the excluded companies) to incur any capital expenditure:

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

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

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

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

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

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

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

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

28 SHARE CAPITAL

	Group and Company 2007 RM'000	Group and Company 2006 RM'000
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July and 30 June	**2,000,000**	2,000,000
Issued and Fully Paid:		
At 1 July	**1,005,116**	925,594
Shares issued pursuant to acquisition of subsidiaries	**-**	79,522
At 30 June	**1,005,116**	1,005,116

As at 30 June 2007, there were 91,380,750 unexercised warrants with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held at the subscription price of RM2.60 per ordinary share. The warrants which were constituted by a Deed Poll dated 18 December 1997 ("Deed Poll"), were offered on a renounceable basis of three (3) warrants for every four (4) existing shares held.

The new shares allotted and issued upon the exercise of the subscription rights shall be fully paid and shall rank pari passu in all respects with the then existing shares including any entitlement to any dividends, rights, allotments or other distributions except that such new shares shall not rank for any dividends, rights, allotments or other distributions on or before the entitlement date of which is before the allotment of the new shares.

The exercise period of the warrants has been extended for a final period from 10 December 2006 to 10 June 2008.

29. RESERVES

	Group		Company	
	2007 RM'000	2006 RM'000 (Restated)	2007 RM'000	2006 RM'000 (Restated)
Non-Distributable:				
Share premium	**97,627**	97,627	**97,627**	97,627
Negative goodwill	**-**	511	**-**	-
Asset revaluation reserve	**261,393**	242,531	**-**	-
Capital reserve	**90,100**	84,952	**110**	37
Share option reserve	**2,438**	113	**2,438**	113
Foreign currency translation reserve	**2,304**	1,129	**-**	-
	453,862	426,863	**100,175**	97,777
Accumulated losses	**(811,075)**	(846,095)	**(1,047,364)**	(635,473)
	(357,213)	(419,232)	**(947,189)**	(537,696)

29. 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 freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Capital Reserve

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

(c) Share Option Reserve

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

(d) Foreign Currency Translation Reserve

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

30. DEFERRED TAXATION

	Group	
	2007	**2006**
	RM'000	**RM'000**
At 1 July	**89,648**	(35,587)
Recognised in income statement (Note 11)	**(6,014)**	125,183
Acquisition of subsidiaries (Note 37(c))	**-**	52
Reversed to equity	**13,250**	-
Change in applicable tax rate on asset revaluation reserve	**7,702**	-
At 30 June	**104,586**	89,648
Presented after appropriate offsetting as follows:		
Deferred tax assets	**122,992**	104,678
Deferred tax liabilities	**(18,406)**	(15,030)
At 30 June	**104,586**	89,648

30. DEFERRED TAXATION (continued)

Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2005	71,012	-	71,012
Recognised in income statement	32,328	146	32,474
Acquisition of subsidiaries	(559)	1,751	1,192
At 30 June 2006	**102,781**	**1,897**	**104,678**
Recognised in income statement	**7,382**	**3,230**	**10,612**
Change in applicable tax rate on asset revaluation reserve	**7,702**	**-**	**7,702**
At 30 June 2007	**117,865**	**5,127**	**122,992**

Deferred Tax Liabilities of the Group

	Revaluation reserve RM'000	Others RM'000	Total RM'000
At 1 July 2005	106,246	353	106,599
Recognised in income statement	(92,996)	287	(92,709)
Acquisition of subsidiaries	-	1,140	1,140
At 30 June 2006	**13,250**	**1,780**	**15,030**
Recognised in income statement	**-**	**16,626**	**16,626**
Reversed to asset revaluation reserve	**(13,250)**	**-**	**(13,250)**
At 30 June 2007	**-**	**18,406**	**18,406**

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

	Group 2007 RM'000	Group 2006 RM'000
Unutilised tax losses	**210,238**	192,889
Unabsorbed capital allowances	**90,848**	104,082
Other deductible temporary differences	**7,002**	4,567
	308,088	301,538

The unutilised tax losses and unabsorbed capital allowances carried forward are subject to agreement by the tax authority.

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

31. DEFERRED LIABILITIES

	Group 2007 RM'000	Group 2006 RM'000
Hire purchase liabilities	**1,219**	1,978
Product financing liabilities	**47,842**	67,119
Unfunded defined benefit plan (Note 32(a))	**1,996**	1,846
	51,057	70,943
Hire Purchase Liabilities		
Payable within 1 year	**1,399**	1,635
Payable between 1 and 5 years	**1,386**	2,220
	2,785	3,855
Finance charges	**(324)**	(438)
	2,461	3,417
Analysed as:		
Payable within 1 year (Note 24)	**1,242**	1,439
Payable between 1 and 5 years	**1,219**	1,978
	2,461	3,417

The hire purchase liabilities carry interest rates at the balance sheet date at rates ranging from 2.4% to 7.0% (2006: 2.4% to 6.6%) per annum.

