LION CORPORATION BERHAD

2009

LION CORPORATION BERHAD

A Member of The Lion Group

(12890-A)

Laporan Tahunan
2009
Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth 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 17 November 2009 at 9.30 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2009. **Resolution 1**

2. To approve the payment of Directors' fees amounting to RM234,000 (2008: RM193,000). **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. Datuk Cheng Yong Kim **Resolution 3**
   Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman **Resolution 4**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr M. Chareon Sae Tang @ Tan Whye Aun be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 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 to be 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 and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 26 October 2009 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 9**

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

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

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

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

whichever is the earlier; and

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

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
26 October 2009

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.*

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

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

2. *Circular to Shareholders dated 26 October 2009 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2009 Annual Report.

3. *Resolution 8*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 20 November 2008 which will lapse at the conclusion of this Annual General Meeting.

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

4. *Resolution 9*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Sixth Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2009 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy Mr M. Chareon Sae Tang @ Tan Whye Aun Mr Folk Fong Shing @ Kok Fong Hing
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan binti Abdullah
Company No.	:	12890-A
Registered Office	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : http://www.lion.com.my/lioncor
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	Ordinary "A" Shares	Warrants "B" 2009/2019
Stock Name	:	LIONCOR	LIONCOR-OA	LIONCOR-WB
Bursa Securities Stock No.	:	3581	3581OA	3581WB
Reuters Code	:	LION.KL	LIONa.KL	LIONW.KL
ISIN Code	:	MYL3581OO005	MYL3581OA004	MYL3581WBT48

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 66, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

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

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 public listed companies.

Tan Sri William Cheng has a direct shareholding of 458,685 ordinary shares of RM1.00 each in the Company ("LCB Share") and an indirect interest in 1,575,040,980 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) 490,000 options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 490,000 LCB Shares; (ii) RM275,214,524 nominal value of redeemable convertible secured loan stocks with a right to convert into 275,214,524 new LCB Shares at a conversion price of RM1.00 for one new LCB Share; and (iii) 9,573,871 warrants with a right to subscribe for one new LCB Share for every warrant held at RM1.00 per new LCB Share. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 137 and 139 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Datuk Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Datuk Cheng Yong Kim, a Singaporean, aged 59, 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, retail, property development, tyre, computer, motor and plantation. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a manufacturer of steel furniture, building material and stamping products in Indonesia. He resigned from Lion Fasteners Sdn Bhd in 1995 to take on the position of the Managing Director of Lion Industries Corporation Berhad. In 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Datuk Cheng Yong Kim (continued)

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

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

Datuk Cheng has a direct shareholding of 2,709,517 LCB Shares and an indirect interest in 412,849,095 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of 42,664 warrants with a right to subscribe for one new LCB Share for every warrant held at RM1.00 per new LCB Share. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 137 and 139 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

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 67, was appointed to the Board on 10 January 2003. He is also a member of the Company's Audit Committee and Nomination Committee.

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

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

Datuk Emam Mohd Haniff attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 62, was appointed to the Board on 1 August 2007. He is also a member of the Company's Audit Committee.

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

Datuk Mohd Yusof attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

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

Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy, a Malaysian, aged 59, was appointed to the Board on 1 July 2008. He is also a member of the Company's Audit Committee.

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

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

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

Datuk R. Karunakaran attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

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

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 70, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Audit Committee, Remuneration Committee and Executive Share Option Scheme Committee.

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

Mr Tang has an indirect interest in 490,900 LCB Shares.

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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

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

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 77, 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, and "The Story of My Life" in 2008. Presently, he is writing a book on travel.

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

Mr Folk attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2009.

Save as disclosed above, none of the Directors has (i) any interest in securities 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 interests with the Company; and (iv) any conviction for offences within the past ten (10) years.

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2009 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 2009, five (5) Board Meetings were held and all the Directors attended all the Board Meetings held during the financial year. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

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

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

Board Committees

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

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

Supply of Information

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

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 18 of this Annual Report.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, the Directors had participated in seminars, forums, conferences and training programmes on topics/subjects in relation to the steel industry, corporate governance, prospects in various industries, business opportunities and current global financial crisis. The Directors had also attended various other forums and seminars organised by Bursa Securities, the Securities Commission and trade associations.

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 as and when the same were advised by Bursa Securities ("Continuing Updates").

1. DIRECTORS (continued)

Directors' Training (continued)

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

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 18 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2009 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	24	1,904	1,928
Non-executive Directors	210	–	210
	234	1,904	2,138

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
25,000 & below	–	1
25,001 – 50,000	–	5
1,900,001 – 1,950,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises five (5) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 17 of this Annual Report.

Financial Reporting

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

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2009, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

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

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

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

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

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

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held at which full attendance were recorded for all the members.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the Group internal audit function for the financial year was RM268,000.

NOMINATION COMMITTEE

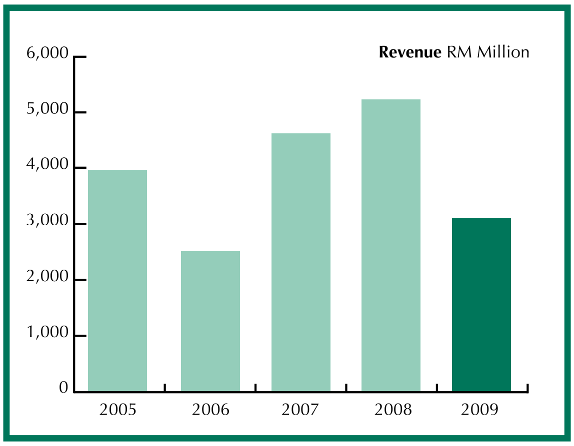
Chairman	:	Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain *(Independent Non-Executive Director)* Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend 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

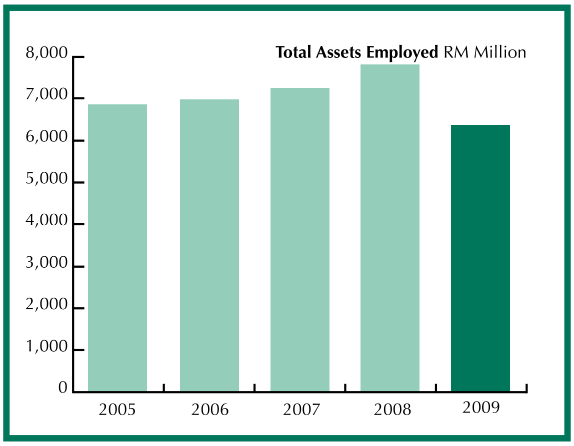
REMUNERATION COMMITTEE

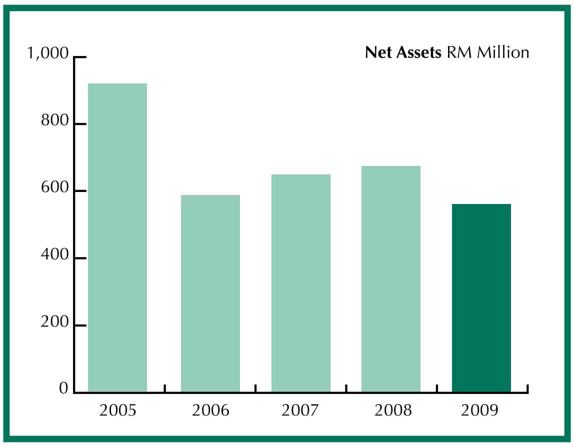
Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Cheng Yong Kim *(Non-Independent Non-Executive Director)* Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the 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

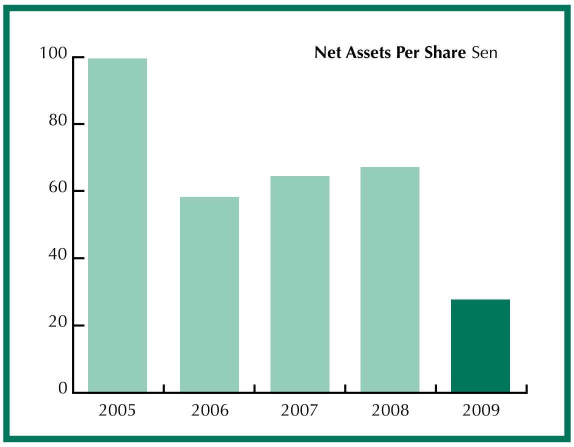
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	3,977,086	2,507,212	4,619,893	5,233,782	**3,099,585**
Profit/(loss) from operations	387,787	(154,701)	511,011	360,126	**(803,248)**
Profit/(loss) before taxation	182,455	(556,386)	(181,197)	9,992	**(1,256,167)**
Profit/(loss) after taxation	264,960	(430,208)	(188,175)	24,844	**(1,215,472)**
Total assets employed	6,865,084	6,973,284	7,260,433	7,809,257	**6,369,167**
Net assets	919,463	585,884	647,903	674,060	**560,570**
	Sen	Sen	Sen	Sen	Sen
Net assets per share	99.3	58.3	64.5	67.1	**27.7**
Earnings/(loss) per share	25.1	(42.7)	(21.2)	1.5	**(79.6)**









THE GROUP'S BUSINESSES

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

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

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

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

- Innovative promotions boosted sale of terrace houses, shop offices and apartments in Bandar Mahkota Cheras.
- *Promosi yang inovatif meningkatkan lagi jualan rumah teres, kedai-pejabat dan pangsapuri di Bandar Mahkota Cheras.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya membentangkan Laporan Tahunan dan Penyata Kewangan Diaudit Lion Corporation Berhad bagi tahun kewangan berakhir pada 30 Jun 2009.

PRESTASI KEWANGAN

Krisis pinjaman sub-prima yang membawa kepada kemelesetan ekonomi dunia terburuk sejak Zaman Kemelesetan pada tahun 1930an telah mengakibatkan berlakunya salah satu penguncupan permintaan yang amat menjejaskan dan paling lama pernah dirasai dalam industri besi. Bermula daripada bulan September 2008, permintaan terhadap besi merosot teruk di antara 60% hingga 80% apabila permintaan di seluruh dunia menyusut.

Megasteel Sdn Bhd ("Megasteel"), pengeluar tunggal gegelung gelekan panas (hot rolled coils atau HRC) dalam negara dan penyumbang utama kepada hasil Kumpulan, terpaksa melaksanakan pengurangan pengeluaran secara besar-besaran dalam tahun kewangan sebagai tindakbalas kepada permintaan yang lemah dan peningkatan ketara dalam paras inventori. Harga HRC yang mencapai paras rekod AS$1,100 setan metrik pada bulan Jun 2008 jatuh kepada sekitar AS$400 setan metrik pada setengah pertama tahun 2009.

Berikutan keadaan operasi yang menjejaskan, hasil perolehan Kumpulan mengalami kejatuhan yang ketara berjumlah RM3.1 bilion dan kerugian bersih berjumlah RM1.2 bilion. Syarikat sekutu kita, Lion Industries Corporation Berhad yang terlibat dalam pengeluaran produk besi panjang dan billet turut mengalami pengurangan permintaan dan kemerosotan margin.

PERKEMBANGAN KORPORAT

Cadangan skim LCB telah selesai dilaksanakan pada 27 Februari 2009.

Cadangan Tawaran Amsteel Corporation Berhad ("ACB") telah selesai pada 21 April 2009. Berikutan penyelesaian ini, Syarikat telah menerbitkan 36,734,534 Waran B LCB bagi pertimbangan 367,345,482 Saham ACB yang diperolehi. ACB, kemudiannya menjadi subsidiari 67.7% milik LCB pada 21 April 2009.

Syarikat, kemudiannya pada 26 Jun 2009 telah menyelesaikan penjualan 20% kepentingan ekuiti dalam ACB, yang melibatkan 266,234,962 Saham ACB dengan pertimbangan tunai RM50,000, sekali gus mengurangkan pegangan Syarikat dalam ACB kepada 47.7% dan ACB bukan lagi menjadi sebuah anak syarikatnya.

KAJIAN OPERASI

Bahagian Keluli

Kejatuhan ekonomi dunia telah menjejaskan dengan teruknya operasi Bahagian Besi. Penggunaan produk rata berkurangan selari dengan pembangunan projek infrastruktur dalam negara yang perlahan dan permintaan yang rendah di peringkat antarabangsa.

Jualan dan keuntungan Bahagian berkenaan dalam tempoh kajian terjejas teruk akibat dua faktor:

i. Rancangan penutupan untuk tujuan menaikkan taraf kilang gelekan (rolling mill) pada akhir bulan Ogos 2008. Usaha itu mengambil masa yang lebih panjang daripada jangkaan dan juga mengalami masalah di peringkat awal selepas mula beroperasi. Ini menyebabkan berlakunya kelewatan yang berpanjangan dalam memenuhi pesanan pelanggan dan berikutan keadaan pasaran yang memburuk, beberapa pelanggan telah membatalkan baki tempahan yang belum diterima mereka.

ii. Apabila timbulnya kesan penuh krisis kewangan, permintaan pasaran merosot untuk tempoh yang panjang mulai bulan September 2008 dan hanya pulih pada bulan Jun 2009. Pada satu ketika, permintaannya hanyalah 20% daripada paras yang dicatatkan pada awal tahun 2008. Selari dengan kejatuhan harga di peringkat antarabangsa, harga HRC dalam negara terpaksa diselaraskan dengan mengurangkan harganya daripada RM3,800 setan metrik pada suku keempat 2008 kepada kira-kira RM2,100 setan metrik pada suku kedua tahun 2009. Permintaan eksport turut menguncup dan harga yang berada di bawah paras pulang modal menjadikan kegiatan eksport tidak lagi berdaya maju kecuali kepada beberapa pasaran yang betul-betul terpilih.

Sehubungan itu, hasil perolehan Bahagian menyusut kepada RM3.0 bilion berbanding RM5.2 bilion pada tahun sebelumnya. Bahagian juga mengalami kerugian bersih berjumlah RM987.5 juta berbanding keuntungan bersih sebanyak RM106.3 juta tahun sebelumnya.

Pemulihan sederhana yang berlaku di dalam permintaan domestik dan juga antarabangsa pada bulan Jun 2009 menjadi semakin kukuh dan permintaan semasa adalah sekitar 85% daripada paras yang dicatatkan pada tahun 2008. Permintaan benar mulai meningkat, dengan kenaikan dalam permintaan cukup menggalakkan para pengeluar untuk menaikkan harga dan kemungkinan menampung semula kerugian yang dialami sebelumnya ketika harga berada pada paras lebih rendah pada awal tahun. Kenaikan harga juga menunjukkan kekurangan jangka pendek daripada segi penawaran memandangkan pengurangan pengeluaran besar-besaran pada bulan-bulan sebelumnya manakala stok yang tinggal dan tidak terjual sebelumnya beransur-ansur berkurangan terutamanya di China, apabila penghantaran menerusi kapal kepada pengguna-pengguna akhir mengatasi pembelian di dalam negara. Harga besi memperlihatkan pemulihan sederhana dan harga di pasaran antarabangsa kini berada di sekitar paras pertengahan AS$500. Harga HRC tempatan juga telah dinaikkan kepada kira-kira RM2,300 setan metrik.

Di dalam negara, senario industri besi telah mengalami perubahan yang ketara berikutan pengumuman Kerajaan tentang polisi besi keluli baru pada 17 Jun 2009. Dengan duti import produk rata dikurangkan daripada 50% kepada 25%, polisi besi keluli baru ini tidak lagi memberikan pengecualian duti import untuk produk-produk rata yang mampu dibekalkan oleh para pengeluar tempatan. Sebelum ini, terdapat 7 sektor yang diberikan pengecualian duti import HRC meskipun gred produk-produk ini boleh dikeluarkan di dalam negara misalnya automotif, elektrik dan elektronik, pembinaan kapal, minyak dan gas, perabot, kegiatan import untuk dieksport semula dan syarikat-syarikat dalam Zon Perdagangan Bebas dan Gudang Perkilangan Berlesen. Kecuali dua kategori yang terakhir ini, kesemua sektor lain kini perlu membayar 25% duti import sekiranya mereka mengimport HRC yang boleh dikeluarkan oleh Megasteel.

Polisi besi keluli baru ini baik untuk Megasteel kerana gred-gred produk yang mampu dikeluarkannya mendapat pelindungan duti import sebanyak 25%, Kesan positifnya dirasai serta merta dengan terdapatnya peningkatan pesanan yang tinggi serta penetapan harga yang lebih baik.

Kami juga menjangka untuk menikmati faedah penuh daripada pakej rangsangan yang diumumkan oleh Kerajaan menjelang akhir tahun 2009. Kemungkinan adanya galakan ke atas pelaksanaan projek-projek yang lama tertangguh di bawah Rancangan Malaysia Kesembilan (RMK-9).

Projek Direct Reduced Iron (DRI) di bawah Lion DRI Sdn Bhd beroperasi dengan lancar dan akan membantu meningkatkan kualiti serta meluaskan jajaran spesifikasi yang boleh dihasilkan oleh Megasteel, sekali gus membolehkannya meraih faedah daripada polisi besi keluli baru itu.

Bersandarkan senario di atas, kita optimis tetapi berhati-hati bahawa Megasteel akan mencapai paras keuntungan yang memuaskan dalam tahun kewangan yang akan datang.

Bahagian Perkilangan– Perabot Besi

Bahagian Perabot Besi telah mencatatkan hasil perolehan dan keuntungan yang memuaskan bagi tahun kewangan dalam kajian di sebalik keadaan ekonomi semasa yang tidak menggalakkan. Prestasi itu disokong oleh persekitaran operasi pasaran domestik yang menggalakkan terutamanya bagi projek-projek yang membabitkan produk keselamatan berupa kunci digital galang audit (audit rail digital lock) yang mempunyai fungsi kekunci masa untuk kegunaan rangkaian restoran makanan segera di seluruh Malaysia dan juga sejumlah projek kerajaan. Prestasi pasaran eksport yang lebih baik disumbangkan oleh kemampuan Bahagian merebut peluang-peluang yang timbul ekoran kelemahan nilai Ringgit kerana kegiatan eksport kita dikendalikan dalam mata wang dolar Amerika Syarikat. Rantau Timur Tengah kekal menjadi pasaran utama eksport kita di mana kita telah berjaya membangunkan reputasi dan terbukti boleh dipercayai daripada segi kualiti produk dan penghantaran yang tepat pada masanya.

Hasil perolehan tempatan telah mencatat kenaikan sebanyak 23% berbanding setahun lalu. Peningkatan jumlah dagangan disumbangkan terutamanya oleh harga jualan yang tinggi berikutan kenaikan kos bahan mentah utama iaitu gegelung gelekan sejuk. Kawalan pengurangan kos yang lebih ketat seperti perubahan daripada dua syif kepada satu syif tetapi masih mengekalkan jumlah purata pengeluaran telah membolehkan Bahagian berkenaan mencatatkan keuntungan sebelum cukai sebanyak RM1.5 juta.

Pasaran perabot besi kegunaan pejabat kekal lembap serta amat bersaing. Untuk membolehkan Bahagian ini kekal berdaya saing, tumpuan akan terus diberikan kepada penyertaan secara aktif dalam tender-tender projek, mengawal pengurangan kos dan menambah baik produktiviti, memperkenalkan ciri-ciri inovatif dan meningkatkan nilai estetika dalam produk agar dilihat mempunyai lebih daya tarikan.

Bahagian Motor

Seperti yang dijangkakan, sumbangan daripada Bahagian Motor adalah kecil sahaja selari dengan langkah-langkah yang diambil untuk merasionalisasikan operasi motor. Hasil perolehan bagi tahun kewangan adalah rendah berjumlah RM5.2 juta dan diperoleh terutamanya melalui jualan trak buatan China.

