LION CORPORATION BERHAD

2011

LION CORPORATION BERHAD

A Member of The Lion Group

(12890-A)

Laporan Tahunan 2011 Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 21 December 2011 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 2011. **Note 3**

2. To approve the payment of Directors' fees amounting to RM234,000 (2010: RM234,000). **Resolution 1**

3. To re-elect Directors:

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

   Y. Bhg. Tan Sri Cheng Yong Kim **Resolution 2**
   Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy **Resolution 3**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Folk Fong Shing @ Kok Fong Hing be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 4**

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

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

6. Special Business

   To consider and, if thought fit, pass the following 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 7**

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 29 November 2011 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

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

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

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution which shall include, without limitation, taking any action which the Directors may, in their absolute discretion deem fit, to recover any sums due to the Company under the said transactions or to settle the same."

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

By Order of the Board

CHAN POH LAN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
29 November 2011

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 December 2011 shall be eligible to attend the Meeting.*

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

   - *The instrument of proxy shall be deposited at the office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

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

2. *Circular to Shareholders dated 29 November 2011 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2011 Annual Report.

3. *Agenda Item 1*

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

4. *Resolution 7*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 24 November 2010 which will lapse at the conclusion of this Annual General Meeting.

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

5. *Resolution 8*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Eighth Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2011 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Tan Sri Cheng Yong Kim Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy Mr Folk Fong Shing @ Kok Fong Hing Mr M. Chareon Sae Tang @ Tan Whye Aun
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan binti Abdullah
Company No	:	12890-A
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lioncor
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	AmInvestment Bank Berhad Malayan Banking Berhad RHB Bank Berhad RHB Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")

		Ordinary Shares	Warrants "B" 2009/2019
Stock Name	:	LIONCOR	LIONCOR-WB
Bursa Securities Stock No	:	3581	3581WB
Reuters Code	:	LION.KL	LIONW.KL
ISIN Code	:	MYL3581OO005	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 68, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

Tan Sri William Cheng has more than 35 years of experience in the business operations of The Lion Group encompassing steel, retail, property development, tyre, computer, motor and plantation. He oversees the operation of the Company and is responsible for formulating and monitoring the overall corporate strategic plans and business development of the Company.

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

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

- Chairman of Lion Diversified Holdings Berhad and Lion Forest Industries Berhad
- Chairman and Managing Director of Parkson Holdings Berhad

He is also the Chairman of Lion AMB Resources Berhad and ACB Resources Berhad and a Director of The Community Chest, a company limited by guarantee incorporated for charity purposes.

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 1,470,371,715 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) RM275,214,524 nominal value of redeemable convertible secured loan stocks with a right to convert into 275,214,524 new LCB Shares at a conversion price of RM1.00 for every one new LCB Share; and (ii) 10,169,407 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM1.00 per new LCB Share. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 131 and 132 of this Annual Report. He also has interest in a company which conducts similar business with the Group in the property development sector.

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

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 61, was appointed to the Board on 19 July 1982. He is also a member of the Company's Remuneration Committee.

Tan Sri Cheng obtained a Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971. He has more than 30 years of experience in the business operations of The Lion Group encompassing steel, retail, property development, tyre, computer, motor and plantation. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of Lion Industries Corporation Berhad in 1995 and 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. In 2010, Tan Sri Cheng was appointed a council member of the Federation of Malaysian Manufacturers.

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

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

Tan Sri Cheng has a direct shareholding of 2,709,517 LCB Shares and an indirect interest in 414,493,430 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of 638,200 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM1.00 per new LCB Share. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 131 and 132 of this Annual Report. He also has interest in a company which conducts similar business with the Group in the property development sector.

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

Tan Sri Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

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

Datuk Emam Mohd Haniff is also a Director of Edaran Berhad and Kamdar Group (M) Berhad, both public listed companies.

Datuk Emam Mohd Haniff attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 64, was appointed to the Board on 1 August 2007. He is also a member of the Company's Audit Committee.

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

Datuk Mohd Yusof attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy, a Malaysian, aged 61, was appointed to the Board on 1 July 2008. He is also a member of the Company's Audit Committee.

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

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

- Integrated Logistics Berhad, Chemical Company of Malaysia Berhad, IOI Corporation Berhad and KNM Group Berhad, all public listed companies
- Maybank Investment Bank Berhad and Etiqa Insurance Berhad

Datuk R. Karunakaran attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Mr Folk Fong Shing @ Kok Fong Hing, a Malaysian, aged 79, was appointed to the Board on 6 June 2001. He is also the Chairman of the Company's Audit Committee, Remuneration Committee and a member of the Nomination Committee.

Mr Folk obtained a Masters Degree in Business Administration from the University of East Asia, Macau. He is a member of the Malaysian Institute of Accountants and a member of the Association of Australian Certified Practising Accountants. He has a total of 38 years of working experience in accounting, auditing, business advisory, company secretarial and tax compliance/tax investigation work; first as a senior officer with the Department of Inland Revenue and later as Senior Partner of a public accounting firm. He is also the author of "A Practical Handbook on Company Secretarial Practice" and "Directors of Public Listed Company-Legal Obligations & Responsibilities" both published by Leeds Publications in 1996 and 2002 respectively, and "The Story of My Life" published in 2008. He is presently writing a book on travel which is expected to be completed by mid-2012 in two volumes.

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

Mr Folk attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 72, was appointed to the Board on 4 May 1984. He is also the Chairman of the Company's Nomination Committee, and a member of the Audit Committee and Remuneration Committee.

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

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

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

Mr Tang attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2011.

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent to which it has complied with the best practices set out in the Malaysian Code on Corporate Governance ("Code"). These principles and best practices have been applied consistently throughout the financial year ended 30 June 2011 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 2011, seven (7) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Composition and Balance

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

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

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

Board Committees

The Board delegates certain functions to several committees, namely the Audit Committee, Nomination Committee and Remuneration 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.

1. DIRECTORS (continued)

Supply of Information

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

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 20 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 relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

1. **DIRECTORS (continued)**

Directors' Training (continued)

During the financial year, the Directors had participated in the following seminars, forums, conferences and training programmes ("Programmes"):

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Forum on "Activate Asia Insight Indonesia" • 2010 National Entrepreneurs Convention • Seminar on "Swiftlet Nest Farming Enterprise" • Forum on "Activate Asia: Vietnam in View" • Interaction Forum for Malaysian & Taiwanese Chambers of Commerce on "Trade between Malaysia and Taiwan" • Malaysia - International Chinese Business Forum • Forum on "Fight Corruption by Business Community" • University Tunku Abdul Rahman: Entrepreneurial Experience Sharing • Interaction Forum with Students of University of Malaya on "Prospect and Opportunity of Future Career" • Seminar on "Goods and Services Tax in Malaysia" • Seminar on "How You Can Participate & Benefit from Economic Transformation Programme" • Forum on "Family Business: The Next Generation" • The Associated Chinese Chambers of Commerce and Industry of Malaysia 4th Youth Conference on "Entrepreneurship"
Tan Sri Cheng Yong Kim	• Forum on "Activate Asia Insight Indonesia". Panel member for dialogue session • Seminar on "Business Opportunities in Malaysia" • 2010 The Boston Consulting Group Leaders' Forum Kuala Lumpur Adaptive Advantage - Winning in Turbulent Times • Trade and Investment Mission to Taiwan (Taipei & Kaohsiung) • Forum on "Activate Asia: Vietnam in View" • Malaysia - International Chinese Business Forum • Malaysia-Korea Business Forum • Sustainability Programme for Corporate Malaysia - Industrial Products • Invest Malaysia 2011 • Axiata 8th Asean Leadership Forum • Business Mission to Jakarta, Indonesia
Datuk Emam Mohd Haniff bin Emam Mohd Hussain	• Sustainability Programme for Corporate Malaysia - Industrial Products • Federation of Malaysian Manufacturers Leadership Luncheon Talk with Y. Bhg. Tan Sri Rafidah Aziz on "Malaysia Competitive Strength & Resilience"
Datuk Mohd Yusof bin Abd Rahaman	• Modules of Financial Institutions Directors' Education Programme by Bank Negara Malaysia • Seminar on "Financial Industry Conference" • Sustainability Programme for Corporate Malaysia - Industrial Products • Bursa – "The Board Responsibility for Corporate Culture - Selected Governance Concerns and Tools for addressing Corporate Culture and Board Performance"

1. **DIRECTORS (continued)**

Directors' Training (continued)

Name of Directors	Programmes
Datuk Karownakaran @ Karunakaran A/L Ramasamy	• Global Investment Performance Standards (GIPS) • Director's Induction Training Programme (Part 1) on "Overview of the Operation, Finance, Sales & Marketing and Business Human Resource Section" • Bursa – Governance Programme on "Assessing the risk and control environment" • Invest Malaysia Conference on "Exploring the Investment Opportunities in Malaysia" • Director's Induction Training Programme (Part 2) on "Introduction of Compliance and Internal Audit Function and Risk Management Overview" • Economic Council Working Group Roundtable Discussion in relation to Strategy Package for Budget 2012 - Presentation on "Strategies to Promote Domestic Enterprise Growth" • Board Risk Committee Program on "Managing Risks in Financial Institution" • Briefing on "Fund Management & Financial Products" • Discussion on various boardroom issues ranging from Corporate Governance and Risk Management in the Financial Industry
Folk Fong Shing @ Kok Fong Hing	• Bursa Malaysia Evening Talks on Corporate Governance: Risk Management: Things Can Still Go Wrong • Sustainability Programme for Corporate Malaysia - Industrial Products • Federation of Malaysian Manufacturers Leadership Luncheon Talk with Y. Bhg. Tan Sri Rafidah Aziz on "Malaysia Competitive Strength & Resilience"
M. Chareon Sae Tang @ Tan Whye Aun	• 2010 National Entrepreneurs Convention • Forum on "Fight Corruption by Business Community" • Seminar on "How You Can Participate & Benefit from Economic Transformation Programme" • Seminar on "Succession of Family Business"

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

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

The Board views the aforementioned 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 20 of this Annual Report.

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

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 2011 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	24	1,178	1,202
Non-executive Directors	210	–	210
	234	1,178	1,412

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

Range of Remuneration (RM)	Number of Directors Executive	Number of Directors Non-executive
25,000 & below	–	1
25,001 – 50,000	–	5
1,200,001 – 1,250,000	1	–

3. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

4. ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises five (5) Directors, majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 16 to 19 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 2011, 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 15 of this Annual Report.

Relationship with the Auditors

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

STATEMENT ON INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

Risk Management

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

Control and Monitoring Process

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

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

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

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

- **Secretaries**

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

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

(b) 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.

(c) 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

(d) 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.

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

(f) 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

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

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

(i) 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.

(j) 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.

(k) 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.

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, nine (9) Audit Committee Meetings were held. Except for Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy and Mr M. Chareon Sae Tang @ Tan Whye Aun who were each absent for one (1) Meeting, all other members attended all the nine (9) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM313,000.

NOMINATION COMMITTEE

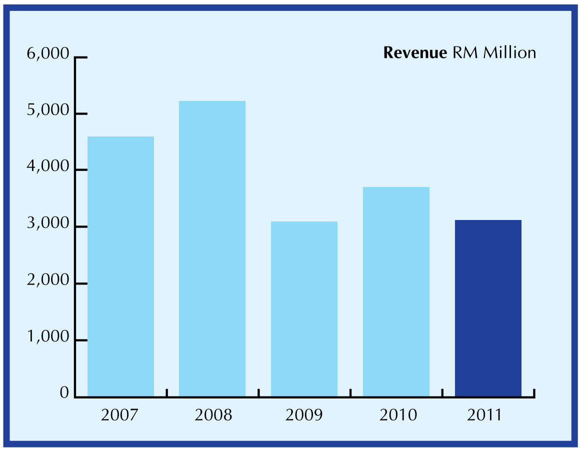
Chairman	:	Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Members	:	Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain *(Independent Non-Executive Director)* Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend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

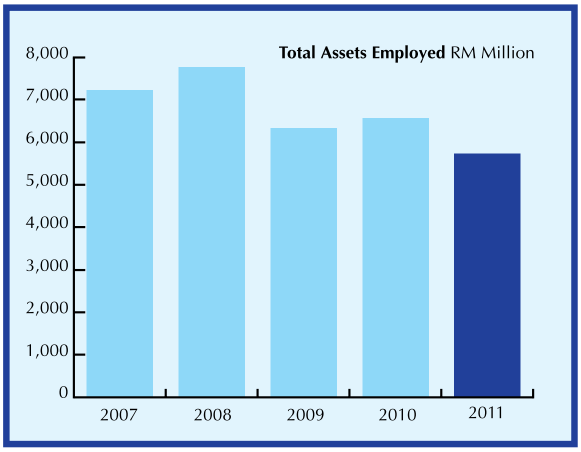
REMUNERATION COMMITTEE

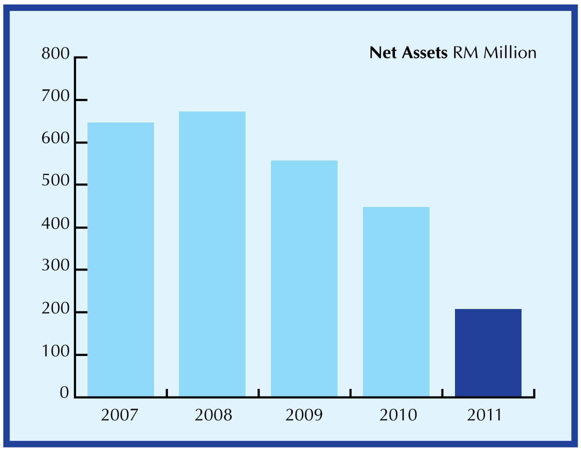
Chairman	:	Mr Folk Fong Shing @ Kok Fong Hing *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Yong Kim *(Non-Independent Non-Executive Director)* Mr M. Chareon Sae Tang @ Tan Whye Aun *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the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

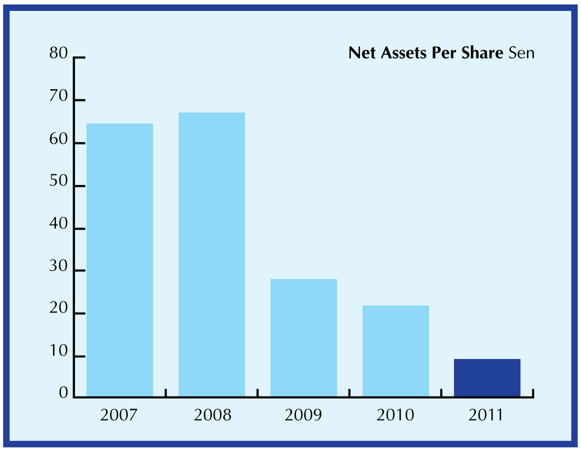
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000
Revenue	4,619,893	5,233,782	3,099,585	3,703,121	**3,118,550**
Profit/(Loss) from operations	511,011	360,126	(803,248)	282,725	**(95,992)**
Profit/(Loss) before taxation	(181,197)	9,992	(1,256,167)	(144,654)	**(348,481)**
Profit/(Loss) after taxation	(188,175)	24,844	(1,215,472)	(152,136)	**(283,610)**
Total assets employed	7,260,433	7,809,257	6,369,167	6,597,133	**5,746,313**
Net assets	647,903	674,060	560,570	447,636	**204,346**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share	64.5	67.1	27.7	21.8	**9.0**
Earnings/(Loss) per share	(21.2)	1.5	(79.6)	(5.9)	**(12.3)**









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

- 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 mudah alih daripada Lion Steelworks Sdn Bhd.*

- Bandar Mahkota Cheras, a self-contained integrated township development at 9th Mile Jalan Cheras in Kuala Lumpur, continued to receive good response for its launches carried out and is now in the final stage of completion.
- *Bandar bersepadu, Bandar Mahkota Cheras terletak di Batu 9, Jalan Cheras, Kuala Lumpur terus mendapat sambutan memberangsangkan untuk kesemua pelancaran dan kini hampir siap dibangunkan sepenuhnya.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Corporation Berhad ("LCB") bagi tahun kewangan berakhir 30 Jun 2011.

PRESTASI KEWANGAN

Kumpulan menempuh satu tahun yang amat sukar berikutan operasi teras kita, produk besi rata terjejas bukan hanya berikutan kelembapan ekonomi dunia malah lebih parah lagi, penurunan drastik dalam pesanan tempatan. Megasteel Sdn Bhd ("Megasteel"), pengeluar tunggal gegelung gelekan panas ("HRC") di negara ini dan anak syarikat utama Kumpulan, mengalami penurunan hasil perolehan yang ketara ekoran kejatuhan teruk pesanan tempatan bagi HRC. Biarpun mengikut fakta, permintaan HRC dalam negara meningkat pada tahun 2010, pengeluaran Megasteel telah terjejas teruk akibat kebanjiran produk-produk import ke dalam pasaran oleh para pengimport yang tidak bertanggungjawab dengan menyalahgunakan kelemahan atau kebocoran dalam peraturan import. Sektor perniagaan keluli yang asalnya diunjur mempunyai tinjauan masa depan yang cerah, menjadi bertambah malap berikutan permintaan luar negara yang lemah disebabkan kemelut ekonomi yang dihadapi oleh negara-negara Eropah dan Amerika Syarikat ("AS") kerana masalah hutang dan penurunan penarafan kredit. Kenaikan mendadak harga bahan mentah, bersama-sama kos bahan api yang tinggi turut menjejaskan lagi prestasi Megasteel.