32. EMPLOYEE BENEFITS

(a) Defined Benefit Plan - Unfunded

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

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

	Group 2007 RM'000	Group 2006 RM'000
Non-Current		
At 1 July/Date of acquisition	**1,846**	1,820
Charged to income statement	**150**	28
Benefit paid	**-**	(2)
At 30 June	**1,996**	1,846

32. EMPLOYEE BENEFITS (continued)

(a) Defined Benefit Plan - Unfunded (continued)

	Group 2007 RM'000	Group 2006 RM'000
The amount recognised in the consolidated balance sheet are analysed as follows:		
- Present value of unfunded defined benefit obligations	**1,996**	1,846
The expenses recognised in the consolidated income statement are analysed as follows:		
- Current service cost	**85**	14
- Interest cost	**91**	14
- Actuarial gain	**(26)**	-
	150	28

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

	Group 2007 %	Group 2006 %
Discount rate	**7**	7
Expected rate of salary increase	**5**	5

(b) Executive Share Option Scheme

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

The salient 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 scheme shall be allocated, in aggregate, to executive Directors and senior management; and

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

32. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme (continued)

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

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

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

Group 2007	Number of Options Over Ordinary Shares of RM1.00 each					
	Balance as at 1.7.2006	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2007**	**Exercisable as at 30.6.2007**
Tranche 1	**5,570,900**	**-**	**-**	**(596,100)**	**4,974,800**	**4,310,700**
Tranche 2	**-**	**7,026,100**	**-**	**(1,286,600)**	**5,739,500**	**4,224,600**
	5,570,900	**7,026,100**	**-**	**(1,882,700)**	**10,714,300**	**8,535,300**
WAEP	**1.00**	**1.00**	**-**	**1.00**	**1.00**	**1.00**

Group 2006	Number of Options Over Ordinary Shares of RM1.00 each					
	Balance as at 1.7.2005	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2006**	**Exercisable as at 30.6.2006**
Tranche 1	-	6,397,200	-	(826,300)	5,570,900	4,050,900
WAEP	1.00	1.00	-	1.00	1.00	1.00

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

2007	**WAEP RM**	**Exercise Period**
Tranche 1	1.00	26.5.2006 - 31.8.2010
Tranche 2	1.00	26.2.2007 - 31.8.2010
2006		
Tranche 1	1.00	26.5.2006 - 31.8.2010

32. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme (continued)

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:

	Tranche 2	Tranche 1
Fair value at grant date 26 May 2006 (RM)	N/A	0.25
Fair value at grant date 26 Feb 2007 (RM)	0.45	N/A
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)	3.16	4.16

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.

33. COMMITMENTS

(a) Capital Commitments

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

	Group	
	2007 RM'000	2006 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**89,494**	116,966
- approved but not contracted for	**110,875**	124,734
	200,369	241,700

(b) Operating Lease Commitments

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

	Group	
	2007 RM'000	2006 RM'000
The future minimum lease payments under non-cancellable operating lease are as follows:		
Within 1 year	**186**	186
From 1 to 5 years	**342**	528
	528	714

34. CONTINGENT LIABILITIES

	Company 2007 RM'000	Company 2006 RM'000
Guarantees in respect of loans and credit facilities granted to subsidiaries - unsecured	**123,054**	134,645

35. RELATED PARTY TRANSACTIONS

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

Name of Company	Type of Transaction	Group 2007 RM'000	Group 2006 RM'000
(i) With Amsteel Corporation Berhad Group ("Amsteel")			
Lion Tooling Sdn Bhd	Trade purchases	**4,398**	2,591
Singa Logistics Sdn Bhd	Logistic services	**10,938**	9,845
Secom (M) Sdn Bhd	Trade purchases	**266**	367
(ii) With Lion Industries Corporation Berhad Group ("LICB")			
Amsteel Mills Sdn Bhd	Trade sales	**1,151,663**	760,699
	Trade purchases	**823,173**	534,416
Antara Steel Mills Sdn Bhd	Trade sales	**14,673**	19,573
	Trade purchases	**617,998**	107,513
Amsteel Mills Marketing Sdn Bhd	Management services	**1,563**	1,665
	Trade purchases	**11,891**	729
(iii) With Other Related Parties			
Lion Motor Sdn Bhd	Trade sales	**3,960**	7,354
	Trade purchases	**3,730**	11,405
Silverstone Berhad	Trade purchases	**69**	405
CEDR Corporate Consulting Sdn Bhd (formerly known as S.I.T Corporate Learning Centre Sdn Bhd)	Training services	**95**	157
Silverstone Marketing Sdn Bhd	Rental income	**138**	138
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**2,159**	2,121
Likom Plastic Industries Sdn Bhd	Trade purchases	**384**	428
PT Lion Metal Works Tbk	Trade sales	**4,356**	3,539
	Trade purchases	**963**	-
Compact Energy Sdn Bhd	Trade purchases	**2,150**	-
LAP Trading & Marketing Pte Ltd (formerly known as LAP Automotive Trading Pte Ltd)	Trade purchases	**7,730**	-
Parkson Corporation Sdn Bhd	Trade sales	**272**	97
Lion Diversified Holdings Berhad	Trade sales	**353**	1

35. RELATED PARTY TRANSACTIONS (continued)

Name of Company	Type of Transaction	Group 2007 RM'000	Group 2006 RM'000
(iii) With Other Related Parties (continued)			
Lion Holdings Pte Ltd	Financing facilities	**179,912**	386,263
	Interest expense on product financing	**10,050**	12,170
Graimpi Sdn Bhd	Financing facilities	**337,825**	4,405
	Interest expense on product financing	**4,154**	-
Ributasi Holdings Sdn Bhd	Financing facilities	**141,893**	-
	Interest expense on product financing	**2,782**	280

Amsteel and LICB are associates of the Company wherein certain Directors and substantial shareholders of the Company have interests.