Bahagian Pembangunan Hartanah

Dengan bermulanya aliran menurun ekonomi, pasaran hartanah mulai menjadi lembap sejak akhir tahun 2008. Ramai pemaju berdepan dengan masalah ketiadaan pembeli dan banyak pelancaran ditangguhkan kerana permintaan sama ada lemah ataupun tiada langsung.

Dalam tahun kewangan, Bandar Mahkota Cheras juga terjejas dengan permintaan yang lembap dan bagi mengurangkan kesan buruk itu, kami memberikan tumpuan kepada mengenal pasti produk penting yang boleh dipasarkan dengan tujuan menjual kesemua stok yang ada dan memiliki aliran tunai di tangan. Promosi yang efektif dan `sukar untuk dilepaskan' seperti `Pelan Kos Sifar' (Zero Cost Plan) dan Skim Bayaran Mudah (Easy Payment Schemes) diadakan untuk memenuhi keperluan pembeli dalam usaha menghapuskan kebimbangan mereka terhadap obligasi kewangan dan keengganan mereka mengeluarkan wang tunai sendiri bagi bayaran deposit atau membayar kadar faedah bank. Pengenalan promosi-promosi berkenaan telah menyaksikan stok sedia ada berjumlah RM21.8 juta terutamanya rumah teres, rumah kedai dan apartmen, berjaya dijual menjelang suku terakhir tahun kewangan.

TANGGUNGJAWAB SOSIAL KORPORAT

Kami mengiktiraf pentingnya Tanggungjawab Sosial Korporat (CSR) sebagai sebahagian daripada perniagaan dan telah menerapkan rangka kerja CSR dalam pelan perniagaan kami untuk meningkatkan keyakinan pemegang kepentingan, akauntabiliti dan ketelusan. CSR merupakan satu komponen penting dalam amalan perniagaan yang baik dalam menambah baik masyarakat dan alam sekitar.

Masyarakat

Dalam mengendalikan aktiviti perniagaan, Kumpulan sentiasa menyedari tanggungjawabnya sebagai warga korporat dengan memberikan sumbangan kepada masyarakat selain berusaha meningkatkan pendapatan dan juga nilai para pemegang saham. Kumpulan menumpukan usaha membantu masyarakat menerusi bidang pendidikan dan penjagaan kesihatan melalui dua buah Yayasan yang ditubuhkan oleh Syarikat-syarikat Kumpulan Lion yang mana Kumpulan merupakan salah satu daripada ahlinya.

Yayasan Lion-Parkson menyalurkan dana bagi keperluan pendidikan dan kebajikan; dan setiap tahun memberikan biasiswa dan pinjaman pendidikan tanpa faedah kepada mahasiswa di universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada rakyat Malaysia yang memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan atau ubat-ubatan. Tabung ini juga menaja program kesihatan masyarakat seperti kem perubatan dan pembelian mesin-mesin dialisis bagi Pusat-pusat Dialisis yang menawarkan subsidi rawatan kepada golongan yang kurang bernasib baik.

Kumpulan turut membantu masyarakat dalam usaha pengumpulan dana dan pungutan derma serta menyumbang kepada rayuan mangsa bencana di dalam dan luar negara.

Alam Sekitar

Sejajar dengan pembangunan teknologi dan industri, Kumpulan sentiasa berusaha mendukung keprihatinannya terhadap alam sekitar melalui pematuhan ketat operasi akan undang-undang dan peraturan-peraturan alam sekitar mengikut industri yang diceburi. Dengan meningkatnya permintaan terhadap bahan api dan juga sumber asli lain, Kumpulan turut mengenal pasti sumber bahan api lain seperti gas asli dan beralih kepada teknologi baru yang lebih mesra alam bagi operasi perniagaan kami.

Kumpulan mematuhi pakai peraturan keselamatan, kesihatan dan alam sekitar (SHE) dengan mengamalkan pendekatan sistematik yang diperkukuhkan melalui latihan dan pemantauan secara tetap untuk memastikan keselamatan dan kesejahteraan para pekerja kami.

PROSPEK

Kemelut ekonomi dan kewangan sejagat telah membawa kesan buruk yang ketara sekali kepada ekonomi Malaysia. Bagaimanapun, pasaran besi dijangka stabil dalam setengah kedua tahun ini digalakkan oleh pengumuman dua pakej rangsangan Kerajaan bersama-sama dengan polisi besi keluli baru berkuat kuasa bulan Ogos 2009. Dalam melangkah ke hadapan, kami berkeyakinan bahawa dengan kesemua langkah yang diambil oleh Kerajaan untuk meningkatkan daya saing industri besi, Kumpulan akan mampu mencapai hasil yang memuaskan dalam tahun kewangan akan datang.

PENGHARGAAN

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Corporation Berhad ("LCB") for the financial year ended 30 June 2009.

FINANCIAL PERFORMANCE

The sub-prime mortgage crisis which precipitated the worst worldwide recession since the Great Depression of the 1930s caused one of the most severe and prolonged contractions in demand for the steel industry. Commencing from September 2008, steel demand fell sharply by 60% to 80% as overall global demand softened.

Megasteel Sdn Bhd ("Megasteel"), the country's sole producer of hot rolled coils ("HRC") and the Group's main contributor was forced to implement massive production cuts during the financial year under review in response to weakening demand and rising inventory levels. HRC prices which reached a record US$1,100 per metric ton in June 2008, plunged to around US$400 per metric ton in the first half of 2009.

Due to the adverse operating conditions, the Group registered a significantly lower revenue of RM3.1 billion and a net loss of RM1.2 billion. Our associate, Lion Industries Corporation Berhad which is primarily involved in the manufacturing of long steel products and billets, also encountered weak demand and margin erosion.

CORPORATE DEVELOPMENTS

The Proposed LCB Scheme was implemented on 27 February 2009.

The Proposed Amsteel Corporation Berhad ("ACB") Offer was completed on 21 April 2009. Upon completion of the Proposed ACB Offer, the Company issued 36,734,534 LCB B Warrants in consideration for the 367,345,482 ACB Shares acquired. ACB therefore became a 67.7% owned subsidiary of LCB on 21 April 2009.

The Company had subsequently on 26 June 2009 completed the disposal of 20% equity interest in ACB, comprising 266,234,962 ACB Shares, for a cash consideration of RM50,000; reducing the Company's holding in ACB to 47.7% and resulting in ACB ceasing to be a subsidiary of the Company.

REVIEW OF OPERATIONS

Steel Division

The global economic downturn had adversely impacted our Steel Division. Consumption of flat products slowed down in line with the lower pace of development of the local infrastructural projects and poor international demand.

The Division's sales and profitability for the year under review were negatively impacted by two main factors:

i. The planned shutdown for upgrading of the rolling mill at the end of August 2008. The project took longer than expected and also experienced a lot of teething problems after start-up. This resulted in delays in fulfilling customers' orders and with the deteriorating market conditions, some customers cancelled the balance of their undelivered orders.

ii. As the full impact of the financial crisis unfolded, market demand went into a prolonged slump commencing from September 2008 and only started to recover in June 2009. At one point, demand was only about 20% of the early 2008 levels. In line with the decline in international prices, domestic HRC prices had to be adjusted downwards from RM3,800 per metric ton in Q4 2008 to about RM2,100 per metric ton in Q2 2009. Export demand shrank in tandem and prices went below our breakeven levels making exports unfeasible except for certain very selective markets.

Consequently, the Division's revenue declined to RM3.0 billion compared to RM5.2 billion the previous year. The Division incurred a net loss of RM987.5 million compared to a net profit of RM106.3 million the year before.

The mild recovery in domestic and international demand seen in June 2009 has strengthened and demand is currently standing at about 85% of 2008 levels. Real demand is beginning to pick up, with the rise in demand being sufficient to encourage producers to raise prices and possibly to recoup some of the losses when prices were even lower earlier in the year. Price increases also reflect short-term supply-side tightness given extensive production cuts in recent months, while the overhang of unsold stocks has been whittled down, especially in China, as shipments to end-users have begun to outpace local purchases. Steel prices have shown mild recovery and international prices are currently around mid US$500 level. Domestic HRC prices have also been raised to about RM2,300 per metric ton.

Domestically, the scenario for the steel industry has been altered significantly by the Government's announcement of the new iron and steel policy on June 17, 2009. Whilst reducing import duties on flat products from 50% to 25%, the new iron and steel policy no longer grants import duty exemption for flat products that can be supplied by local manufacturers. Previously, there were 7 sectors that could obtain import duty exemption for HRC even if the grades could be produced locally, namely, automotive, electrical and electronic, shipbuilding, oil and gas, furniture, import for reexport, and companies in Free Trade Zones and Licensed Manufacturing Warehouses. Except for the last two categories, all other sectors will now have to pay 25% import duty if they import HRC that can be produced by Megasteel.

The new iron and steel policy augurs well for Megasteel as grades that can be supplied by Megasteel effectively have 25% import duty protection. The positive impact of this was immediately felt by the strong upsurge in orders accompanied by better pricing.

We also expect to feel the full benefits of the stimulus packages announced by the Government towards the end of 2009. There should also be the added boost of long delayed projects under the 9th Malaysia Plan being implemented.

The Direct Reduced Iron ("DRI") project under Lion DRI Sdn Bhd is operating smoothly and will assist in improving the quality and broadening the range of specifications that can be produced by Megasteel thus enabling it to take full advantage of the new iron and steel policy.

Given the above scenario, we are cautiously optimistic that the coming financial year will see Megasteel achieving a satisfactory level of profitability.

Manufacturing Division – Steel Furniture

The Steel Furniture Division reported satisfactory levels of revenue and profitability for the financial year under review despite the current economic downturn. The better performance was mainly attributable to the better operating environment in the domestic market, particularly for projects involving security products of audit rail digital lock with timelock function catering to fast food chain stores throughout Malaysia, and also some government projects. The better performance in the export market was attributable to the Division's ability to capitalise on the opportunities arising from the weakening of the Ringgit as our exports are mainly denominated in US Dollars. The Middle East region remained our main export market where we have established our reputation and proven our reliability in terms of product quality and timely delivery.

Local revenue registered an increase of 23% as compared to a year ago. The higher turnover was mainly attributable to higher selling price arising from the increase in cost of cold rolled steel, which is the main raw material cost. Tighter cost reduction control, such as changing from 2 shifts to 1 shift and yet maintaining the average production volume has enabled the Division to register a profit before taxation of RM1.5 million.

The steel office furniture market remains stagnant and highly competitive. To enable the Division to remain competitive, we will continue to focus on participating actively in project tenders, cost reduction control and improving productivity, introducing innovative features and adding more aesthetics to enhance our products' functionality and looks.

Motor Division

As expected, contribution from the Motor Division was negligible, in line with the steps taken to rationalise the motor operations. Revenue for the year was lower at RM5.2 million and was derived mainly from the sale of the trucks from China.

Property Development Division

With the onset of the economic downturn, the property market began to dampen since late 2008. Many developers experienced stagnation in sales with many launches deferred due to the weak demand situation.

For the year, Bandar Mahkota Cheras too was affected by this weakening demand and to cushion the situation, we were focused on identifying the marketable "bread-and butter" products with the objective to clear all completed stocks and to have a ready cash flow. Effective and "difficult-to-resist" promotions in the form of Zero Cost Plan and Easy Payment Schemes were packaged to meet the needs of purchasers to allay their fears of excessive financial obligations and concerns in using their own cash for the deposits and/or the servicing of the bank interest. The introduction of these promotions saw RM21.8 million worth of completed stocks consisting primarily of terrace houses, shop offices and apartments successfully sold towards the last quarter of the year.

CORPORATE SOCIAL RESPONSIBILITY

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

Society

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

The Lion-Parkson Foundation disburses funds for education and charitable needs; and every year, awards scholarships and interest-free education loans to undergraduates in the local universities. The Lion Group Medical Assistance Fund provides financial assistance to needy Malaysians who require medical treatment including surgery, purchase of equipment and medication. The Fund also sponsors community health programmes such as medical camps and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to the less fortunate.

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

Environment

In keeping abreast with technology and industry developments, the Group seeks to uphold environmental concerns through strict compliance of its operations with the environmental laws and regulations governing the industries in which it operates. In the face of increasing demand for energy and other natural resources, the Group is also identifying alternative sources of energy such as natural gas, and opting for new technologies that are environmentally friendly, for our business operations.

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

PROSPECTS

The global economic and financial turmoil has adversely affected the Malaysian economy. However, the steel market is expected to stabilize in the second half of the calendar year boosted by the two stimulus packages announced by the Government together with the new iron and steel policy effective August 2009. Moving forward, we are confident that with all the measures taken to enhance the competitiveness of the steel industry by the Government, the Group will be able to achieve a set of satisfactory results in the next financial year.

ACKNOWLEDGEMENT

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈金狮机构有限公司截至2009年6月30日会计年度的常年报告和经审核财务报告。

财务表现

次级抵押贷款危机触发自1930年代经济大萧条以来最严重的经济衰退。它造成市场对钢铁业的需求经历最严重和最持久的收缩。从2008年9月开始，全球对钢铁的需求剧减60%至80%。

美佳钢铁私人有限公司（“美佳钢铁”）是我国唯一的热轧钢的生产者，也是本集团的主要贡献者。在本会计年度，由于弱化的需求和存货水平的上升，被迫大事削减产量。热轧钢的价格，在2008年6月达到每公吨1,100美元的破纪录水平，但在2009年上半年，每公吨的价格下跌到只有400美元左右。

由于营业环境不利，本集团的营业额大减，只有31亿令吉，而且净亏损12亿令吉。我们的联号金狮置地有限公司主要从事制造长钢产品以及钢坯，它也遭遇到需求减少和利润率降低的局面。

企业发展

建议中的LCB Scheme已在2009年2月27日完成。

建议中的ACB献议在2009年4月21日完成。在完成建议中的ACB献议之后，本公司发行金狮机构B凭单36,734,534单位以换取367,345,482股ACB股。这样一来，ACB在2009年4月21日成为金狮机构拥有67.7%股权的子公司。

紧接着在2009年6月26日，本公司以现金5万令吉完成脱售在ACB的20%股权，共266,234,962股ACB股，这使本公司在ACB的股权减少到47.7%。这样一来，ACB不再是本公司的子公司。

业务检讨

钢铁组

全球经济衰退对我们的钢铁部产生不利影响。由于本地基建工程发展步伐放缓，以及国际需求疲弱，使到平面钢铁产品的消费减少。

在本会计年度，钢铁部的销售和盈利受到两个重大因素的不利影响：

i. 在2008年8月底，计划中暂停轧钢厂，以提升其效益。这项暂停计划费时比预期长，而重新投产后面对很多初期阶段的问题。这导致拖延客户的订单，加上市场情况恶化，一些客户取消未交货的订单。

ii. 随着金融危机的全面影响显现，由2008年9月起，市场需求陷入长期萧条，直到2009年6月才开始复苏。曾经一度，需求只有2008年年初的20%。为配合热轧钢国际价格的下跌，国内的热轧钢的价格也向下调整，从2008年第四度的每公吨3,800令吉下调到2009年第二季的每公吨大约2,100令吉。出口需求也相应下跌，使到价格下跌到我们的盈亏相抵的水平之下，造成除了某些非常选择性的市场之外，出口变得不划算。

这样一来，钢铁部的营业额下降到30亿令吉，上一年度的营业额是52亿令吉，钢铁部蒙受9亿8千750万令吉的净亏损，上一个年度则是净利1亿630万令吉。

国内和国际需求温和的复苏在2009年6月获得加强，目前相等于2008年水平的大约85%。真实需求开始增加，而需求的增加，足以鼓励生产者提高价格，及可能弥补今年较早时价格更低时所蒙受的亏损。由于这几个月来大事削减产量，价格上涨也反映出在短期内供应方面短绌；尤其是在中国，过剩而未出售的存货也减少，这是由于销售到外国的数量开始超过本国的购买量。钢铁价格已经温和的回升，目前国际价格徘徊在每公吨500美元的水平。热轧钢的国内价格也上升到每公吨2,300令吉左右。

在国内，由于政府在2009年6月17日公布新钢铁业政策，钢铁业的情况大为改观。在把平板钢产品的入口税从50%降低到25%之际，新钢铁业政策也不再让本国厂商能够供应的平板钢豁免入口税。以往，共有7个行业对热轧钢的入口享有免缴入口税的优惠，尽管这些等级的产品都有在本地生产。那就是汽车业、电器与电子业、造船业、石油与天然气业、家私业，入口再出口企业，以及设在自由贸易区和出口合法制造业仓库的公司。除了最后两个行业之外，现在所有其他行业如果入口美佳钢铁能够生产的热轧钢，必须缴付25%的入口税。

新钢铁政策对美佳钢铁有好处，因为由美佳钢铁供应的产品，实际上受到25%入口税的保护。这点的有利影响立竿见影，因为订单大幅度增加，价格也更高。

我们预期在2009年年底，能够感受到政府所宣布的刺激经济配套所带来的全面利益。这将加速在第九大马计划下长期受到拖延的工程的实施。

在Lion DRI Sdn Bhd之下的直接还原铁计划营运顺利，这将协助美佳钢铁扩展生产范围的规格，从而使它享有新钢铁业政策的全面利益。

在上述情况下，我们持谨慎的乐观，认为在下一个会计年度，美佳钢铁能够取得满意的盈利水平。

制造业组 - 钢铁家私

尽管在现有的经济衰退的情况下，钢铁家私部在本会计年度里，取得令人满意的营业及盈利水平。较好的表现，主要是由于国内市场更好的营业环境，尤其是保安锁等保安产品吸引了全马各地的快餐连锁店使用，另外也接到一些政府工程。出口市场有更佳表现，这是由于我们的出口主要是用美元定价，并且充分利用马币币值下跌对该组有利的机会。中东地区仍然是我们的主要出口市场，我们在该地区享有良好声誉，被认为产品品质可靠，交货及时。

与一年前比较，本地销售的营业额达到23%的增长，主要是由于主要原料冷轧钢铁的价格上涨，导致我们的产品售价提高。同时，本组能够取得150万令吉的税前盈利，主要是能更好的进行成本控制，例如，把两班制改成单班制，同时也保持平均产量。

钢铁办公室家私市场仍然保持呆滞及具高度竞争性。为了保持竞争能力，这个部门将继续集中于积极参加工程投标、控制及降低成本、提高生产力、注入创新特质，以及为被视为“乏味和实用性”的产品增加美感。

汽车组

正如所料，汽车部的贡献微不足道，这是由于采取了步骤，将汽车的业务合理化。本年度的营业额较低，只有520万令吉，主要来自销售中国罗里。

产业发展组

在经济衰退开始后，产业市场从2008年年底开始受到抑制，许多房屋发展商经历销售停滞，由于需求疲弱，许多建屋计划延迟推展。

在这一年，Bandar Mahkota Cheras也受到需求疲弱的打击，为了缓和局势，我们集中于鉴定有销路的主要房地产，目的是销售掉已完成的房地产，以套取流动现金。我们推行有效且“难以抗拒”的促销活动，计如“零成本方案”和“容易付款计划”配套，以迎合购屋者的需求，缓和购屋者对他们财务义务的担心，以及犹疑不决，不愿以拥有的现金作为首期乃至支付银行利息。在进行这些促销活动之后，在本会计年度最后一季，共有价值2千180万令吉的已完成房地产成功售出，主要是排屋、店屋和公寓。

企业社会责任

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

社会

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

金狮百盛基金拨款供作教育与慈善用途；每年都提供奖学金和免息教育贷款给在本地大学深造的在籍大学本科生。金狮集团医药援助基金则为迫切需要医疗的马来西亚公民提供财务援助，包括手术、购置器材和药物。这项基金也赞助社区保健计划如医疗营，并且为那些提供津贴治疗服务给不幸社群的洗肾中心添购洗肾机器。

本集团也通过筹款及捐款活动为社会做出贡献，同时也援助本地及其他地方的灾黎。

环境

在跟上科技和工业发展之际，本集团同时也关心环境保护，业务运作完全严格遵照环境条例及工业运作的相关工业条例。面对能源需求日增及天然资源的需求日益增加，我们也为业务运作鉴定替代能源，包括天然气，并且选择具环保作用的新技术。

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

展望

全球性的经济和金融风暴对我国造成很不利的影响，然而在政府推出的两项刺激经济配套及从2009年8月起实施的新钢铁业政策的带动下，钢铁市场预料将在2009年的下半年稳定下来。展望未来，我们深信，在政府采取了这些加强钢铁的竞争能力措施之后，本集团在下一个会计年度将会取得令人满意的业绩。

鸣谢

我谨代表董事部，真诚感谢尊贵的股东、客户、银行家、商业伙伴和政府机构，感谢他们继续给予本集团支持与合作，及对本集团有信心。

我也要真诚感谢雇员们的献身精神与对本集团的贡献。

主席
丹斯里钟廷森

FINANCIAL STATEMENTS

2009

For The Financial Year Ended 30 June 2009

DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 18 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year other than as disclosed in Note 18 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(1,215,472)	(106,516)
Attributable to:		
Ordinary equity holders of the Company	(1,041,527)	(106,516)
Minority interests	(173,945)	–
	(1,215,472)	(106,516)

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2009.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM1,005,117,831 to RM1,900,949,631 by the issuance of the following ordinary shares of RM1.00 each:

a) 804,460,000 shares at an issue price of RM1.00 each pursuant to the conversion of RM900,000,000 nominal value of redeemable secured Class B(b) Ringgit Malaysia denominated bonds;

b) 89,948,000 shares at an issue price of RM1.00 each as consideration for the acquisition of part of an on-going property development project known as Bandar Mahkota Cheras together with four parcels of undeveloped lands; and

c) 1,423,800 shares at an issue price of RM1.00 each pursuant to the conversion of RM1,423,800 nominal value of redeemable convertible secured loan stocks with maturity date of 31 December 2015.