Disebabkan persekitaran operasi yang menjejaskan bagi tahun kewangan dalam kajian, Kumpulan mencatat perolehan yang lebih rendah berjumlah RM3.1 bilion berbanding RM3.7 bilion pada tahun lalu. Kerugian sebelum cukai berada pada paras RM348 juta berbanding RM145 juta pada tahun sebelumnya.

Syarikat sekutu utama kita, Lion Industries Corporation Berhad, yang terlibat terutamanya dalam pembuatan produk keluli panjang, juga berdepan dengan permintaan lemah dan kemerosotan margin. Bagaimanapun, keputusan kewangan lebih rendah daripada perniagaan keluli sebahagiannya telah diimbangi oleh prestasi lebih baik dalam operasi-operasi lain untuk membolehkannya menyumbang keuntungan sejumlah RM67 juta kepada Kumpulan LCB.

Kumpulan juga telah mengadakan perbincangan dengan beberapa pihak untuk merasionalkan perniagaan kelulinya dan sekiranya berjaya dilaksanakan, pinjaman dapat dikurangkan dan kedudukan kewangan akan menjadi lebih kukuh.

PERKEMBANGAN KORPORAT

Dalam tempoh dalam kajian, Kumpulan telah menyelesaikan penjualan keseluruhan 50.01% kepentingan ekuiti dalam Kinabalu Motor Assembly Sendirian Berhad kepada MBM Resources Berhad, dengan bayaran tunai sebanyak RM1 dan membuat penyelesaian secara tunai terhadap hutang antara syarikat sejumlah RM13 juta.

KAJIAN OPERASI

Kumpulan terlibat terutamanya dalam kegiatan berikut:

- Pembuatan dan penjualan HRC, gegelung gelekan sejuk ('CRC") dan produk berkaitan keluli yang lain ("Keluli");
- Pembangunan hartanah ("Hartanah");
- Pembuatan dan penjualan peralatan pejabat, produk peralatan keselamatan dan produk berkaitan keluli ("Perabot"); dan
- Pegangan pelaburan, jualan kenderaan komersial, pendaftaran saham dan perkhidmatan kesetiausahaan ("Lain-lain").

	Perolehan		Keuntungan/ (Kerugian) Operasi	
(RM'Juta)	**2011**	**2010**	**2011**	**2010**
Keluli	**3,017**	3,606	**(146)**	249
Hartanah	**68**	61	**29**	17
Perabot	**31**	32	**1**	1
Lain-lain	**3**	4	**8**	8
	3,119	3,703	**(108)**	275

("Keuntungan/(Kerugian) Operasi" merujuk kepada keuntungan/(kerugian) operasi sebelum mengambil kira faedah, pendapatan pelaburan, bahagian hasil kewangan syarikat-syarikat sekutu dan pencukaian)

Bahagian Keluli

Operasi keluli Kumpulan yang terutamanya melibatkan pembuatan HRC, salah satu bahan mentah utama untuk nilai tambah lebih tinggi bagi aplikasi berkaitan pembuatan, kejuruteraan, perindustrian dan pembinaan, menyaksikan tahun kewangan yang luar biasa sukarnya. Prestasinya terjejas teruk oleh tindakan para pengimport yang tidak bertanggungjawab melambakkan produk-produk asing dalam pasaran HRC tempatan selepas mengambil kesempatan daripada kelemahan dalam peraturan import.

Dalam usaha mengelakkan keadaan lebih parah terjadi kepada industri keluli rata tempatan yang terdiri daripada HRC dan CRC, pada bulan April 2011, Megasteel telah mengemukakan petisyen rayuan kepada Kerajaan supaya mengenakan duti pelindungan sebanyak 35%, yang akan menaikkan duti import ke atas HRC yang mampu dihasilkan di dalam negara daripada 25% kepada 60%. Peningkatan itu akan mewujudkan persaingan yang adil kepada industri keluli rata tempatan memandangkan negara-negara Asean yang berjiran menguatkuasakan duti anti-lambakan yang lebih tinggi.

Bagaimanapun, Kerajaan telah menolak permintaan Megasteel untuk mengenakan duti perlindungan selepas menerima bantahan para pengeluar keluli hiliran yang lebih cenderung melihat kepada perkembangan jangka pendek berbanding jangka panjang dalam industri keluli tempatan. Walaupun amat kecewa dengan halangan sementara itu, Megasteel akan terus bekerjasama rapat dengan Kerajaan untuk mengukuhkan industri keluli tempatan dengan mengenal pasti dan menangani kekurangan serta kelemahan-kelemahan yang ada.

Bagi tahun kewangan dalam kajian, perolehan menyusut ketara kepada RM3 bilion berbanding RM3.6 bilion pada tahun sebelumnya. Bahagian telah mengalami kerugian operasi berjumlah RM146 juta berbanding keuntungan sebanyak RM249 juta pada tahun sebelum ini.

Tinjauan masa depan Bahagian ini kekal mencabar dan kerjasama rapat akan diteruskan dengan semua pihak untuk memastikan persaingan yang adil bagi para pengeluar keluli tempatan.

Bahagian Hartanah

Bahagian Hartanah kita terlibat dalam memajukan sebuah perbandaran utama di Cheras dikenali sebagai ‘Bandar Mahkota Cheras’, kini hampir lengkap dimajukan. Terletak di sebuah lokasi strategik iaitu berhampiran Batu 9 Jalan Cheras, Kuala Lumpur dan berhampiran Kelab Golf Sungai Long, perbandaran serba lengkap dengan pegangan hak milik bebas itu menawarkan kehidupan desa berkualiti dilengkapi pelbagai kemudahan.

Projek ini terus mendapat sambutan memuaskan daripada para pembeli semasa pelancaran-pelancaran yang dilakukan sejak beberapa tahun lalu. Di sebalik sentimen yang berhati-hati dalam pasaran hartanah pada tahun kewangan, Bahagian ini telah meraih keuntungan yang memberangsangkan berjumlah RM29 juta melalui catatan perolehan yang lebih tinggi berjumlah RM68 juta.

Bahagian ini akan terus memberikan penekanan kepada konsep pembangunan menyeluruh membabitkan kesemua sumbernya dalam usaha menjadikan setiap produk secara tersendirinya boleh dipasarkan. Ini akan mewujudkan peluang-peluang untuk kita menaikkan nilai jualan yang membawa kepada peningkatan margin keuntungan.

Bahagian Perabot

Bahagian Perabot mencatat perolehan yang mendatar bagi tahun kewangan dalam kajian memandangkan permintaan bagi pasaran domestik dan eksport kekal tidak berubah. Jualan bagi pasaran Timur Tengah yang merupakan penyumbang utama kepada hasil eksport kita terjejas akibat pergolakan politik di rantau tersebut. Keuntungan operasi lebih rendah dicatatkan dalam tahun kewangan semasa apabila produk kita berdepan dengan tekanan harga berikutan pengukuhan berterusan nilai mata wang Ringgit berbanding dolar AS.

Bahagian ini akan terus agresif untuk menguasai pasaran yang lebih besar dengan memperluaskan asas pelanggan yang sedia ada dan memperkenalkan rangkaian produk baru dengan ciri-ciri nilai tambah yang lebih baik bagi menyasarkan kepada pasaran khusus.

TANGGUNGJAWAB SOSIAL KORPORAT

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

Masyarakat

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

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

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

Alam sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk meneroka teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam. Operasi-operasi Kumpulan mematuhi undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri yang ia mempunyai operasi. Ini termasuk pengurusan pelepasan bahan buangan yang bertujuan mengurangkan penggunaan tenaga, sisa buangan dan pelepasan asap.

Kumpulan mengguna pakai peraturan-peraturan keselamatan, kesihatan dan alam sekitar secara sistematik, diperkukuhkan dengan latihan dan pengawasan berterusan untuk memastikan keselamatan dan kesejahteraan para pekerja.

PROSPEK

Pemulihan sementara ekonomi negara-negara perindustrian utama terjejas dengan penurunan penarafan AS, masalah hutang Eropah dan bencana alam di Jepun pada bulan Mac 2011. Perkembangan ini telah membawa kepada kelembapan ekonomi global dengan harga keluli antarabangsa dijangka kekal merosot.

Dalam melangkah ke hadapan, Megasteel akan terus bekerjasama rapat dengan Kerajaan untuk menangani masalah lebihan import produk-produk keluli yang dijual pada harga lambakan dan membantu merumuskan satu persekitaran yang menyokong industri keluli tempatan untuk berkembang, meningkat dan memperluas secara lebih teratur.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan ucapan terima kasih yang tulus ikhlas kepada para pelanggan, pembekal, pembiaya kewangan, sekutu perniagaan, pihak berkuasa Kerajaan dan pemegang saham yang dihargai kerana terus memberikan sokongan, kerjasama dan keyakinan kepada Kumpulan.

Saya juga ingin menyatakan setinggi-tinggi penghargaan dan terima kasih kepada rakan-rakan Pengarah atas bimbingan dan sumbangan mereka yang tidak ternilai di sepanjang tahun serta penghargaan saya kepada warga kerja di semua peringkat atas dedikasi, komitmen dan sumbangan mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Corporation Berhad ("LCB") for the financial year ended 30 June 2011.

FINANCIAL PERFORMANCE

It has been a very difficult year for the Group with its core flat steel products operations affected not only by the global economic slowdown but more seriously, by the drastic drop in local orders. Megasteel Sdn Bhd ("Megasteel"), the country's sole producer of hot rolled coils ("HRC") and the Group's major subsidiary, experienced a significant drop in revenue on account of a plunge in local orders for HRC. Despite the fact that domestic consumption of HRC had in fact increased in 2010, Megasteel's production had been severely dented by the surge in imports by unscrupulous importers who had flooded the domestic market by exploiting loopholes in the import regulations. What was originally expected to be a reasonably bright outlook for the steel sector had been further dampened by the soft overseas demand brought about by the economic woes faced by the European countries and the United States ("US") as a result of the debt and ratings downgrade. The rapid increase in raw material prices, coupled with higher energy costs further eroded Megasteel's margin.

Due to the adverse operating environment, for the year under review, the Group recorded a lower revenue of RM3.1 billion as against RM3.7 billion last year. Loss before taxation stood at RM348 million as compared to RM145 million in the previous year.

Our main associated company, Lion Industries Corporation Berhad, which is primarily involved in the manufacturing of long steel products, also encountered weak demand and margin erosion. However, the lower results from its steel business were partly offset by the better performance of its other operations and resulted in a RM67 million profit shared by the LCB Group.

The Group had also been in discussion with various parties to rationalise its steel business and when successfully completed, will enable it to pare down its borrowings and strengthen its financial position.

CORPORATE DEVELOPMENT

During the year under review, the Group completed the disposal of its entire 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad to MBM Resources Berhad, for a total cash consideration of RM1 and a cash settlement of inter-company debts for an amount of RM13 million.

REVIEW OF OPERATIONS

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

	Revenue		Operating Profit/(Loss)	
(RM'Million)	**2011**	**2010**	**2011**	**2010**
Steel	**3,017**	3,606	**(146)**	249
Property	**68**	61	**29**	17
Furniture	**31**	32	**1**	1
Others	**3**	4	**8**	8
	3,119	3,703	**(108)**	275

("Operating profit/(loss)" refers to operating profit/(loss) before interests, investment income, share in results of associates and taxation)

Steel Division

The Group's steel operation, which is primarily involved in the manufacturing of HRC, one of the key raw materials used in higher value-added manufacturing, engineering, industrial and construction related applications, witnessed an exceptionally difficult year. Its performance was badly affected by unscrupulous importers who had flooded the local HRC market by taking advantage of loopholes in the import regulations.

With a view to avoid further serious injury to the domestic flat steel industry comprising HRC and CRC, Megasteel had in April 2011 petitioned the Government for a safeguard duty of 35%, thereby raising the import duty on HRC which can be produced locally from 25% to 60%. This would create a level playing field for the domestic flat steel industry as neighbouring Asean countries have much higher anti-dumping duties in place.

However, the Government had rejected Megasteel's request for a safeguard duty after receiving objections from downstream steel producers who were intent on taking a short-term narrow view as opposed to the long-term development of the local steel industry. Although hugely disappointed by the temporary setback, Megasteel will continue to work closely with the Government to strengthen the local steel industry by identifying and plugging the loopholes and leakages taking place.

For the year under review, revenue declined substantially to RM3 billion from RM3.6 billion the previous year. The Division incurred an operating loss of RM146 million compared to a profit of RM249 million the year before.

The outlook for the Division remains challenging as it continues to work closely with all parties to ensure a level playing field for local steel manufacturers.

Property Division

Our Property Division is involved in the development of a major township in Cheras known as 'Bandar Mahkota Cheras' which township is now in the final stage of completion. Strategically located off 9th mile Jalan Cheras, in Kuala Lumpur and adjoining the Sungai Long Golf Club, the freehold self-contained township offers quality country living complete with a range of supporting amenities.

This project continued to receive good response from buyers for the launches carried out during the past few years. Despite the cautious property market sentiments experienced during the year, the Division generated an encouraging profit of RM29 million on a higher revenue of RM68 million.

The Division will continue to emphasise on the overall development concept with all the resources in place in making each and every niche product marketable. This will create opportunities for us to increase our sales value which will in turn see an increase in the profit margin.

Furniture Division

Revenue for the Division was flat for the financial year under review as demand from both the export and domestic markets remained stagnant. Sales to the Middle Eastern market which had been our major export contributor, was affected by the political unrest in the region. Coupled with the pricing pressures on our products resulting from the further strengthening of the Ringgit against the US Dollar, a lower operating profit was posted for the current financial year.

The Division will continue to pursue an aggressive approach to secure a bigger market share by expanding its existing customer base and introducing a new range of products with better value-added features targeting the niche market.

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

Environment

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

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

PROSPECTS

The tentative recovery in major industrial economies had been undermined by the ratings downgrade in the US, Europe's debt problem and natural disasters in Japan in March 2011. These events have led to a slowdown in the global economy with international steel prices expected to remain soft.

Moving forward, Megasteel will continue to work closely with the Government to address the problem of excessive imports at dumping prices and assist in the formulation of a supportive environment for the local steel industry to grow, upgrade and expand in an orderly manner.