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

Lion Motor Sdn Bhd, Silverstone Berhad, CEDR Corporate Consulting Sdn Bhd and Silverstone Marketing Sdn Bhd are subsidiaries of Silverstone Corporation Berhad, a company in which certain Directors and substantial shareholders of the Company, have an interest.

Posim Petroleum Marketing Sdn Bhd is a subsidiary of Lion Forest Industries Berhad, a company in which certain Directors and substantial shareholders of the Company, have an interest.

Graimpi Sdn Bhd and Parkson Corporation 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 an interest.

Compact Energy Sdn Bhd and LAP Trading & Marketing Pte Ltd are subsidiaries of Lion Asiapac Limited, an associate of the Company in which certain Directors and substantial shareholders of the Company, have an interest.

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

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 executive Directors of the Company during the financial year are as follows:

	Number of Options: Granted during the financial year 2007	Granted during the financial year 2006	Unexercised options at financial year end 2007	Unexercised options at financial year end 2006
Tan Sri William H.J. Cheng	**245,000**	245,000	**490,000**	245,000

36. SEGMENTAL ANALYSIS

(a) Primary Reporting Format - Business Segments:

The Group is organised into three major business segments:

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

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

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

Group 2007	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	4,560,122	39,207	20,353	211	-	4,619,893
Inter-segment	12,587	103	-	-	(12,690)	-
	4,572,709	39,310	20,353	211	(12,690)	4,619,893
Results						
Segment results	507,859	(743)	(13,543)	10,329	-	503,902
Interest income						6,917
Investment income						192
Profit from operations						511,011
Finance costs						(444,903)
Share in results of associates	103,401	-	-	21,456	-	124,857
Impairment loss in associates						(372,162)
Loss before taxation						(181,197)
Income tax expense						(6,978)
Net loss for the financial year						(188,175)
Segment assets	5,457,741	27,901	41,658	602,918	-	6,130,218
Investment in associates	966,487	-	-	35,076	-	1,001,563
Unallocated corporate assets						128,652
Consolidated total assets						7,260,433
Segment liabilities	2,232,890	5,809	11,473	45,106	-	2,295,278
Unallocated corporate liabilities						4,120,875
Consolidated total liabilities						6,416,153

36. SEGMENTAL ANALYSIS (continued)

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

Group 2007	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Other Information						
Capital expenditure	**88,463**	**304**	**818**	**-**	**-**	**89,585**
Depreciation and amortisation	**125,047**	**1,491**	**2,334**	**17**	**-**	**128,889**
Impairment losses	**7,167**	**-**	**-**	**367,396**	**-**	**374,563**
Reversal of impairment losses	**-**	**-**	**-**	**(640)**	**-**	**(640)**
Non-cash expenses other than depreciation, amortisation and impairment losses	**6,518**	**296**	**4,436**	**2,458**	**-**	**13,708**

Group 2006 (Restated)	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	2,390,057	35,692	81,228	235	-	2,507,212
Inter-segment	9,205	426	-	99	(9,730)	-
	2,399,262	36,118	81,228	334	(9,730)	2,507,212
Results						
Segment results	(135,189)	(888)	(7,315)	(19,117)	-	(162,509)
Interest income						7,057
Investment income						751
Loss from operations						(154,701)
Finance costs						(380,289)
Share in results of associates	9,293	-	-	(10,689)	-	(1,396)
Impairment loss in associates						(20,000)
Loss before taxation						(556,386)
Income tax expense						126,178
Net loss for the financial year						(430,208)
Segment assets	5,169,540	26,957	55,936	602,417	-	5,854,850
Investment in associates	523,491	-	-	479,449	-	1,002,940
Unallocated corporate assets						115,494
Consolidated total assets						6,973,284
Segment liabilities	2,019,310	6,911	13,901	48,565	-	2,088,687
Unallocated corporate liabilities						4,122,231
Consolidated total liabilities						6,210,918

36. SEGMENTAL ANALYSIS (continued)

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

Group 2006	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Other Information						
Capital expenditure	201,301	309	2,490	-	-	204,100
Depreciation and amortisation	243,739	902	2,029	25,220	-	271,890
Impairment losses	-	-	-	20,000	-	20,000
Reversal of impairment losses	-	-	-	(253)	-	(253)
Non-cash expenses other than depreciation, amortisation and impairment losses	4,981	311	10	4,377	-	9,679

(b) Secondary Reporting Format - Geographical Segments:

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

Group 2007	Malaysia RM'000	Europe RM'000	USA RM'000	India RM'000	Others RM'000	Total RM'000
Segment revenue	**3,232,600**	**432,962**	**322,242**	**201,821**	**430,268**	**4,619,893**
Segment assets	**6,130,218**	**-**	**-**	**-**	**-**	**6,130,218**
Capital expenditure	**89,585**	**-**	**-**	**-**	**-**	**89,585**
Group 2006 (Restated)						
Segment revenue	1,671,543	208,293	280,177	101,242	245,957	2,507,212
Segment assets	5,854,850	-	-	-	-	5,854,850
Capital expenditure	204,100	-	-	-	-	204,100

37. CASH FLOW STATEMENTS

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

	Group 2007 RM'000	Group 2006 RM'000 (Restated)	Company 2007 RM'000	Company 2006 RM'000 (Restated)
Share in results of associates	**(124,857)**	1,396	-	-
Property, plant and equipment:				
- depreciation	**128,358**	246,314	-	-
- written off	**6**	26	-	-
Amortisation of prepaid land lease payments	**531**	377	-	-
Interest expenses	**444,903**	380,289	199,518	186,334
Gain on disposal of:				
- quoted investment	**(13,233)**	(13,169)	(13,233)	(13,169)
- property, plant and equipment	**(80)**	(49)	-	-
- assets held for sale	**(9,039)**	-	-	-

37. CASH FLOW STATEMENTS (continued)

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
		(Restated)		**(Restated)**
Amortisation of:				
- goodwill	**-**	25,231	**-**	-
- negative goodwill	**-**	(32)	**-**	-
Interest income	**(6,917)**	(7,057)	**(122,316)**	(112,885)
Allowance for doubtful receivables:				
- others	**477**	4,616	**-**	-
- written back	**(909)**	-	**-**	(7,485)
Dividend income	**(192)**	(751)	**(1,136)**	(2,546)
Bad receivables written off	**-**	31	**-**	-
Allowance for obsolete inventories	**-**	37	**-**	-
Reversal of allowance for obsolete inventories	**(363)**	-	**-**	-
Impairment of investments in:				
- subsidiaries	**-**	-	**-**	12,660
- associates	**372,162**	20,000	**347,597**	-
- others	**25**	-	**-**	-
Reversal of impairment losses in:				
- an investment	**-**	(220)	**-**	-
- an associate	**(640)**	(33)	**-**	-
Inventories written down	**10,677**	4,819	**-**	-
Unrealised gain on foreign exchange	**(55,113)**	(25,603)	**(757)**	(297)
Share options granted under ESOS	**2,398**	150	**519**	17
Impairment of goodwill	**2,376**	-	**-**	-
Reversal of provision for interest	**(347)**	-	**-**	-
Provision for defined benefit plan	**150**	28	**-**	-
	750,373	636,400	**410,192**	62,629

(b) Purchase of property, plant and equipment

	Group	
	2007	**2006**
	RM'000	**RM'000**
Aggregate cost of purchase	**89,585**	204,100
Purchase by means of:		
- hire purchase	**(638)**	(757)
- deferred payment	**-**	(2,211)
Purchase by cash	**88,947**	201,132

37. CASH FLOW STATEMENTS (continued)

(c) Acquisition of subsidiaries:

	Group 2007 RM'000	Group 2006 RM'000
Property, plant and equipment	-	55,244
Prepaid land lease payments	-	15,096
Investment in an associate	-	91,855
Investments	-	135
Deferred tax assets	-	1,192
Goodwill on consolidation	-	3
Inventories	-	88,355
Trade and other receivables	-	72,008
Tax recoverable	-	658
Cash and bank balances	-	3,841
Trade and other payables	-	(110,219)
Taxation	-	(1,380)
Borrowings	-	(107,729)
Minority interests	-	(42,389)
Deferred tax liabilities	-	(1,140)
	-	65,530
Amount previously accounted for as investment	-	(1,464)
Fair value of net assets at date of acquisition	-	64,066
Goodwill on acquisition	-	40,108
Cost of acquisition	-	104,174
Purchase consideration satisfied by issuance of shares	-	(104,174)
	-	-
Cash and cash equivalent of subsidiaries acquired	-	3,841
Net cash inflow on acquisition	-	3,841

(d) During the financial year, the Group disposed property, plant and equipment for a total consideration of RM42.5 million (2006: RM0.06 million) of which RM0.5 million (2006: RM0.06 million) was received in cash. The difference of the sales proceeds is included in other receivables.

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

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Cash and bank balances	**51,422**	14,037	**785**	705
Deposits with the financial institutions	**11,471**	28,853	**852**	673
Bank overdrafts	**(17,449)**	(11,446)	**-**	-
	45,444	31,444	**1,637**	1,378

38. 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 currency risks for the purchase of materials and consumables and in its financing activities. The Group strives to monitor these exposures closely and attempts to limit them by entering into forward contracts, where favourable.