The new ordinary shares issued ranked *pari passu* in all respects with the then existing ordinary shares in the Company except that the new shares issued under items (a) and (b) above shall not be entitled to the proposed renounceable rights issue of LCB A Warrants to shareholders of the Company.

DIRECTORS

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

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

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Datuk Cheng Yong Kim and Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing and Mr M. Chareon Sae Tang @ Tan Whye Aun retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related corporations and certain companies in which certain Directors of the Company and/or its subsidiaries are substantial shareholders as disclosed in Note 39 to the financial statements.

Except for the following, neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate:

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

(ii) the conversion of warrants; and

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.7.2008	**Additions**	**Disposals**	**As at 30.6.2009**
Direct Interest				
Tan Sri William H.J. Cheng	458,685	–	–	458,685
Datuk Cheng Yong Kim	10,209,517	–	(7,500,000)	2,709,517
Indirect Interest				
Tan Sri William H.J. Cheng	748,066,769	898,518,540	(71,544,329)	1,575,040,980
Datuk Cheng Yong Kim	684,997,324	894,408,000	(1,166,556,229)	412,849,095
M. Chareon Sae Tang @ Tan Whye Aun	490,900	–	–	490,900

DIRECTORS' INTERESTS (continued)

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

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

	Number of Options			
	As at 1.7.2008	**Granted**	**Exercised**	**As at 30.6.2009**
Tan Sri William H.J. Cheng	490,000	–	–	490,000

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

	Number of RM1.00 nominal value of RCSLS			
	As at 27.2.2009 (1)	**Additions**	**Conversions**	**As at 30.6.2009**
Tan Sri William H.J. Cheng	103,615,401	171,599,123	–	275,214,524

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

	Number of Warrants			
	As at 21.4.2009 (2)	**Additions**	**Disposals**	**As at 30.6.2009**
Tan Sri William H.J. Cheng	9,573,871	–	–	9,573,871
Datuk Cheng Yong Kim	374,514	–	(331,850)	42,664
Folk Fong Shing @ Kok Fong Hing	10,300	–	–	10,300

The Directors' interests in related corporations are as follows:

	Nominal Value per Share	Number of Ordinary Shares			
		As at 1.7.2008	**Additions**	**Disposals**	**As at 30.6.2009**
Indirect Interest					
Tan Sri William H.J. Cheng					
Datuk Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	42,644	–	–	42,644
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	26,985,030	–	–	26,985,030
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	–	–	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	–	–	91,000
Lyn (Pte) Ltd	*	1,225,555	–	–	1,225,555
Megasteel Sdn Bhd	RM1.00	540,000,001	–	–	540,000,001
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	–	–	11,420,000

DIRECTORS' INTERESTS (continued)

The Directors' interests in related corporations are as follows: (continued)

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

	Number of Preference "D" Shares of RM0.01 each			
	As at 1.7.2008	**Additions**	**Disposals**	**As at 30.6.2009**
Megasteel Sdn Bhd	49,000,000	–	–	49,000,000

	Number of Preference "F" Shares of RM0.01 each			
	As at 1.7.2008	**Additions**	**Disposals**	**As at 30.6.2009**
Megasteel Sdn Bhd	26,670,000	–	–	26,670,000

	Number of Preference "G" Shares of RM0.01 each			
	As at 5.2.2009 (3)	**Additions**	**Disposals**	**As at 30.6.2009**
Megasteel Sdn Bhd	100,000,000	–	–	100,000,000

	Number of Ordinary Shares of RM0.50 each			
	As at 27.2.2009 (4)	**Additions**	**Disposals**	**As at 30.6.2009**
Lion Diversified Holdings Berhad ("LDHB")				
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Datuk Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	309,545,688	–	(19,532,000)	290,013,688
Datuk Cheng Yong Kim	270,375,935	1,000,000	(19,532,000)	251,843,935

	Nominal Value Per Share	Number of Ordinary Shares			
		As at 27.2.2009 (4)	**Additions**	**Disposals**	**As at 30.6.2009**
Indirect Interest					
Tan Sri William H.J. Cheng					
Datuk Cheng Yong Kim					
Hamba Research & Development Co Ltd (In liquidation - voluntary)	NT$10.00	980,000	–	–	980,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000

DIRECTORS' INTERESTS (continued)

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

	Number of RM1.00 nominal value of ICULS			
	As at 27.2.2009 [(4)]	**Additions**	**Conversion**	**As at 30.6.2009**
Direct Interest				
Tan Sri William H.J. Cheng	121,615,000	–	–	121,615,000
Datuk Cheng Yong Kim	1,000,000	–	–	1,000,000
Indirect Interest				
Tan Sri William H.J. Cheng	203,961,522	–	–	203,961,522
Datuk Cheng Yong Kim	30,014,916	–	–	30,014,916

(1) RCSLS issued on 27 February 2009.

(2) Warrants issued on 21 April 2009.

(3) Preference "G" shares of RM0.01 each allotted on 5 February 2009.

(4) Became related corporations on 27 February 2009.

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

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

OTHER CONVERTIBLE SECURITIES

During the financial year, the Company issued the following convertible securities:

i) RM470,733,000 nominal value of redeemable convertible secured loan stocks ("RCSLS") convertible into new ordinary shares of RM1.00 each in the Company ("LCB Share") at a conversion price of RM1.00 for one new LCB Share, comprising the following:-

    (i) RM286,834,000 5.00% coupon RCSLS;

    (ii) RM178,769,000 7.00% coupon RCSLS; and

    (iii) RM5,130,000 4.25% coupon RCSLS.

ii) 36,734,534 LCB B Warrants with a right to subscribe for one LCB Share for every warrant held as consideration for the acquisition of 367,345,482 ordinary shares of RM1.00 each in ACB ("ACB Shares") via a conditional take-over offer as disclosed in Note 43 to the financial statements.

The terms and conditions of the RCSLS and Warrants are set out in Notes 31 and 28 to the financial statements respectively.

EXECUTIVE SHARE OPTION SCHEME

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

The main features and other terms of the ESOS are disclosed in Note 36(b) to the financial statements.

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

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

Grant Date	Subscription Price per Share RM	Balance as at 1.7.2008	Granted	Exercised	Lapsed	Balance as at 30.6.2009
26.5.2006	1.00	4,277,400	–	–	(306,500)	3,970,900
26.2.2007	1.00	5,046,400	–	–	(264,800)	4,781,600
		9,323,800	–	–	(571,300)	8,752,500

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (continued)

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

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

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

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

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

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

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

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 43 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 44 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 27 August 2009.

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 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	6	**3,099,585**	5,233,782	**116,474**	133,978
Other operating income		**56,081**	229,728	**355**	2,264
Changes in inventories of finished goods and work-in-progress		**(20,207)**	18,089	**–**	–
Purchase of trading goods		**(3,054)**	(14,178)	**–**	–
Raw materials and consumables used		**(2,712,880)**	(4,213,698)	**–**	–
Property development expenditure		**(10,155)**	–	**–**	–
Employee benefits expenses	7	**(103,250)**	(105,436)	**(1,073)**	(1,089)
Depreciation and amortisation		**(138,842)**	(132,410)	**–**	–
Provision for diminution in value of inventories		**(358,020)**	(4,497)	**–**	–
Other operating expenses	8	**(612,506)**	(651,254)	**(8,386)**	(2,251)
(Loss)/Profit from operations	9	**(803,248)**	360,126	**107,370**	132,902
Finance costs	10	**(408,235)**	(474,278)	**(212,777)**	(223,526)
Share in results of associates		**(84,172)**	344,637	**–**	–
Impairment loss in a subsidiary	18	**–**	–	**(720)**	–
Impairment loss in associates	19	**(1,011)**	(33,933)	**(1,011)**	(35,570)
Over provision/(Provision) for loss on the LCB Scheme	11	**40,499**	(186,560)	**–**	–
(Loss)/Profit before taxation		**(1,256,167)**	9,992	**(107,138)**	(126,194)
Income tax income	12	**40,695**	14,852	**622**	–
Net (loss)/profit for the financial year		**(1,215,472)**	24,844	**(106,516)**	(126,194)
Attributable to:					
- Ordinary equity holders of the Company		**(1,041,527)**	14,710	**(106,516)**	(126,194)
- Minority interests		**(173,945)**	10,134	–	–
Net (loss)/profit for the financial year		**(1,215,472)**	24,844	**(106,516)**	(126,194)
(Loss)/Earnings per share attributable to ordinary equity holders of the Company:	13				
- Basic (sen)		**(79.6)**	1.5		
- Diluted (sen)		**N/A**	N/A		

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

BALANCE SHEETS

AS AT 30 JUNE 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	**3,041,232**	3,083,515	**–**	–
Land held for property development	15(a)	**33,201**	–	**–**	–
Prepaid land lease payments	16	**14,790**	15,047	**–**	–
Goodwill	17	**499,135**	563,921	**–**	–
Investment in subsidiaries	18	**–**	–	**11,852**	2,189,237
Investment in associates	19	**1,267,718**	1,359,033	**201,785**	201,785
Long term investments	20	**75,707**	1,380	**1,029**	1,192
Long term receivable	21	**–**	241,864	**–**	–
Deferred tax assets	22	**177,097**	134,952	**–**	–
		5,108,880	5,399,712	**214,666**	2,392,214
Current Assets					
Property development costs	15(b)	**15,287**	–	**–**	–
Inventories	23	**816,293**	1,853,485	**–**	–
Short term investments	20	**2,870**	–	**–**	–
Trade and other receivables	21	**323,771**	464,900	**518**	546
Amount due from subsidiaries	24	**–**	–	**2,289,524**	2,130,558
Tax recoverable		**3,200**	2,532	**952**	752
Deposits with financial institutions	25	**36,216**	23,436	**999**	7,891
Cash and bank balances		**62,650**	59,990	**555**	98
		1,260,287	2,404,343	**2,292,548**	2,139,845
Non-current assets classified as held for sale	26	**–**	5,202	**–**	–
		1,260,287	2,409,545	**2,292,548**	2,139,845
TOTAL ASSETS		**6,369,167**	7,809,257	**2,507,214**	4,532,059

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

BALANCE SHEETS (continued)

AS AT 30 JUNE 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Company					
Share capital	27	**1,900,950**	1,005,118	**1,900,950**	1,005,118
Reserves	28	**(1,340,380)**	(331,058)	**(1,145,321)**	(1,073,027)
		560,570	674,060	**755,629**	(67,909)
Minority Interests		**219,536**	215,843	**–**	–
Total Equity		**780,106**	889,903	**755,629**	(67,909)
Non-Current Liabilities					
Preference shares	29	**111,000**	11,000	**–**	–
Borrowings	30	**423,102**	920,506	**419,968**	–
Bonds and debts	32	**1,279,331**	201,348	**1,239,457**	–
Amount due to a subsidiary	24	**–**	–	**–**	2,176,775
Deferred tax liabilities	22	**20,321**	10,572	**9,525**	–
Deferred liabilities	33	**26,140**	72,989	**–**	–
		1,859,894	1,216,415	**1,668,950**	2,176,775
Current Liabilities					
Trade and other payables	34	**2,435,537**	2,872,908	**32,439**	29,714
Amount due to subsidiaries	24	**–**	–	**16,480**	16,389
Bank overdrafts	35	**16,962**	5,977	**–**	–
Borrowings	30	**1,220,313**	405,513	**20,417**	–
Bonds and debts	32	**49,460**	2,417,606	**13,299**	2,377,090
Tax payable		**6,895**	935	**–**	–
		3,729,167	5,702,939	**82,635**	2,423,193
Total Liabilities		**5,589,061**	6,919,354	**1,751,585**	4,599,968
TOTAL EQUITY AND LIABILITIES		**6,369,167**	7,809,257	**2,507,214**	4,532,059

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	← Attributable to Equity Holders of the Company →						
		← Non-Distributable →					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group							
At 1 July 2007	1,005,116	97,627	356,235	(811,075)	647,903	185,377	833,280
Translation difference on net equity of foreign subsidiaries and other reserve movements	–	–	(285)	–	(285)	44,375	44,090
Equity accounting for share of net assets of associates	–	–	7,088	–	7,088	–	7,088
Effect of dilution on equity interest in associates	–	–	–	820	820	–	820
Effect of changes in applicable deferred tax rate on asset revaluation reserve	–	–	3,466	–	3,466	385	3,851
Realisation upon disposal of a subsidiary	–	–	(530)	530	–	(24,428)	(24,428)
Income and expense recognised directly in equity	–	–	9,739	1,350	11,089	20,332	31,421
Net profit for the financial year	–	–	–	14,710	14,710	10,134	24,844
Total recognised income and expense for the financial year	–	–	9,739	16,060	25,799	30,466	56,265
Share-based payment under ESOS	–	–	353	–	353	–	353
Shares issued pursuant to exercise of warrants	2	3	–	–	5	–	5
At 30 June 2008	1,005,118	97,630	366,327	(795,015)	674,060	215,843	889,903

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Attributable to Equity Holders of the Company						
		Non-Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group							
At 1 July 2008	1,005,118	97,630	366,327	(795,015)	674,060	215,843	889,903
Translation difference on net equity of foreign subsidiaries and other reserve movements	–	–	(38,701)	37,497	(1,204)	177,638	176,434
Equity accounting for share of net assets of associates	–	–	18,645	–	18,645	–	18,645
Effect of dilution on equity interest in associates	–	–	–	(19,458)	(19,458)	–	(19,458)
Equity components of Redeemable Convertible Secured Loan Stocks ("RCSLS")	–	–	30,487	–	30,487	–	30,487
Warrants reserve	–	–	3,673	–	3,673	–	3,673
Income and expense recognised directly in equity	–	–	14,104	18,039	32,143	177,638	209,781
Net loss for the financial year	–	–	–	(1,041,527)	(1,041,527)	(173,945)	(1,215,472)
Total recognised income and expense for the financial year	–	–	14,104	(1,023,488)	(1,009,384)	3,693	(1,005,691)
Share-based payment under ESOS	–	–	117	–	117	–	117
Shares issued pursuant to the:							
- conversion of LCB Bonds	804,460	–	–	–	804,460	–	804,460
- acquisition of Mahkota Cheras Project	89,948	–	–	–	89,948	–	89,948
- conversion of RCSLS	1,424	55	(55)	(55)	1,369	–	1,369
At 30 June 2009	1,900,950	97,685	380,493	(1,818,558)	560,570	219,536	780,106

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

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		← 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 2007	1,005,116	97,627	2,548	(1,047,364)	57,927
Net loss for the financial year, representing total recognised income and expense for the financial year	–	–	–	(126,194)	(126,194)
Share-based payment under ESOS	–	–	353	–	353
Shares issued pursuant to exercise of warrants	2	3	–	–	5
At 30 June 2008	1,005,118	97,630	2,901	(1,173,558)	(67,909)
At 1 July 2008	**1,005,118**	**97,630**	**2,901**	**(1,173,558)**	**(67,909)**
Equity components of RCSLS	**–**	**–**	**30,487**	**–**	**30,487**
Warrants reserve	**–**	**–**	**3,673**	**–**	**3,673**
Income and expense recognised directly in equity	**–**	**–**	**34,160**	**–**	**34,160**
Net loss for the financial year	**–**	**–**	**–**	**(106,516)**	**(106,516)**
Total recognised income and expense for the financial year	**–**	**–**	**34,160**	**(106,516)**	**(72,356)**
Share-based payment under ESOS	**–**	**–**	**117**	**–**	**117**
Shares issued pursuant to the:					
- conversion of LCB Bonds	**804,460**	**–**	**–**	**–**	**804,460**
- acquisition of Mahkota Cheras Project	**89,948**	**–**	**–**	**–**	**89,948**
- conversion of RCSLS	**1,424**	**55**	**(55)**	**(55)**	**1,369**
At 30 June 2009	**1,900,950**	**97,685**	**37,123**	**(1,280,129)**	**755,629**

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation		**(1,256,167)**	9,992	**(107,138)**	(126,194)
Adjustments for non-cash items, interests and dividends	41(a)	**989,534**	414,807	**100,676**	122,171
Operating (loss)/profit before working capital changes		**(266,633)**	424,799	**(6,462)**	(4,023)
Changes in working capital:					
Inventories		**691,986**	(130,849)	**–**	–
Receivables		**193,914**	69,420	**57**	(79)
Payables		**(420,614)**	400,320	**2,470**	971
Property development costs		**4,452**	–	**–**	–
Cash generated from/(used in) operations		**203,105**	763,690	**(3,935)**	(3,131)
Tax (paid)/refunded		**(3,350)**	1,881	**252**	713
Retirement benefit paid		**(57)**	(134)	**–**	–
Net cash inflow/(outflow) from operating activities		**199,698**	765,437	**(3,683)**	(2,418)

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

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	41(b)	**(101,160)**	(232,518)	**–**	–
Purchase of additional interest in subsidiaries		**(3,413)**	–	**–**	–
Proceeds from disposal of:					
- a subsidiary		**–**	21,604	**–**	34,332
- assets held for sale		**30,624**	–	**–**	–
- prepaid land lease payments		**–**	12,995	**–**	–
- property, plant and equipment		**17,536**	1,541	**–**	–
- quoted investments		**522**	–	**516**	–
- unquoted investments		**8**	–	**–**	–
Proceeds from dilution of a subsidiary to an associate		**50**	–	**50**	–
Proceeds from partial disposal of share in a subsidiary		**50,000**	–	**–**	–
Fixed deposits pledged		**(1,317)**	(1,269)	**–**	–
Dividend received		**5,268**	4,907	**1,526**	1,339
Repayment from/(Advance to) subsidiaries		**–**	–	**45,368**	(25,820)
Net cash inflow on acquisition of property development project	18a(ii)	**39,024**	–	**–**	–
Interest received		**1,763**	4,219	**84**	400
Net cash inflow/(outflow) from investing activities		**38,905**	(188,521)	**47,544**	10,251

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

CASH FLOW STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from exercise of warrants		**–**	5	**–**	5
Dividend paid to minority shareholders of a subsidiary		**(190)**	–	**–**	–
Redemption of LCB Bonds		**(35,855)**	–	**(35,855)**	–
(Repayment)/Drawdown of:					
- term loans		**(144,464)**	(297,308)	**–**	–
- hire purchase liabilities		**(2,549)**	(2,199)	**–**	–
- short term borrowings		**(27,216)**	12,478	**–**	–
Repayment to subsidiaries		**–**	–	**(14,441)**	(1,486)
Interest paid		**(122,691)**	(259,156)	**–**	–
Proceeds from issuance of preference shares		**100,000**	–	**–**	–
Net cash outflow from financing activities		**(232,965)**	(546,180)	**(50,296)**	(1,481)
Net increase/(decrease) in cash and cash equivalents		**5,638**	30,736	**(6,435)**	6,352
Cash and cash equivalents at beginning of the financial year		**76,180**	45,444	**7,989**	1,637
Cash and cash equivalents at end of the financial year	41(c)	**81,818**	76,180	**1,554**	7,989

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

1. CORPORATE INFORMATION

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

Lion Diversified Holdings Berhad ("LDHB"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Securities, holds 59% of the ordinary shares in LCB. However, LDHB does not have a controlling interest in the Company due to the potentially dilutive effect of voting rights arising from financial instruments issued by the Company to other parties. Consequently, LDHB is not regarded as the ultimate holding company of the Company pursuant to FRS 127: Consolidated and Separate Financial Statements.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 18 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 27 August 2009.