ACKNOWLEDGEMENT

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈金狮机构有限公司截至2011年6月30日为止的会计年度的常年报告和经审计财务报表。

财务表现

对本集团来说，本年度是非常艰辛的一年，咱们的核心业务平板钢业不仅受到全球经济衰退的影响，雪上加霜的更是本地订单的剧减。美佳钢铁是我国唯一生产热轧钢卷的工厂，也是本集团的主要子公司。由于热轧钢卷的国内订单大减，美佳钢铁的营业额大跌。在2010年，尽管国内对热轧钢卷的需求增加，但由于唯利是图的入口商大量入口热轧钢卷，使美佳钢铁的生产量大减。那些入口商滥用入口条例的漏洞，使到国内的热轧钢卷市场泛滥。原本预期会有光明前景的钢铁业，由于海外需求疲软而受到进一步打击。海外需求减少，是由于欧洲国家的债务危机和美国信贷评级下调而面对经济困境所致。原料价格急速上升，能源价格也随着上涨，也对美佳钢铁不利。

在本会计年度，由于营业环境不佳，本集团的营业额减少，只有31亿令吉，上一年度是37亿令吉。税前亏损是3亿4千800万令吉，上一年度则是1亿4千500万令吉。

我们主要联号金狮工业(它主要涉及制造长钢产品)，也面对需求疲弱和利润率下降。不过，它的钢铁业业务不振，受到其他业务有更佳表现部分抵消，导致由金狮机构分享的利润达到6千700万令吉。

本集团也正在和各方面讨论，以便合理化其钢铁业务，如果成功，将能减少借债，同时加强财务地位。

企业发展

在本会计年度，本集团把在京那峇鲁汽车装配私人有限公司的全部50.01%股权卖给MBM Resources Berhad，售价是1令吉以及勾销公司之间的债务总金额1千300万令吉。

业务检讨

本集团主要从事以下的业务：
- 制造和销售热轧钢卷、冷轧钢卷以及其他和钢铁相关的产品（“钢铁”）；
- 产业发展（“产业”）；
- 制造和销售办公室配备、保安配备以及和钢铁有关的产品（“家具”）；以及
- 投资控股、售卖商用车辆、提供股票注册以及秘书服务（“其他”）。

单位：百万令吉	营业额		营业利润 / （亏损）	
	2011	**2010**	**2011**	**2010**
钢铁	**3,017**	3,606	**(146)**	249
产业	**68**	61	**29**	17
家具	**31**	32	**1**	1
其他	**3**	4	**8**	8
	3,119	3,703	**(108)**	275

（“营业利润/亏损”是指没有包括利息、投资收入、分享联号的业绩以及税务在内的营业利润/(亏损)）。

钢铁组

本集团的钢铁业务主要是从事制造热轧钢卷，这种钢卷是制造业、工程业、工业及建筑业创造的附加价值的重要原料；它在本会计年度经历了特别困难的一年。它的表现受到唯利是图的入口商的沉重打击；这些入口商利用入口条例的漏洞，使国内的热轧钢卷市场泛滥。

为了不使本地的平板钢工业（包括热轧钢卷和冷轧钢卷）受到进一步的侵蚀，美佳钢铁在2011年4月向政府请愿，要求实施35%保护关税，从而使到能够在国内生产的热轧钢卷的入口税从25%提高到60%。这将为本地的平板钢铁工业创造一个平等的平台，因为邻近的东盟国家实施更高的反倾销税务。

不过，政府在接到下游钢铁生产业者的反对之后拒绝了美佳钢铁提出保护税务的要求，下游钢铁生产者有意采取短期的狭隘观点，而不是支持本地钢铁工业的长期发展。美佳钢铁尽管对一时的挫折深感失望，将会继续和政府密切合作，通过鉴定和堵住漏洞加强本地的钢铁工业。

在本会计年度，本组营业额大减至30亿令吉，上一年度是36亿令吉。本组蒙受1亿4千600万令吉的营业亏损，上一年度是取得2亿4千900万令吉的营业利润。

本组的前景仍然充满挑战，它将继续和有关各造密切合作，以确保本地钢铁业拥有平等的平台。

产业组

我们的产业组涉及在蕉赖称为“蕉赖皇冠城”的主要市镇最后阶段的发展工作。这个市镇位于吉隆坡蕉赖路9英里，邻近双溪龙高尔夫球俱乐部。它是拥有永久地契、能够自给自足的市镇，提供有素质的生活方式，备有各种支援性设施。

这项计划在过去几年不断获得购屋者良好反应。尽管在本会计年度，产业市场处于谨慎情况，本组的营业额增加到6千800万令吉，获得2千900万令吉的更高利润，情况令人鼓舞。

本组将继续强调全面性发展概念，拥有各方面的资源，使到每一个利基产品都能销售出去。这将创造机会，让我们增加销售价值，从而提高盈利。

家具组

在本会计年度，本组的营业额持平，因为出口市场和国内市场的需求都呆滞。中东市场是我们的主要出口来源，然而该市场的销售受到当地政治动荡的影响。加上令吉对美元进一步升值，使到我们的产品遭受价格压力，造成本会计年度的营业利润下降。

本组将继续采取积极进取的策略，以获得更大的市场份额，方法是扩大现有的市场基础，以及推介拥有高附加价值的一系列新产品，瞄准利基市场。

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，以加强权益相关者的信心、责任感和透明度。企业社会责任是实良好营商原则重要的一环，以改善社会服务和环境发展。

社会

本集团在展开商业活动时，深切了解到企业公民的责任，在提高利润和股东企业价值的同时，也不忘回馈社会。金狮集团成立的两个基金，身为其成员，本集团着重于通过这两项基金，以教育和医疗服务来回馈社会。

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

本集团也通过参与福利与筹款活动为社会做出贡献，同时也为有需要的人士提供援助。

环境

在追随科技和工业发展之际，本集团也同时关心环境保护，业务运作严格遵守其所在领域的环境法律及条例管制。面对能源及天然资源的需求日益增加，我们也为业务运作鉴定替代能源，并且选择具环保作用的新技术。这包括扩散管理，旨在减低能源消耗、废料及扩散。

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

先进工业国经济的暂时性复苏，由于美国信贷评级下降、欧洲债务问题以及日本在2011年3月发生天灾而欲振无力。这些事件导致全球经济放缓，也使国际钢铁价格持续疲软。

展望未来，美佳钢铁将会继续和政府密切合作，以应付以倾销价格过度入口的问题，及协助创造支援性环境，让本地钢铁工业有秩序的成长、升级和扩展。

鸣谢

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

我也要真诚感谢董事们，在过去一年来给予的指导和所作的贡献。也要感谢我们的各级雇员的献身精神及对本集团的贡献。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS

2011

For The Financial Year Ended 30 June 2011

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year other than as disclosed in Note 16 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(283,610)	(370,439)
Attributable to:		
- Owners of the Company	(233,907)	(370,439)
- Non-controlling interests	(49,703)	–
	(283,610)	(370,439)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2011.

SHARE CAPITAL

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

DIRECTORS

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

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

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim and Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy 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 37 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 1.7.2010	**Additions**	**Disposals**	**As at 30.6.2011**
Direct Interests				
Tan Sri William H.J. Cheng	458,685	–	–	458,685
Tan Sri Cheng Yong Kim	2,709,517	–	–	2,709,517
Indirect Interests				
Tan Sri William H.J. Cheng	1,569,685,981	–	(99,314,266)	1,470,371,715
Tan Sri Cheng Yong Kim	414,494,096	–	(666)	414,493,430
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 which expired on 31 August 2010

	Number of Options				
	As at 1.7.2010	Granted	Exercised	Lapsed	As at 30.6.2011
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 every one new ordinary share in the Company

	Number of RM1.00 Nominal Value of RCSLS			
	As at 1.7.2010	Additions	Conversions	As at 30.6.2011
Tan Sri William H.J. Cheng	275,214,524	–	–	275,214,524

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

	Number of Warrants			
	As at 1.7.2010	Additions	Disposals	As at 30.6.2011
Tan Sri William H.J. Cheng	10,203,307	–	(33,900)	10,169,407
Tan Sri Cheng Yong Kim	672,100	–	(33,900)	638,200
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 1.7.2010	Additions	Disposals	As at 30.6.2011
Indirect Interests					
Tan Sri William H.J. Cheng					
Tan Sri Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	42,644	–	–	42,644
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	–	–	11,420,000
LDH Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	–	–	71,072
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	–	–	91,000
Lyn (Pte) Ltd	*	1,225,555	–	–	1,225,555
Megasteel Sdn Bhd					
- Ordinary Shares	RM1.00	600,000,001	–	–	600,000,001
- Preference "D" Shares	RM0.01	49,000,000	–	–	49,000,000
- Preference "E" Shares	RM0.01	11,000,000	–	–	11,000,000
- Preference "F" Shares	RM0.01	26,670,000	–	–	26,670,000
- Preference "G" Shares	RM0.01	100,000,000	–	–	100,000,000

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

DIRECTORS' INTERESTS (continued)

	Number of Ordinary Shares of RM0.50 each			
	As at 1.7.2010	**Additions**	**Disposals**	**As at 30.6.2011**
Lion Diversified Holdings Berhad ("LDHB")				
Direct Interests				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Tan Sri Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interests				
Tan Sri William H.J. Cheng	290,013,688	–	(3,584,800)	286,428,888
Tan Sri Cheng Yong Kim	251,843,935	–	(3,584,800)	248,259,135
M. Chareon Sae Tang @ Tan Whye Aun	20,000	–	–	20,000

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

	Number of RM1.00 Nominal Value of ICULS			
	As at 1.7.2010	**Additions**	**Conversion**	**As at 30.6.2011**
Direct Interests				
Tan Sri William H.J. Cheng	121,615,000	–	–	121,615,000
Tan Sri Cheng Yong Kim	1,000,000	–	–	1,000,000
Indirect Interests				
Tan Sri William H.J. Cheng	203,961,522	–	–	203,961,522
Tan Sri Cheng Yong Kim	30,014,916	–	–	30,014,916

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

EXECUTIVE SHARE OPTION SCHEME

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

The main features and other terms of the ESOS are disclosed in Note 34(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 1.7.2010**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2011**
26.5.2006	1.00	3,344,900	–	–	(3,344,900)	–
26.2.2007	1.00	3,948,200	–	–	(3,948,200)	–
		7,293,100	–	–	(7,293,100)	–

The ESOS expired on 31 August 2010.

OTHER STATUTORY INFORMATION

Before the income statements, statements of comprehensive income and statements of financial position 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; and

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

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

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

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

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

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

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

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

AUDITORS

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

Signed in accordance with a resolution of the Directors dated 20 October 2011.

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

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	6	**3,118,550**	3,703,121	**64,734**	65,826
Other operating income		**118,938**	132,775	**585**	4,740
Changes in inventories of finished goods and work-in-progress		**(212,461)**	152,320	**–**	–
Purchase of trading goods		**(553)**	(2,019)	**–**	–
Raw materials and consumables used		**(2,286,892)**	(2,861,536)	**–**	–
Property development expenditure		**(33,692)**	(37,191)	**–**	–
Employee benefits expenses	7	**(91,406)**	(97,202)	**(365)**	(805)
Depreciation of property, plant and equipment		**(143,231)**	(141,422)	**–**	–
Inventories written down		**(107,371)**	(4,678)	**–**	–
Other operating expenses	8	**(457,874)**	(561,443)	**(1,961)**	(2,575)
(Loss)/Profit from operations	9	**(95,992)**	282,725	**62,993**	67,186
Finance costs	10	**(319,150)**	(307,060)	**(119,823)**	(116,256)
Impairment loss on amount due from subsidiaries	22	**–**	–	**(315,641)**	–
Share in results of associates		**66,661**	167,804	**–**	–
Impairment loss in an associate		**–**	(1,368)	**–**	(1,540)
Loss on dilution of an associate	28(A)(i)	**–**	(286,755)	**–**	–
Loss before taxation		**(348,481)**	(144,654)	**(372,471)**	(50,610)
Taxation	11	**64,871**	(7,482)	**2,032**	1,887
Net loss for the financial year		**(283,610)**	(152,136)	**(370,439)**	(48,723)
Attributable to:					
- Owners of the Company		**(233,907)**	(112,812)	**(370,439)**	(48,723)
- Non-controlling interests		**(49,703)**	(39,324)	**–**	–
Net loss for the financial year		**(283,610)**	(152,136)	**(370,439)**	(48,723)
Loss per share attributable to owners of the Company:	12				
- Basic (sen)		**(12.3)**	(5.9)		
- Diluted (sen)		**N/A**	N/A		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net loss for the financial year	**(283,610)**	(152,136)	**(370,439)**	(48,723)
Other Comprehensive Income/(Loss)				
- Translation difference on net equity of foreign subsidiaries and other movements	**(1,628)**	2,764	**–**	–
- Net gain on fair value changes on available for sale financial assets	**65**	–	**63**	–
- Share of other comprehensive loss of associates	**(9,184)**	(27,607)	**–**	–
Other comprehensive (loss)/income for the financial year, net of tax	**(10,747)**	(24,843)	**63**	–
Total comprehensive loss for the financial year	**(294,357)**	(176,979)	**(370,376)**	(48,723)
Attributable to:				
- Owners of the Company	**(244,654)**	(112,955)	**(370,376)**	(48,723)
- Non-controlling interests	**(49,703)**	(64,024)	**–**	–
	(294,357)	(176,979)	**(370,376)**	(48,723)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 Restated	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**2,789,104**	2,931,945	**–**	–
Land held for property development	14(a)	**11,769**	23,539	**–**	–
Goodwill	15	**438,978**	479,135	**–**	–
Investment in subsidiaries	16	**–**	–	**11,273**	11,873
Investment in associates	17	**972,446**	944,696	**200,245**	200,245
Investment securities	18(a)	**20,078**	57,190	**615**	102
Deferred tax assets	19	**227,984**	161,370	**–**	–
		4,460,359	4,597,875	**212,133**	212,220
Current Assets					
Property development costs	14(b)	**740**	1,127	**–**	–
Inventories	20	**865,336**	1,543,038	**–**	–
Investment securities	18(b)	**41,823**	12,514	**–**	–
Trade and other receivables	21	**252,440**	295,295	**12,857**	532
Amount due from subsidiaries	22	**–**	–	**2,059,095**	2,326,423
Tax recoverable		**3,838**	3,946	**1,855**	1,403
Deposits with financial institutions	23	**57,613**	30,504	**3,590**	708
Cash and bank balances		**64,164**	112,367	**362**	502
		1,285,954	1,998,791	**2,077,759**	2,329,568
Non-current assets classified as held for sale	24	**–**	467	**–**	–
		1,285,954	1,999,258	**2,077,759**	2,329,568
TOTAL ASSETS		**5,746,313**	6,597,133	**2,289,892**	2,541,788

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 Restated	Company 2011 RM'000	Company 2010 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	25	**1,900,950**	1,900,950	**1,900,950**	1,900,950
Reserves	26	**(1,696,604)**	(1,453,314)	**(1,563,942)**	(1,194,023)
		204,346	447,636	**337,008**	706,927
Non-Controlling Interests		**105,616**	155,512	**–**	–
Total Equity		**309,962**	603,148	**337,008**	706,927
Non-Current Liabilities					
Preference shares	27	**111,000**	111,000	**–**	–
Loans and borrowings	28	**620,453**	1,026,276	**349,010**	427,468
Bonds and debts	31	**1,199,584**	1,286,296	**1,199,584**	1,266,806
Deferred tax liabilities	19	**5,606**	7,779	**5,606**	7,638
Deferred liabilities	32	**5,963**	11,059	**–**	–
		1,942,606	2,442,410	**1,554,200**	1,701,912
Current Liabilities					
Trade and other payables	33	**2,505,986**	2,955,563	**39,632**	38,535
Amount due to subsidiaries	22	**–**	–	**16,792**	16,635
Loans and borrowings	28	**765,810**	524,619	**139,157**	24,674
Bonds and debts	31	**221,315**	71,289	**203,103**	53,105
Tax payable		**634**	104	**–**	–
		3,493,745	3,551,575	**398,684**	132,949
Total Liabilities		**5,436,351**	5,993,985	**1,952,884**	1,834,861
TOTAL EQUITY AND LIABILITIES		**5,746,313**	6,597,133	**2,289,892**	2,541,788

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	← Attributable to Owners of the Company				→		
			← Non-Distributable →				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group							
At 1 July 2009	1,900,950	97,685	380,493	(1,818,558)	560,570	219,536	780,106
Total comprehensive income/(loss) for the financial year	–	–	2,330	(115,285)	(112,955)	(64,024)	(176,979)
Share-based payment under ESOS	–	–	21	–	21	–	21
At 30 June 2010	1,900,950	97,685	382,844	(1,933,843)	447,636	155,512	603,148
At 1 July 2010, as reported	**1,900,950**	**97,685**	**382,844**	**(1,933,843)**	**447,636**	**155,512**	**603,148**
Effect arising from adoption of FRS 139	**–**	**–**	**1,357**	**–**	**1,357**	**–**	**1,357**
At 1 July 2010, as restated	**1,900,950**	**97,685**	**384,201**	**(1,933,843)**	**448,993**	**155,512**	**604,505**
Total comprehensive loss for the financial year	**–**	**–**	**(9,489)**	**(235,165)**	**(244,654)**	**(49,703)**	**(294,357)**
Share-based payment under ESOS	**–**	**–**	**7**	**–**	**7**	**–**	**7**
Dividend paid to minority interests	**–**	**–**	**–**	**–**	**–**	**(193)**	**(193)**
At 30 June 2011	**1,900,950**	**97,685**	**374,719**	**(2,169,008)**	**204,346**	**105,616**	**309,962**

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

		← 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 2009	1,900,950	97,685	37,123	(1,280,129)	755,629
Total comprehensive loss for the financial year	–	–	–	(48,723)	(48,723)
Share-based payment under ESOS	–	–	21	–	21
At 30 June 2010	1,900,950	97,685	37,144	(1,328,852)	706,927
At 1 July 2010, as reported	**1,900,950**	**97,685**	**37,144**	**(1,328,852)**	**706,927**
Effect arising from adoption of FRS 139	**–**	**–**	**450**	**–**	**450**
At 1 July 2010, as restated	**1,900,950**	**97,685**	**37,594**	**(1,328,852)**	**707,377**
Total comprehensive income/(loss) for the financial year	**–**	**–**	**63**	**(370,439)**	**(370,376)**
Share-based payment under ESOS	**–**	**–**	**7**	**–**	**7**
At 30 June 2011	**1,900,950**	**97,685**	**37,664**	**(1,699,291)**	**337,008**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(348,481)**	(144,654)	**(372,471)**	(50,610)
Adjustments for non-cash items, interests and dividends	39(a)	**518,622**	537,160	**370,752**	47,230
Operating profit/(loss) before working capital changes		**170,141**	392,506	**(1,719)**	(3,380)
Changes in working capital:					
Inventories		**565,751**	(731,555)	**–**	–
Receivables		**51,739**	35,748	**202**	13
Payables		**(588,628)**	420,314	**799**	5,819
Property development costs		**12,157**	23,823	**–**	–
Cash generated from/(used in) operations		**211,160**	140,836	**(718)**	2,452
Tax paid		**(3,269)**	(12,366)	**–**	–
Retirement benefit paid		**(116)**	(122)	**–**	–
Net cash inflow/(outflow) from operating activities		**207,775**	128,348	**(718)**	2,452
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	39(b)	**(8,107)**	(19,425)	**–**	–
Proceeds from disposal/ redemption of:					
- assets held for sale		**620**	–	**–**	–
- property, plant and equipment		**118**	955	**–**	–
- investments		**3,921**	8,596	**–**	5,061
Net cash outflow on disposal of a subsidiary		**(798)**	–	**–**	–
Proceeds from dilution of an associate		**–**	131,368	**–**	–
Decrease/(Increase) in fixed deposits pledged		**2,588**	(51)	**–**	–
Dividend received		**29,742**	47,673	**1,370**	1,408
Repayment from subsidiaries		**–**	–	**2,022**	26,955
Interest received		**1,696**	4,039	**51**	85
Net cash inflow from investing activities		**29,780**	173,155	**3,443**	33,509

STATEMENTS OF CASH FLOWS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid to minority shareholders of a subsidiary		**(193)**	–	**–**	–
Redemption of bonds and debts		**(17,840)**	(50,438)	**–**	(13,634)
(Repayment)/Drawdown of:					
- term loans		**(164,224)**	(105,631)	**–**	–
- hire purchase liabilities		**(984)**	(2,113)	**–**	–
- short term borrowings		**(1,399)**	4,848	**–**	(22,688)
Advance from subsidiaries		**–**	–	**17**	17
Interest paid		**(71,373)**	(101,597)	**–**	–
Net cash (outflow)/inflow from financing activities		**(256,013)**	(254,931)	**17**	(36,305)
Net (decrease)/increase in cash and cash equivalents		**(18,458)**	46,572	**2,742**	(344)
Effects of changes in exchange rates		**(98)**	–	**–**	–
Cash and cash equivalents at beginning of the financial year		**128,390**	81,818	**1,210**	1,554
Cash and cash equivalents at end of the financial year	39(c)	**109,834**	128,390	**3,952**	1,210

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2011

1. CORPORATE INFORMATION

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

Lion Diversified Holdings Berhad ("LDHB"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Securities, holds 53% 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 16. There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in Note 16.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 October 2011.