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

	US Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
Group					
2007					
Functional Currency					
Trade and other receivables	**68,051**	**-**	**136**	**-**	**68,187**
Trade and other payables	**1,072,075**	**10,863**	**2,149**	**4,050**	**1,089,137**
Bonds and debts	**11,714**	**-**	**-**	**-**	**11,714**
Borrowings	**806,337**	**27,912**	**-**	**-**	**834,249**
2006					
Functional Currency					
Trade and other receivables	17,420	-	801	-	18,221
Trade and other payables	916,693	85,224	8,554	861	1,011,332
Bonds and debts	11,808	-	-	-	11,808
Borrowings	899,154	24,751	-	-	923,905

38. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

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

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

Credit Risk

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

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

Market Risk

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

Liquidity and Cash Flow Risks

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As mentioned in Note 2 to the financial statements, the Group is in discussion with the local and foreign financial institutions to reschedule its borrowings.

Fair Values

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

	Group		**Company**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2007				
Financial Assets				
Quoted investments	**1,198**	**6,980**	**1,174**	**6,964**
2006				
Financial Assets				
Quoted investments	5,416	15,524	5,392	15,510

38. 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) Long term receivable

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

(v) Borrowings

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

(vi) Derivative financial instruments

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

39. SIGNIFICANT EVENTS

During the financial year:

(i) The Company and its wholly-owned subsidiary, Limpahjaya Sdn Bhd, had on 27 September 2006, entered into a conditional ACB Share Sale Agreement with Lion Diversified Holdings Berhad ("LDHB") and Excel Step Investments Limited, a wholly-owned subsidiary of LDHB, to dispose of up to 42,318,772 ordinary shares of RM1.00 each in Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad), representing 56.64% of the issued and paid-up share capital of ACB, for a cash consideration of up to RM35.12 million ("Proposed Disposal").

The Company had on 14 September 2007 completed the Proposed Disposal.

(ii) The Company and its wholly-owned subsidiary, Total Triumph Investments Limited, had on 27 September 2006 entered into a conditional BSSB Share Sale Agreement with ACB, to acquire 32,143,500 ordinary shares of RM1.00 each in Bright Steel Sdn Bhd ("Bright Steel"), representing the entire issued and paid-up share capital of Bright Steel, from ACB for a cash consideration of RM53.47 million ("Proposed Acquisition").

The Company had on 19 September 2007 completed the Proposed Acquisition.

(iii) Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of the Company, had on 26 February 2007, entered into a conditional Subscription Agreement with LDHB for the issuance of 200,000,000 5-year Redeemable Cumulative Convertible Preference Shares of RM0.01 each in Megasteel to LDHB for cash of RM200,000,000 ("Proposed Issuance").

The Proposed Issuance is pending finalisation.

STATEMENT BY DIRECTORS

We, TAN SRI WILLIAM H.J. CHENG and DATUK CHENG YONG KIM, being two of the Directors of LION CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 99 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia for entities other than private entities 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 2007 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 2 October 2007.

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

DATUK CHENG YONG KIM
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

I, TAN SRI WILLIAM H.J. CHENG, the Director primarily responsible for the financial management of LION CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 30 to 99 are, in my opinion and belief, 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 above-named TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 2 October 2007.

TAN SRI WILLIAM H.J. CHENG

Before me

W259
AHMAD B. LAYA
Commissioner for Oaths
Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS OF LION CORPORATION BERHAD

We have audited the financial statements set out on pages 30 to 99. These financial statements are the responsibility of the Company's Directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia for entities other than private entities so as to give a true and fair view of:

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

  (ii) the state of affairs of the Group and of the Company as at 30 June 2007 and of the results, and cash flows of the Group and of the Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of subsidiaries of which we have not acted as auditors are indicated in Note 16 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been 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 and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that, as at 30 June 2007, the Group incurred a net loss of RM188.2 million and the Group's current liabilities exceeded current assets by RM2,082.2 million. In addition, as disclosed in Note 26 to the financial statements, a subsidiary has not met certain of its scheduled repayment obligations. The Directors' plan to address these conditions and the default in repayment obligations are disclosed in Note 2 to the financial statements.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

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

Kuala Lumpur
2 October 2007

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2007

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 24	2,995	15.08.1983
WTT 144 GPO 889 SEDCO Industrial Estate Mile 5 1/2, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2034	50,600 sq metres	Industrial land and building	Factory 32	3,640	1977
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5 1/2, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 32	1,830	1979
TB 162 Jalan Habib Hussein, Tawau Sabah	Leasehold 17.9.2056	477.8 sq metres	Industrial land and building	Office cum Showroom 39	470	17.04.1995
Block G, Lot No 2 Sri Kemajuan Industrial Estate, Inanam Kota Kinabalu Sabah	Leasehold 31.12.2043	278.6 sq metres	Industrial land and building	Office 22	248	22.05.1985
Block B, Lot No 1 6 1/2 Miles, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 22	243	10.08.1985
Unit No-2-1-14B & 15 Level 1, Ground Floor Wawasan Plaza Kota Kinabalu, Sabah	Leasehold 31.12.2096	332.5 sq metres	Shoplots	Office cum Showroom 9	2,803	02.02.1999
Lot 2319, 2321 & 2323A Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1,718,673 sq metres (425 acres)	Industrial land and building	Factory & office 8	541,467	18.10.1995
Lot 999 & 1000 (Gr Flr) King's Park Commercial Centre, Miri, Sarawak	Leasehold 06.06.2059	621 sq metres	Shophouse	Office cum Showroom 11	1,989	28.06.1999
Lot 1245, Block 5, Kuala Baram Land District Miri, Sarawak	Leasehold 14.08.2056	3,481 sq metres	Land	Vacant	500	22.06.1999