2. BASIS OF PREPARATION

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. During the financial year ended 30 June 2009, the Group and the Company adopted all of the new and revised FRSs, Amendments and Interpretations issued by Malaysian Accounting Standards Board ("MASB") that are relevant to their operations as described fully in Note 4 to the financial statements.

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

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

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

(i) Current liabilities exceeded current assets by RM2.47 billion as at 30 June 2009.

(ii) Operating cash flows of the Group during the financial year has decreased by RM565.7 million.

(iii) During the financial year, a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") was unable to meet its repayment obligations and fulfill certain financial covenants under the Syndicated Term Loans as disclosed in Note 30 to the financial statements. Megasteel has held discussions with the respective lenders for the restructuring of these borrowing obligations. No matters have been drawn to its attention to suggest that the respective restructuring disclosed in Note 30 to the financial statements may not be forthcoming on acceptable terms.

(iv) During the financial year, Megasteel had exceeded certain credit terms in relation to trade and other payables and accruals, and product financing liabilities as disclosed in Note 34 to the financial statements. Megasteel has entered into and is in the process of negotiating deferral plans, formulating payment strategies and refinancing balances with a significant constitution of these creditors. No matters have been drawn to its attention to suggest that the ongoing negotiations may not be forthcoming on acceptable terms.

(v) As disclosed in Note 30 to the financial statements, pursuant to the terms and conditions of the 2009 Proposed Restructuring Scheme, Megasteel had entered into negotiations with several potential purchasers for the disposal of certain of a subsidiary's property, plant and equipment, and have a reasonable expectation that the sale would be completed in accordance with the Target Date and Target Completion Date stipulations, which is a condition precedent to the 2009 Proposed Restructuring Scheme.

2. BASIS OF PREPARATION (continued)

(vi) The current economic conditions create uncertainty particularly over the level of demand for the Group's products, the cost of the Group's raw materials, the exchange rate between USD and RM and the availability of finance in the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, strategies and corporate proposals as disclosed in (iii), (iv) and (v) above, show that the Group should be able to operate within the level of its anticipated facilities.

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

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

Consequently, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(i) Investment in Subsidiaries

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(i) Investment in Subsidiaries (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue Recognition

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

(i) Sale of Goods and Services

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

(ii) Interest Income

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

(iii) Dividend Income

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

(iv) Development Properties

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

(c) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(iii) Defined Benefit Plan - Unfunded

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Employee Benefits (continued)

(iii) Defined Benefit Plan - Unfunded (continued)

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

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

(iv) Equity Compensation Benefits

The Group's Executive Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's eligible executives and executive Directors to acquire ordinary shares in the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will be vested. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

(d) Income Tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill on acquisition.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

(e) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currencies (continued)

(iii) Foreign Operations

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

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

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

- All resulting exchange differences are taken to the Foreign Currency translation reserve within equity.

Goodwill and fair value adjustments arising from the acquisition of foreign operations 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:

	2009 RM	2008 RM
1 USD	**3.5290**	3.2690
1 Euro	**4.9780**	5.1595
1 Singapore Dollar	**2.4313**	2.4030
1 Sterling Pound	**5.8550**	6.5186
1 Swiss Franc	**3.2565**	3.2235
1 Swedish Krona	**0.4574**	0.5716

(f) Impairment of Assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Land Held for Property Development

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

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

(ii) Property Development Costs

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

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

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

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

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

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

(i) Leases

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

(i) Finance Leases

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

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

(ii) Operating Leases

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

(j) Prepaid Land Lease Payments

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

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

(k) Goodwill

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

(l) Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Non-Current Asset Held for Sale

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

(n) Financial Instruments

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

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

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

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

(i) Other Non-Current Investments

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

Investment in bonds are stated at net present value plus accreted interest and less any allowance that may be required for diminution in value. The accretion of interest on the bond investment is recognised as interest income on the basis of their underlying yield to maturity.

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

(ii) Receivables

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

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

(n) **Financial Instruments (continued)**

(iii) **Cash and Cash Equivalents**

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

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

(iv) **Payables**

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

(v) **Interest Bearing Borrowings**

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

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

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

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

(vi) **Non-Convertible Cumulative Redeemable Preference Shares ("NCCRPS")**

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

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

(vii) **Redeemable Cumulative Convertible Preference Shares ("RCCPS")**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial Instruments (continued)

(viii) Redeemable Convertible Secured Loan Stocks ("RCSLS")

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

(ix) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(x) Equity Instruments

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

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

(o) Provisions

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

(p) 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, AMENDMENTS TO FRS AND INTERPRETATIONS

(a) Applicable FRSs, amendments to FRSs and interpretations that are not yet effective and not adopted

FRSs		**Effective for financial period beginning on or after**
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRSs		
FRS 1	First-Time Adoption of Financial Reporting Standards	1 January 2010
FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
FRS 127	Consolidated and Separate Financial Statements - Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Interpretations		
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The adoption of the above new FRSs, amendments to FRSs and interpretations other than FRS 7 and FRS 139 are expected to have no significant impact on the financial statements of the Group and of the Company.

(b) FRSs and interpretations that are not applicable and not adopted

FRSs		**Effective for financial period beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
Interpretations		
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010

The above FRSs and Interpretations that are not yet effective and not applicable to 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 vary the economic useful lives and the residual values of these assets, which may cause a material adjustment to future depreciation charges.

(ii) Estimated Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation 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 believes these estimates and assumptions to be reasonable and appropriate, changes in these estimates and assumptions of value in use could impact on the Group's financial position and results.

(iv) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 22 to the financial statements.

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

Critical Accounting Estimates and Assumptions (continued)

(v) Inventories

Significant judgement is required in determining the quality, grades and density of the raw materials existing at the end of the financial year. In forming judgement, the Group relies on past experience and on the work of an expert in measuring the raw materials. Details of inventories are disclosed in Note 23 to the financial statements.

(vi) Accrual for Quantity Discount

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

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

(vii) Allowance for Doubtful Receivables

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

(viii) Property Development

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

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

Details of property development cost are disclosed in Note 15 to the financial statements.

(ix) Share-based Payment

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options for share allocations. The cost is based on the fair value of the options or shares allocated and the number of options expected to vest. The fair value of each option or share is determined by using the Binomial option pricing model. For details of assumptions, see Note 36(b) to the financial statements.

6. REVENUE

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sales of goods	**3,077,458**	5,233,137	**–**	–
Assembly fees	**134**	433	**–**	–
Property development	**21,769**	–	**–**	–
Registration and other professional fees	**224**	212	**–**	–
Dividend income	**–**	–	**1,978**	1,827
Interest income	**–**	–	**114,496**	132,151
	3,099,585	5,233,782	**116,474**	133,978

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Salaries, wages and bonuses	**73,358**	69,119	**720**	720
Defined contribution plans	**8,636**	8,607	**95**	101
Defined benefit plan (Note 36(a))	**179**	166	**–**	–
Share options granted under ESOS (Note 36(b))	**117**	353	**7**	44
Other staff related expenses	**20,960**	27,191	**251**	224
	103,250	105,436	**1,073**	1,089

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Salaries and other emoluments	**2,612**	2,710	**995**	968
Defined contribution plans	**284**	332	**95**	101
Share options granted under ESOS	**49**	87	**–**	–
	2,945	3,129	**1,090**	1,069

7. EMPLOYEE BENEFITS EXPENSES (continued)

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

	Group	
	2009	**2008**
	'000	**'000**
At 1 July/30 June	**1,138**	1,138

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 36(b)).

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

8. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils and cold rolled coils totalling RM327.6 million (2008: RM431.9 million).

9. (LOSS)/PROFIT FROM OPERATIONS

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

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
After charging:					
Allowance for doubtful receivables		**395**	409	**–**	–
Allowance for obsolete inventories		**652**	72	**–**	–
Amortisation of prepaid land lease payments	16	**257**	438	**–**	–
Auditors' remuneration:					
- current year		**398**	378	**38**	38
- under accrued in prior year		**33**	5	**–**	–
- non-statutory audit fees		**55**	11	**55**	11
Directors' remuneration*		**2,138**	2,097	**1,300**	1,238
Impairment loss on asset held for sale	26	**–**	281	**–**	–
Impairment loss on quoted investment		**14**	–	**–**	–
Inventories:					
- written down		**358,020**	4,497	**–**	–
- written off		**–**	72	**–**	–

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

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

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loss on dilution from a subsidiary to an associate		**2,612**	–	**2,612**	–
Loss on disposal of:					
- property, plant and equipment		**1,806**	–	**–**	–
- unquoted investment		**38**	–	**–**	–
Net foreign exchange loss:					
- realised		**57,969**	–	**–**	–
- unrealised		**66,194**	–	**376**	–
Property, plant and equipment:					
- depreciation	14	**138,585**	131,972	**–**	–
- written off	14	**127**	669	**–**	–
Provision for defined benefit plan	36(a)	**179**	166	**–**	–
Rental of:					
- plant, machinery and equipment		**786**	582	**–**	–
- premises		**2,258**	3,546	**–**	–
And crediting:					
Allowance for doubtful receivables written back		**810**	585	**–**	–
Bad debt recovered		**20**	–	**–**	–
Gain on disposal of:					
- a subsidiary		**–**	11,116	**–**	2,264
- assets held for sale		**25,422**	–	**–**	–
- prepaid land lease payments		**–**	6,461	**–**	–
- property, plant and equipment		**–**	4,529	**–**	–
- quoted investment		**356**	–	**353**	–
Gross dividend income from quoted investment in Malaysia:					
- an associate		**–**	–	**1,806**	1,806
- others		**172**	21	**172**	21
Interest income from:					
- subsidiaries		**–**	–	**99,993**	110,176
- Megasteel Sub-Bond (A)		**–**	–	**14,395**	21,552
- others		**5,621**	7,715	**108**	423
Net foreign exchange gain:					
- realised		**835**	132,981	**–**	–
- unrealised		**–**	43,370	**–**	727
Rental income		**8,088**	12,019	**–**	–
Reversal of allowance for obsolete inventories		**–**	419	**–**	–
Reversal of impairment losses in an associate	19	**–**	40	**–**	–

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

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Executive Director:				
- Salary and other emoluments	**1,440**	1,440	**720**	720
- Fees	**24**	24	**24**	24
- Defined contribution plans	**190**	202	**95**	101
- Share options granted under ESOS	**23**	38	**–**	–
- Benefit-in-kind	**251**	224	**251**	224
	1,928	1,928	**1,090**	1,069
Non-executive Directors:				
- Fees	**210**	169	**210**	169
	2,138	2,097	**1,300**	1,238

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
Range of Remuneration per annum				
Executive Director				
- RM1,050,001 - RM1,100,000	**–**	–	**1**	1
- RM1,900,001 - RM1,950,000	**1**	1	**–**	–
Non-Executive Directors				
- RM25,000 and below	**1**	1	**1**	1
- RM25,001 - RM50,000	**5 #**	4 ^	**5 #**	4 ^

\# including a Director who was appointed on 1 July 2008

^ including a Director who was appointed on 1 August 2007

10. FINANCE COSTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Interest Expenses on:				
- advances from subsidiaries	**–**	–	**14,532**	21,688
- bank overdrafts	**1,425**	1,102	**–**	–
- bonds and debts	**164,698**	178,701	**162,715**	178,701
- RCSLS	**11,655**	–	**11,655**	–
- term loans	**69,459**	117,545	**–**	–
- default interest discharged	**–**	(17,096)	**–**	–
- waiver of penalty interest by LCB's Bonds and Debts lenders	**(4,273)**	–	**(4,273)**	–
- Megasteel Sub-Bond (B)	**1,599**	2,395	**–**	–
- product financing liabilities	**86,278**	138,829	**–**	–
- others	**77,394**	52,802	**28,148**	23,137
	408,235	474,278	**212,777**	223,526

11. OVER PROVISION/(PROVISION) FOR LOSS ON THE LCB SCHEME

Pursuant to the LCB Scheme which was implemented on 27 February 2009, the Company via its wholly-owned subsidiary, Limpahjaya Sdn Bhd ("Limpahjaya"), disposed of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing 11.1% of the issued and paid-up share capital of Megasteel to LDHB for a cash consideration of RM100,000,000. The provision represent an over provision of RM40.5 million in current financial year and provision for loss of RM186.6 million in the previous financial year.

12. INCOME TAX INCOME

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current Estimated Tax Payable:				
Malaysian income tax:				
- Current year	**(2,038)**	(897)	**–**	–
- Over/(Under) provision in prior years	**190**	(194)	**–**	–
	(1,848)	(1,091)	**–**	–
Deferred Taxation: (Note 22)				
- Relating to origination and reversal of temporary differences	**47,537**	13,155	**622**	–
- Relating to reduction in Malaysian income tax rate	**–**	(8,492)	**–**	–
- (Under)/Over provision in prior years	**(4,994)**	11,280	**–**	–
	42,543	15,943	**622**	–
Total	**40,695**	14,852	**622**	–

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Income tax using Malaysian statutory tax rate of 25% (2008: 26%)	**314,042**	(2,598)	**26,785**	32,810
Effect of different tax rates	**–**	(15,327)	**–**	–
Income not subject to tax	**19,069**	69,310	**132**	600
Expenses not deductible for tax purposes	**(57,055)**	(114,886)	**(26,295)**	(33,410)
Deferred tax assets not recognised during the year	**(15,532)**	(25,947)	**–**	–
Tax effect of share in results of associates	**(21,043)**	89,606	**–**	–
Effect of utilisation of previously unrecognised capital allowances and tax losses	**3,523**	3,608	**–**	–
Deferred tax assets not recognised in respect of pioneer period losses *	**(197,505)**	–	**–**	–
(Under)/Over provision in prior years	**(4,804)**	11,086	**–**	–
Tax income	**40,695**	14,852	**622**	–

12. INCOME TAX INCOME (continued)

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

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

The Company has estimated tax exempt account amounting to RM17.8 million (2008: RM17.7 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 (2008: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

* In accordance with the relevant sections of the PIA (applicable in respect of applications made on or before 1 January 1991), the excess of losses incurred by the subsidiary during the pioneer period over its total income during the pioneer period can be carried forward for set-off against its post-pioneer business income.

As at 30 June 2009, the subsidiary's total income during the pioneer period todate exceeded its losses incurred in the pioneer period todate. Accordingly, there are no losses available todate for carry-forward for post-pioneer period utilisation and no deferred tax is recognised in respect thereof.

13. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing net (loss)/profit 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	
	2009	**2008**
Net (loss)/profit for the financial year attributable to ordinary equity holders of the Company (RM'000)	**(1,041,527)**	14,710
Weighted average number of ordinary shares in issue ('000)	**1,309,100**	1,005,116
Basic (loss)/earnings per share (sen)	**(79.6)**	1.5

(b) Diluted

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2009						
Cost/Valuation						
At 1 July 2008	859,544	3,206,180	36,659	7,230	153,885	4,263,498
Additions	5,616	28,853	2,346	241	78,663	115,719
Reclassification	–	195,011	297	–	(195,308)	–
Disposals/Transfer	–	(11,896)	(584)	(1,664)	(16,240)	(30,384)
Written off	–	(1,218)	(147)	–	–	(1,365)
Acquisition of project	–	–	52	–	–	52
At 30 June 2009	865,160	3,416,930	38,623	5,807	21,000	4,347,520
Representing items at:						
Cost	565,160	1,158,857	38,623	5,807	21,000	1,789,447
Valuation	300,000	2,258,073	–	–	–	2,558,073
	865,160	3,416,930	38,623	5,807	21,000	4,347,520
Accumulated Depreciation						
At 1 July 2008	103,436	1,014,740	21,601	4,658	–	1,144,435
Depreciation charge for the financial year	16,757	116,796	4,155	877	–	138,585
Reclassification	–	(191)	191	–	–	–
Disposals/Transfer	–	(9,058)	(563)	(1,421)	–	(11,042)
Written off	–	(1,165)	(73)	–	–	(1,238)
At 30 June 2009	120,193	1,121,122	25,311	4,114	–	1,270,740
Representing items at:						
Cost	120,193	132,447	25,311	4,114	–	282,065
Valuation	–	988,675	–	–	–	988,675
	120,193	1,121,122	25,311	4,114	–	1,270,740
Accumulated Impairment Losses						
At 1 July 2008/ 30 June 2009	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2009						
Net Book Value						
At cost	**435,294**	**1,000,535**	**13,312**	**1,693**	**21,000**	**1,471,834**
At valuation	**300,000**	**1,269,398**	**–**	**–**	**–**	**1,569,398**
At 30 June 2009	**735,294**	**2,269,933**	**13,312**	**1,693**	**21,000**	**3,041,232**
Group						
2008						
Cost/Valuation						
At 1 July 2007	670,581	3,277,174	40,702	6,464	115,726	4,110,647
Additions	20,597	46,041	3,739	1,002	166,594	237,973
Reclassification	199,568	(107,613)	(4,274)	–	(87,681)	–
Reclassified to asset held for sale (Note 26)	(13,699)	–	(1,028)	–	–	(14,727)
Disposals/Transfer	(17,503)	(9,422)	(1,046)	(233)	(32,249)	(60,453)
Written off	–	–	(1,434)	(3)	(8,505)	(9,942)
At 30 June 2008	859,544	3,206,180	36,659	7,230	153,885	4,263,498
Representing items at:						
Cost	559,544	946,874	36,659	7,230	153,885	1,704,192
Valuation	300,000	2,259,306	–	–	–	2,559,306
	859,544	3,206,180	36,659	7,230	153,885	4,263,498
Accumulated Depreciation						
At 1 July 2007	95,807	913,657	24,872	3,949	–	1,038,285
Depreciation charge for the financial year	16,956	110,072	3,997	947	–	131,972
Reclassification	5,904	(1,022)	(4,859)	(23)	–	–
Reclassified to asset held for sale (Note 26)	(11,405)	–	(882)	–	–	(12,287)
Disposals/Transfer	(3,826)	(7,967)	(762)	(212)	–	(12,767)
Written off	–	–	(765)	(3)	–	(768)
At 30 June 2008	103,436	1,014,740	21,601	4,658	–	1,144,435
Representing items at:						
Cost	103,436	98,822	21,601	4,658	–	228,517
Valuation	–	915,918	–	–	–	915,918
	103,436	1,014,740	21,601	4,658	–	1,144,435

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2008						
Accumulated Impairment Losses						
At 1 July 2007	9,673	25,875	–	–	8,505	44,053
Written off	–	–	–	–	(8,505)	(8,505)
At 30 June 2008	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548
Net Book Value						
At cost	446,435	822,177	15,058	2,572	153,885	1,440,127
At valuation	300,000	1,343,388	–	–	–	1,643,388
At 30 June 2008	746,435	2,165,565	15,058	2,572	153,885	3,083,515

In 2003, the Group adjusted the plant and machinery of Megasteel 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 RM149.0 million (net of deferred tax liabilities) has been credited to asset revaluation reserve account. It is not the policy of the Group to revalue such asset regularly.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings of the Group are as follows:

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Freehold land RM'000	Buildings and land improvement RM'000	Total RM'000
Group			
2008			
Cost/Valuation			
At 1 July 2007	327,158	343,423	670,581
Additions	–	20,597	20,597
Reclassification	(15,967)	215,535	199,568
Reclassified to asset held for sale	–	(13,699)	(13,699)
Disposals/Transfer	–	(17,503)	(17,503)
At 30 June 2008	311,191	548,353	859,544
Representing items at:			
Cost	11,191	548,353	559,544
Valuation	300,000	–	300,000
	311,191	548,353	859,544
Accumulated Depreciation			
At 1 July 2007	–	95,807	95,807
Depreciation charge for the financial year	–	16,956	16,956
Reclassification	–	5,904	5,904
Reclassified to asset held for sale	–	(11,405)	(11,405)
Disposals/Transfer	–	(3,826)	(3,826)
At 30 June 2008	–	103,436	103,436
Representing items at:			
Cost	–	103,436	103,436
Accumulated Impairment Losses			
At 1 July 2007/30 June 2008	9,673	–	9,673
Representing items at:			
Cost	9,673	–	9,673
Net Book Value			
At cost	1,518	444,917	446,435
At valuation	300,000	–	300,000
At 30 June 2008	301,518	444,917	746,435

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The freehold land has been charged to financial institutions for credit facilities granted to a subsidiary as disclosed in Note 30 to the financial statements. The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2008: RM35.0 million) and RM1.05 billion (2008: RM1.11 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.29 billion (2008: RM2.31 billion) has also been charged to financial institutions as securities for credit facilities as disclosed in Note 30 to the financial statements.