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 2011, the Group and the Company adopted all of the new and revised FRSs, Amendments and Interpretations issued by Malaysian Accounting Standards Board ("MASB") that are relevant to their operations as described in Note 4.

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

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

The Group reports the following conditions and events:

(i) Current liabilities exceeded current assets by RM2.21 billion as at 30 June 2011.

(ii) A subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") had exceeded certain credit terms in relation to trade and other payables, and product financing liabilities as disclosed in Note 33. In the financial year ended 30 June 2010, Megasteel has entered into deferral payment plans with a significant constitution of these creditors. However, Megasteel had not met with the rescheduled repayment of the overdue outstanding balances with these creditors in the current financial year.

(iii) Megasteel entered into a Restructured Scheme for the Syndicated Term Loans in the financial year ended 30 June 2010 with the following terms:

(a) The rescheduled payment terms of the RM denominated Term Loan and USD denominated Term Loan as disclosed in Note 28(A);

(b) The sale of quoted shares of a related party as disclosed in Note 28(A)(i); and

(c) The sale of certain property, plant and equipment of the Group as disclosed in Note 28(A)(ii).

Megasteel was unable to comply with the rescheduled payment terms in (iii)(a) above. A consent from a requisite majority of lenders of the Syndicated Term Loans was obtained to defer the balance payment of RM115.6 million to September 2011. A further extension was granted in September 2011 where a requisite majority consent was obtained from its Syndicated Term Loan Lenders to defer the balance amount after certain progressive payments up to December 2011.

2. BASIS OF PREPARATION (continued)

Due to the weak market condition, Megasteel has yet to complete the sale of certain property, plant and equipment of the Group as mentioned in (iii)(c) above.

In consideration of the issues pertaining to the repayment of the liabilities and borrowings as mentioned in (ii) and (iii) above, the Group has entered into discussion with various interested third party investors to inject new working capital to the Group and the Group is in the process of proposing settlement agreements with its creditors on the overdue balances. Based on the progress todate, the Directors have a reasonable expectation that these will be successful.

The Directors have concluded that the combination of these circumstances highlighted above indicates material uncertainty that may cast significant doubt about the Group's ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors believe that the results from the proposed injection of additional working capital from a third party investor and the proposed settlement agreements with its creditors on overdue balances, will enable the Group to generate sufficient cash flows to meet its above mentioned obligations and improve the cash flows of the Group. For these reasons, the Directors are of the opinion that the Group will be able to continue in operational existence for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) 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.

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

(b) Foreign Currencies (continued)

(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 reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting 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.

(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 are translated into RM at the rate of exchange ruling at the reporting date;

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

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

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the Functional Currency of the foreign operations and translated at the closing rate at the reporting date.

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

(b) **Foreign Currencies (continued)**

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

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

	2011 RM	**2010 RM**
1 USD	**3.02**	3.27
1 Euro	**4.37**	3.98
1 Singapore Dollar	**2.45**	2.33
1 Sterling Pound	**4.86**	4.92

(c) **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 or the Company's right to receive payment is established.

(iv) **Development Properties**

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

(v) **Rental Income**

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

(d) **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.

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

(d) Employee Benefits (continued)

(ii) Defined Contribution Plans

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

(iii) Defined Benefit Plan - Unfunded

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

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

The amount recognised in the statement of financial position 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 reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 reporting date.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting 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.

(f) 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 statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income 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 statement of comprehensive income. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to accumulated losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised evenly over the lease term of the land. 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 accumulated losses.

(g) 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(h).

(h) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Non-Financial Assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Investment in Subsidiaries

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting 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.

Non-controlling 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.

(j) Investment in Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the statements of financial position 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 income statements. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment in Associates (continued)

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

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

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

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

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

(k) Financial Assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Assets (continued)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve months after the reporting date which are classified as non-current.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any other categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity investments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commit to purchase or sell the asset.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain catergories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and Cash Equivalents

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

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits. Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 3(k).

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

(i) Land Held for Property Development

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

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

(ii) Property Development Costs

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

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

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

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

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

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

(o) 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)

(p) Non-Current Assets Held for Sale

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

(q) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

(r) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, loans and borrowings, bonds and debts.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial Liabilities (continued)

(ii) Other financial liabilities (continued)

Loans and borrowings, bonds and debts are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings, bonds and debts are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Preference Shares ("PS")

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

PS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in the income statement in the period they are incurred.

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

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

(u) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Leases (continued)

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(v) 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.

(w) Segment Reporting

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

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

(x) Fair Value Estimation for Disclosure Purposes

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2010:

• FRS 1	*First-time Adoption of Financial Reporting Standards*
• FRS 3	*Business Combinations (Revised)*
• FRS 4	*Insurance Contracts**
• FRS 7	*Financial Instruments: Disclosures*
• FRS 101	*Presentation of Financial Statements (Revised)*
• FRS 123	*Borrowing costs*
• FRS 127	*Consolidated and Separate Financial Statements*
• FRS 139	*Financial Instruments: Recognition and Measurement*
• Amendments to FRS 1 and FRS 127	*First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
• Amendments to FRS 2	*Share-based Payment: Vesting Conditions and Cancellations*
• Amendments to FRS 2	*Share-based Payment*
• Amendments to FRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
• Amendments to FRS 7	*Financial Instruments: Disclosures*
• Amendments to FRS 132	*Financial Instruments: Presentation*
• Amendments to FRS 132	*Classification of Right Issues**
• Amendments to FRS 138	*Intangible Assets*
• Amendments to FRS 139	*Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives*
• Amendments to IC Interpretation 9	*Reassessment of Embedded Derivatives*
• Improvements to FRSs issued in 2009	
• IC Interpretation 9	*Reassessment of Embedded Derivatives*
• IC Interpretation 10	*Interim Financial Reporting and Impairment*
• IC Interpretation 11	*FRS 2 - Group and Treasury Share Transactions*
• IC Interpretation 12	*Service Concession Arrangements**
• IC Interpretation 13	*Customer Loyalty Programmes**
• IC Interpretation 14	*FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
• IC Interpretation 16	*Hedges of a Net Investment in a Foreign Operation**
• IC Interpretation 17	*Distributions of Non-cash Assets to Owners**
• TR i-3	*Presentation of Financial Statements of Islamic Financial Institutions**

* These new and amended FRSs and IC interpretations are, however, not applicable to the Group and the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 *Financial Instruments: Disclosures*

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 June 2011.

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

FRS 101 *Presentation of Financial Statements (Revised)*

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group and the Company's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Amendments to FRS 117 *Leases*

Prior to 1 July 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the upfront payments made were allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The upfront payment represented prepaid land lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 *Leases* clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease. In such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the statements of financial position as at 30 June 2011 arising from the above change in accounting policy:

	Group 2011 RM'000
Increase/(Decrease) in:	
Property, plant and equipment	**13,199**
Prepaid land lease payments	**(13,199)**

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

Amendments to FRS 117 *Leases* (continued)

The following comparatives have been restated:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Statements of Financial Position - Group			
30 June 2010			
Property, plant and equipment	**2,918,011**	**13,934**	**2,931,945**
Prepaid land lease payments	**13,934**	**(13,934)**	**–**
1 July 2009			
Property, plant and equipment	3,041,232	14,790	3,056,022
Prepaid land lease payments	14,790	(14,790)	–

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 July 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of accumulated losses as at 1 July 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

  Prior to 1 July 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as long term investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments, except for those whose fair value cannot be reliably measured, are designated at 1 July 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM559,000. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of fair value reserve as at 1 July 2010. Investments in equity instruments whose fair value cannot be reliably measured amounting to RM118,000 at 1 July 2010 continued to be carried at cost less impairment losses.

- Debt securities

  Prior to 1 July 2010, investments in debt securities were stated at amortised cost using the effective interest rate method. Upon the adoption of FRS 139, these investments are designated at 1 July 2010 as held-to-maturity investments. The carrying values of held-to-maturity debt securities as at 1 July 2010 amounted to RM68,127,000.

- Impairment of trade receivables

  Prior to 1 July 2010, allowance for doubtful receivables was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 July 2010, the Group and the Company have remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and concluded that there are no material adjustments required to the opening balance of accumulated losses.

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

FRS 139 *Financial Instruments: Recognition and Measurement* (continued)

- Inter-company loans

  During the current and prior periods, the Group and the Company granted interest free or low-interest loans and advances to its subsidiaries. Prior to 1 July 2010, these loans and advances were recorded at cost in the Group's and the Company's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or receivables are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loans or advances are recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost. As at 1 July 2010, the Group and the Company have remeasured such loans and advances and concluded that there are no material adjustments required to the opening balance of accumulated losses.

The effects arising from the above changes in accounting policies are as follows:

	Increase/(Decrease)	
	As at 30.6.2011 RM'000	**As at 1.7.2010 RM'000**
Statements of Financial Position - Group		
Non-Current Assets		
Investment in associates	**(1,725)**	907
Investment securities	**515**	450
Equity		
Other reserves	**(1,210)**	1,357
Statements of Financial Position - Company		
Non-Current Assets		
Investment securities	**513**	450
Equity		
Other reserves	**513**	450

(a) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1 and FRS 7 — *Limited Exemption from Comparative and Disclosures for First-time Adopters**
- Amendments to FRS 2 — *Group Cash-settled Share-based Payment Transactions*
- Amendments to FRS 3 — *Business Combination*
- Amendments to FRS 7 — *Improving Disclosures about Financial Instruments*
- Improvements to FRSs issued in 2010
- IC Interpretation 4 — *Determining Whether An Arrangement Contains a Lease*
- IC Interpretation 18 — *Transfer of Assets from Customers**

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

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

Effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14 — *Prepayments of a Minimum Funding Requirement**
- IC Interpretation 19 — *Extinguishing Financial Liabilities with Equity Instruments*

Effective for annual periods beginning on or after 1 January 2012

- FRS 124 — *Related Party Transactions (revised)*
- IC Interpretation 15 — *Agreements for the Construction of Real Estate*

* These new and amended FRSs and IC interpretations are, however, not applicable to the Group and the Company.

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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' estimated economic useful lives up to its residual value. Management estimates the useful lives of these plant and machinery to be within 15 years to 30 years and residual value to be 5%. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, which may cause a material adjustment to future depreciation charges.

(ii) Estimated Impairment of Goodwill

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

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

(iii) Estimated Impairment of Tangible Assets

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

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

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

(iv) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 19.

(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 20.

(vi) Accrual for Quantity Discount

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

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

(vii) Allowance for Doubtful Receivables

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

(viii) Property Development

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

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

Details of property development cost are disclosed in Note 14.

6. REVENUE

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sales of goods	**3,049,745**	3,642,087	**–**	–
Property development	**68,340**	60,833	**–**	–
Assembly fees	**226**	6	**–**	–
Registration and other professional fees	**239**	195	**–**	–
Dividend income	**–**	–	**1,822**	1,860
Interest income	**–**	–	**62,912**	63,966
	3,118,550	3,703,121	**64,734**	65,826

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Salaries, wages and bonuses	**63,854**	71,566	**240**	520
Defined contribution plans	**9,334**	8,737	**29**	62
Defined benefit plan (Note 34(a))	**243**	236	**–**	–
Share options granted under ESOS (Note 34(b))	**7**	21	**–**	–
Other staff related expenses	**17,968**	16,642	**96**	223
	91,406	97,202	**365**	805

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Salaries and other emoluments	**2,176**	2,562	**336**	743
Defined contribution plans	**201**	232	**29**	62
Share options granted under ESOS	**7**	20	**–**	–
	2,384	2,814	**365**	805

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	
	2011	2010
	‘000	‘000
At 1 July	**1,138**	1,138
Lapsed	**(1,138)**	–
At 30 June	**–**	1,138

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 34(b)).

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

8. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils and cold rolled coils totalling RM288.9 million (2010: RM388.9 million).

9. (LOSS)/PROFIT FROM OPERATIONS

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

	Group		Company	
	2011	2010	2011	2010
	RM’000	RM’000	RM’000	RM’000
After charging:				
Allowance for doubtful receivables	**70**	58	**–**	–
Allowance for obsolete inventories	**12**	132	**–**	–
Auditors’ remuneration:				
- current year	**480**	481	**40**	40
- under accrued in prior years	**2**	80	**–**	2
Directors’ remuneration*	**1,412**	1,858	**599**	1,039
Impairment loss on goodwill	**40,157**	20,000	**–**	–
Loss on disposal of:				
- a subsidiary	**–**	–	**607**	–
- property, plant and equipment	**–**	279	**–**	–
Property, plant and equipment:				
- depreciation	**143,231**	141,422	**–**	–
- written off	**2,026**	–	**–**	–
Rental of:				
- plant, machinery and equipment	**269**	345	**–**	–
- premises	**3,069**	3,429	**–**	–
Professional fees paid to a firm in which a Director, M. Chareon Sae Tang @ Tan Whye Aun, has interest	**194**	159	**–**	–

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

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
And crediting:				
Allowance for doubtful receivables written back	**35**	2,819	**–**	–
Gain on disposal of:				
- a subsidiary	**3,491**	–	**–**	–
- asset held for sale	**153**	–	**–**	–
- property, plant and equipment	**89**	–	**–**	–
- quoted investments	**–**	4,134	**–**	4,134
Gross dividend income from quoted investments in Malaysia:				
- an associate	**–**	–	**1,806**	1,806
- others	**16**	54	**16**	54
Interest income from:				
- subsidiaries	**–**	–	**62,835**	63,854
- others	**12,092**	7,580	**77**	112
Net foreign exchange gain:				
- realised	**75,488**	50,110	**–**	–
- unrealised	**11,108**	42,458	**585**	606
Rental income	**7,336**	8,637	**–**	–

* The Directors' remuneration is categorised as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Executive Director:				
- Salary and other emoluments	**960**	1,240	**240**	520
- Fees	**24**	24	**24**	24
- Defined contribution plans	**115**	149	**29**	62
- Share options granted under ESOS	**7**	12	**–**	–
- Benefit-in-kind	**96**	223	**96**	223
	1,202	1,648	**389**	829
Non-executive Directors:				
- Fees	**210**	210	**210**	210
	1,412	1,858	**599**	1,039

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

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
Executive Director:				
- RM350,001 - RM400,000	**–**	–	**1**	–
- RM800,001 - RM850,000	**–**	–	**–**	1
- RM1,200,001 - RM1,250,000	**1**	–	**–**	–
- RM1,600,001 - RM1,650,000	**–**	1	**–**	–
Non-Executive Directors:				
- RM25,000 and below	**1**	1	**1**	1
- RM25,001 - RM50,000	**5**	5	**5**	5

10. FINANCE COSTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest Expenses on:				
- advances from subsidiaries	**–**	–	**140**	138
- bank overdrafts	**964**	929	**–**	–
- bonds and debts	**84,562**	85,441	**83,361**	81,395
- RCSLS	**36,025**	34,445	**36,025**	34,445
- term loans	**62,408**	49,323	**–**	–
- product financing liabilities	**45,085**	66,366	**–**	–
- others	**90,106**	70,556	**297**	278
	319,150	307,060	**119,823**	116,256

11. TAXATION

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current Estimated Tax Payable:				
Malaysian income tax:				
- Current year	**(3,242)**	(4,771)	**–**	–
- (Under)/Over provision in prior years	**(674)**	474	**–**	–
	(3,916)	(4,297)	**–**	–
Deferred Taxation: (Note 19)				
- Relating to origination and reversal of temporary differences	**74,333**	(4,277)	**2,032**	1,887
- (Under)/Over provision in prior years	**(5,546)**	1,092	**–**	–
	68,787	(3,185)	**2,032**	1,887
Total	**64,871**	(7,482)	**2,032**	1,887

11. TAXATION (continued)

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Tax calculated at Malaysian statutory tax rate of 25% (2010: 25%)	**87,120**	36,164	**93,118**	12,652
Income not subject to tax	**6,818**	11,287	**4**	1,047
Expenses not deductible for tax purposes	**(43,740)**	(113,649)	**(91,090)**	(11,812)
Deferred tax assets not recognised during the year	**(265)**	(1,019)	**–**	–
Tax effect of share in results of associates	**16,665**	41,951	**–**	–
Effect of utilisation of previously unrecognised capital allowances and tax losses	**4,493**	6,624	**–**	–
Deferred tax assets not recognised in respect of pioneer period losses	**–**	9,594	**–**	–
(Under)/Over provision in prior years	**(6,220)**	1,566	**–**	–
	64,871	(7,482)	**2,032**	1,887

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

The Company has estimated tax exempt account amounting to RM17.8 million (2010: RM17.8 million) available for the distribution of tax exempt dividend. The Company has estimated tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM22.1 million (2010: RM22.1 million) to frank the payment of dividend. These amounts are subject to agreement with the tax authority.

12. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing net loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	Group	
	2011	**2010**
Net loss for the financial year attributable to owners of the Company (RM'000)	**(233,907)**	(112,812)
Weighted average number of ordinary shares in issue ('000)	**1,900,950**	1,900,950
Basic loss per share (sen)	**(12.3)**	(5.9)

(b) Diluted

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2011						
Cost/Valuation						
At 1 July 2010	866,713	3,431,433	40,377	5,479	20,677	4,364,679
Effect of adopting the amendments of FRS 117	17,329	–	–	–	–	17,329
As restated	884,042	3,431,433	40,377	5,479	20,677	4,382,008
Additions	2,341	2,067	2,771	170	813	8,162
Disposals	–	(548)	–	(614)	(813)	(1,975)
Disposal of a subsidiary	(6,345)	(2,845)	(3,659)	(389)	–	(13,238)
Written off	–	(544)	(9)	–	(1,833)	(2,386)
At 30 June 2011	880,038	3,429,563	39,480	4,646	18,844	4,372,571
Representing items at:						
Cost	580,038	1,171,490	39,480	4,646	18,844	1,814,498
Valuation	300,000	2,258,073	–	–	–	2,558,073
	880,038	3,429,563	39,480	4,646	18,844	4,372,571
Accumulated Depreciation						
At 1 July 2010	136,904	1,242,114	27,559	4,543	–	1,411,120
Effect of adopting the amendments of FRS 117	3,395	–	–	–	–	3,395
As restated	140,299	1,242,114	27,559	4,543	–	1,414,515
Depreciation charge for the financial year	17,431	121,962	3,330	508	–	143,231
Disposals	–	(519)	–	(614)	–	(1,133)
Disposal of a subsidiary	(2,468)	(2,307)	(3,279)	(280)	–	(8,334)
Written off	–	(351)	(9)	–	–	(360)
At 30 June 2011	155,262	1,360,899	27,601	4,157	–	1,547,919
Representing items at:						
Cost	155,262	235,973	27,601	4,157	–	422,993
Valuation	–	1,124,926	–	–	–	1,124,926
	155,262	1,360,899	27,601	4,157	–	1,547,919
Accumulated Impairment Losses						
At 1 July 2010/ 30 June 2011	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2011						
Net Book Value						
At cost	**415,103**	**909,642**	**11,879**	**489**	**18,844**	**1,355,957**
At valuation	**300,000**	**1,133,147**	**–**	**–**	**–**	**1,433,147**
At 30 June 2011	**715,103**	**2,042,789**	**11,879**	**489**	**18,844**	**2,789,104**
Group						
2010						
Cost/Valuation						
At 1 July 2009	865,160	3,416,930	38,623	5,807	21,000	4,347,520
Effect of adopting the amendments of FRS 117	18,159	–	–	–	–	18,159
As restated	883,319	3,416,930	38,623	5,807	21,000	4,365,679
Additions	2,310	15,051	1,985	23	56	19,425
Disposals	(1,000)	(453)	(213)	(351)	(379)	(2,396)
Written off	–	(95)	(18)	–	–	(113)
Reclassified to assets held for sale (Note 24)	(587)	–	–	–	–	(587)
At 30 June 2010	884,042	3,431,433	40,377	5,479	20,677	4,382,008
Representing items at:						
Cost	584,042	1,173,360	40,377	5,479	20,677	1,823,935
Valuation	300,000	2,258,073	–	–	–	2,558,073
	884,042	3,431,433	40,377	5,479	20,677	4,382,008
Accumulated Depreciation						
At 1 July 2009	120,193	1,121,122	25,311	4,114	–	1,270,740
Effect of adopting the amendments of FRS 117	3,369	–	–	–	–	3,369
As restated	123,562	1,121,122	25,311	4,114	–	1,274,109
Depreciation charge for the financial year	17,132	121,269	2,295	726	–	141,422
Disposals	(275)	(182)	(29)	(297)	–	(783)
Written off	–	(95)	(18)	–	–	(113)
Reclassified to assets held for sale (Note 24)	(120)	–	–	–	–	(120)
At 30 June 2010	140,299	1,242,114	27,559	4,543	–	1,414,515
Representing items at:						
Cost	140,299	188,118	27,559	4,543	–	360,519
Valuation	–	1,053,996	–	–	–	1,053,996
	140,299	1,242,114	27,559	4,543	–	1,414,515

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2010						
Accumulated Impairment Losses						
At 1 July 2009/ 30 June 2010	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548
Net Book Value						
At cost	434,070	959,367	12,818	936	20,677	1,427,868
At valuation	300,000	1,204,077	–	–	–	1,504,077
At 30 June 2010	734,070	2,163,444	12,818	936	20,677	2,931,945

In 2003, the Group adjusted the plant and machinery of a subsidiary to its fair value upon the acquisition of an additional 40% equity interest in that subsidiary. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM149.0 million (net of deferred tax liabilities) has been credited to asset revaluation reserve account. It is not the policy of the Group to revalue such asset regularly.

Land and buildings of the Group are as follows:

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments RM'000	Total RM'000
Group				
2011				
Cost/Valuation				
At 1 July 2010	**311,191**	**–**	**555,522**	**866,713**
Effect of adopting the amendments to FRS 117	**–**	**17,329**	**–**	**17,329**
As restated	**311,191**	**17,329**	**555,522**	**884,042**
Additions	**–**	**–**	**2,341**	**2,341**
Disposal of a subsidiary	**–**	**(1,152)**	**(5,193)**	**(6,345)**
At 30 June 2011	**311,191**	**16,177**	**552,670**	**880,038**
Representing items at:				
Cost	**11,191**	**16,177**	**552,670**	**580,038**
Valuation	**300,000**	**–**	**–**	**300,000**
	311,191	**16,177**	**552,670**	**880,038**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments RM'000	Total RM'000
Group				
2011				
Accumulated Depreciation				
At 1 July 2010	**–**	**–**	**136,904**	**136,904**
Effect of adopting the amendments to FRS 117	**–**	**3,395**	**–**	**3,395**
As restated	**–**	**3,395**	**136,904**	**140,299**
Depreciation charge for the financial year	**–**	**238**	**17,193**	**17,431**
Disposal of a subsidiary	**–**	**(655)**	**(1,813)**	**(2,468)**
At 30 June 2011	**–**	**2,978**	**152,284**	**155,262**
Representing items at:				
Cost	**–**	**2,978**	**152,284**	**155,262**
Accumulated Impairment Losses				
At 1 July 2010/30 June 2011	**9,673**	**–**	**–**	**9,673**
Representing items at:				
Cost	**9,673**	**–**	**–**	**9,673**
Net Book Value				
At cost	**1,518**	**13,199**	**400,386**	**415,103**
At valuation	**300,000**	**–**	**–**	**300,000**
At 30 June 2011	**301,518**	**13,199**	**400,386**	**715,103**
Group				
2010				
Cost/Valuation				
At 1 July 2009	311,191	–	553,969	865,160
Effect of adopting the amendments to FRS 117	–	18,159	–	18,159
As restated	311,191	18,159	553,969	883,319
Additions	–	–	2,310	2,310
Disposals	–	(243)	(757)	(1,000)
Reclassified to assets held for sale	–	(587)	–	(587)
At 30 June 2010	311,191	17,329	555,522	884,042

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improvements RM'000	Total RM'000
Group				
2010				
Representing items at:				
Cost	11,191	17,329	555,522	584,042
Valuation	300,000	–	–	300,000
	311,191	17,329	555,522	884,042
Accumulated Depreciation				
At 1 July 2009	–	–	120,193	120,193
Effect of adopting the amendments to FRS 117	–	3,369	–	3,369
As restated	–	3,369	120,193	123,562
Depreciation charge for the financial year	–	251	16,881	17,132
Disposals	–	(105)	(170)	(275)
Reclassified to assets held for sale	–	(120)	–	(120)
At 30 June 2010	–	3,395	136,904	140,299
Representing items at:				
Cost	–	3,395	136,904	140,299
Accumulated Impairment Losses				
At 1 July 2009/30 June 2010	9,673	–	–	9,673
Representing items at:				
Cost	9,673	–	–	9,673
Net Book Value				
At cost	1,518	13,934	418,618	434,070
At valuation	300,000	–	–	300,000
At 30 June 2010	301,518	13,934	418,618	734,070

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land is analysed as follows:

	Group	
	2011 RM'000	2010 RM'000
Long term leasehold land	**9,942**	10,097
Short term leasehold land	**3,257**	3,837
	13,199	13,934

The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2010: RM35.0 million) and RM0.95 billion (2010: RM1.00 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.74 billion (2010: RM2.80 billion) has been charged to financial institutions as securities for credit facilities as disclosed in Note 28.

Strata titles for certain buildings of the Group with carrying value of RM Nil (2010: RM2.6 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	
	2011 RM'000	2010 RM'000
Motor vehicles	**197**	619
Plant and machinery	**140**	4,139
	337	4,758

14. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group	
	2011 RM'000	2010 RM'000
At cost		
Land cost	**32,015**	32,015
Development cost	**1,186**	1,186
Transfer to property development costs	**(21,432)**	(9,662)
	11,769	23,539

14. PROPERTY DEVELOPMENT ACTIVITIES (continued)

(b) Property Development Costs

	Group 2011 RM'000	Group 2010 RM'000
Property development costs at 1 July		
Land cost	**1,556**	15,287
Development costs	**1,102**	–
	2,658	15,287
Cost incurred during the year:		
Development costs	**20,640**	9,674
	20,640	9,674
Reversal of completed projects	**–**	(31,965)
Costs recognised in profit or loss		
At 1 July	**(1,531)**	–
Recognised during the year	**(32,797)**	(33,496)
Reversal of completed projects	**–**	31,965
	(34,328)	(1,531)
Transfer from land held for property development	**11,770**	9,662
At 30 June	**740**	1,127

The land has been pledged as security for LCB SPV Debts issued by a subsidiary as disclosed in Note 31.

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

15. GOODWILL

	Group 2011 RM'000	Group 2010 RM'000
Goodwill on Consolidation		
At 1 July/30 June	**501,511**	501,511
Accumulated Impairment Losses		
At 1 July	**(22,376)**	(2,376)
Impairment loss recognised in profit or loss (Note 9)	**(40,157)**	(20,000)
	(62,533)	(22,376)
Net Carrying Value	**438,978**	479,135

16. INVESTMENT IN SUBSIDIARIES

	Company 2011 RM'000	Company 2010 RM'000
Unquoted Shares		
At cost	**25,916**	40,718
Accumulated impairment losses	**(17,101)**	(31,296)
	8,815	9,422
Additional cost of investment arising from share options	**2,458**	2,451
	11,273	11,873

Certain investments in subsidiaries with carrying values totalling RM8.8 million (2010: RM9.4 million) have been charged as security for the bonds and debts issued by the Company as disclosed in Note 31.

The subsidiaries are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2011 %	Holding in Equity 2010 %	Principal Activities
Kinabalu Motor Assembly Sendirian Berhad *	Malaysia	–	50.01	Sale of commercial vehicles
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering works
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

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2011 %	2010 %	Principal Activities
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	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	Dormant
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lyn (Pte) Ltd *	Republic of Singapore	**79.00**	79.00	Investment holding
Megasteel Sdn Bhd *	Malaysia	**78.89**	78.89	Manufacturing of hot rolled coils and cold rolled coils
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
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 Bersatu Investments Company Limited				
Glit Investments Company Limited *	Hong Kong	**100.00**	100.00	Dormant

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2011 %	2010 %	Principal Activities
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Share registration and secretarial services
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture(S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	Ceased operations
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	To issue and manage bonds pursuant to its parent company's debt financing exercise
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing and marketing of hot rolled steel plates
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

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2011 %	2010 %	Principal Activities
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Bright Steel Service Centre Sdn Bhd	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn.) Berhad	Malaysia	**100.00**	100.00	Ceased operations
Century Container Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Omali Corporation Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd	Malaysia	**100.00**	100.00	Property development

Note:

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

16. INVESTMENT IN SUBSIDIARIES (continued)

During the financial year, the Company had completed the disposal of its entire 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad for a cash consideration of RM1 and an inter-company debts settlement of RM13 million.

The disposal had the following effects on the financial position of the Group:

	Group	
	As at date of disposal RM'000	2010 RM'000
Property, plant and equipment	(4,904)	(5,621)
Inventories	(4,567)	(3,437)
Money market instruments	(328)	(1,350)
Trade and other receivables	(679)	(1,092)
Deposit, cash and bank balances	(470)	(176)
Trade and other payables	14,439	17,341
Deferred tax liabilities	–	116
Net liabilities disposed	3,491	5,781
Total disposal proceeds	– *	
Gain on disposal to the Group	3,491	
Cash outflow arising on disposals:		
Cash consideration	– *	
Cash and cash equivalents of subsidiary disposed	(798)	
	(798)	

* Cash consideration of RM1.

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Quoted Shares in Malaysia, at cost	**209,807**	209,807	**200,245**	200,245
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**–**	–
- accumulated impairment losses	**(12,162)**	(12,162)	**–**	–
	83,832	83,832	**–**	–
Unquoted Shares				
- at cost	**844,786**	844,786	**728,348**	728,348
- accumulated impairment losses	**(447,512)**	(447,512)	**(728,348)**	(728,348)
	397,274	397,274	**–**	–
	690,913	690,913	**200,245**	200,245
Share of post-acquisition results and reserves	**281,533**	253,783	**–**	–
	972,446	944,696	**200,245**	200,245
Market value of quoted shares:				
- quoted in Malaysia	**357,462**	268,097	**339,485**	254,613
- quoted outside Malaysia	**62,641**	73,526	**–**	–
Represented by:				
Share of net assets other than goodwill	**937,892**	910,024		
Share of goodwill in associates	**34,554**	34,672		
	972,446	944,696		

Certain investment in associates of the Group with carrying values totalling RM726.3 million (2010: RM682.5 million) have been charged as security for the bonds and debts issued by the Company as disclosed in Note 31.

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.

17. INVESTMENT IN ASSOCIATES (continued)

The associates are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2011 %	2010 %	Principal Activities
ACB Resources Berhad	Malaysia	**45.77** **# 1.89**	45.77 # 1.89	Investment holding
Lion Industries Corporation Berhad	Malaysia	**25.16** **# 1.33**	25.25 # 1.34	Investment holding and property development
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**# 36.28**	# 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:

	2011 RM'000	2010 RM'000
Assets		
Current assets	**4,616,729**	3,386,822
Non-current assets	**3,607,440**	4,776,299
Total assets	**8,224,169**	8,163,121
Liabilities		
Current liabilities	**3,277,242**	2,655,514
Non-current liabilities	**1,003,386**	1,856,911
Total liabilities	**4,280,628**	4,512,425
Results		
Revenue	**5,631,011**	5,417,527
Profit for the year	**287,639**	619,310

The Group's share of losses of the associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of losses amounted to RM0.6 million (2010: RM37.4 million) and current year's unrecognised share of profit amounted to RM36.8 million (2010: RM35.8 million).