LIST OF GROUP PROPERTIES (Continued)

AS AT 30 JUNE 2007

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/Age of Building (Year)	Net Book Value RM'000	Date of Acquisition/ Valuation
Lot 93 & 94 Teck Guan Industrial Shoplot Jalan Segama Lahad Datu, Sabah	Leasehold 08.05.2933	390.2 sq metres	Shoplots	Office cum Showroom 8	746	15.12.1999
Lot 13 Kota Kinabalu Industrial Park Jalan Sepanggar, Mengatal Kota Kinabalu, Sabah	Leasehold 2096	87,513 sq metres	Commercial land	Vacant	6,115	06.07.2001
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 hectares	Industrial land	Vacant	1,498	20.04.2005
Lot 3916 Kawasan Perindustrian Teluk Kalung 24007 Kemaman Terengganu	Leasehold 24.09.2054	17 acres	Industrial land and building	Factory & Office 11	8,289	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 15	17,330	07.04.1995

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2007

Authorised Share Capital	:	RM2,000,000,000
Issued and Paid-up Capital	:	RM1,005,115,831
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2007

Ordinary Shares

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	189	2.81	7,644	0.01
100 to 1,000	1,374	20.41	974,900	0.10
1,001 to 10,000	3,577	53.13	16,099,887	1.60
10,001 to 100,000	1,225	18.20	40,467,262	4.03
100,001 to less than 5% of issued shares	363	5.39	440,310,995	43.80
5% and above of issued shares	4	0.06	507,255,143	50.46
	6,732	100.00	1,005,115,831	100.00

Thirty Largest Registered Shareholders as at 30 September 2007

	Registered Shareholders	No. of Shares	% of Shares
1.	LDH (S) Pte Ltd	226,716,252	22.56
2.	AMMB Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Horizon Towers Sdn Bhd (HORI000)	128,462,999	12.78
3.	Horizon Towers Sdn Bhd	94,257,138	9.38
4.	Malaysia Nominees (Tempatan) Sendirian Berhad		
	Pledged Securities Account for Horizon Towers Sdn Bhd (01-00800-000)	57,818,754	5.75
5.	Sims Holdings Sdn Bhd	38,473,283	3.83
6.	Narajaya Sdn Bhd	16,559,848	1.65
7.	Mayban Nominees (Tempatan) Sdn Bhd		
	Newcom International Limited for Horizon Towers Sdn Bhd (230519)	15,418,335	1.53
8.	UOBM Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Horizon Towers Sdn Bhd (PCR)	12,588,477	1.25
9.	Merchant Nominees (Tempatan) Sendirian Berhad		
	Pledged Securities Account for Horizon Towers Sdn Bhd	11,300,000	1.12
10.	RHB Merchant Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-A5)	11,083,379	1.10
11.	Cheng Yong Kim	10,205,317	1.02
12.	CIMB Group Nominees (Tempatan) Sdn Bhd		
	Lion Holdings Sdn Bhd for Horizon Towers Sdn Bhd (49330 JPLE)	9,286,966	0.92
13.	Mayban Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Horizon Towers Sdn Bhd (41408430028B)	9,257,871	0.92
14.	Mayban Nominees (Tempatan) Sdn Bhd		
	Pledged Securities Account for Horizon Towers Sdn Bhd (41435660121C)	8,917,773	0.89

Thirty Largest Registered Shareholders as at 30 September 2007 (continued)

Registered Shareholders	No. of Shares	% of Shares
15. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	8,141,000	0.81
16. Gan Seong Liam	7,960,000	0.79
17. Tengku Uzir Bin Tengku Ubaidillah	7,544,500	0.75
18. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Amanvest (M) Sdn Bhd	7,407,654	0.74
19. Lion Realty Private Limited	6,946,565	0.69
20. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (HLF/RMD/LD)	6,840,000	0.68
21. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (41403980012D)	6,447,455	0.64
22. Amanvest (M) Sdn Bhd	6,288,492	0.63
23. Merchant Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lion Holdings Sdn Bhd	6,221,487	0.62
24. AMSEC Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.52
25. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tung Lai (M12)	5,191,000	0.52
26. Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (51408415273B)	5,157,996	0.51
27. Pacific & Orient Insurance Co Berhad	5,083,200	0.51
28. Tirta Enterprise Sdn Bhd	4,947,582	0.49
29. Citigroup Nominees (Asing) Sdn Bhd Daiwa Secs SMBC HK Ltd for Chun Yuan Steel Industry Co Ltd	4,452,000	0.44
30. Exuniq Sdn Bhd	4,201,137	0.42