Strata titles for certain buildings of the Group with carrying value of RM2.7 million (2008: RM2.7 million) have not been issued by the relevant authority.

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Motor vehicles	**1,241**	1,828
Plant and machinery	**4,809**	7,556
Furniture and equipment	**–**	235
	6,050	9,619

15. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group	
	2009	**2008**
	RM'000	**RM'000**
At cost		
Land cost	**32,015**	–
Development cost	**1,186**	–
At 30 June	**33,201**	–

15. PROPERTY DEVELOPMENT ACTIVITIES (continued)

(b) Property Development Costs

	Group 2009 RM'000	Group 2008 RM'000
Property development costs at date of acquisition:		
Land cost	**29,867**	–
Development costs	**10,821**	–
	40,688	–
Costs recognised in income statement:		
Recognised during the year	**(2,428)**	–
Reversal of completed projects	**(22,973)**	–
	(25,401)	–
At 30 June	**15,287**	–

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

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

16. PREPAID LAND LEASE PAYMENTS

	Group 2009 RM'000	Group 2008 RM'000
At 1 July	**15,047**	25,062
Disposal	**–**	(6,534)
Amortisation for the financial year (Note 9)	**(257)**	(438)
Reclassified to assets held for sale (Note 26)	**–**	(3,043)
At 30 June	**14,790**	15,047
Analysed as:		
Long term leasehold land	**10,252**	10,408
Short term leasehold land	**4,538**	4,639
	14,790	15,047

Leasehold land with an aggregate carrying value of RM1.0 million (2008: RM1.1 million) has been pledged as securities for borrowings as disclosed in Note 30 to the financial statements.

17. GOODWILL

	Group 2009 RM'000	Group 2008 RM'000
Goodwill on Consolidation		
At 1 July	**566,297**	566,718
Dilution/Disposal of subsidiaries (Note 18(a)(i) & (b))	**(64,786)**	(421)
At 30 June	**501,511**	566,297
Accumulated Impairment Losses		
At 1 July/30 June	**(2,376)**	(2,376)
Net Carrying Value	**499,135**	563,921

18. INVESTMENT IN SUBSIDIARIES

	Company 2009 RM'000	Company 2008 RM'000
Unquoted Shares		
At cost	**41,758**	41,758
Accumulated impairment losses	**(32,336)**	(31,616)
	9,422	10,142
Additional cost of investment arising from adoption of FRS 2	**2,430**	2,320
Megasteel Sub-Bond (A)	**–**	2,176,775
	11,852	2,189,237

Pursuant to the 2008 Revised Restructuring Scheme of Megasteel which was completed on 27 February 2009, Megasteel has covenanted to the cancellation of the Subordinated Bonds Agreement which governs the Megasteel Sub-Bond (A). Megasteel Sub-Bond (A) has been cancelled and set off against the amount due to Megasteel as disclosed in Note 24(b) to the financial statements.

Certain investments in subsidiaries with carrying values totalling RM9.4 million (2008: RM10.1 million) have been charged as security for the LCB Bonds and the LCB Debts issued by the Company.

The subsidiaries are:

Name of Company	Country of Incorporation	Holding in Equity 2009 %	Holding in Equity 2008 %	Principal Activities
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	**50.01**	50.01	Assembly and sale of commercial vehicles
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2009 %	2008 %	Principal Activities
LCB Venture Pte Ltd * (Dissolved on 7 Aug 2009)	Republic of Singapore	**100.00**	100.00	Ceased operations
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering work
Lion Excellent Sdn Bhd (In liquidation - voluntary)	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**	100.00	Investment holding
LCB Harta (L) Limited *	Malaysia	**100.00**	100.00	Acquisition and management of USD denominated consolidated and rescheduled debts
Subsidiary of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *	Malaysia	**100.00**	100.00	Trading and distribution of commercial vehicles, vehicle parts and provision of related services
Subsidiary of KMA Marketing Sdn Bhd				
Kinabalu Car Distributors Sdn Bhd *	Malaysia	**100.00**	100.00	Dormant

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2009 %	2008 %	Principal Activities
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lyn (Pte) Ltd *	Republic of Singapore	**79.00**	79.00	Investment holding
Megasteel Sdn Bhd *	Malaysia	**78.89**	90.00	Manufacturing of hot rolled coils, cold rolled coils, bands, plates and sheets
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of Bersatu Investments Company Limited				
Glit Investments Company Limited *	Hong Kong	**100.00**	100.00	Dormant
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Share registration and secretarial services
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	Ceased operations
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	Dormant
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
Subsidiaries of Umevest Sdn Bhd				
Logic Concepts (M) Sdn Bhd	Malaysia	**71.00**	71.00	Ceased operations
Logic Furniture (M) Sdn Bhd	Malaysia	**91.00**	91.00	Ceased operations
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding

18. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2009 %	2008 %	Principal Activities
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing and marketing of hot rolled steel plates
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing, sale and distribution of steel and iron products
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd	Malaysia	**100.00**	77.50	Manufacturing, marketing and distribution of pre-painted steel sheets and related products
Bright Steel Service Centre Sdn Bhd	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn.) Berhad	Malaysia	**100.00**	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
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd	Malaysia	**100.00**	100.00	Property development

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

18. INVESTMENT IN SUBSIDIARIES (continued)

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

(i) Partial disposal of interest in a subsidiary

Disposal by Limpahjaya of 66,666,667 ordinary shares of RM1.00 each in Megasteel, representing approximately 11.1% of the issued and paid-up share capital of Megasteel to LDHB for a cash consideration of RM100,000,000 on 25 February 2009. The effects of the disposal is disclosed in Note 11 to the financial statements.

(ii) Acquisition of property development project

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

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

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

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

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

18. INVESTMENT IN SUBSIDIARIES (continued)

(ii) Acquisition of property development project (continued)

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

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

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

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

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

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

18. INVESTMENT IN SUBSIDIARIES (continued)

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

The above transactions are inter-conditional.

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

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

The cash flow on the above transactions are as follows:

	Group (Up to the date of disposal) 2008 RM'000
Cash consideration, representing cash outflow of the Group	(18,350)
Cash and cash equivalents disposed	(46)
Deferred payment	40,000
Net cash inflow from disposal of a subsidiary	21,604

18. INVESTMENT IN SUBSIDIARIES (continued)

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

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

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

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

19. INVESTMENT IN ASSOCIATES

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Quoted Shares in Malaysia, at cost	**322,917**	322,917	**200,245**	200,245
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**–**	–
- accumulated impairment losses	**(12,162)**	(12,162)	**–**	–
	83,832	83,832	**–**	–
Unquoted Shares				
- at cost	**844,786**	843,775	**728,348**	727,337
- accumulated impairment losses	**(446,144)**	(445,133)	**(726,808)**	(725,797)
	398,642	398,642	**1,540**	1,540
	805,391	805,391	**201,785**	201,785
Share of post-acquisition results and reserves	**462,327**	553,642	**–**	–
	1,267,718	1,359,033	**201,785**	201,785
Market value of quoted shares:				
- quoted in Malaysia	**365,175**	762,482	**225,721**	471,306
- quoted outside Malaysia	**54,678**	67,732	**–**	–
Represented by:				
Share of net assets other than goodwill	**1,214,269**	1,305,564		
Share of goodwill in associates	**53,449**	53,469		
	1,267,718	1,359,033		

Certain investments in associates of the Group with carrying values totalling RM1,020.5 million (2008: RM1,104.0 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 and certain borrowings of subsidiaries.

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

19. INVESTMENT IN ASSOCIATES (continued)

The associates are:

Name of Company	Country of Incorporation	Holding in Equity 2009 %	2008 %	Principal Activities
Amsteel Corporation Berhad	Malaysia	**45.77** **# 1.89**	38.17 # 1.89	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.33** **# 15.65**	25.34 # 15.65	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**# 39.00**	# 39.00	Captive insurance business
Lion Asiapac Limited	Republic of Singapore	**# 29.98**	# 29.98	Investment holding

\# Held by subsidiaries

The summarised financial information of the associates is as follows:

	2009 RM'000	2008 RM'000
Assets		
Current assets	**3,015,424**	4,862,632
Non-current assets	**5,005,355**	4,465,914
Total assets	**8,020,779**	9,328,546
Liabilities		
Current liabilities	**1,734,242**	3,392,044
Non-current liabilities	**2,866,127**	2,223,375
Total liabilities	**4,600,369**	5,615,419
Results		
Revenue	**4,957,705**	7,548,452
(Loss)/Profit for the year	**(382,781)**	857,341

The Group's share of losses of the associates has been recognised to the extent of the carrying amount of the investment. The cumulative and currrent year's unrecognised share of losses amounted to RM73.4 million (2008: RM Nil) and RM73.4 million (2008: RM Nil) respectively.

20. OTHER INVESTMENTS

		Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Long Term Investments					
Quoted Shares in Malaysia					
- at cost		**1,050**	1,206	**1,029**	1,174
- accumulated impairment losses		**(14)**	(8)	**–**	–
		1,036	1,198	**1,029**	1,174
Unquoted Shares					
- at cost		**368**	490	**–**	18
- accumulated impairment losses		**(275)**	(333)	**–**	–
		93	157	**–**	18
Unquoted bonds	(a)	**74,553**	–	**–**	–
Other Investments at Cost		**25**	25	**–**	–
		75,707	1,380	**1,029**	1,192
Market value of quoted shares		**5,570**	6,580	**5,563**	6,565
Short Term Investments					
Unquoted bonds		**370**	–	**–**	–
Unquoted - at cost:					
Money market instruments (Note 41(c))		**2,500**	–	**–**	–
		2,870	–	**–**	–

(a) Unquoted bonds

	Group 2009 RM'000	Group 2008 RM'000
Acquired during the year	**74,051**	–
Accreted interest	**872**	–
At 30 June	**74,923**	–
Receivable within one year	**(370)**	–
	74,553	–

20. OTHER INVESTMENTS (continued)

(a) Unquoted bonds (continued)

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

	Group 2009 RM'000	Group 2008 RM'000
From 1 to 2 years	**15,080**	–
From 2 to 5 years	**57,603**	–
After 5 years	**1,870**	–
	74,553	–

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

The terms of the ACB SPV Debts are as follows:

(i) Transferability

a) The ACB SPV Debts held by non-resident are transferable to a non-resident; and

b) The ACB SPV Debts held by resident are not transferable to any person.

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

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield To Maturity (per annum)
B	16,315	14,665	31 December 2014	3.25%
C	6,949	6,318	31 December 2014	4.00%
	23,264	20,983		

The Acquired ACB SPV Debts bear the abovementioned cash yield to maturity which is receivable annually on 31 December of each calendar year and is subject to late payment charge of 1% per annum above the cash yield to maturity.

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

The repayment of the ACB SPV Debts is from the proceeds captured in the redemption account of ACB which specific for the redemption of the ACB Bonds and repayment of the ACB SPV Debts.

Class A(1)/A(2) ACB Bonds and ACB SPV Debts and Class B ACB Bonds and ACB SPV Debts rank *pari passu* amongst each other over the said securities held by the Security Trustee.

20. OTHER INVESTMENTS (continued)

(a) Unquoted bonds (continued)

Class C ACB Bonds and ACB SPV Debts rank *pari passu* amongst each other over the said securities held by the Security Trustee.

The Classes A(1)/A(2) and B ACB Bonds and ACB SPV Debts will rank in priority over Class C ACB Bonds and ACB SPV Debts over said securities held by the Security Trustee.

21. RECEIVABLES

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Current				
Trade receivables	**107,272**	309,027	**–**	–
Allowance for doubtful receivables	**(16,951)**	(17,439)	**–**	–
	90,321	291,588	**–**	–
Accrued billings in respect of property development costs	**6,724**	–	**–**	–
Other receivables	**141,125**	88,460	**512**	340
Allowance for doubtful receivables	**(3,523)**	(3,398)	**–**	–
	137,602	85,062	**512**	340
Prepayments and deposits	**89,124**	88,250	**6**	206
Total current portion	**323,771**	464,900	**518**	546
Non-Current				
Long term receivable	**–**	241,864	**–**	–

Included in receivables of the Group and of the Company are related parties balances of which RM14.0 million (2008: RM33.4 million) and RM Nil (2008: RM Nil) respectively are in trade receivables and RM99.9 million (2008: RM59.7 million) and RM0.3 million (2008: RM0.3 million) respectively are in other receivables.

The long term receivable in previous financial year represents an amount due from Khazanah Nasional Berhad ("Khazanah") which arose from the issue of the Megasteel Sub-Bond (B) to Khazanah (refer to Note 32). The long term receivable is unsecured and bears interest rate of 1.0% (2008: 1.0%) per annum and is repayable over 10 years period commencing on the earlier of:

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

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

Pursuant to the cancellation of the Subordinated Bonds Agreement by Megasteel, which was completed on 27 February 2009, the long term receivable arising from the Megasteel Sub-Bond (B) has been set off against the Megasteel Sub-Bond (B).

21. RECEIVABLES (continued)

RM Nil (2008: RM12.7 million) of the trade receivable balances of the Group is pledged for the product financing liabilities as disclosed in Note 34 to the financial statements.

Included in deposits of the Group is an amount of RM45.0 million (2008: RM25.0 million) of deposits ("Offtake Deposit") paid by a subsidiary to a related party for raw materials supplies as security against the subsidiary's payment obligations to the related party. In the event the payment obligations are not met by the subsidiary within the credit period given, the related party shall be entitled to withdraw from the Offtake Deposit such amount as may be due to the related party towards settlement of the amount due. The Offtake Deposit is pledged to the lender of the related party for credit facilities granted to the related party.

The Group's normal trade credit terms range from 5 days to 60 days (2008: 5 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

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

Trade receivables and other receivables, prepayments and deposits balances of the Group amounting to RM28.9 million (2008: RM177.8 million) and RM133.6 million (2008: RM120.8 million) respectively are secured by way of a floating charge for certain borrowings as disclosed in Note 30 to the financial statements.

22. DEFERRED TAXATION

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
At 1 July	**124,380**	104,586	**–**	–
Recognised in equity	**(10,162)**	–	**(10,162)**	–
Recognised in income statement (Note 12)	**42,543**	15,943	**622**	–
Conversion of RCSLS	**15**	–	**15**	–
Change in applicable tax rate on asset revaluation reserve	**–**	3,851	**–**	–
At 30 June	**156,776**	124,380	**(9,525)**	–

Presented after appropriate offsetting as follows:

Deferred tax assets	**177,097**	134,952	**–**	–
Deferred tax liabilities	**(20,321)**	(10,572)	**(9,525)**	–
At 30 June	**156,776**	124,380	**(9,525)**	–

22. DEFERRED TAXATION (continued)

Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2007	117,865	5,127	122,992
Recognised in income statement	11,023	(2,914)	8,109
Change in applicable tax rate on asset revaluation reserve	3,851	–	3,851
At 30 June 2008	**132,739**	**2,213**	**134,952**
Recognised in income statement	**42,145**	**–**	**42,145**
At 30 June 2009	**174,884**	**2,213**	**177,097**

Deferred Tax Liabilities of the Group

	RCSLS RM'000	Others RM'000	Total RM'000
At 1 July 2007	–	18,406	18,406
Recognised in income statement	–	(7,834)	(7,834)
At 30 June 2008	**–**	**10,572**	**10,572**
Recognised in equity	**10,162**	**–**	**10,162**
Recognised in income statement	**(622)**	**224**	**(398)**
Conversion of RCSLS	**(15)**	**–**	**(15)**
At 30 June 2009	**9,525**	**10,796**	**20,321**

Deferred Tax Liabilities of the Company

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

22. DEFERRED TAXATION (continued)

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

	Group 2009 RM'000	Group 2008 RM'000
Unutilised tax losses	**274,513**	212,329
Unabsorbed capital allowances	**52,119**	59,152
Other deductible temporary differences	**3,832**	10,948
	330,464	282,429

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

23. INVENTORIES

	Group 2009 RM'000	Group 2008 RM'000
At Cost:		
Properties held for sale	**12,036**	–
Raw materials	**31,288**	1,125,608
Work-in-progress	**1,323**	8,608
Finished goods	**2,644**	416,065
Spare, supplies and consumables	**186,927**	259,775
	234,218	1,810,056
At Net Realisable Value:		
Raw materials	**160,655**	23,739
Work-in-progress	**3,086**	515
Finished goods	**417,160**	19,163
Spare, supplies and consumables	**1,174**	12
	582,075	43,429
Total	**816,293**	1,853,485

23. INVENTORIES (continued)

Value of raw materials, finished goods and spares, supplies and consumables, in relation to the product financing liabilities as disclosed in Note 34 to the financial statements, where titles of the inventories are with other parties are as follows:

	Group	
	2009	**2008**
	RM'000	**RM'000**
Raw Materials:		
- with related parties	**38,013**	125,188
- with external parties	**36,981**	893,975
	74,994	1,019,163
Finished Goods:		
- with related parties	**213,933**	197,328
- with external parties	**49,199**	69,414
	263,132	266,742
Spare, Supplies and Consumables:		
- with external parties	**132,256**	85,350
Total	**470,382**	1,371,255

Included in raw materials under product financing facilities of the Group are amounts of RM25.5 million (2008: RM422.8 million) which relate to raw materials in transit.