18. INVESTMENT SECURITIES

		Group		Company	
		2011	2010	**2011**	2010
		RM'000	RM'000	**RM'000**	RM'000
(a) Non-Current					
Available-for-sale Investments					
Quoted Shares in Malaysia					
- at cost		**–**	123	**–**	102
- accumulated impairment losses		**–**	(14)	**–**	–
		–	109	**–**	102
- at fair value		**624**	–	**615**	–
Unquoted Shares					
- at cost		**393**	393	**–**	–
- accumulated impairment losses		**(275)**	(275)	**–**	–
		118	118	**–**	–
Held-to-maturity Investments					
- unquoted bonds	(c)	**19,336**	56,963	**–**	–
Total		**20,078**	57,190	**615**	102
Market value of quoted shares		**624**	559	**615**	552
(b) Current					
Held-to-maturity Investments					
- unquoted bonds	(c)	**41,823**	11,164	**–**	–
Available-for-sale Investments					
- unquoted money market instruments, at cost (Note 39(c))		**–**	1,350	**–**	–
		41,823	12,514	**–**	–

18. INVESTMENT SECURITIES (continued)

(c) Held-to-maturity Investments - Unquoted Bonds

	Group 2011 RM'000	Group 2010 RM'000
At 1 July	**68,127**	74,923
Exchange difference	**(5,107)**	(5,521)
Accreted interest	**2,060**	2,260
Redemption during the year	**(3,921)**	(3,535)
At 30 June	**61,159**	68,127
Receivable within one year	**(41,823)**	(11,164)
	19,336	56,963

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

	Group 2011 RM'000	Group 2010 RM'000
From 1 to 2 years	**10,358**	36,718
From 2 to 5 years	**8,978**	20,245
	19,336	56,963

The held-to-maturity investments represent consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") ("ACB SPV Debts") acquired by a subsidiary, from its holder in the previous financial year. The ACB SPV Debts constitute direct, unsubordinated and secured obligations of the ACB SPV and have been charged to LCB SPV Debts (Note 31).

The terms of the ACB SPV Debts are as follows:

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

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

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

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

19. DEFERRED TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 July	**153,591**	156,776	**(7,638)**	(9,525)
Recognised in income statement (Note 11)	**68,787**	(3,185)	**2,032**	1,887
At 30 June	**222,378**	153,591	**(5,606)**	(7,638)

Presented after appropriate offsetting as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deferred tax assets	**227,984**	161,370	**–**	–
Deferred tax liabilities	**(5,606)**	(7,779)	**(5,606)**	(7,638)
At 30 June	**222,378**	153,591	**(5,606)**	(7,638)

(a) Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2009	174,884	2,213	177,097
Recognised in income statement	359	(5,431)	(5,072)
Reclassification	–	(10,655)	(10,655)
At 30 June 2010	**175,243**	**(13,873)**	**161,370**
Recognised in income statement	**17,699**	**48,915**	**66,614**
At 30 June 2011	**192,942**	**35,042**	**227,984**

(b) Deferred Tax Liabilities of the Group

	RCSLS RM'000	Others RM'000	Total RM'000
At 1 July 2009	9,525	10,796	20,321
Recognised in income statement	(1,887)	–	(1,887)
Reclassification	–	(10,655)	(10,655)
At 30 June 2010	**7,638**	**141**	**7,779**
Recognised in income statement	**(2,032)**	**(141)**	**(2,173)**
At 30 June 2011	**5,606**	**–**	**5,606**

19. DEFERRED TAXATION (continued)

(c) Deferred Tax Liabilities of the Company

	RCSLS RM'000
At 1 July 2009	9,525
Recognised in income statement	(1,887)
At 30 June 2010	**7,638**
Recognised in income statement	**(2,032)**
At 30 June 2011	**5,606**

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

	Group 2011 RM'000	Group 2010 RM'000
Unutilised tax losses	**204,109**	265,897
Unabsorbed capital allowances	**75,783**	72,589
Other deductible temporary differences	**3,131**	2,955
	283,023	341,441

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

20. INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
At Cost:		
Properties held for sale	**7,446**	8,341
Raw materials	**274,971**	728,242
Work-in-progress	**1,103**	900
Finished goods	**23,203**	526,824
Spares, supplies and consumables	**149,112**	162,595
	455,835	1,426,902
At Net Realisable Value:		
Raw materials	**68,819**	65,660
Work-in-progress	**3,148**	2,144
Finished goods	**336,618**	46,665
Spares, supplies and consumables	**916**	1,667
	409,501	116,136
Total	**865,336**	1,543,038

20. INVENTORIES (continued)

The inventories in relation to the product financing liabilities as disclosed in Note 33, where titles are with other parties are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Raw Materials:		
- with related parties	**91,363**	98,223
- with external parties	**154,553**	336,683
	245,916	434,906
Finished Goods:		
- with related parties	**193,006**	220,022
- with external parties	**9,515**	29,739
	202,521	249,761
Spares, Supplies and Consumables:		
- with external parties	**16,272**	39,914
Total	**464,709**	724,581

Included in raw materials under product financing facilities of the Group are amounts of RM44.7 million (2010: RM413.7 million) which relate to raw materials in transit.

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

Inventories of the Group amounting to RM253.5 million (2010: RM668.1 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 28.

21. TRADE AND OTHER RECEIVABLES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade receivables	**114,145**	121,275	**–**	–
Allowance for doubtful receivables	**(12,726)**	(12,739)	**–**	–
	101,419	108,536	**–**	–
Accrued billings in respect of property development costs	**–**	186	**–**	–
Other receivables	**34,039**	43,288	**12,851**	526
Allowance for doubtful receivables	**(3,456)**	(3,454)	**–**	–
	30,583	39,834	**12,851**	526
Prepayments and deposits	**120,438**	146,739	**6**	6
	252,440	295,295	**12,857**	532

21. TRADE AND OTHER RECEIVABLES (continued)

Included in receivables of the Group and of the Company are related parties balances of which RM1.4 million (2010: RM10.6 million) and RM Nil (2010: RM Nil) respectively are in trade receivables and RM0.7 million (2010: RM0.8 million) and RM0.4 million (2010: RM0.4 million) respectively are in other receivables.

Included in deposits of the Group is an amount of RM45.0 million (2010: RM45.0 million) of deposits ("Offtake Deposit") paid by a subsidiary to a related party for raw materials supplies as security against the subsidiary's payment obligations to the related party. In the event the payment obligations are not met by the subsidiary within the credit period given, the related party shall be entitled to withdraw from the Offtake Deposit such amount as may be due to the related party towards settlement of the amount due. The Offtake Deposit is pledged to the Syndicated Term Loan Lenders and to a 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 (2010: 5 days to 60 days). Interest on overdue trade balances are charged at a rate of 6% to 16% (2010: 6% to 16%) per annum. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Neither past due nor impaired	**63,792**	59,258
1 to 30 days past due not impaired	**18,233**	29,722
31 to 60 days past due not impaired	**5,623**	1,761
61 to 90 days past due not impaired	**4,661**	1,444
91 to 180 days past due not impaired	**1,271**	3,334
More than 180 days past due not impaired	**1,846**	2,336
	31,634	38,597
Impaired	**18,719**	23,420
	114,145	121,275

Movement of the allowance accounts is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
At 1 July	**12,739**	16,951
Effect of adoption of FRS 139	**–**	–
As restated	**12,739**	16,951
Charge for the year	**70**	58
Written off	**(48)**	(1,451)
Reversal of impairment loss	**(35)**	(2,819)
At 30 June	**12,726**	12,739

21. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM31.6 million (2010: RM38.6 million) that are past due at the reporting date but not impaired.

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

Receivables of the Group amounting to RM161.4 million (2010: RM179.9 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 28.

22. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company	
	2011 RM'000	**2010 RM'000**
Amount due from subsidiaries	**2,374,354**	2,328,682
Allowance for doubtful receivables	**(315,259)**	(2,259)
	2,059,095	2,326,423
Amount due to subsidiaries	**16,792**	16,635

The amount due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured and repayable on demand. The amount due from subsidiaries bear a weighted average effective interest rate of 3.1% (2010: 2.8%) per annum and the amount due to subsidiaries bear a weighted average effective interest rate of 1.0% (2010: 1.0%) per annum.

23. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average effective interest rate as at the reporting date of 2.5% (2010: 2.1%) and 2.9% (2010: 2.5%) per annum respectively and have an average maturity of 9 days (2010: 25 days) and 6 days (2010: 30 days) respectively.

Included in deposits of the Group is an amount of RM0.05 million (2010: RM2.6 million) which is pledged as a bank guarantee to certain subsidiaries.

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2011 RM'000	**2010 RM'000**
Reclassified from property, plant and equipment (Note 13)	**–**	467

25. SHARE CAPITAL

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July/30 June	**3,000,000**	3,000,000
Issued and Fully Paid:		
At 1 July/30 June	**1,900,950**	1,900,950

26. RESERVES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-Distributable:				
Asset revaluation reserve	**264,859**	264,859	**–**	–
Capital reserve	**60,637**	62,069	**3,046**	1,054
Share option reserve	**–**	1,985	**–**	1,985
Foreign currency translation reserve	**14,603**	19,826	**–**	–
Fair value adjustment reserve	**515**	–	**513**	–
Equity component of RCSLS	**30,432**	30,432	**30,432**	30,432
Warrant reserve	**3,673**	3,673	**3,673**	3,673
Other reserves	**374,719**	382,844	**37,664**	37,144
Share premium	**97,685**	97,685	**97,685**	97,685
	472,404	480,529	**135,349**	134,829
Accumulated losses	**(2,169,008)**	(1,933,843)	**(1,699,291)**	(1,328,852)
	(1,696,604)	(1,453,314)	**(1,563,942)**	(1,194,023)

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

(a) Asset Revaluation Reserve

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

(b) Capital Reserve

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

26. RESERVES (continued)

(c) Share Option Reserve

The share option reserve represents the equity-settled share options granted to executive employees. This reserve is made up of the cumulative value of services received from executive 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) Fair Value Adjustment Reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(f) Equity Component of RCSLS

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

(g) Warrant Reserve

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

The details of LCB Warrants are as follows:

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

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

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

27. PREFERENCE SHARES

Megasteel Sdn Bhd ("Megasteel") issued Preference "D" Shares, Preference "E" Shares, Preference "F" Shares and Preference "G" Shares, of which Preference "D" Shares and Preference "F" Shares were issued to the immediate holding company, Limpahjaya Sdn Bhd. The Preference "E" Shares and Preference "G" Shares are held by a related party.

	Group	
	2011 RM'000	**2010 RM'000**
Authorised:		
At 1 July		
Preference "E" Shares of RM0.01 each	**110**	110
Preference "G" Shares of RM0.01 each	**1,000**	1,000
At 30 June	**1,110**	1,110
Issued and paid-up:		
At 1 July		
Preference "E" Shares of RM0.01 each	**110**	110
Preference "G" Shares of RM0.01 each	**1,000**	1,000
At 30 June	**1,110**	1,110
Share premium:		
At 1 July		
Preference "E" Shares of RM0.99 each	**10,890**	10,890
Preference "G" Shares of RM0.99 each	**99,000**	99,000
At 30 June	**109,890**	109,890
Total	**111,000**	111,000

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;

(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;

27. PREFERENCE SHARES (continued)

Terms of Preference "E" Shares (continued)

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

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

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

Terms of Preference "G" Shares

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

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

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

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

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

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

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

(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;

27. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

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.

28. LOANS AND BORROWINGS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short Term Borrowings				
Secured:				
RCSLS (Note 29)	**139,157**	24,674	**139,157**	24,674
Syndicated Term Loans	**428,989**	304,126	**–**	–
Other term loans	**13,342**	7,484	**–**	–
Bills payable	**60,337**	58,981	**–**	–
Revolving credits	**33,500**	33,500	**–**	–
Bank overdrafts	**8,429**	9,885	**–**	–
Finance lease liabilities (Note 30)	**163**	977	**–**	–
	683,917	439,627	**139,157**	24,674
Unsecured:				
Bills payable	**77,228**	76,083	**–**	–
Revolving credits	**1,200**	5,600	**–**	–
Bank overdrafts	**3,465**	3,309	**–**	–
	81,893	84,992	**–**	–
	765,810	524,619	**139,157**	24,674
Long Term Borrowings				
Secured:				
RCSLS (Note 29)	**349,010**	427,468	**349,010**	427,468
Syndicated Term Loans	**243,606**	557,742	**–**	–
Other term loans	**27,228**	40,843	**–**	–
Finance lease liabilities (Note 30)	**109**	223	**–**	–
	619,953	1,026,276	**349,010**	427,468
Unsecured:				
Other term loans	**500**	–	**–**	–
	620,453	1,026,276	**349,010**	427,468
Total Borrowings				
Syndicated Term Loans (Note A)	**672,595**	861,868	**–**	–
Other term loans	**41,070**	48,327	**–**	–
	713,665	910,195	**–**	–
RCSLS (Note 29)	**488,167**	452,142	**488,167**	452,142
Bills payable	**137,565**	135,064	**–**	–
Revolving credits	**34,700**	39,100	**–**	–
Bank overdrafts	**11,894**	13,194	**–**	–
Finance lease liabilities (Note 30)	**272**	1,200	**–**	–
	1,386,263	1,550,895	**488,167**	452,142
The term loans are repayable over the following periods:				
Within 1 year	**442,331**	311,610	**–**	–
From 1 to 2 years	**257,720**	317,827	**–**	–
From 2 to 5 years	**13,614**	280,758	**–**	–
	713,665	910,195	**–**	–

Other term loans, bills payable, revolving credits and bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment (Note 13) and other assets of the subsidiaries.

28. LOANS AND BORROWINGS (continued)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	%	%	%	%
RCSLS	**5.8**	5.8	**5.8**	5.8
Term loans	**7.5**	5.1	**–**	–
Bills payable	**5.8**	4.9	**–**	–
Revolving credits	**7.7**	6.2	**–**	–
Bank overdrafts	**8.6**	7.7	**–**	–

(A) Syndicated Term Loans

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

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

* These amounts have been repaid as agreed under the Restructured Scheme.

** Megasteel obtained a majority consent from a requisite majority of lenders to make a repayment of RM30.6 miilion and defer the balance payment of RM115.6 million to September 2011. A further extension was granted in September 2011 where a requisite majority consent was obtained from its Syndicated Term Loan Lenders to defer the balance amount after certain progressive payments up to December 2011.

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

28. LOANS AND BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

The Syndicated Term Loans facility is secured against:

(a) property, plant and equipment of Megasteel Group as disclosed in Note 13, including any future additions;

(b) floating assets of Megasteel Group; and

(c) charge over certain investment in subsidiaries.

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

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

Pursuant to an agreement dated 30 September 2009, Tan Sri William H.J. Cheng ("TSWC") shall grant Megasteel an option to put ("Put Option") to TSWC or its nominee(s) ("Option Agreement"), for TSWC to purchase the Pledged Shares. The Pledged Shares are charged by Megasteel to the Security Trustee for the benefit of Syndicated Term Loans Lenders.

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

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

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

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

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

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

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

Due to the weak market condition, the realisation of the planned disposal of the Group's assets required by the Restructured Scheme of the Syndicated Term Loans has been delayed. As at 30 June 2011, the Group has not entered into any sale and purchase agreement for the sale of the property, plant and equipment.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

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

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

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

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

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

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

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

(ii) Conversion right and rate

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

(iii) Conversion period

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

(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.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(iv) Redeemability (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 (Note 31).

(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.

As at 30 June 2011, RM469,309,200 (2010: 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 statements of financial position as follows:

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Liability component at 1 July	**452,142**	440,385
Interest expenses recognised during the year (Note 10)	**36,025**	34,445
Repayment during the year	**–**	(22,688)
Liability component at 30 June	**488,167**	452,142

The RCSLS are redeemable over the following periods:

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Within 1 year	**139,157**	24,674
From 1 to 2 years	**101,495**	104,128
From 2 to 5 years	**247,515**	254,977
After 5 years	**–**	68,363
	488,167	452,142

30. FINANCE LEASE LIABILITIES

	Group 2011 RM'000	Group 2010 RM'000
Minimum lease payments:		
Not later than 1 year	**188**	1,107
Later than 1 year and not later than 2 years	**79**	174
Later than 2 years and not later than 5 years	**41**	74
	308	1,355
Future finance charges	**(36)**	(155)
	272	1,200
Present value of finance lease payments:		
Not later than 1 year	**163**	977
Later than 1 year and not later than 2 years	**71**	154
Later than 2 years and not later than 5 years	**38**	69
	272	1,200
Analysed as:		
Due within 12 months	**163**	977
Due after 12 months	**109**	223
	272	1,200

The finance lease liabilities carry interest rates at the reporting date at rates ranging from 2.3% to 8.0% (2010: 2.3% to 8.0%) per annum.