Substantial Shareholders as at 30 September 2007

	Direct Interest		Indirect Interest			
Substantial Shareholders	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**	**No. of Warrants[1]**	**No. of Options[2]**
1. Tan Sri William H.J. Cheng	458,685	0.05	748,031,453	74.42	42,160,189	490,000
2. Datuk Cheng Yong Kim	10,209,517	1.02	684,997,324	68.15	-	-
3. Lion Realty Pte Ltd	6,946,565	0.69	676,590,173	67.31	-	-
4. Lion Development (Penang) Sdn Bhd	2,541,093	0.25	615,387,423	61.23	-	-
5. Horizon Towers Sdn Bhd	369,505,491	36.76	-	-	-	-
6. LDH (S) Pte Ltd	226,716,252	22.56	-	-	-	-
7. Lion Industries Corporation Berhad	1,727,361	0.17	228,138,397	22.70	-	-
8. Lion Diversified Holdings Berhad	431,977	0.04	226,716,252	22.56	-	-
9. Amsteel Mills Sdn Bhd	985,968	0.10	227,148,229	22.60	-	-
10. Steelcorp Sdn Bhd	-	-	228,134,197	22.70	-	-
11. LLB Steel Industries Sdn Bhd	-	-	228,134,197	22.70	-	-
12. Narajaya Sdn Bhd	16,559,848	1.65	227,148,229	22.60	-	-

Notes:

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

(2) *Options granted pursuant to the Company's Executive Share Option Scheme.*

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2007

The Directors' interests in shares in the Company and its related companies as at 30 September 2007 are as follows:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
The Company		**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
Tan Sri William H.J. Cheng#	RM1.00	458,685	0.05	748,066,769	74.43
Datuk Cheng Yong Kim	RM1.00	10,209,517	1.02	684,997,324	68.15
M. Chareon Sae Tang @ Tan Whye Aun	RM1.00	-	-	510,900	0.05
Related Companies					
Tan Sri William H.J. Cheng					
Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	-	-	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	-	-	11,420,000	57.10
Bright Enterprise (Sdn) Berhad	RM1.00	-	-	816,000	51.00
B.A.P Industries Sdn Bhd	RM1.00	-	-	4,650,000	77.50
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	-	-	26,985,030	70.01
Logic Concepts (M) Sdn Bhd	RM1.00	-	-	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	-	-	91,000	91.00
Lyn (Pte) Ltd	@	-	-	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	-	-	540,000,001	90.00

Directors' Interests in Shares in the Company and its Related Companies as at 30 September 2007 (continued)

Related Companies (continued)

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

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

Notes:

 # Also interested in 490,000 options granted pursuant to the Company's Executive Share Option Scheme to subscribe for 490,000 ordinary shares in the Company and deemed interested in 42,160,189 warrants issued by the Company with a right to subscribe for ordinary shares in the Company on the basis of one new ordinary share for every one warrant held.

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

Other than as disclosed above, the Directors of the Company do not have any other interest in shares in the Company or its related companies.

Distribution of Warrant Holdings as at 30 September 2007

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	3	0.27	150	0.01
100 to 1,000	214	19.09	210,950	0.23
1,001 to 10,000	595	53.08	2,901,900	3.17
10,001 to 100,000	261	23.28	9,187,400	10.05
100,001 to less than 5% of warrants issued	45	4.01	20,808,036	22.77
5% and above of warrants issued	3	0.27	58,272,314	63.77
	1,121	**100.00**	**91,380,750**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2007

Registered Warrant Holders	No. of Warrants	% of Warrants
1. Umatrac Enterprises Sdn Bhd	24,773,287	27.11
2. Amsteel Equity Capital Sdn Bhd	17,194,000	18.82
3. Exuniq Sdn Bhd	16,305,027	17.84
4. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	4,007,900	4.39
5. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,789,600	3.05
6. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin	1,300,000	1.42
7. Choong Moh Guan	980,900	1.07
8. Pacific & Orient Insurance Co Berhad	865,000	0.95
9. Yap Yong Sing	818,300	0.90
10. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming	772,000	0.84
11. Silverstone Corporation Berhad	710,250	0.78
12. Yow Yuen Loong	700,000	0.77
13. Fresh Direct Supply Sdn Bhd	614,400	0.67
14. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Choong Sing (E-KPG)	500,000	0.55
15. CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seah Chong Yong	421,400	0.46
16. Sim Kah Hoon	398,000	0.44
17. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Datin Rashidah Binti Pakeh Amin @ Aminuddin (E-TSA)	373,000	0.41

Thirty Largest Registered Warrant Holders as at 30 September 2007 (continued)

Registered Warrant Holders	No. of Warrants	% of Warrants
18. Angkasa Marketing (Singapore) Pte Ltd	368,625	0.40
19. Picamas Nominees (Tempatan) Sdn Bhd PICA (M) Corporation Berhad	280,000	0.31
20. Sow Ah Fook	270,000	0.30
21. Leong Ah Kow @ Leang Lean Yow	269,300	0.29
22. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Wai Kuan (R90-Margin)	262,800	0.29
23. Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Djelas Company SA	250,000	0.27
24. Hai Leng Enterprise Sdn Bhd	250,000	0.27
25. Chai Chin Siong	239,000	0.26
26. Choong Holdings Sdn Berhad	230,000	0.25
27. Khoo Theong Boh	227,900	0.25
28. Fong Nyuk Moi	200,000	0.22
29. Chai Chang Luen	189,000	0.21
30. Lim Hong Hock	186,900	0.20

OTHER INFORMATION

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

1. ACB Share Sale Agreement dated 27 September 2006 entered into between (i) the Company; (ii) Limpahjaya Sdn Bhd ("Limpahjaya"), a wholly-owned subsidiary of the Company; (iii) Lion Diversified Holdings Berhad ("LDHB"), a major shareholder of the Company and a company wherein certain Directors and major shareholders of the Company have interests; and (iv) Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of LDHB, for the disposal by the Company and Limpahjaya to Excel Step of up to 42,318,772 ordinary shares of RM1.00 each representing approximately 56.64% of the issued and paid-up share capital of Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad) for a cash consideration of up to RM35,120,000.