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

Inventories of the Group amounting to RM252.2 million (2008: RM304.5 million) are secured by way of a floating charge for borrowings as disclosed in Note 30 to the financial statements.

24. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company	
	2009	**2008**
	RM'000	**RM'000**
(a) Current		
Amount due from subsidiaries	**2,291,783**	2,132,817
Allowance for doubtful receivables	**(2,259)**	(2,259)
	2,289,524	2,130,558
Amount due to subsidiaries	**16,480**	16,389

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 4.6% (2008: 5.0%) per annum and the amounts due to subsidiaries bear a weighted average effective interest rate of 1.0% (2008: 1.0%) per annum.

24. AMOUNT DUE FROM/TO SUBSIDIARIES (continued)

(b) Non-Current

	Company 2009 RM'000	2008 RM'000
Amount due to a subsidiary	–	2,176,775

The amount due to a subsidiary in previous financial year 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, under the GWRS. The amount is unsecured and bears an effective interest rate of 1.0% (2008: 1.0%) per annum.

Pursuant to the cancellation of the Subordinated Bonds Agreement by Megasteel, as disclosed in Note 32 to the financial statements, the amount due to a subsidiary has been set off against the investment in Megasteel Sub-Bond (A) as disclosed in Note 18 to the financial statements.

25. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average effective interest rate as at the balance sheet date of 1.9% (2008: 3.2%) and 1.9% (2008: 3.3%) per annum respectively and have an average maturity of 18 days (2008: 24 days) and 30 days (2008: 30 days) respectively.

Included in deposits of the Group is an amount of RM2.6 million (2008: RM 1.3 million) which is pledged as a bank guarantee to certain subsidiaries.

26. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2009 RM'000	2008 RM'000
Property, plant and equipment	–	2,440
Prepaid land lease payments	–	3,043
Impairment loss	–	(281)
	–	5,202

During the financial year, certain subsidiaries of the Company entered into separate Sale and Purchase Agreements to dispose of their leasehold land and buildings to third parties for an aggregate cash consideration of RM31.65 million. The disposal was completed on 15 December 2008.

27. SHARE CAPITAL

	Group and Company 2009 RM'000	2008 RM'000
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July	**2,000,000**	2,000,000
Created during the year	**1,000,000**	–
At 30 June	**3,000,000**	2,000,000
Issued and Fully Paid:		
At 1 July	**1,005,118**	1,005,116
Shares issued pursuant to:		
- exercise of warrants	**–**	2
- conversion of LCB Bonds	**804,460**	–
- acquisition of Mahkota Cheras Project	**89,948**	–
- conversion of RCSLS	**1,424**	–
At 30 June	**1,900,950**	1,005,118

28. RESERVES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-Distributable:				
Share premium	**97,685**	97,630	**97,685**	97,630
Asset revaluation reserve	**264,859**	264,859	**–**	–
Capital reserve	**64,475**	99,150	**627**	477
Share option reserve	**2,391**	2,424	**2,391**	2,424
Foreign currency translation reserve	**14,663**	(106)	**–**	–
Equity components of RCSLS	**30,432**	–	**30,432**	–
Warrants reserve	**3,673**	–	**3,673**	–
	478,178	463,957	**134,808**	100,531
Accumulated losses	**(1,818,558)**	(795,015)	**(1,280,129)**	(1,173,558)
	(1,340,380)	(331,058)	**(1,145,321)**	(1,073,027)

28. RESERVES (continued)

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

(a) Asset Revaluation Reserve

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

(b) Capital Reserve

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

(c) Share Option Reserve

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

(d) Foreign Currency Translation Reserve

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

(e) Equity Components of RCSLS

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

(f) Warrants Reserve

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

The details of the warrants are as follows:

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

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

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

29. PREFERENCE SHARES

Megasteel issued Preference "D" Shares, Preference "E" Shares and Preference "F" Shares, of which Preference "D" Shares and Preference "F" Shares were issued to the immediate holding company, Limpahjaya Sdn Bhd. During the year, Megasteel issued and alloted 100,000,000 5-year RCCPS of RM0.01 each ("Preference "G" Shares") at a premium of RM0.99 each amounting to RM100,000,000 to a related party. The proceeds from the RCCPS were used by Megasteel for its working capital requirements. The issuance of the RCCPS was a condition subsequent to the 2008 Revised Restructuring Scheme disclosed in Note 30 to the financial statements. The RCCPS was issued on 5 February 2009.

	Group	
	2009	**2008**
	RM'000	**RM'000**
Authorised:		
At 1 July		
Preference "E" Shares of RM0.01 each	**110**	110
Created during the year:		
Preference "G" Shares of RM0.01 each	**1,000**	–
	1,110	110
Issued and paid-up:		
At 1 July		
Preference "E" Shares of RM0.01 each	**110**	110
Created during the year:		
Preference "G" Shares of RM0.01 each	**1,000**	–
	1,110	110
Share premium:		
At 1 July		
Preference "E" Shares of RM0.01 each	**10,890**	10,890
Created during the year:		
Preference "G" Shares of RM0.01 each	**99,000**	–
	109,890	10,890
Total	**111,000**	11,000

Terms of Preference "E" Shares

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

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

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

29. PREFERENCE SHARES (continued)

Terms of Preference "E" Shares (continued)

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

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

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

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

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

Terms of Preference "G" Shares

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

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

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

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

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

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

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

29. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

The Preference "G" Shares of RM0.01 each includes the following salient features: (continued)

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

The conversion ratio during the Extended Tenure shall be:

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

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

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

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

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

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

(b) Mandatory Early Redemption

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

(c) Optional Redemption

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

(d) Mandatory Redemption

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

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

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

30. BORROWINGS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Short Term Borrowings				
Secured:				
Bills payable	**61,039**	61,488	**–**	–
Revolving credits	**33,500**	33,500	**–**	–
RCSLS (Note 31)	**20,417**	–	**20,417**	–
Syndicated term loans	**1,003,251**	203,092	**–**	–
Other term loans	**49,551**	25,746	**–**	–
	1,167,758	323,826	**20,417**	–
Unsecured:				
Bills payable	**43,588**	68,855	**–**	–
Revolving credits	**8,500**	10,000	**–**	–
Other term loans	**467**	2,832	**–**	–
	52,555	81,687	**–**	–
	1,220,313	405,513	**20,417**	–
Long Term Borrowings				
Secured:				
RCSLS (Note 31)	**419,968**	–	**419,968**	–
Syndicated term loans	**–**	863,141	**–**	–
Other term loans	**3,134**	56,898	**–**	–
	423,102	920,039	**419,968**	–
Unsecured:				
Other term loans	**–**	467	**–**	–
	423,102	920,506	**419,968**	–
Total Borrowings				
Bills payable	**104,627**	130,343	**–**	–
Revolving credits	**42,000**	43,500	**–**	–
RCSLS (Note 31)	**440,385**	–	**440,385**	–
Syndicated term loans	**1,003,251**	1,066,233	**–**	–
Other term loans	**53,152**	85,943	**–**	–
	1,643,415	1,326,019	**440,385**	–

30. BORROWINGS (continued)

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
The term loans are repayable over the following periods:				
Within 1 year	**1,053,269**	231,670	**–**	–
From 1 to 2 years	**3,134**	325,251	**–**	–
From 2 to 5 years	**–**	595,255	**–**	–
	1,056,403	1,152,176	**–**	–

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

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

	Group		Company	
	2009 %	**2008 %**	**2009 %**	**2008 %**
Bills payable	**4.6**	5.4	**–**	–
Revolving credits	**6.1**	7.4	**–**	–
RCSLS	**5.8**	–	**5.8**	–
Term loans	**5.9**	8.4	**–**	–

30. BORROWINGS (continued)

(A) Syndicated Term Loans

A revised restructuring scheme in relation to the Syndicated Term Loans of Megasteel came into effect in the previous financial year ("2008 Revised Restructuring Scheme"). The restructured amount of the Syndicated Term Loans which comprises an RM denominated Term Loan of RM598.54 million and a USD denominated Term Loan of USD205.2 million ("collectively known as the 2008 Restructured Amount") and is repayable over a tenure of 5 years from 30 June 2007 to 30 June 2012 ("2008 Restructured Repayment Schedule" or "2008 RRS") as follows:

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

Interest is charged at 2.5% above the respective Syndicated Term Loan lenders' cost of funds/London Interbank Offer Rate ("COF/LIBOR") from 6 May 2008, being the effective date of the implementation of the 2008 Revised Restructuring Scheme, up to 30 June 2010 and at 5% above the respective Syndicated Term Loan lenders' COF/LIBOR from 1 July 2010 to 30 June 2012. Interest charged prior to the effective date was 1.75% above the respective Syndicated Term Loan lenders' COF/LIBOR.

The Syndicated Term Loans facility is secured against:

(i) property, plant and equipment of Megasteel as disclosed in Note 14 to the financial statements, including any future additions;

(ii) certain investment in associates as disclosed in Note 19 to the financial statements;

(iii) floating assets of Megasteel; and

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

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

Pursuant to the 2008 Revised Restructuring Scheme, Megasteel had covenanted to cause or procure the following:-

(i) Cancellation of the Subordinated Bonds Agreement

(ii) The cancellation of the Subordinated Bonds Agreement disclosed in Note 32 to the financial statements was to be completed within 9 months from the effective date of the 2008 Revised Restructuring Scheme, with an option for Megasteel to extend the proposed cancellation for a further 3 months thereafter. The Subordinated Bonds Agreement once cancelled, was to be replaced by a Deed of Undertaking from Megasteel's shareholders to upstream dividends to its shareholders in the manner disclosed in Note 32 to the financial statements.

The Subordinated Bonds Agreement was cancelled on 27 February 2009 and replaced by the Deed of Undertaking on the same date as disclosed in Note 32 to the financial statements.

(iii) Issuance of 100,000,000 5-year Redeemable Cumulative Convertible Preference Shares ("RCCPS") or ("Preference "G" Shares")

Megasteel was to issue Preference "G" Shares to a related party within 6 months from the effective date of the 2008 Revised Restructuring Scheme, with an option for Megasteel to extend the completion of the proposed subscription for a further 3 months thereafter.

As disclosed in Note 29 to the financial statements, the issuance of the Preference "G" Shares was completed on 5 February 2009.

During the financial year, Megasteel was unable to meet its repayment obligations for the Syndicated Term Loan under the 2008 Revised Restructuring Scheme in relation to the principal amount due in June 2009 of RM47.88 million and USD16.42 million. In addition, Megasteel was unable to fulfill certain financial covenants under the 2008 Revised Restructuring Scheme. Accordingly, the entire Syndicated Term Loan has been classified as current liabilities.

Megasteel has entered into negotiations with Syndicated Term Loan lenders for a proposed restructuring ("2009 Proposed Restructuring Scheme") involving repayment deferrals and revisions to the terms of the 2008 Revised Restructuring Scheme.

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

The proposed terms and conditions under negotiation for the 2009 Proposed Restructuring Scheme as set out in provisional Term Sheet dated 2 July 2009, include the following:

(i) Revision to repayment terms ("2009 Proposed Restructured Repayment Schedule") or ("2009 PRS")

The proposed revisions to the 2008 Restructured Repayment Schedule and contained in the 2009 Proposed Restructured Repayment Schedule for the RM Term Loan and USD Term Loan are as follows:-

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

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

(ii) Interest servicing

(a) Interest

Interest will continue to be serviced semi-annually. The interest rate will remain as follows:

i) Up to 30 June 2010 : 2.5% + COF/LIBOR
ii) From 1 July 2010 onwards : 5% + COF/LIBOR

(b) Default interest

Default rate of 2% will be payable on the defaulted principal installment commencing from actual due date on 30 June 2009 up to the date when the last of the approvals for the 2009 Proposed Restructuring Scheme and for the various proposals pursuant to the 2009 Proposed Restructuring Scheme have been obtained.

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

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

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

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

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

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

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

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

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

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

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

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

(a) Megasteel shall enter into a sale and purchase agreement with a bona fide purchaser for the sale of certain of its subsidiary's property, plant and equipment no later than 30 June 2010 or such extended date as may be agreed with the Syndicated Term Loan Lenders whose loans represent more than 75% of the value of the RM Term Loans and USD Term Loans;

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

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

(d) Proceeds (net of transaction costs) from the sale of the property, plant and equipment shall be utilised to prepay or repay the USD Facility and RM Facility due in chronological order of maturity.

30. BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

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

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

Based on negotiations conducted with several potential purchasers, the Directors have a reasonable expectation that the sale of the property, plant and equipment would be completed within the Target Date and Target Completion Date stipulations.

(v) Property, Plant and Equipment Upgrades

The balance of certain property, plant and equipment upgrades included in the 2008 Revised Restructuring Scheme agreements which has not been incurred as at 30 June 2009 shall be deferred for 1 year to 30 June 2010.

Within the 1 year deferment period, Megasteel shall be permitted to carry out the upgrades from sources of funds other than its operational cashflow.

(vi) Inter-conditionality of various proposals under the 2009 Proposed Restructuring Scheme

The proposals mentioned in (i), (ii), (iii), (iv) are inter-conditional to the other but not on other proposals set out in the provisional term sheet, and *vice versa*.

(vii) Requisite Consents

Consents from the Syndicated Term Loan Lenders are required for the various proposals according to majority thresholds set out in the provisional Term Sheet.

(B) Other Term Loans

During the financial year, Megasteel was unable to meet its repayment obligations due in April 2009 of RM6.8 million pursuant to the installment scheme. Megasteel has entered into negotiations with the Other Term Loan lenders for repayment deferrals and revisions to the terms of the Other Term Loan facility agreement.

On 10 August 2009, the Other Term Loan lenders has approved a 2-year moratorium period on the repayment of principal due in April 2009 and extended the tenure of the Other Term Loan facility for another 2 years. The principal repayment is to commence in April 2011 and the final maturity date is to be extended by 2 years from 7 April 2012 to 7 April 2014. Interest payment shall continue to be paid semi-annually.

Other Term Loan are charged against certain subsidiaries' fixed and floating assets and corporate guarantee from the Company.

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

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

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

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

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

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

	Class	**Nominal Value RM'000**	**Maturity Date**	**Coupon Rate (per annum)**
RCSLS	B(a)	286,834	31 December 2015	5.00%
RCSLS	B(b)	178,769	31 December 2015	7.00%
RCSLS	B(c)	5,130	31 December 2015	4.25%
		470,733		

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

(ii) Conversion right and rate

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

(iii) Conversion period

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

(iv) Redeemability

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

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

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

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

Salient terms of the RCSLS are as follows: (continued)

(iv) Redeemability (continued)

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

- Mandatory Redemption

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

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

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

(v) Security

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

(vi) Ranking of New Shares

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

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

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

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Nominal value:		
Issued during the year	**470,733**	–
Converted during the year	**(1,424)**	–
	469,309	–
Less: Unamortised portion	**(28,924)**	–
Amount due	**440,385**	–

31. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

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

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

	Group and Company	
	2009 RM'000	2008 RM'000
Liability component at date of issue:		
Nominal value of RCSLS	**470,733**	–
Equity component, net of deferred tax liabilities	**(30,487)**	–
Deferred tax liabilities (Note 22)	**(10,162)**	–
	430,084	–
Converted during the year	**(1,354)**	–
	428,730	–
Interest expenses recognised during the year (Note 10)	**11,655**	–
Liability component at 30 June	**440,385**	–

The RCSLS are redeemable over the following periods:

	Group and Company	
	2009 RM'000	2008 RM'000
Within 1 year	**20,417**	–
From 1 to 2 years	**22,913**	–
From 2 to 5 years	**262,764**	–
After 5 years	**134,291**	–
	440,385	–

32. BONDS AND DEBTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current				
Secured:				
- LCB Bonds	**13,200**	2,365,339	**13,200**	2,365,339
- LCB Debts	**99**	11,751	**99**	11,751
- LCB SPV Debts	**36,161**	–	**–**	–
Unsecured bond:				
- Megasteel Sub-Bond (B)	**–**	40,516	**–**	–
	49,460	2,417,606	**13,299**	2,377,090
Non-Current				
Secured:				
- LCB Bonds	**1,231,468**	–	**1,231,468**	–
- LCB Debts	**7,989**	–	**7,989**	–
- LCB SPV Debts	**39,874**	–	**–**	–
Unsecured bond:				
- Megasteel Sub-Bond (B)	**–**	201,348	**–**	–
	1,279,331	201,348	**1,239,457**	–
Total	**1,328,791**	2,618,954	**1,252,756**	2,377,090
Analysed as:				
Secured:				
- LCB Bonds	**1,244,668**	2,365,339	**1,244,668**	2,365,339
- LCB Debts	**8,088**	11,751	**8,088**	11,751
- LCB SPV Debts	**76,035**	–	**–**	–
Unsecured bond:				
- Megasteel Sub-Bond (B)	**–**	241,864	**–**	–
	1,328,791	2,618,954	**1,252,756**	2,377,090

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Within 1 year	**49,460**	2,417,606	**13,299**	2,377,090
From 1 to 2 years	**69,047**	64,998	**50,003**	–
From 2 to 5 years	**330,928**	136,350	**310,098**	–
After 5 years	**879,356**	–	**879,356**	–
	1,328,791	2,618,954	**1,252,756**	2,377,090

The Megasteel Sub-Bond had been cancelled on 27 February 2009 pursuant to the 2008 Revised Restructuring Scheme of Megasteel as disclosed in Note 30 to the financial statements. Immediately prior to the cancellation of the Sub-Bond, the shareholders of Megasteel had entered into a Deed of Undertaking to upstream cash dividends to its shareholders pursuant to the terms set out in the Deed of Undertaking. The Deed of Undertaking took effect on 27 February 2009.

32. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts

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

On 27 February 2009, the Company had:

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

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

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

Pursuant to the implementation of LCB Scheme, it would lead to consequential changes to the principal terms and conditions of the LCB Bonds and LCB Debts.

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

(i) The LCB Bonds are only transferable to persons who are the first holders of the LCB Bonds issued by the Company whilst the LCB Debts are not transferable and not tradeable.

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

	Class	Nominal Value RM'000	Net Present Value RM'000	Maturity Date	Cash Yield to Maturity (per annum)
LCB Bonds	B(a)	592,647	408,881	31 Dec 2019	5.00%
LCB Bonds	B(b)	1,347,652	809,717	31 Dec 2020	7.00%
LCB Debts	B	10,734	7,974	31 Dec 2019	4.25%
		1,951,033	1,226,572		

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

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

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

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

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

(d) The Residual Assets, if any;

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

32. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts (continued)

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

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

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

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

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

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

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

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

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

Dedicated Cash Flows means cash flow from the following sources:

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

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

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

- dividends or cashflow from the Deed of Undertaking;

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

- repayment proceeds from the ACB FRN Investments and proceeds from the Property Development Project after repayment of LCB Class B and Class C SPV Debts; and

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

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

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

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

32. BONDS AND DEBTS (continued)

(B) LCB SPV Debt

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

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

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

(i) The LCB SPV Debts are not transferable other than to:

- persons exclusively outside Malaysia; or
- any offshore company with total assets of not less than RM10 million or its equivalent in foreign currencies

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

	Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield to Maturity (per annum)
LCB SPV Debts	B	16,315	15,725	31 Dec 2011	3.25%
LCB SPV Debts	C	6,949	6,763	31 Dec 2011	1.00%
		23,264	22,488		

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

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

(a) ACB FRN Debts Charge;

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

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

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

(e) TSWC FRN Guarantee;

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

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

(iv) The LCB SPV Debts constitute direct, unsubordinated and secured obligations of the Group.