31. BONDS AND DEBTS

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current				
Secured:				
- LCB Bonds	**202,007**	52,731	**202,007**	52,731
- LCB Debts	**1,096**	374	**1,096**	374
- LCB SPV Debts	**18,212**	18,184	**–**	–
	221,315	71,289	**203,103**	53,105
Non-Current				
Secured:				
- LCB Bonds	**1,193,230**	1,259,454	**1,193,230**	1,259,454
- LCB Debts	**6,354**	7,352	**6,354**	7,352
- LCB SPV Debts	**–**	19,490	**–**	–
	1,199,584	1,286,296	**1,199,584**	1,266,806
Total	**1,420,899**	1,357,585	**1,402,687**	1,319,911
Total Bonds and Debts				
Secured:				
- LCB Bonds (Note A)	**1,395,237**	1,312,185	**1,395,237**	1,312,185
- LCB Debts (Note A)	**7,450**	7,726	**7,450**	7,726
- LCB SPV Debts (Note B)	**18,212**	37,674	**–**	–
	1,420,899	1,357,585	**1,402,687**	1,319,911

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Within 1 year	**221,315**	71,289	**203,103**	53,105
From 1 to 2 years	**96,959**	157,103	**96,959**	137,613
From 2 to 5 years	**330,156**	298,317	**330,156**	298,317
After 5 years	**772,469**	830,876	**772,469**	830,876
	1,420,899	1,357,585	**1,402,687**	1,319,911

31. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts

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

On 27 February 2009, the Company had:

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

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

(iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 29).

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

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

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

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

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

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

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

(c) Entire/Partial investment in Lion Plate Mills Sdn Bhd, Bright Steel Sdn Bhd, Megasteel Sdn Bhd, LCB Harta (L) Limited and certain investment in associates;

(d) The Residual Assets, if any;

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

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

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

31. BONDS AND DEBTS (continued)

(A) LCB Bonds and LCB Debts (continued)

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

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

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

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

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

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

Dedicated Cash Flows means cash flow from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a security, if applicable;
- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no security;
- proceeds of the LDHB Inter-Co Repayment received by the Company (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);
- dividends or cash flow from the Deed of Undertaking;
- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;
- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project after repayment of LCB SPV Debts; and
- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

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

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

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

31. BONDS AND DEBTS (continued)

(B) LCB SPV Debts

Pursuant to the implementation of the LCB Scheme in the previous year, a wholly-owned subsidiary of the Company, LCB Harta (L) Limited, had issued USD23.3 million nominal value of new LCB SPV Debts as a consideration for the acquisition of the USD equivalent of USD23.3 million nominal value ACB SPV Debts (Note 18).

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

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

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

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

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

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

(a) ACB SPV Debts Charge;

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

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

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

(e) TSWC FRN Guarantee;

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

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

32. DEFERRED LIABILITIES

	Group	
	2011	2010
	RM'000	RM'000
Unfunded defined benefit plan (Note 34(a))	**2,391**	2,264
Deferred creditors	**3,572**	8,795
	5,963	11,059

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Trade payables	**1,635,101**	1,632,791	**–**	–
Other payables	**175,038**	171,526	**14,639**	13,348
Security deposits received from customers	**34,485**	33,499	**–**	–
Product financing liabilities	**495,691**	915,873	**–**	–
Accruals	**139,860**	178,315	**24,993**	25,187
Project payables	**25,811**	23,559	**–**	–
	2,505,986	2,955,563	**39,632**	38,535

Included in payables of the Group and of the Company are related parties balances of which RM1,102.8 million (2010: RM730.7 million) and RM Nil (2010: RM Nil) respectively are in trade payables, RM34.5 million (2010: RM35.0 million) and RM11.9 million (2010: RM13.3 million) respectively are in other payables and RM332.1 million (2010: RM423.9 million) and RM Nil (2010: RM Nil) respectively are in product financing liabilities.

Certain of the related parties balances bear interest rates ranging from 7.5% to 8.9% (2010: 7.5% to 8.1%) per annum.

The security deposits received from customers amounting to RM34.5 million (2010: RM33.5 million) bear interest rates ranging from 8.5% to 10% (2010: 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 90 days to 120 days (2010: 90 days to 120 days) with interest rates ranging from 2% to 9% (2010: 2% to 9%) per annum. The inventories under such arrangements are disclosed in Note 20. All other normal credit terms granted to the Group in trade payables range from 30 days to 60 days (2010: 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 (2010: 30 days to 120 days). Other credit terms are assessed on a case-by-case basis.

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

34. EMPLOYEE BENEFITS

(a) Defined Benefit Plan - Unfunded

A subsidiary of the Company operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 7 January 2010 by an independent qualified actuary.

The movements during the financial year in the amounts recognised in the Group's statement of financial position are as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Non-Current		
At 1 July	**2,264**	2,150
Charged to profit or loss (Note 7)	**243**	236
Benefit paid	**(116)**	(122)
At 30 June	**2,391**	2,264
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,391**	2,264
The expenses recognised in the income statement are analysed as follows:		
- Current service cost	**125**	122
- Interest cost	**125**	114
- Actuarial gain	**(7)**	–
	243	236

The principal actuarial assumptions used are as follows:

	Group	
	2011	**2010**
	%	**%**
Discount rate	**6**	6
Expected rate of salary increase	**5**	5

34. EMPLOYEE BENEFITS (continued)

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

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

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

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

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

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

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

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

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

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

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

The ESOS expired on 31 August 2010.

34. EMPLOYEE BENEFITS (continued)

(b) ESOS (continued)

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

	Number of Options					
2011	**Balance as at 1.7.2010**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30.6.2011**	**Exercisable as at 30.6.2011**
Grant date						
26.5.2006	**3,344,900**	**–**	**–**	**(3,344,900)**	**–**	**–**
26.2.2007	**3,948,200**	**–**	**–**	**(3,948,200)**	**–**	**–**
	7,293,100	**–**	**–**	**(7,293,100)**	**–**	**–**
WAEP	**1.00**	**–**	**–**	**1.00**	**–**	**–**

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

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

2010	**WAEP RM**	**Exercise Period**
Grant Date		
26.5.2006	1.00	26.5.2006 - 31.8.2010
26.2.2007	1.00	26.2.2007 - 31.8.2010

34. EMPLOYEE BENEFITS (continued)

(b) ESOS (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.

35. COMMITMENTS

Capital Commitments

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**18,166**	20,038
- approved but not contracted for	**47,926**	47,926
	66,092	67,964

36. CONTINGENT LIABILITIES

	Company	
	2011	**2010**
	RM'000	**RM'000**
(a) Guarantees in respect of loans and facilities granted to subsidiaries		
- unsecured	**93,168**	102,722

36. CONTINGENT LIABILITIES (continued)

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

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

	Group	
	2011 RM'000	**2010 RM'000**
(c) Offtake deposit pledge to banks for credit facilities granted to a related party (Note 21)	**45,000**	45,000

37. RELATED PARTY TRANSACTIONS

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

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

		Group	
Name of Company	**Type of Transaction**	**2011 RM'000**	**2010 RM'000**
(i) With ACB Resources Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	**5,454**	4,251
(ii) With Lion Industries Corporation Berhad ("LICB") Group			
Amsteel Mills Sdn Bhd	Trade sales	**528,992**	837,457
	Trade purchases	**612,136**	817,771
	Rental income	**5,167**	4,544
	Rental expenses	**1,281**	1,348
Antara Steel Mills Sdn Bhd	Trade sales	**14,295**	4,039
	Trade purchases	**262,636**	362,640
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**8,465**	9,978
	Rental expenses	**1,017**	1,449
Lion Waterway Logistics Sdn Bhd	Logistic services	**23,203**	23,184
(iii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Trade purchases	**16,112**	14,989
	Rental income	**267**	131
LAP Trading & Marketing Pte Ltd	Trade purchases	**6,233**	15,581

37. 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)

		Group	
		2011	2010
Name of Company	Type of Transaction	RM'000	RM'000
(iv) With Other Related Parties			
Lion DRI Sdn Bhd	Trade sales	**28,571**	44,799
	Trade purchases	**990,083**	1,077,463
	Rental income	**1,142**	1,818
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**9,814**	3,254
Posim Marketing Sdn Bhd	Trade sales	**169,952**	14,782
	Trade purchases	**61,532**	1,146
PT Lion Metal Works Tbk	Trade sales	**4,814**	3,336
Mitsui & Co., Ltd	Trade purchases	**32,659**	34,983
Singa Logistics Sdn Bhd	Logistic services	**12,643**	13,135
Lion Holdings Pte Ltd	Product financing facilities	**341,218**	670,878
	Interest expense on product financing	**8,840**	12,199
Graimpi Sdn Bhd	Product financing facilities	**31,203**	119,135
	Interest expense on product financing	**4,201**	15,780
Ributasi Holdings Sdn Bhd	Product financing facilities	**98,328**	43,798
	Interest expense on product financing	**4,083**	965

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

Lion DRI 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.

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

PT Lion Metal Works Tbk, 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.

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.

37. RELATED PARTY TRANSACTIONS (continued)

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

	Number of Unexercised Options 2011	2010
Tan Sri William H.J. Cheng	–	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 34(b)).

38. SEGMENTAL ANALYSIS

The Group is organised into four major business segments:

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

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

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.

38. SEGMENTAL ANALYSIS (continued)

Group 2011	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	**3,016,838**	**68,340**	**30,603**	**2,769**	**–**	**3,118,550**
Inter-segment	**9,291**	**–**	**64**	**17**	**(9,372)**	**–**
	3,026,129	**68,340**	**30,667**	**2,786**	**(9,372)**	**3,118,550**
Results						
Segment results	**(145,515)**	**29,031**	**407**	**7,977**	**–**	**(108,100)**
Interest income	**7,788**	**851**	**54**	**3,399**	**–**	**12,092**
Investment income	**–**	**–**	**–**	**16**	**–**	**16**
Loss from operations						**(95,992)**
Finance costs						**(319,150)**
Share in results of associates						**66,661**
Loss before taxation						**(348,481)**
Taxation						**64,871**
Net loss for the financial year						**(283,610)**
Segment assets	**4,319,554**	**106,225**	**26,424**	**89,842**	**–**	**4,542,045**
Investment in associates						**972,446**
Unallocated corporate assets						**231,822**
Consolidated total assets						**5,746,313**
Segment liabilities	**3,381,387**	**19,319**	**6,128**	**114,211**	**–**	**3,521,045**
Unallocated corporate liabilities						**1,915,306**
Consolidated total liabilities						**5,436,351**
Other information						
Capital expenditure	**7,945**	**–**	**105**	**112**	**–**	**8,162**
Depreciation and amortisation	**142,573**	**5**	**322**	**331**	**–**	**143,231**

38. SEGMENTAL ANALYSIS (continued)

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

39. STATEMENTS OF CASH FLOWS

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for doubtful receivables:				
- others	**70**	58	**–**	–
- written back	**(35)**	(2,819)	**–**	–
Allowance for obsolete inventories	**12**	132	**–**	–
Dividend income	**(16)**	(54)	**(1,822)**	(1,860)
(Gain)/Loss on disposal of:				
- a subsidiary	**(3,491)**	–	**607**	–
- asset held for sale	**(153)**	–	**–**	–
- property, plant and equipment	**(89)**	279	**–**	–
- quoted investments	**–**	(4,134)	**–**	(4,134)
Impairment loss in an associate	**–**	1,368	**–**	1,540
Impairment loss on goodwill	**40,157**	20,000	**–**	–
Impairment loss on amount due from subsidiaries	**–**	–	**315,641**	–
Interest expenses	**319,150**	307,060	**119,823**	116,256
Interest income	**(12,092)**	(7,580)	**(62,912)**	(63,966)
Inventories written down	**107,371**	4,678	**–**	–
Loss on dilution of an associate	**–**	286,755	**–**	–
Property, plant and equipment:				
- depreciation	**143,231**	141,422	**–**	–
- written off	**2,026**	–	**–**	–
Provision for defined benefit plan	**243**	236	**–**	–
Share in results of associates	**(66,661)**	(167,804)	**–**	–
Share options granted under ESOS	**7**	21	**–**	–
Unrealised gain on foreign exchange	**(11,108)**	(42,458)	**(585)**	(606)
	518,622	537,160	**370,752**	47,230

(b) Purchase of property, plant and equipment

	Group	
	2011 RM'000	2010 RM'000
Aggregate cost of purchase (Note 13)	**8,162**	19,425
Purchase by means of hire purchase	**(55)**	–
Purchase by cash	**8,107**	19,425

39. STATEMENTS OF CASH FLOWS (continued)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**64,164**	112,367	**362**	502
Deposits with financial institutions	**57,613**	30,504	**3,590**	708
Bank overdrafts (Note 28)	**(11,894)**	(13,194)	**–**	–
	109,883	129,677	**3,952**	1,210
Money market instruments (Note 18(b))	**–**	1,350	**–**	–
Fixed deposits pledged to licensed banks	**(49)**	(2,637)	**–**	–
	109,834	128,390	**3,952**	1,210

Cash and bank balances and deposits with financial institutions of the Group amounting to RM21.1 million (2010: RM62.3 million) are secured by way of a floating charge for borrowings as disclosed in Note 28.

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	
	2011	**2010**
	RM'000	**RM'000**
Bank balances	**42,993**	39,556
Deposits with financial institutions	**31,879**	20,022
	74,872	59,578

Included in bank balances of a subsidiary is an amount of RM42.8 million (2010: RM38.2 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

40. 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.

40. FINANCIAL INSTRUMENTS (continued)

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

Foreign Currency Risk

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

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group				
2011				
Trade and other receivables	**14,502**	**–**	**159**	**14,661**
Trade and other payables	**271,247**	**8,468**	**21,963**	**301,678**
Loans and borrowings	**342,082**	**–**	**–**	**342,082**
Bonds and debts	**25,662**	**–**	**–**	**25,662**
Deferred liabilities	**–**	**3,572**	**–**	**3,572**
Group				
2010				
Trade and other receivables	18,485	–	553	19,038
Trade and other payables	573,631	34,908	27,598	636,137
Loans and borrowings	454,951	–	–	454,951
Bonds and debts	45,400	–	–	45,400
Deferred liabilities	–	8,795	–	8,795

40. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible change in the USD exchange rate against the functional currency of the Group and the Company, with all other variables held constant:

	Increase/(Decrease) Profit net of tax	
	Group 2011 RM'000	Company 2011 RM'000
USD/RM - strengthened 3%	(14,050)	(167)
- weakened 3%	14,050	167

Interest Rate Risk

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM0.7 million higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and the Company's exposure to credit risk arises primarily from loans and advances to subsidiaries and financial guarantees given. For other financial assets (investment securities, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount. As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries. As at end of the reporting date, there was no indication that any subsidiary would default on repayment. The financial guarantee have not been recognised since the fair value on initial recognition was not material.

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting date, the maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position.

40. FINANCIAL INSTRUMENTS (continued)

Market Risk

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

Liquidity and Cash Flow Risks

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As mentioned in Note 2, as at 30 June 2011, the Group's current liabilities exceeded current assets by RM2.21 billion.

Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company as at the reporting 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
2010				
Financial Assets				
Quoted investments	109	559	102	552
2011				
Financial Liabilities				
Finance lease liabilities	**272**	**292**	**–**	**–**
2010				
Financial Liabilities				
Finance lease liabilities	1,200	1,332	–	–

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 reporting 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) Loans and 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.

40. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R")
(ii) Other liabilities ("OL")

2011	**Carrying Amount RM'000**	**L&R RM'000**	**OL RM'000**
Group			
Financial Assets			
Trade and other receivables	**252,440**	**252,440**	**–**
Deposits with financial institutions	**57,613**	**57,613**	**–**
Cash and bank balances	**64,164**	**64,164**	**–**
	374,217	**374,217**	**–**
Financial Liabilities			
Trade and other payables	**2,505,986**	**–**	**2,505,986**
Loans and borrowings	**1,386,263**	**–**	**1,386,263**
Bonds and debts	**1,420,899**	**–**	**1,420,899**
	5,313,148	**–**	**5,313,148**
2011			
Company			
Financial Assets			
Trade and other receivables	**12,857**	**12,857**	**–**
Amount due from subsidiaries	**2,059,095**	**2,059,095**	**–**
Deposits with financial institutions	**3,590**	**3,590**	**–**
Cash and bank balances	**362**	**362**	**–**
	2,075,904	**2,075,904**	**–**
Financial Liabilities			
Trade and other payables	**39,632**	**–**	**39,632**
Amount due to subsidiaries	**16,792**	**–**	**16,792**
Loans and borrowings	**488,167**	**–**	**488,167**
Bonds and debts	**1,402,687**	**–**	**1,402,687**
	1,947,278	**–**	**1,947,278**

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2011 and 2010.

	Group	
	2011 RM'000	**2010 RM'000**
Loans and borrowings	**1,386,263**	1,550,895
Bonds and debts	**1,420,899**	1,357,585
Trade and other payables	**2,505,986**	2,955,563
Less: Deposits with financial institutions	**(57,613)**	(30,504)
Cash and bank balances	**(64,164)**	(112,367)
Net debt (A)	**5,191,371**	5,721,172
Equity attributable to owners of the Company	**204,346**	447,636
Capital and net debt (B)	**5,395,717**	6,168,808
Gearing ratio (A/B)	**96%**	93%

42. COMPARATIVE FIGURES

(a) Arising from the adoption of FRS 101 (revised), *Presentation of Financial Statements*, income statements, balance sheets and cash flow statements for the year ended 30 June 2010 have been re-presented as income statements, statements of comprehensive income, statements of financial position and statements of cash flows.