2. BSSB Share Sale Agreement dated 27 September 2006 between the (i) Company; (ii) Total Triumph Investments Limited ("Total Triumph"), a wholly-owned subsidiary of the Company; and (iii) ACB, a company wherein certain Directors and major shareholders of the Company have interests, for the acquisition by Total Triumph from ACB of 32,143,500 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Bright Steel Sdn Bhd for a cash consideration of RM53,470,000.

3. Conditional Subscription Agreement dated 26 February 2007 between Megasteel Sdn Bhd ("Megasteel"), a 90% owned subsidiary of the Company, and LDHB, a company wherein certain Directors and major shareholders of the Company have interests, for the subscription by LDHB of 200,000,000 5-year redeemable cumulative convertible preference shares of RM0.01 each in Megasteel for cash of RM200,000,000.

(II) NON-AUDIT FEES

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

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions concluded during the financial year ended 30 June 2007 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 such as steel bands, steel sheets and steel furniture.	Lion Industries Corporation Berhad Group ("LICB Group") (1)	1,166,342
	Silverstone Corporation Berhad Group ("SCB Group") (1)	34
	Amsteel Corporation Berhad Group ("Amsteel Group") (1)	19
	Lion Holdings Pte Ltd Group (2)	4,356
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	231,225
		1,401,976
(ii) The purchase of hot briquetted iron, scrap iron, lubricants, and other related products and services.	LICB Group (1)	1,441,171
	Lion Holdings Pte Ltd Group (2)	180,875
	Ributasi Holdings Sdn Bhd Group (2)	142,277
	LDHB Group (1)	107,225
	Lion Asiapac Limited ("LAP Group") (3)	2,150
		1,873,698

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions concluded during the financial year ended 30 June 2007 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (continued)		
(iii) The purchase of machinery, spare parts, lubricants, tools and dies, and other related products and services such as component parts, repair and maintenance.	Amsteel Group [(1)]	4,398
	Lion Forest Industries Berhad Group ("LFIB Group") [(1)]	2,283
		6,681
(iv) The obtaining of marketing, distribution and transportation services.	Amsteel Group [(1)]	10,938
(v) Rental of office premises.	LICB Group [(1)]	910
(vi) Consultancy fees	Mr Wang Chung-Yu [(4)]	578
(b) Motor vehicles related transactions		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicle.	SCB Group [(1)]	3,961
	LFIB Group [(1)]	170
	LDHB Group [(1)]	1
		4,132
(ii) The purchase of motor vehicles and component parts of motor vehicles.	SCB Group [(1)]	3,730
	LAP Group [(1)]	4,142
		7,872
(iii) The purchase of spare parts, tyres, lubricants and other related products such as rubber compounds and spark plugs.	SCB Group [(1)]	69
(iv) Rental of office premises.	SCB Group [(1)]	138
(c) Others		
(i) The provision of management and support and obtaining of training and educational and other related services such as healthcare and secretarial services.	Amsteel Group [(1)]	27
	SCB Group [(1)]	27
	LFIB Group [(1)]	15
	LDHB Group [(1)]	20
	LICB Group [(1)]	1,683
		1,772

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions concluded during the financial year ended 30 June 2007 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(c) Others (continued)		
(ii) The purchase of office equipment, furniture, computers, other industrial and consumer products and services, security services and equipment and rental of motor vehicles.	Amsteel Group (1) Amble Bond Sdn Bhd Group (2)	266 15 281

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

(IV) PENALTIES IMPOSED BY REGULATORY BODY

The Company had been compounded an amount of RM7,000 by the Companies Commission of Malaysia for the breach of Section 69F(2) of the Companies Act, 1965 in relation to disclosure of changes in substantial shareholding.

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

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

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Corporation Berhad ("LCB") Management Structure

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

1.3 KOC Organisation Structure

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

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

2. Financial Management

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

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

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

(i) Status of assets to be divested

			(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2007)		
Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	Jan - June 2007	Projected for July - Dec 2007	Projected Jan - Dec 2007
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003					
Shares in listed and unlisted companies	33.3	1.9	-	32.5	32.5
By December 2004					
Shares in unlisted companies	38.6	-	-	38.6	38.6
	71.9	1.9	-	71.1	71.1

(ii) Transactions completed during the financial year

There were no transactions completed during the 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-Fourth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 29 November 2007 at 12.15 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
5. To re-elect as Director, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman		
6. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9 . Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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 2007

Signed: ....

No. of shares: ....

In the presence of: ....

Representation at Meeting:

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.