Class B LCB SPV Debt ranks in priority over Class C LCB SPV Debt in respect of Security Trustee provided in item (a) to (g) above.

33. DEFERRED LIABILITIES

	Group 2009 RM'000	Group 2008 RM'000
Hire purchase liabilities	**1,230**	3,191
Product financing liabilities	**–**	25,350
Unfunded defined benefit plan (Note 36(a))	**2,150**	2,028
Deferred creditors	**22,760**	42,420
	26,140	72,989
Hire Purchase Liabilities		
Minimum lease payments:		
Not later than 1 year	**2,357**	2,849
Later than 1 year and not later than 2 years	**1,128**	2,328
Later than 2 years and not later than 5 years	**263**	1,279
	3,748	6,456
Future finance charges	**(431)**	(739)
	3,317	5,717
Present value of finance lease payments:		
Not later than 1 year	**2,087**	2,526
Later than 1 year and not later than 2 years	**994**	2,062
Later than 2 years and not later than 5 years	**236**	1,129
	3,317	5,717
Analysed as:		
Due within 12 months	**2,087**	2,526
Due after 12 months	**1,230**	3,191
	3,317	5,717

The hire purchase liabilities carry interest rates at the balance sheet date at rates ranging from 2.3% to 8.0% (2008: 2.3% to 7.0%) per annum.

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**1,271,773**	656,852	**–**	–
Other payables	**307,638**	201,717	**7,221**	4,532
Security deposits received from customers	**35,427**	121,200	**–**	–
Product financing liabilities	**633,434**	1,529,832	**–**	–
Accruals	**151,157**	135,488	**25,218**	25,182
Provision for loss on the LCB Scheme (Note 11)	**–**	186,560	**–**	–
Project payables	**34,021**	38,733	**–**	–
Hire purchase liabilities (Note 33)	**2,087**	2,526	**–**	–
	2,435,537	2,872,908	**32,439**	29,714

Included in payables of the Group and of the Company are related parties balances of which RM470.9 million (2008: RM67.4 million) and RM Nil (2008: RM Nil) respectively are in trade payables, RM63.0 million (2008: RM62.3 million) and RM4.5 million (2008: RM4.5 million) respectively are in other payables and RM256.1 million (2008: RM441.4 million) and RM Nil (2008: RM Nil) respectively are in product financing liabilities.

Included in the related parties balances of the Group are amounts due to related parties of RM18.6 million (2008: RM20.9 million) which bear interest at 8% (2008: 8%) per annum.

Included in other payables of the Group are advance payments from customers of RM28.6 million (2008: RM9.6 million) which bear interest at 8% (2008: 8%) per annum.

The security deposits received from customers amounting to RM35.3 million (2008: RM65.4 million) bear interest rates ranging from 8% to 10% (2008: 8% to 10%) per annum.

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where titles to the inventories pertaining to these arrangements are legally with these parties and of which the Group has the obligation to purchase. The obligation to purchase ranges from 60 days to 120 days (2008: 60 days to 120 days) with interest rates from 2% to 7% (2008: 4% to 8%) per annum. The inventories under such arrangements are disclosed in Note 23 to the financial statements. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days (2008: 30 days to 60 days).

Project payables represent construction costs for plant and machinery, and are unsecured and interest-free. The normal credit terms granted to the Group range from 30 days to 120 days (2008: 30 days to 120 days). Other credit terms are assessed on a case-by-case basis.

During the financial year, a subsidiary, Megasteel had exceeded credit terms in relation to trade and other payables and accruals, and product financing liabilities. Megasteel has entered into and is in the process of negotiating deferral payment plans and has formulated payment strategies with a significant constitution of these creditors. No matters have been drawn to its attention to suggest that the ongoing negotiations may not be forthcoming on acceptable terms.

35. BANK OVERDRAFTS

	Group	
	2009 RM'000	2008 RM'000
Secured	**16,962**	5,977

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

The weighted average effective interest rate for bank overdrafts at the balance sheet date is 8.5% (2008: 8.6%) per annum.

36. EMPLOYEE BENEFITS

(a) Defined Benefit Plan - Unfunded

A subsidiary of the Company operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 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	
	2009 RM'000	2008 RM'000
Non-Current		
At 1 July	**2,028**	1,996
Charged to income statement (Note 7)	**179**	166
Benefit paid	**(57)**	(134)
At 30 June	**2,150**	2,028
The amount recognised in the consolidated balance sheet is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,150**	2,028
The expenses recognised in the consolidated income statement are analysed as follows:		
- Current service cost	**91**	90
- Interest cost	**109**	100
- Actuarial gain	**(21)**	(24)
	179	166

36. EMPLOYEE BENEFITS (continued)

(a) Defined Benefit Plan - Unfunded (continued)

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

	Group	
	2009	**2008**
	%	%
Discount rate	**7**	7
Expected rate of salary increase	**5**	5

(b) Executive Share Option Scheme

An ESOS for the benefit of eligible executives and executive directors of the Group became effective on 1 September 2005.

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

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

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

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

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

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

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

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

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

36. EMPLOYEE BENEFITS (continued)

(b) Executive Share Option Scheme (continued)

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

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

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

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

2009	WAEP RM	Exercise Period
Grant Date		
26.5.2006	**1.00**	**26.5.2006 - 31.8.2010**
26.2.2007	**1.00**	**26.2.2007 - 31.8.2010**

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

36. 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:

	Grant Date	
	26.2.2007	**26.5.2006**
Fair value (RM)	0.45	0.25
Share price at valuation date (RM)	0.68	1.02
Exercise price (RM)	1.00	1.00
Risk-free rate of interest (%)	3.64	3.64
Expected volatility (%)	56.00	56.00
Expected dividend yield (%)	0.00	0.00
Expected life (years)	3.51	4.27

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

37. COMMITMENTS

(a) Capital Commitments

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

	Group	
	2009 RM'000	**2008 RM'000**
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**56,480**	60,672
- approved but not contracted for	**48,174**	52,909
	104,654	113,581

(b) Operating Lease Commitments

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

	Group	
	2009 RM'000	**2008 RM'000**
The future minimum lease payments under non-cancellable operating lease are as follows:		
Within 1 year	**156**	186
From 1 to 2 years	**–**	156
	156	342

38. CONTINGENT LIABILITIES

	Company 2009 RM'000	Company 2008 RM'000
(a) Guarantees in respect of loans and credit facilities granted to subsidiaries - unsecured	**62,981**	68,919

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

On 21 May 2009, the parties, CHH, LKM and Megasteel have recorded a consent judgement. The terms of the consent judgement sets out, *inter alia*, that Megasteel pays RM1.7 million and is constituted as full and final settlement upon clearance of the payment made. All counter claims by CHH and Megasteel have been withdrawn with no order as to costs and the parties have waived their entitlement to costs previously awarded.

	Group 2009 RM'000	Group 2008 RM'000
(c) Offtake deposit pledge to banks for credit facilities granted to a related party (Note 21)	**45,000**	25,000

39. RELATED PARTY TRANSACTIONS

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

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

Name of Company	Type of Transaction	Group 2009 RM'000	Group 2008 RM'000
(i) With Amsteel Corporation Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	**7,064**	7,176
Secom (M) Sdn Bhd	Trade purchases	**430**	326

39. RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Type of Transaction	Group 2009 RM'000	Group 2008 RM'000
(ii) With Lion Industries Corporation Berhad ("LICB") Group			
Amsteel Mills Sdn Bhd	Trade sales	**993,780**	1,660,722
	Trade purchases	**485,131**	1,084,622
	Transfer of property, plant and equipment	**405**	23,888
	Rental income	**5,310**	12,007
Antara Steel Mills Sdn Bhd	Trade sales	**20,851**	8,577
	Trade purchases	**136,115**	951,356
Amsteel Mills Marketing Sdn Bhd	Management services	**3,487**	2,450
	Trade purchases	**3,656**	14,614
	Rental expenses	**1,303**	1,303
Lion Waterway Logistics Sdn Bhd	Trade sales	**3,048**	7,063
	Logistic services	**17,640**	12,164
(iii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Trade purchases	**15,306**	17,185
	Transfer of property, plant and equipment	**9**	139
	Rental income	**120**	–
LAP Trading & Marketing Pte Ltd	Trade purchases	**8,769**	28,797
(iv) With Other Related Parties			
Lion Motor Sdn Bhd	Trade sales	**560**	101
	Trade purchases	**271**	637
PT Lion Metal Works Tbk	Trade sales	**513**	6,865
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**4,003**	3,062
Mitsui & Co., Ltd	Trade sales	**–**	1,208
	Trade purchases	**26,861**	15,381
Lion DRI Sdn Bhd	Trade sales	**8,544**	1,413
	Trade purchases	**783,706**	49,212
	Transfer of property, plant and equipment	**242**	4,758
	Rental income	**2,511**	–
Lion Blast Furnace Sdn Bhd	Trade sales	**3,717**	–
	Transfer of property, plant and equipment	**15,620**	15,876
Singa Logistics Sdn Bhd	Logistic services	**9,309**	11,307
Lion Metal Industries Sdn Bhd	Rental expenses	**646**	646
Lion Holdings Pte Ltd	Product financing facilities	**704,453**	660,314
	Interest expense on product financing	**25,819**	9,226

39. RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Type of Transaction	Group 2009 RM'000	Group 2008 RM'000
(iv) With Other Related Parties (continued)			
Graimpi Sdn Bhd	Product financing facilities	**413,625**	853,514
	Interest expense on product financing	**20,796**	26,286
Ributasi Holdings Sdn Bhd	Product financing facilities	**116,669**	140,361
	Interest expense on product financing	**4,928**	3,318

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

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

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

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

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

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

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

	Number of Unexercised Options 2009	Number of Unexercised Options 2008
Tan Sri William H.J. Cheng	**490,000**	490,000

The options were granted to the executive Director on the same terms and conditions as those offered to other eligible executive employees of the Group (Note 36(b)).

40. SEGMENTAL ANALYSIS

(a) Primary Reporting Format - Business Segments:

The Group is organised into three major business segments:

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

Other business segments comprise investment holding, treasury business, construction and civil engineering works, property development, 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 2009	**Steel RM'000**	**Steel Furniture RM'000**	**Motor RM'000**	**Others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue						
External	**3,026,005**	**46,369**	**5,217**	**21,994**	**–**	**3,099,585**
Inter-segment	**9,672**	**–**	**–**	**32**	**(9,704)**	**–**
	3,035,677	**46,369**	**5,217**	**22,026**	**(9,704)**	**3,099,585**
Results						
Segment results	**(831,702)**	**1,582**	**20,119**	**960**	**–**	**(809,041)**
Interest income						**5,621**
Investment income						**172**
Loss from operations						**(803,248)**
Finance costs						**(408,235)**
Share in results of associates	**(88,717)**	**–**	**–**	**4,545**	**–**	**(84,172)**
Impairment loss in associates						**(1,011)**
Over provision for loss on the LCB Scheme						**40,499**
Loss before taxation						**(1,256,167)**
Income tax income						**40,695**
Net loss for the financial year						**(1,215,472)**

40. SEGMENTAL ANALYSIS (continued)

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

Group 2009	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Segment assets	**4,089,060**	**25,458**	**14,967**	**791,667**	**–**	**4,921,152**
Investment in associates	**1,157,119**	**–**	**–**	**110,599**	**–**	**1,267,718**
Unallocated corporate assets						**180,297**
Consolidated total assets						**6,369,167**
Segment liabilities	**3,621,860**	**7,005**	**7,741**	**156,063**	**–**	**3,792,669**
Unallocated corporate liabilities						**1,796,392**
Consolidated total liabilities						**5,589,061**
Other information						
Capital expenditure	**115,637**	**69**	**–**	**13**	**–**	**115,719**
Depreciation and amortisation	**137,882**	**387**	**553**	**20**	**–**	**138,842**
Impairment losses	**–**	**14**	**–**	**1,011**	**–**	**1,025**
Non-cash expenses other than depreciation, amortisation and impairment losses	**424,920**	**974**	**807**	**3,439**	**–**	**430,140**

40. SEGMENTAL ANALYSIS (continued)

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

Group 2008	Steel RM'000	Steel Furniture RM'000	Motor RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	5,187,021	40,060	6,489	212	–	5,233,782
Inter-segment	10,619	287	–	–	(10,906)	–
	5,197,640	40,347	6,489	212	(10,906)	5,233,782
Results						
Segment results	349,840	(283)	(5,821)	8,654	–	352,390
Interest income						7,715
Investment income						21
Profit from operations						360,126
Finance costs						(474,278)
Share in results of associates	341,134	–	–	3,503	–	344,637
Impairment loss in associates						(33,933)
Provision for loss on the LCB Scheme						(186,560)
Profit before taxation						9,992
Income tax expense						14,852
Net profit for the financial year						24,844
Segment assets	5,640,947	26,209	22,859	622,725	–	6,312,740
Investment in associates	1,251,764	–	–	107,269	–	1,359,033
Unallocated corporate assets						137,484
Consolidated total assets						7,809,257
Segment liabilities	4,174,620	7,064	36,930	312,143	–	4,530,757
Unallocated corporate liabilities						2,388,597
Consolidated total liabilities						6,919,354

40. SEGMENTAL ANALYSIS (continued)

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

Group 2008	**Steel RM'000**	**Steel Furniture RM'000**	**Motor RM'000**	**Others RM'000**	**Elimination RM'000**	**Group RM'000**
Other information						
Capital expenditure	237,522	407	44	–	–	237,973
Depreciation and amortisation	130,739	440	1,214	17	–	132,410
Impairment losses	–	–	281	33,933	–	34,214
Non-cash expenses other than depreciation, amortisation and impairment losses	497	168	5,378	186,755	–	192,798

(b) Secondary Reporting Format - Geographical Segments:

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

	Segment Revenue		**Segment Assets**		**Capital Expenditure**	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Malaysia	**2,473,532**	3,670,193	**4,920,766**	6,312,351	**115,719**	237,973
Singapore	**77,171**	132,911	**386**	389	**–**	–
Indonesia	**153,935**	431,691	**–**	–	**–**	–
Vietnam	**102,022**	393,367	**–**	–	**–**	–
India	**88,936**	96,977	**–**	–	**–**	–
Europe	**7,132**	318,413	**–**	–	**–**	–
Others	**196,857**	190,230	**–**	–	**–**	–
	3,099,585	5,233,782	**4,921,152**	6,312,740	**115,719**	237,973

41. CASH FLOW STATEMENTS

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Allowance for doubtful receivables:				
- others	**395**	409	**–**	–
- written back	**(810)**	(585)	**–**	–
Allowance for obsolete inventories	**652**	72	**–**	–
Amortisation of prepaid land lease payments	**257**	438	**–**	–
Default interest discharged	**–**	(17,096)	**–**	–
Dividend income	**(172)**	(21)	**(1,978)**	(1,827)
(Gain)/Loss on disposal of:				
- a subsidiary	**–**	(11,116)	**–**	(2,264)
- assets held for sale	**(25,422)**	–	**–**	–
- prepaid land lease payments	**–**	(6,461)	**–**	–
- property, plant and equipment	**1,806**	(4,529)	**–**	–
- quoted investment	**(356)**	–	**(353)**	–
- unquoted investment	**38**	–	**–**	–
Impairment loss on assets held for sale	**–**	281	**–**	–
Impairment loss on investments in:				
- a subsidiary	**–**	–	**720**	–
- associates	**1,011**	33,933	**1,011**	35,570
- quoted investment	**14**	–	**–**	–
Interest expenses	**412,508**	491,374	**217,050**	223,526
Interest income	**(5,621)**	(7,715)	**(114,496)**	(132,151)
Inventories:				
- written down	**358,020**	4,497	**–**	–
- written off	**–**	72	**–**	–
Loss on dilution from a subsidiary to an associate	**2,612**	–	**2,612**	–
Property, plant and equipment:				
- depreciation	**138,585**	131,972	**–**	–
- written off	**127**	669	**–**	–
Provision for defined benefit plan	**179**	166	**–**	–
(Over provision)/Provision for loss on the LCB scheme	**(40,499)**	186,560	**–**	–
Reversal of allowance for obsolete inventories	**–**	(419)	**–**	–
Reversal of impairment loss in an associate	**–**	(40)	**–**	–
Share in results of associates	**84,172**	(344,637)	**–**	–
Share options granted under ESOS	**117**	353	**7**	44
Unrealised loss/(gain) on foreign exchange	**66,194**	(43,370)	**376**	(727)
Waiver of penalty interest by LCB's Bonds and Debts lenders	**(4,273)**	–	**(4,273)**	–
	989,534	414,807	**100,676**	122,171

41. CASH FLOW STATEMENTS (continued)

(b) Purchase of property, plant and equipment

	Group 2009 RM'000	Group 2008 RM'000
Aggregate cost of purchase (Note 14)	**115,719**	237,973
Purchase by means of hire purchase	**(149)**	(5,455)
Reclassification from purchase prepayments paid in prior years	**(14,410)**	–
Purchase by cash	**101,160**	232,518

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash and bank balances	**62,650**	59,990	**555**	98
Deposits with the financial institutions	**36,216**	23,436	**999**	7,891
Bank overdrafts	**(16,962)**	(5,977)	**–**	–
	81,904	77,449	**1,554**	7,989
Money market instruments (Note 20)	**2,500**	–	**–**	–
Fixed deposits pledged to licensed bank	**(2,586)**	(1,269)	**–**	–
	81,818	76,180	**1,554**	7,989

Cash and cash equivalents of the Group amounting to RM22.6 million (2008: RM48.0 million) are secured by way of a floating charge for borrowing as disclosed in Note 30 to the financial statements.

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

	Group 2009 RM'000	Group 2008 RM'000
Cash and bank balances	**34,687**	–
Deposits with the financial institutions	**6,285**	–
	40,972	–

Included in bank balances of a subsidiary is an amount of RM34.4 million (2008: RM Nil) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

42. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

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

Foreign Currency Risk

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

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments (2008: except for forward foreign exchange contracts to hedge against trade receivables).

As at the balance sheet date, the Group had no forward foreign exchange contracts.

	Group	
	Nominal/ notional amount 2009 RM'000	Nominal/ notional amount 2008 RM'000
USD (Maturity within one year)	–	20,925

42. FINANCIAL INSTRUMENTS (continued)

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

	US Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Others RM'000	Total RM'000
Group 2009					
Functional Currency					
Trade and other receivables	**4,704**	**–**	**226**	**–**	**4,930**
Trade and other payables	**587,408**	**72,440**	**20,590**	**210**	**680,648**
Bonds and debts	**84,123**	**–**	**–**	**–**	**84,123**
Borrowings	**547,819**	**–**	**–**	**–**	**547,819**
Group 2008					
Functional Currency					
Trade and other receivables	24,868	–	756	–	25,624
Trade and other payables	1,270,467	43,646	14,129	254	1,328,496
Bonds and debts	11,751	–	–	–	11,751
Borrowings	563,463	–	–	–	563,463

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.

42. FINANCIAL INSTRUMENTS (continued)

Credit Risk

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

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

Market Risk

The Group's key business segment operates in a business environment where international finished goods prices generally move in tandem with key raw material prices, except when finished goods prices declined steeply due to unusual factors. The Group reduces its exposure to these fluctuations through close monitoring and maintaining the raw material inventory at appropriate levels, where possible. For market risk arising in equity prices, the Group manages disposal of its investments to optimise returns on realisation.

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's current liabilities exceeded current assets by RM2.47 billion.