(b) The following comparative figures of the Group have been restated to conform with the current year's presentation:

	As previously stated RM'000	**Adjustments RM'000**	**As restated RM'000**
Current Liabilities			
Bank overdrafts	13,194	(13,194)	–
Trade and other payables - Hire purchase liabilities	2,956,540	(977)	2,955,563
Loans and borrowings	510,448	14,171	524,619
Non-Current Liabilities			
Deferred liabilities - Hire purchase liabilities	11,282	(223)	11,059
Loans and borrowings	1,026,053	223	1,026,276

43. SUPPLEMENTARY INFORMATION

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2011 into realised and unrealised profits/losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements*, issued by the Malaysian Institute of Accountants.

	Group 2011 RM'000	Company 2011 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(2,101,872)	(1,701,202)
- Unrealised	308,929	1,911
	(1,792,943)	(1,699,291)
Total share of retained profits from associates:		
- Realised	248,520	–
- Unrealised	10,762	–
	(1,533,661)	(1,699,291)
Less: Consolidation adjustments	(635,347)	–
Total Group accumulated losses	(2,169,008)	(1,699,291)

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION CORPORATION BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 36 to 122 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 to the financial statements on page 123 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 20 October 2011.

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

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **TAN SRI WILLIAM H.J. CHENG**, being 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 123 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 20 October 2011.

TAN SRI WILLIAM H.J. CHENG

Before me

W259
AHMAD B. LAYA
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of LION CORPORATION BERHAD, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 122.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable Financial Reporting Standards in Malaysia and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence 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 applicable Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group's current liabilities exceeded its current assets by RM2.21 billion. This condition, along with other matters as set forth in Notes 28 and 33, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to realise its assets and discharge its liabilities in the normal course of business.

Note 2 states that, after making enquiries and considering the uncertainties described above, the Directors believe that the results from the proposed injection of additional working capital from a third party investor and the proposed settlement agreements with its creditors on overdue balances, will enable the Group to generate sufficient cash flows to meet its obligations and improve the cash flows of the Group. For these reasons, the Directors are of the opinion that the Group will be able to continue in operational existence for the foreseeable future.

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 its subsidiaries 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 16 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we 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 did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

The supplementary information set out in Note 43 on page 123 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements*, as issued by the Malaysian Institute of Accountants (""MIA Guidance"") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

LIM KOK BENG
588/02/13(J)
Chartered Accountant

Kuala Lumpur
20 October 2011

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2011

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 (28)	2,826	15.08.1983
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 (12)	680,069	18.10.1995
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 hectares	Industrial land and building	Factory, office & warehouse (4)	8,884	20.04.2005
Lot 3916 Kawasan Perindustrian Teluk Kalung 24007 Kemaman Terengganu	Leasehold 24.09.2054	17 acres	Industrial land and building	Factory & office (15)	7,710	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 (19)	15,614	07.04.1995

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 31 October 2011

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

Distribution of Shareholdings as at 31 October 2011

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	239	2.18	9,437	0.00
100 to 1,000	1,239	11.32	865,789	0.05
1,001 to 10,000	4,932	45.05	28,206,663	1.48
10,001 to 100,000	3,900	35.63	141,412,276	7.44
100,001 to less than 5% of issued shares	633	5.78	487,575,632	25.65
5% and above of issued shares	4	0.04	1,242,879,834	65.38
	10,947	100.00	1,900,949,631	100.00

Substantial Shareholders as at 31 October 2011

	Direct Interest		Indirect Interest			
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants (1)	RCSLS (RM) (2)
1. Tan Sri William H.J. Cheng	458,685	0.02	1,470,336,399	77.35	10,161,887	275,214,524
2. Tan Sri Cheng Yong Kim	2,709,517	0.14	414,493,430	21.80	638,176	–
3. Lion Development (Penang) Sdn Bhd	41,094	*	404,400,850	21.27	–	–
4. Lion Industries Corporation Berhad	1,727,361	0.09	1,016,232,797	53.46	9,532,431	38,233,300
5. Lion Diversified Holdings Berhad	455,791,977	23.98	559,450,652	29.43	331,850	–
6. Lion Realty Private Limited	6,946,565	0.37	404,441,944	21.28	–	–
7. Horizon Towers Sdn Bhd	327,005,491	17.20	–	–	–	–
8. Amsteel Mills Sdn Bhd	985,968	0.05	1,015,242,629	53.41	5,654,303	21,884,800
9. LLB Steel Industries Sdn Bhd	–	–	1,016,228,597	53.46	5,654,303	21,884,800
10. Steelcorp Sdn Bhd	–	–	1,016,228,597	53.46	5,654,303	21,884,800
11. Excel Step Investments Limited	–	–	349,100,000	18.36	–	–
12. Teraju Varia Sdn Bhd	349,100,000	18.36	–	–	–	–
13. LDH (S) Pte Ltd	110,465,652	5.81	–	–	–	–

Notes:

* *Negligible.*

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

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

Thirty Largest Registered Shareholders as at 31 October 2011

	Registered Shareholders	No. of Shares	% of Shares
1.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	455,360,000	23.95
2.	Teraju Varia Sdn Bhd	349,100,000	18.36
3.	Horizon Towers Sdn Bhd	327,954,182	17.25
4.	LDH (S) Pte Ltd	110,465,652	5.81
5.	LDH Management Sdn Bhd	89,948,000	4.73
6.	Sims Holdings Sdn Bhd	38,473,283	2.02
7.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	27,000,000	1.42
8.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	16,000,000	0.84
9.	Lion Holdings Sdn Bhd	14,311,921	0.75
10.	Tirta Enterprise Sdn Bhd	10,839,025	0.57
11.	Lion DRI Sdn Bhd	9,937,000	0.52
12.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,305,407	0.38
13.	Lion Realty Private Limited	6,946,565	0.37
14.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Kin Kong	6,814,400	0.36
15.	Lim Seng Chee	5,750,000	0.30
16.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)	5,507,000	0.29
17.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Arab-Malaysian Credit Berhad for Peringkat Prestasi (M) Sdn Bhd (0387)	5,208,000	0.27
18.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chee Sing (R01–Margin)	4,894,200	0.26
19.	Citigroup Nominees (Asing) Sdn Bhd Daiwa Cap Mkts HK Ltd for Chun Yuan Steel Industry Co Ltd	4,452,000	0.23
20.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	4,183,700	0.22
21.	Dushyanthi Perera	4,000,000	0.21
22.	Toh Ean Hai	3,182,800	0.17
23.	Bhoopindar Singh A/L Harbans Singh	3,150,000	0.17
24.	Mayban Securities Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	3,056,000	0.16
25.	RHB Capital Nominees (Tempatan) Sdn Bhd Gan Seong Liam	3,000,000	0.16
26.	Lancaster Trading Company Limited	2,800,126	0.15
27.	Khor Hooi Kheang	2,726,233	0.14
28.	Cheng Yong Kim	2,705,317	0.14
29.	Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,468,107	0.13
30.	OSK Nominees (Tempatan) Sdn Berhad UOB Kay Hian Private Limited for Choi Kim Teck (Margin)	2,376,600	0.13

Warrant as at 31 October 2011 ("Warrant")

No. of Warrant	:	36,734,534
Exercise Period	:	21 April 2009 – 20 April 2019
Exercise Price	:	RM1.00 per ordinary share of RM1.00 each
Exercise Right	:	Warrant holders will have the right to subscribe at the Exercise Price for new ordinary shares of RM1.00 each in the Company during the Exercise Period

Distribution of Warrant Holdings as at 31 October 2011

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	342	12.69	15,369	0.04
100 to 1,000	1,166	43.28	536,022	1.46
1,001 to 10,000	827	30.70	3,561,015	9.69
10,001 to 100,000	312	11.58	10,209,762	27.79
100,001 to less than 5% of warrants issued	44	1.63	13,211,785	35.97
5% and above of warrants issued	3	0.12	9,200,581	25.05
	2,694	**100.00**	**36,734,534**	**100.00**

Thirty Largest Registered Warrant Holders as at 31 October 2011

Registered Warrant Holders		No. of Warrants	% of Warrants
1.	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.	HLG Nominee (Asing) Sdn Bhd BNP Paribas (Labuan Branch)	1,167,077	3.18
5.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citigroup Global Markets Inc (112256)	987,089	2.69
6.	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chee Sing (M)	900,000	2.45
7.	Market Share Investments Limited	774,360	2.11
8.	Siow Chee Fei	751,300	2.05
9.	Haber Pte Ltd	629,436	1.71
10.	Chan Hung Mun	500,000	1.36
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse Securities (Europe) Limited	464,616	1.26
12.	Fun Yoon Fah	433,000	1.18
13.	Fun Foo Keong	412,000	1.12
14.	Chan Kwok Kee	400,000	1.09
15.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Banc of America Securities Limited	344,826	0.94
16.	Lion Diversified Holdings Berhad	331,850	0.90

Thirty Largest Registered Warrant Holders as at 31 October 2011 (continued)

Registered Warrant Holders		No. of Warrants	% of Warrants
17.	Chin Chin Seong	300,000	0.82
18.	Loh Say Bee Sdn. Berhad	300,000	0.82
19.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chee Sing (R01-Margin)	300,000	0.82
20.	ABB Nominee (Tempatan) Sdn Bhd Affin Bank Berhad (Loan Recovery)	274,649	0.75
21.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mak Ngia Ngia @ Mak Yoke Lum (MM0749)	242,400	0.66
22.	Lim Poh Chuan	200,000	0.54
23.	OSK Nominees (Asing) Sdn Berhad DMG & Partners Securities Pte Ltd for Wong Kim Choong (J2/511021)	200,000	0.54
24.	Sim Seow Heng	200,000	0.54
25.	Lim Kam Lin	190,000	0.52
26.	HDM Nominees (Asing) Sdn Bhd Phillip Securities Pte Ltd for Goh Tjun Huat	178,800	0.49
27.	Ng Moi Ling	170,000	0.46
28.	Shum Kwai Fun	156,000	0.42
29.	Ng Siaw Yong	152,000	0.41
30.	Teh Mooi Wah	150,100	0.41

Directors' Interests in Shares in the Company and its Related Corporations as at 31 October 2011

The Directors' interests in shares in the Company and its related corporations as at 31 October 2011 are as follows:

	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		458,685	0.02	1,470,371,715 (1)	77.35
Tan Sri Cheng Yong Kim		2,709,517	0.14	414,493,430 (2)	21.80
M. Chareon Sae Tang @ Tan Whye Aun		–	–	490,900	0.03
Folk Fong Shing @ Kok Fong Hing		–	–	– (3)	–
Related Corporations					
Lion Diversified Holdings Berhad ("LDHB")	RM0.50				
Tan Sri William H.J. Cheng		121,356,607	16.46	286,428,888 (4)	38.85
Tan Sri Cheng Yong Kim		7,841,337	1.06	248,259,135 (5)	33.67
M. Chareon Sae Tang @ Tan Whye Aun		–	–	20,000	*

Directors' Interests in Shares in the Company and its Related Corporations as at 31 October 2011 (continued)

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Related Corporations (continued)					
Tan Sri William H.J. Cheng					
Tan Sri Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	–	–	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	–	–	11,420,000	57.10
LDH Investment Pte Ltd	@	–	–	4,500,000	100.00
Logic Concepts (M) Sdn Bhd	RM1.00	–	–	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	–	–	91,000	91.00
Lyn (Pte) Ltd	@	–	–	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	–	–	600,000,001	100.00

	Nominal Value per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Megasteel Sdn Bhd					
- "D" Shares	RM0.01	–	–	49,000,000	100.00
- "E" Shares	RM0.01	–	–	11,000,000	100.00
- "F" Shares	RM0.01	–	–	26,670,000	100.00
- "G" Shares	RM0.01	–	–	100,000,000	100.00

Notes:

* *Negligible.*

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

(1) *Also deem interested in 10,169,407 Warrants and RM275,214,524 RCSLS.*

(2) *Also deem interested in 638,200 Warrants.*

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

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

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

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

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

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

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 31 October 2011.

OTHER INFORMATION

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

(a) Conditional Sale and Purchase Agreement dated 14 October 2010 supplemented by agreements dated 13 January 2011, 28 February 2011 and 13 April 2011 entered into by the Company, Lion Forest Industries Berhad ("LFIB"), a company wherein certain Directors and certain major shareholders of the Company have interest, and MBM Resources Berhad for the disposal by (i) the Company of its 19,275,030 ordinary shares of RM1.00 each fully paid representing 50.01% equity interest; and (ii) LFIB of its 7,710,000 ordinary shares of RM1.00 each fully paid representing 20% equity interest in Kinabalu Motor Assembly Sendirian Berhad ("KMA"), to MBM Resources Berhad for a total cash consideration of RM2 and a cash settlement of inter-company debts owing by KMA to the Company and Limpahjaya Sdn Bhd, a wholly-owned subsidiary of the Company, for a total amount of approximately RM13 million.

The disposal was completed on 3 June 2011.

(b) Conditional Subscription Agreement dated 10 February 2011 entered into between Megasteel Harta (L) Limited ("Megasteel Harta"), a wholly-owned subsidiary of Megasteel Sdn Bhd, which is in turn a subsidiary of the Company, and Jadeford International Limited ("Jadeford"), a wholly-owned subsidiary of LFIB, for the issuance of 17,000,000 3-year Redeemable Cumulative Preference Shares of USD1.00 each for cash of USD17,000,000 by Megasteel Harta to Jadeford .

This Agreement was mutually terminated on 6 April 2011.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM6,000 (2010 : RM Nil).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2011 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) The sale of hot rolled coils, steel bars, steel plates, billets, scrap iron, gases and other related products and services	Lion Industries Corporation Berhad Group ("LICB Group") (1)	548,472
	Lion Holdings Pte Ltd Group ("LHPL Group") (2)	4,814
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	28,789
	Lion Forest Industries Berhad Group ("LFIB Group") (1)	169,960
	Megasteel Sdn Bhd Group ("Megasteel Group") (3)	10,774
	Lion Asiapac Limited Group ("LAP Group") (1)	2,231
	Parkson Holdings Berhad Group ("Parkson Group") (1)	214
	Amble Bond Sdn Bhd Group (2)	2
		765,256
(ii) The purchase of hot briquetted iron, scrap iron and other related products and services	LICB Group (1)	883,237
	LHPL Group (2)	341,218
	Ributasi Holdings Sdn Bhd Group (4)	98,328
	LDHB Group (1)	1,021,327
	LAP Group (1)	22,345
	LFIB Group (1)	64,749
	Mitsui & Co., Ltd (5)	32,659
	Megasteel Group (3)	378,589
		2,842,452

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2011 were as follows: (continued)

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (continued)		
(iii) The purchase of machinery, spare parts, lubricants, tools and dies and other related products and services	LFIB Group (1)	6,597
(iv) The obtaining of marketing, distribution and transportation services	LICB Group (1)	23,203
	LFIB Group (1)	12,643
		35,846
(v) Letting of Land	LDHB Group (1)	1,142
(vi) The obtaining of storage, leasing and rental of properties, management and support and other related services for the Steel Division office	LICB Group (1)	1,281
(b) Motor vehicles related		
(i) The sale of motor vehicles, component parts, assembly and services of motor vehicles	LFIB Group (1)	371
	Parkson Group (1)	2
		373
(ii) The purchase of motor vehicles and component parts of motor vehicles	LFIB Group (1)	794

Notes:

"Group" includes subsidiaries and associates

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

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

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

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

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

1. Organisation Structure

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

1.1 Group Management Structure

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

1.2 Lion Corporation Berhad ("LCB") Management Structure

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

1.3 KOC Organisation Structure

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

2. Financial Management

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

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

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

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

(i) Status of assets to be divested

			(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2011)		
Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	Jan - June 2011	Projected for July - Dec 2011	Projected Jan - Dec 2011
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003					
Shares in listed and unlisted companies	33.3	2.7	–	–	–
By December 2004					
Shares in unlisted company	38.6	(ii) 13.0	–	13.0	13.0
	71.9	15.7	–	13.0	13.0

(ii) Transaction completed during the financial year

During the year, the Company completed the disposal of its entire 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad:

- The gross and net divestment proceeds on the disposal of equity shares are RM1; and
- A cash settlement of inter-company debts of RM13 million.

(iii) Utilisation of the divestment proceeds received

For the transaction mentioned in (ii), RM12.5 million of the total cash consideration was/will be used to redeem/repay LCB Bonds/LCB Debts.

(iv) Plans to overcome any projected shortfall

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

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

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 21 December 2011 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
3. To re-elect as Director, Y. Bhg. Datuk Karownakaran @ Karunakaran A/L Ramasamy		
4. To re-appoint as Director, Mr Folk Fong Shing @ Kok Fong Hing		
5. To re-appoint as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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 2011

No. of shares: .... Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 December 2011 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- The instrument of proxy shall be deposited at the office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.