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

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**
2009				
Financial Assets				
Quoted investments	**1,036**	**5,570**	**1,029**	**5,563**
2008				
Financial Assets				
Quoted investments	1,198	6,580	1,174	6,565
2009				
Financial Liabilities				
Hire purchase liabilities	**3,317**	**3,182**	**–**	**–**
2008				
Financial Liabilities				
Hire purchase liabilities	5,717	5,639	–	–

42. FINANCIAL INSTRUMENTS (continued)

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

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

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

(ii) Quoted investments

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

(iii) Unquoted investments

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

(iv) Long term receivable

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

(v) Borrowings

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

(vi) Non-current product financing liabilities

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

(vii) Derivative financial instruments

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

43. SIGNIFICANT EVENTS

1. On 27 February 2009, the Company implemented a corporate and debt restructuring scheme to address its debt obligations for the redemption/repayment of the bonds and USD Debts issued by the Group which involved, *inter alia*, the following:

   (i) Issuance by Megasteel of 100,000,000 redeemable cumulative convertible preference shares of RM0.01 each at an issue price of RM1.00 per share to LDHB, for cash of RM100,000,000.

   (ii) Disposal by Limpahjaya of approximately 11.1% of the issued and paid-up share capital of Megasteel for a total cash consideration of RM100,000,000 to LDHB.

43. SIGNIFICANT EVENTS (continued)

1. On 27 February 2009, the Company implemented a corporate and debt restructuring scheme to address its debt obligations for the redemption/repayment of the bonds and USD Debts issued by the Group which involved, inter alia, the following: (continued)

   (iii) Conversion of RM900,000,000 nominal value of redeemable secured Class (b) RM denominated bonds into 804,460,000 new LCB Shares credited as fully paid in the capital of the Company ("Conversion of Bonds").

   (iv) Acquisition of part of an on-going property development project known as Mahkota Cheras Project by Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of the Company, for a consideration of RM89,948,000 satisfied by the issuance of 89,948,000 new shares of RM1.00 each in the Company at an issue price of RM1.00 each ("Acquisition of Mahkota Cheras Project").

   (v) Conversion of the following bonds with an aggregate nominal value of RM470,733,000 into RM470,733,000 nominal value of RCSLS respectively:

      (a) RM286,834,000 Class B(a) Bonds into RM286,834,000 5.00% coupon RCSLS;

      (b) RM178,769,000 Class B(b) Bonds into RM178,769,000 7.00% coupon RCSLS; and

      (c) RM5,130,000 USD Debts into RM5,130,000 4.25% coupon RCSLS.

   Consequent thereupon, LDHB owns 59.04% of the enlarged capital of the Company.

2. On 21 April 2009, the Company completed the conditional take-over offer of all the remaining ordinary shares of RM1.00 each in ACB ("ACB Shares") of up to 798 million not already held by the Group in exchange for up to 79.8 million warrants of the Company on the basis of one warrant for every ten ACB Shares held ("ACB Offer"). Upon completion of the ACB Offer, the Company issued 36,734,534 LCB B Warrants in consideration for the 367,345,482 ACB Shares acquired. ACB therefore became a 67.7% owned subsidiary of the Company on 21 April 2009.

   The Company had subsequently on 26 June 2009 completed the disposal of 20% equity interest in ACB, comprising 266,234,962 ACB Shares, for a cash consideration of RM50,000 reducing the Company's holding in ACB to 47.7%. Subsequent thereto, ACB ceased to be a subsidiary of the Company.

3. The shareholders of the Company had on 22 January 2009 approved a proposed renounceable rights issue of up to 253,610,407 LCB A Warrants to shareholders of the Company except for those shares issued pursuant to the Conversion of Bonds and Acquisition of Mahkota Cheras Project, on the basis of one warrant for every four LCB Shares held ("Proposed Rights Issue of Warrants").

   The Securities Commission had on 24 August 2009 approved the extension of time for the Proposed Rights Issue of Warrants to be implemented by 1 February 2010.

44. SUBSEQUENT EVENTS

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

The Company had on 11 August 2009 announced that Bank Pembangunan had on 10 August 2009 agreed to reschedule the credit facility amounting to RM47.6 million as at 31 July 2009. The default of the credit facility with Bank Pembangunan was therefore remedied.

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 36 to 130 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 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 27 August 2009.

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 36 to 130 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **TAN SRI WILLIAM H.J. CHENG** at Kuala Lumpur in the Federal Territory on 27 August 2009.

TAN SRI WILLIAM H.J. CHENG

Before me

W259
AHMAD B.LAYA
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION CORPORATION BERHAD

Report on the Financial Statements

We have audited the accompanying financial statements of **LION CORPORATION BERHAD**, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 130.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perfom the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

(b) we have considered the financial statements and the independent auditors' reports of all the subsidiaries which we have not acted as auditors, which are indicated in Note 18 to the financial statements.

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

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

Other Matters

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/10(J)
Partner of the Firm

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2009

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 26	2,911	15.08.1983
Lockbag 36, 88993 SEDCO Industrial Estate Mile 5½, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2034	6,236 sq metres	Industrial land and building	Office cum Workshop 34	1,696	1979
Block G, Lot No 2 Sri Kemajuan Industrial Estate Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2043	278.6 sq metres	Industrial land and building	Office 24	235	22.05.1985
Block B, Lot No 1 6½ Miles, Jalan Tuaran Inanam, Kota Kinabalu Sabah	Leasehold 31.12.2043	116.1 sq metres	Industrial land and building	Office 24	228	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 11	2,669	02.02.1999
H.S. (D) 13422 P.T. 17213 H.S. (D) 13423 P.T. 17214 H.S. (D) 13424 P.T. 17215 H.S. (D) 26819 P.T. 17217 & H.S. (D) 13426 P.T. 17218 Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1,921,742 sq metres	Industrial land and building	Factory & office 10	707,998	18.10.1995
Lot 1245, Block 5 Kuala Baram Land District Miri, Sarawak	Leasehold 14.08.2056	3,481 sq metres	Land	Vacant	476	22.06.1999
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 sq metres	Industrial land and building	Factory, office & warehouse 2	9,534	20.04.2005
Lot 3916 Kawasan Perindustrian Teluk Kalung 24007 Kemaman Terengganu	Leasehold 24.09.2054	17 acres	Industrial land and building	Factory & office 13	7,999	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 17	16,338	07.04.1995

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2009

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

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

Distribution of Shareholdings as at 30 September 2009

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	217	1.91	8,831	0.01
100 to 1,000	1,347	11.84	973,447	0.05
1,001 to 10,000	5,838	51.31	33,677,652	1.77
10,001 to 100,000	3,539	31.11	115,846,909	6.09
100,001 to less than 5% of issued shares	432	3.80	391,312,358	20.58
5% and above of issued shares	4	0.03	1,359,130,434	71.50
	11,377	100.00	1,900,949,631	100.00

Thirty Largest Registered Shareholders as at 30 September 2009

	Registered Shareholders	No. of Shares	% of Shares
1.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	402,230,000	21.16
2.	Teraju Varia Sdn Bhd	402,230,000	21.16
3.	Horizon Towers Sdn Bhd	327,954,182	17.25
4.	LDH (S) Pte Ltd	226,716,252	11.93
5.	LDH Management Sdn Bhd	89,948,000	4.73
6.	Sims Holdings Sdn Bhd	38,473,283	2.02
7.	Amanvest (M) Sdn Bhd	27,849,208	1.47
8.	Narajaya Sdn Bhd	16,559,848	0.87
9.	Lion Holdings Sdn Bhd	14,311,921	0.75
10.	Tirta Enterprise Sdn Bhd	10,839,025	0.57
11.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	7,984,307	0.42
12.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun (M12)	7,641,000	0.40
13.	Lion Realty Private Limited	6,946,565	0.37
14.	AMSEC Nominees (Tempatan) Sdn Bhd Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.27
15.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	5,083,700	0.27

Thirty Largest Registered Shareholders as at 30 September 2009 (continued)

Registered Shareholders		No. of Shares	% of Shares
16.	Citigroup Nominees (Asing) Sdn Bhd Daiwa Secs SMBC HK Ltd for Chun Yuan Steel Industry Co Ltd	4,452,000	0.23
17.	Lancaster Trading Company Limited	2,800,126	0.15
18.	Khor Hooi Kheang	2,726,233	0.14
19.	Cheng Yong Kim	2,705,317	0.14
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. International Plc (Client)	2,500,000	0.13
21.	Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,468,107	0.13
22.	OSK Nominees (Tempatan) Sdn Berhad UOB Kay Hian Private Limited for Choi Kim Teck (Margin)	2,376,600	0.13
23.	Edmond Hoyt Yung	2,248,000	0.12
24.	Omega Semiconductor Sdn Bhd	2,000,000	0.11
25.	Teck Bee Mining (M) Sendirian Berhad	1,738,541	0.09
26.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	1,727,361	0.09
27.	Cheng Theng Kee	1,700,000	0.09
28.	William Cheng Sdn Bhd	1,673,895	0.09
29.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Tiong King Sing	1,667,600	0.09
30.	Citigroup Nominees (Asing) Sdn Bhd CBHK for Standard Merchant Bank (Asia) Limited (STD BK Asia Ltd)	1,645,001	0.09

Substantial Shareholders as at 30 September 2009

	Direct Interest		Indirect Interest				
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Option [1]	No. of Warrants [2]	RCSLS (RM) [3]
Tan Sri William H.J. Cheng	458,685	0.02	1,575,005,664	82.85	490,000	9,566,351	275,214,524
Datuk Cheng Yong Kim	2,709,517	0.14	412,849,095	21.72	–	42,640	–
Lion Development (Penang) Sdn Bhd	41,094	*	404,400,850	21.27	–	–	–
Lion Industries Corporation Berhad	1,727,361	0.09	1,122,546,397	59.05	–	9,532,431	38,233,300
Lion Diversified Holdings Berhad	402,661,977	21.18	718,894,252	37.82	–	331,850	–
Lion Realty Private Limited	6,946,565	0.37	404,441,944	21.28	–	–	–
Horizon Towers Sdn Bhd	327,005,491	17.20	–	–	–	–	–
Amsteel Mills Sdn Bhd	985,968	0.05	1,121,556,229	59.00	–	5,654,303	21,884,800
LLB Steel Industries Sdn Bhd	–	–	1,122,542,197	59.05	–	5,654,303	21,884,800
Steelcorp Sdn Bhd	–	–	1,122,542,197	59.05	–	5,654,303	21,884,800
Excel Step Investments Limited	–	–	402,230,000	21.16	–	–	–
Teraju Varia Sdn Bhd	402,230,000	21.16	–	–	–	–	–
LDH (S) Pte Ltd	226,716,252	11.93	–	–	–	–	–

Notes:

* *Negligible.*

(1) *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares of RM1.00 each in the Company ("LCB Share") ("Option").*

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

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

Directors' Interest in Shares in the Company and its Related Corporations as at 30 September 2009

The Directors' interest in shares in the Company and its related corporations as at 30 September 2009 are as follow:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng [1]		458,685	0.02	1,575,040,980	82.86
Datuk Cheng Yong Kim [2]		2,709,517	0.14	412,849,095	21.72
M. Chareon Sae Tang @ Tan Whye Aun		–	–	490,900	0.03
Folk Fong Shing @ Kok Fong Hing [3]		–	–	–	–
Related Corporations					
Lion Diversified Holdings Berhad ("LDHB")	RM0.50				
Tan Sri William H.J. Cheng [4]		121,356,607	16.46	290,013,688	39.34
Datuk Cheng Yong Kim [5]		7,841,337	1.06	251,843,935	34.16

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2009 (continued)

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Related Corporations (continued)					
Tan Sri William H.J. Cheng					
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
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
LDH Investment Pte Ltd	@	–	–	4,500,000	100.00

	Nominal Value per Preference "D" Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
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
Megasteel Sdn Bhd	RM0.01	–	–	26,670,000	100.00

	Nominal Value per Preference "G" Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Megasteel Sdn Bhd	RM0.01	–	–	100,000,000	100.00

Notes:

(1) *Also deem interested in 490,000 Options, 9,573,871 Warrants and RM275,214,524 RCSLS.*

(2) *Also deem interested in 42,664 Warrants.*

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

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

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

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

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

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

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

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related companies as at 30 September 2009.

Distribution of Warrant Holdings as at 30 September 2009

Size of Warrants Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	317	10.63	14,493	0.04
100 to 1,000	1,260	42.24	594,699	1.62
1,001 to 10,000	1,008	33.79	4,455,777	12.13
10,001 to 100,000	349	11.70	10,259,202	27.93
100,001 to less than 5% of warrants issued	46	1.54	12,209,782	33.24
5% and above of warrants issued	3	0.10	9,200,581	25.04
	2,983	**100.00**	**36,734,534**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2009

Registered Warrant Holders		No. of Warrants	% of Warrants
1.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	3,878,128	10.56
2.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Silverstone Corporation Berhad	3,401,260	9.26
3.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	1,921,193	5.23
4.	HSBC Nominees (Asing) Sdn Bhd Bank of America, National Association, Labuan Branch	1,401,035	3.81
5.	HLG Nominee (Asing) Sdn Bhd BNP Paribas (Labuan Branch)	1,167,077	3.18
6.	Mayban Nominees (Asing) Sdn Bhd DBS Bank for Agricultural Bank of China (S'pore Branch)	774,360	2.11
7.	Citigroup Nominees (Asing) Sdn Bhd Citigroup GM INC for Avenue Asia Investments, LP	764,736	2.08
8.	Citigroup Nominees (Asing) Sdn Bhd CBHK for Standard Merchant Bank (Asia) Limited (STD BK Asia Ltd)	629,436	1.71
9.	Cartaban Nominees (Asing) Sdn Bhd Credit Suisse Securities (Europe) Limited	464,616	1.26
10.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Banc of America Securities Limited	344,826	0.94
11.	Lion Diversified Holdings Berhad	331,850	0.90
12.	Chin Chin Seong	300,000	0.82
13.	Loh Say Bee Sdn. Berhad	300,000	0.82
14.	ABB Nominee (Tempatan) Sdn Bhd Affin Bank Berhad (Loan Recovery)	274,649	0.75
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loong Ah Chit (E-BPJ)	262,500	0.71

Thirty Largest Registered Warrant Holders as at 30 September 2009 (continued)

	Registered Warrant Holders	No. of Warrants	% of Warrants
16.	Ooi Chin Guan	260,000	0.71
17.	Mak Ngia Ngia @ Mak Yoke Lum	246,960	0.67
18.	Loh Bee Kiew	233,000	0.63
19.	Citigroup Nominees (Asing) Sdn Bhd Citigroup GM INC for Avenue Asia Capital Partners, LP	222,353	0.61
20.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)	214,210	0.58
21.	Chin Kwong Kheong	200,000	0.54
22.	Sim Seow Heng	200,000	0.54
23.	HDM Nominees (Asing) Sdn Bhd Phillip Securities Pte Ltd for Goh Tjun Huat	178,800	0.49
24.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mak Ngia Ngia @ Mak Yoke Lum	171,380	0.47
25.	Siew Yau Theam	170,020	0.46
26.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leow Peng Lim	162,400	0.44
27.	Indar Kaur A/P Dan Singh	157,400	0.43
28.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Seat Hoe	156,900	0.43
29.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Bee Kiew (CEB)	152,800	0.42
30.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chuah Chaw Song (REM 166-Margin)	150,000	0.41

OTHER INFORMATION

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

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

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM55,000.

(III) CONVERTIBLE SECURITIES EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2009, RM1,423,800 nominal value of 7% coupon redeemable convertible secured loan stocks with maturity date of 31 December 2015 was converted into 1,423,800 new ordinary shares of RM1.00 each in the Company at a conversion price of RM1.00 pursuant to the Trust Deed dated 24 February 2009.

(IV) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2009 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils, steel bars, steel plates, billets, scrap iron, gases and other related products and services	Parkson Holdings Berhad Group ("Parkson Group") (1)	884
	Lion Industries Corporation Berhad Group ("LICB Group") (1)	1,017,695
	Lion Holdings Pte Ltd Group ("LHPL Group") (2)	513
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	377,466
	Lion Forest Industries Berhad Group ("LFIB Group") (1)	27
	Lion Asiapac Limited Group ("LAP Group") (1)	43
	Lion Development Penang Group ("LDP Group") (1)	4
		1,396,632

(IV) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2009 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (continued)		
(ii) The purchase of hot briquetted iron, scrap iron and other related products and services	LICB Group (1)	624,902
	LHPL Group (2)	704,459
	Ributasi Holdings Sdn Bhd Group (2)	116,834
	LDHB Group (1)	1,197,331
	LAP Group (1)	22,465
	Mitsui (3)	26,861
		2,692,852
(iii) The purchase of machinery, spare parts, lubricants, tools and dies and other related products and services	LFIB Group (1)	4,142
(iv) The obtaining of marketing, distribution and transportation services	LFIB Group (1)	9,309
	LICB Group (1)	17,640
		26,949
(v) Rental expenses of office premises	LICB Group (1)	1,303
	Amble Bond Sdn Bhd Group ("Amble Bond Group") (2)	646
		1,949
(vi) Rental income of equipments	LICB Group (1)	5,310
	LDHB Group (1)	2,511
	LAP Group (1)	120
		7,941
(vii) Consultancy fees	Mr Wang Chung-Yu (4)	759

(IV) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2009 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Motor vehicles related transactions		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicle	Parkson Group [(1)]	2
	LFIB Group [(1)]	560
		562
(ii) The purchase of motor vehicles and component parts of motor vehicles	LFIB Group [(1)]	271
	LAP Group [(1)]	1,610
		1,881
(c) Others		
(i) The provision of management and support and obtaining of training services and other related services	LDP Group [(2)]	1
	Parkson Group [(1)]	20
	LFIB Group [(1)]	155
	LDHB Group [(1)]	103
	LICB Group [(1)]	3,512
		3,791

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

(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.

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Corporation Berhad ("LCB") Management Structure

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

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

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

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

(i) Status of assets to be divested

			(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2009)		
Stages of the assets to be divested	**PDP (Per GWRS)**	**Divestment concluded Total**	**Jan - June 2009**	**Projected for July - Dec 2009**	**Projected Jan - Dec 2009**
	RM'million	**RM'million**	**RM'million**	**RM'million**	**RM'million**
By December 2003					
Shares in listed and unlisted companies	33.3	2.7	–	30.6	30.6
By December 2004					
Shares in unlisted company	38.6	–	–	38.6	38.6
	71.9	2.7	–	69.2	69.2

(ii) Transaction completed during the financial year

There were no transactions completed during financial year.

(iii) Plans to overcome any projected shortfall

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

(VI) PENALTIES IMPOSED BY REGULATORY BODIES

(i) LCB Harta (L) Limited, a wholly-owned subsidiary of the Company, had been compounded for RM2,500 by the Labuan Offshore Financial Services Authority for the breach of Section 147(2) of the Offshore Companies Act 1990 in relation to the acquisition of a subsidiary prior to obtaining the approval of the Minister of Finance.

(ii) Lion Plate Mills Sdn Bhd, a wholly-owned subsidiary of the Company, had been compounded for a total of RM4,000 by the Department of Environment for the breach of the following regulations of Environmental Quality (Scheduled Wastes) Regulations 2005 in relation to issues stated below:

(a) Regulation 8(1) - Improper storage of scheduled wastes resulting in soil pollution.
(b) Regulation 9(5) - Storing scheduled wastes in the premise for more than 180 days after its generation.

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-Sixth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 17 November 2009 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Datuk Cheng Yong Kim		
4. To re-elect as Director, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman		
5. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
6. To re-appoint as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
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 2009

No. of shares: ....

Signed: ....

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.
- 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.